

Business Responsibility
and Sustainability Report
What does it mean for the top
1,000 listed entities in India?

Introduction

Disclosure requirements have leapfrogged globally in the last decade, holding companies accountable for their identification of Environment, Social and Governance (ESG) responsibilities and their transparent incorporation in annual disclosures. The concept of materiality has helped businesses identify material products and/or services with bearings on their long-term sustainable growth in a globally competitive market.

In line with these global developments, the Securities and Exchange Board of India (SEBI), in its continued efforts to enhance disclosures on ESG standards, introduced new requirements for sustainability

reporting by listed companies.¹ The new reporting format named, Business Responsibility and Sustainability Report (BRSR), aims to establish links between the financial results of a business with its ESG performance. This can make it easier for regulators and investors, and allied stakeholders to obtain a fair estimate of overall business stability, growth and sustainability (hitherto based on financial disclosures alone).

SEBI has mandated that the BRSR will be applicable to the top 1,000 listed entities (by market capitalisation) for reporting on a voluntary basis for FY2021-22 and on a mandatory basis from FY2022-23.

BRR vs. BRSR: What changed?

The BRSR requirements are based on the National Guidelines for Responsible Business Conduct (NGRBC), which mandate that businesses:




¹ BRSR received its acceptance through the SEBI notification (PR # 15/2021 dated 25 March 2021) confirming mandatory applicability to the top 1,000 listed companies by market capitalisation from FY2022-23. The revised disclosures are based on the National Guidelines on Responsible Business Conduct (NGRBC)

The BRSR succeeds the BRR requirements that companies were expected to follow. Below is an overview of the enhancements that BRSR is expected to bring.

S. No.	Business Responsibility Report (BRR)	Business Responsibility and Sustainability Report (BRSR)	What efforts do companies need to make?
1.	Applicable to the top 1,000 listed companies by market capitalisation.	Applicable to the top 1,000 listed companies by market capitalization from FY2022. Companies can transition early. This is expected to apply for all listed and unlisted companies in subsequent years. ²	Extend scope and widen reach, set up high disclosure standards for companies registered/operating in India. The very basis of disclosure is materiality; companies are required to begin with the top three products ³ or services and expand details accordingly. Environment, social and governance aspects have been segregated to capture high-quality disclosures.
2.	Disclosure in annual report	Disclosure in both, annual report and MCA21 portal through xBRL language.	Data gathered is expected to help develop a BRS index for Indian businesses over time.
3.	Qualitative disclosures only	Qualitative and quantitative disclosures with essential and leadership indicators for disclosures. Disclosure requirements are divided into three sections: <ul style="list-style-type: none"> • General disclosures • Management and processes • Principle-wise performance. 	Deeper disclosures and eminence building. BRSR expects companies to extend their policies to value-chain partners. Companies are expected to identify their key stakeholders and disclose interaction type and frequency. The section on “principle-wise performance” mandates quantitative disclosures. The section also offers opportunities for building disclosure eminence through “leadership questions”.
4.	Universal/single template	BRSR lite ⁴ has been introduced for companies with no prior experience of BRR disclosures.	Differentiated disclosure requirements for companies introduced for the first time. Companies transitioning to BRSR from BRR or planning to develop BRSR with no prior experience may consider BRSR lite as the starting point to understand the requirements.

BRSR: The business advantage⁵

Though BRSR may be perceived as a compliance requirement, it has several positive implications for businesses. Globally, ESG disclosures have demonstrated several benefits, some of which include:



Increased value creation:
A few global studies show that companies that embed ESG into core business practices outperform their peers. This is true for India as well, where, over a 12-year period, the MSCI India ESG leaders index consistently outperformed the broader market as represented by MSCI India IMI index.⁶ The difference in the outperformance has also increased.



Access to markets and increased market share:
A number of companies have begun to recognise that investing in social and environmental issues will not only improve their own business continuity but will also place them in a stronger position with their customers and business partners, and enable them to acquire new customers.

² Report of the committee on business responsibility reporting, Ministry of Corporate Affairs 2020

³ Consultation Paper on the format for Business Responsibility and Sustainability Reporting

⁴ BRSR comprehensive version is available in annexure 2 of framework document of Aug 2020 from page 36-72 whereas BRSR lite version is available in annexure 3A from page 118-143 in the same document.

⁵ https://www.mca.gov.in/Ministry/pdf/BRR_11082020.pdf Report of the committee on business responsibility reporting, Ministry of Corporate Affairs 2020

⁶ <https://www.msci.com/documents/10199/06d20a9e-bd6b-4ea8-a7a2-31cfb0444273#:text=The%20MSCI%20India%20ESG%20Leaders,cap%20companies%20in%20Indian%20markets>.



Increased access to capital:

Several leading global reporting frameworks such as–Global Reporting Initiative, Integrated Reporting, CDP, Sustainability Accounting Standards Board (SASB)–have significant investor involvement in their formulation and investors are some of the largest consumers of this data. Additionally, several Asset Management Companies (AMC) have launched ESG funds, which use ESG performance of a company to make investment decisions. This is reflected in the various green financial products and instruments (equity, loans, bonds) that have evolved and the growing size of their market.



Reduced financial risks:

There have been demands for disclosures on Greenhouse gas emissions from energy companies (that are also facing litigation for causing and perpetuating global warming); hedge funds have been holding directors accountable for pollution disclosures. The World Bank in 2013 reduced its new coal power investments to “only in extremely rare circumstances,” and stopped funding upstream oil and gas operations in 2019⁷



Obtaining “social license to operate”:

Civil society in most democracies have been playing a key role in raising awareness on social and environmental issues through their research and advocacy. Additionally, communities have also become aware and empowered. Most companies recognise that it is the communities and not governments that provide them with the “license to operate”. Sustainability reporting enables companies to disclose their plans and activities and gain this social currency to operate.



Attracting and retaining talent:

Employees are increasingly preferring companies that demonstrate responsible behaviour and a purpose. To attract and retain human talent and satisfy consumer expectations, companies have begun to embed sustainability practices into their businesses. Disclosing these practices and results through sustainability reports therefore helps these initiatives.

BRSR core: Assurance requirements⁸

SEBI, through a circular dated 12 July 2023, announced the assurance requirements for the top 150 companies from FY24, which will be extended to the top 1,000 companies by FY27 in a staggered manner. The BRSR core comprises select mandatory/essential indicators to be assured using accounting principles. These are suggested as follows:

Principle 1: Ethical, transparent and accountable

- Details of accounts payable
- Related party transactions (percentage of the total business)

⁷ <https://science.thewire.in/environment/world-bank-revises-climate-policy-but-doesnt-halt-fossil-fuel-funding/#:~:text=The%20World%20Bank%20in%202013,power%20generation%20in%20its%20pipeline.>

⁸ https://www.sebi.gov.in/sebi_data/commondocs/jul-2023/Annexure_I-Format-of-BRSR-Core_p.pdf

Principle 3: Employee well-being

- Employee well-being spends (insurance, paternity, infant care, etc.)
- Safety-related incidents
- Gender parity (payment of wedges/consolidated salary budget of the company)
- POSH incidents

Principle 6: Environment protection

- Energy consumption (consolidated and renewable)
- Energy intensity (total energy/revenue and energy per product)
- Scope 1 and Scope 2 emissions (ISO 14064)
- Emissions intensity (emissions/revenue, emissions per output product)
- Total water consumption (ISO 14046)
- Water consumption intensity (consumption/revenue, consumption per output product)
- Water discharged (untreated, and after primary, secondary, and tertiary treatment)
- Waste generated (in alignment with EPR regulations, annual disclosure requirements)
- Waste generation intensity (consolidated total waste/revenue and waste generated/product output)

Principle 8: Inclusive growth and equitable development

- Sourcing of input materials from MSME
- Wedges/salary payments to staff in smaller towns (RBI definition)

Principle 9: Responsible business

- Data breach incidents

Concluding remarks

The top 1,000 listed companies by market capitalisation are now responding to the requirements of BRSR. Going forward, the SEBI notification of July 2023 of BRSR core assurance will further induce confidence in the market. Introduction of accounting principles will also help ranking and rating agencies consider such representations for their analysis, instead of depending on multiple, unreliable sources.

The glidepath offered for complete coverage of the top 1,000 listed companies will also provide guidance and appropriate understanding to businesses beyond the initial 150 companies on assured non-financial performance data from FY24. Some assured KPIs have a direct link with global disclosures, such as SBTi, UNPRI, TCFD (now IFRS-2), as well as active participation with DJSI, CDP, etc.

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