SUSTAINABILITY ASSURANCE AND VALUE CHAIN ANALYSIS UNDER BRSR REGIME

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Overview

In the ever-evolving landscape of corporate responsibility, the Business Responsibility and Sustainability Reporting (BRSR) regime has emerged as a pivotal framework.
In our previous article we covered the points about BRSR Reporting, and analysis of their significance. We gave insights upon:

-Global Footprints and Needs for BRSR Reporting
-Pillars and advantages of Incorporating ESG Standards
-Auditing Standard Issued for BRSR Reporting
-Reporting Format for BRSR Reporting
-Journey from BRR to BRSR
-Format of Reporting Disclosure under BRSR
-Companies Embracing BRSR Reporting
-Things to do to comply with BRSR Reporting
-Social Stock Exchange

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This article delves into the significance of social audit and value chain analysis within the BRSR regime, exploring how organizations navigate this regulatory landscape to uphold their commitment to ethical practices and sustainability. Unpacking the intricacies of social audit and value chain analysis under BRSR, this piece aims to shed light on their role in shaping a responsible and transparent business ecosystem.

CONTINUE

What is sustainability assurance?

Sustainability assurance is a process that provides independent verification of a company's sustainability performance and reporting. It aims to ensure that sustainability information provided by a company is accurate, reliable, and relevant. It typically involves an external auditor or assurance provider reviewing a company's sustainability reports, policies, and practices, and issuing a report that gives stakeholders assurance that the information is accurate and reliable.

1.(A) Advantages of Sustainability Assurance

1. Improved stakeholder relations

Companies to be more transparent about their operations, improve relations with stakeholders and wider community.

2. Enhanced brand reputation

By demonstrating their commitment to sustainability, companies can differentiate themselves.

3. Better risk management

By reporting on ESG issues, companies can better understand the potential impacts of their activities and take steps to mitigate risk.

4. Improved decision-making

By analyzing data, companies can identify areas where they need to improve, set targets for improvement, and track their progress overtime.

5. Access to capital

Attract investment from investors who prioritize sustainability.

6. Improved internal management

Tracking their performance, identify areas to improve and take steps to make their operations sustainable.

7. Innovation

By focusing on sustainability, companies can identify new products, services and business models that are both environmentally friendly and financially viable.

1(B) What is Social Audit?

A social audit is a formal review of a company's endeavours, procedures, and code of conduct regarding social responsibility and the company's impact on society. A social audit is an assessment of how well the company is achieving its goals or benchmarks for social responsibility.

The public is more aware and informed about their rights, and they demand transparency and accountability from their elected officials. To meet these expectations, governments worldwide are adopting new-strategies and tools to assess their performance and become more social responsible.

1(C)Types of Social Audit

Economic Audit

This type of social audit examines the economic impact of a company's operations on the surrounding community. It looks at the costs and benefits of a certain project or practice, analyzing resource allocation and where money is spent and made. Economic audits also consider how externalities, such as pollution or resource depletion, affect community development, healthcare infrastructure, and housing needs for people in impoverished areas. sources in their operations.

Environmental Audit

An environmental audit is a type of social audit that assesses the impact of a project or practice on the environment. It involves evaluating the use of resources, waste generation, emissions, and other environmental factors. Environmental audits are conducted to determine compliance with environmental regulations and standards, identify areas for develop environmental management systems.

Social Risk Audit

A social risk audit is a type of social audit that focuses on identifying and assessing the potential negative social impacts that a project, program or organization may have on various stakeholders. These stakeholders can include local communities, indigenous groups, vulnerable populations such as women and children, and migrant workers.

The purpose of a social risk audit is to identify and evaluate potential social risks associated with a project or program and to develop strategies to mitigate or manage these risks.

Community Audit

A community audit is a type of social audit that focuses on community-based projects that provide services or employment to residents in a particular area. One of the key areas that a community audit examines is the total workforce, which includes the number of employees and their job roles.

Overall, a community audit seeks to ensure that community-based projects are providing meaningful benefits to residents and contributing to the development of a sustainable and resilient community.

Human Rights Audit

A human rights audit is an assessment of an organization's adherence to human rights principles and standards. This type of social audit is designed to determine whether an organization is respecting the human rights of all individuals who are impacted by its operations or activities.
Human rights audits may be conducted by non-governmental organizations, human rights advocacy groups, government agencies, or other third-party organizations.

Contract Audit

A contract audit is an examination of the contractual agreements between a company and its suppliers, contractors or employees. In social audits, a contract audit examines the terms of engagement with the workers or suppliers in order to ensure that they are treated fairly and have their rights protected. This includes ensuring that workers are paid fairly, work in safe and healthy conditions, and have access to basic benefits like healthcare and paid leave.

Corporate Social Responsibility (CSR)

(CSR) is a business approach that involves a company taking responsibility for its impact on society and the environment beyond its financial performance. It is a form of self-regulation that companies adopt voluntarily to ensure that their operations are ethical and contribute to sustainable development.
CSR is becoming increasingly important for businesses, as consumers and stakeholders are demanding greater accountability and responsibility from corporations.

Ethic Audit

An ethics audit is a type of social audit that evaluates an organization's ethical performance and compliance with ethical principles, values, and codes of conduct. It is a systematic evaluation of an organization's ethical practices, policies, and procedures to identify areas of improvement and ensure that the organization operates ethically and responsibly.
Ethics audits can be performed by internal auditors, external auditors, or independent ethics consultants.

1.(D) Who can Perform Social Audit?

Eligibility criteria

- Any Individual or entity of firm having a track record of minimum three years of conducting social impact assessment of a social enterprise.
- Average annual grants or expenditure of social enterprise for which impact assessment has been carried out for the last three financials years should be at least Rs. 50 lakhs.
- Suitable human resources in the field of social development having experience of usage of relevant methodology of social audit

Disqualification

- Any individual or any of the partner/Director of an entity convicted for an offence involving moral turpitude by any court of competent jurisdiction.
- The individual or any of the partner/Director of an entity has been declared as undischarged insolvent/bankrupt by the court of competent jurisdiction or any other authority empowered by law.
- Any individual or any of the partner/Director of an entity has been debarred by SEBI.

1 (E) Social Audit Standards in India

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.

ESG Disclosures for Value Chain

Reasonable assurance on BRSR Core on a glide path:

The framework provides that the listed entities should obtain a mandatory reasonable assurance on the BRSR Core and disclosures by an independent assurance provider based on a glide path:

FY 2023-24

- Reasonable Assurance on BSBR Core mandatory for top 150 companies* on comply or explain basis.

FY 2024-25

-- Reasonable Assurance on BSBR Core mandatory for top 250 companies* on comply or explain basis.

FY 2025-26

-- Reasonable Assurance on BSBR Core mandatory for top 500 companies* on comply or explain basis.

FY 2026-27

-- Reasonable Assurance on BSBR Core mandatory for top 1000 companies* on comply or explain basis.

2 (A). Composition of Value Chain

- The value chain should encompass the top upstream and downstream partners of a listed entity, cumulatively comprising 75 per cent its purchases/sales (by value) respectively.

- Such reporting may be segregated for upstream and downstream partners or can be reported on an aggregate basis.

- The scope of reporting and any assumptions or estimates, if any, should be clearly disclosed.

2(B) Reporting format

- Disclosures for value chain should be made by the listed entity as per BRSR Core, as part of its annual report.

2(C) ESG Value Chain- Disclosure and limited assurance

The framework provides that a listed entity should report the parameters as per BRSR Core for their value chain to the extent it is attributable to their business with that value chain partner. Key highlights of the ESG disclosures and assurance for value chain are given below:

Applicability

The ESG disclosures for the value chain is applicable to the top 250 listed entities (by market capitalization), on a comply-or-explain basis from FY 2024-25.

Composition of value chain

The circular provides that value chain should encompass the top upstream and downstream partners of a listed entity, cumulatively comprising 75 per cent its purchases/sales (by value) respectively. Such reporting may be segregated for upstream and downstream partners or can be reported on an aggregate basis. the scope of reporting and any assumptions or estimates, if any, should be clearly disclosed.

Reporting format

Disclosures for value chain should be made by the listed entity as per BRSR Core, as part of its annual report

Limited assurance

The above-mentioned companies should obtain limited assurance on a comply or-explain basis from FY 2025 - 26.

conclusion

In conclusion, the intersection of social audit and value chain analysis within the BRSR regime provides a robust framework for businesses to assess and enhance their social and environmental impact. As organizations strive for greater sustainability and ethical practices, these tools become invaluable in fostering transparency, accountability, and resilience. Embracing the principles embedded in BRSR, companies can not only comply with regulatory standards but also contribute to positive social change. Ultimately, the integration of social audit and value chain analysis signifies a commitment to a more responsible and sustainable future, where businesses play a pivotal role in driving positive societal and environmental outcomes. India is currently working on building systems to evaluate social impact and understand the overall value creation process in different industries.

Thank you

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