

BUSINESS RESPONSIBILITY AND SUSTAINABILITY REPORTING (BRSR) AND ENVIRONMENT, SOCIAL AND GOVERNANCE (ESG)

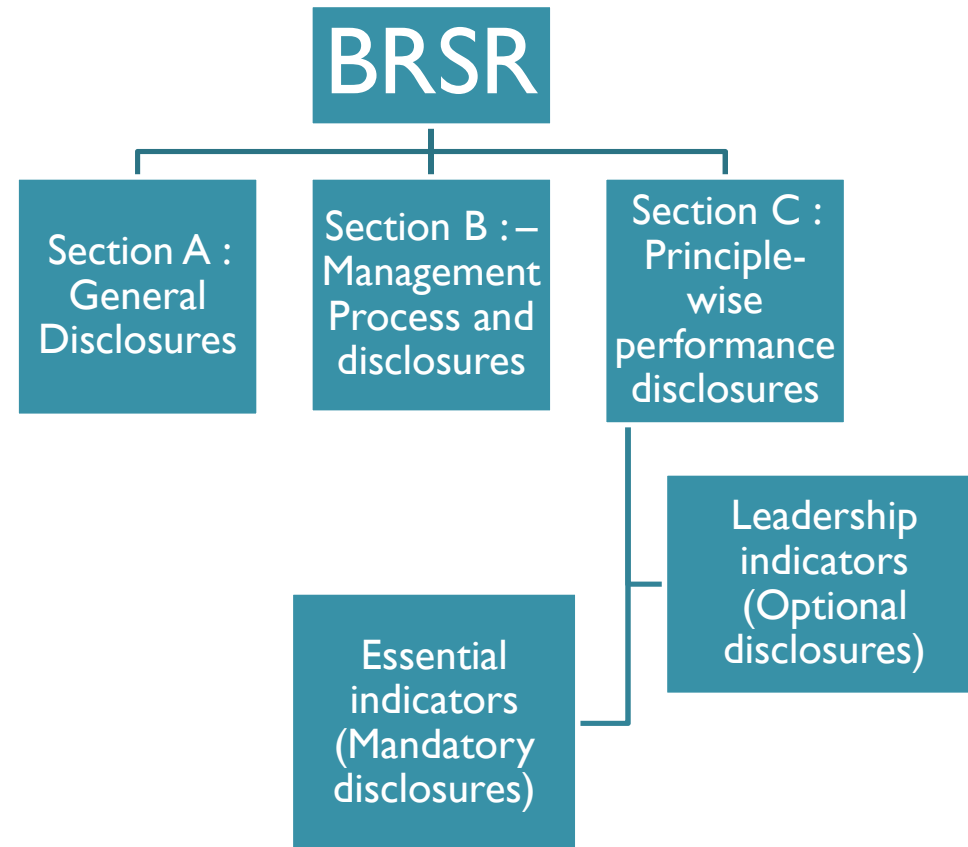
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About BRSR and ESG

- BRSR is a framework to promote the integration of sustainable and responsible practices within companies. Its primary focus is on measuring and reporting the performance of companies in Environmental, Social, and Governance (ESG) aspects, effectively demonstrating their positive contributions to society.
- BRSR is intended towards having quantitative and standardized disclosures on ESG parameters to enable comparability across companies, sectors and time. Such disclosures will be helpful for investors to make better investment decisions.
- BRSR shall also enable companies to engage more meaningfully with their stakeholders, by encouraging them to look beyond financials and towards social and environmental impacts.
- BRSR Core - It is a sub-set of the BRSR, consisting of a set of Key Performance Indicators (KPIs) / metrics under 9 ESG attributes.

BRSR reporting questionnaire is divided into three sections





Nine Principles of BRSR

These are categorized into the ESG components of Environment, Social and Governance with two of the nine in Environment, three in Social and four in Governance.

Principle 1 - Ethics, Transparency and Accountability

Principle 2 - Safe and Sustainable Goods and Services

Principle 3 - Promote Well-Being of All Employees Including those in the Value Chain

Principle 4 - Respect for Stakeholders' Interests and Responsiveness

Principle 5 - Respect and Promote Human Rights

Principle 6 - Protection and Restoration of Environment

Principle 7 - Influence on Public and Regulatory Policy

Principle 8 - Promote Inclusive Growth and Equitable Development

Principle 9 - Provide Value to the Consumers in a Responsible Manner

Click on below link for BRSR Format:

https://www.sebi.gov.in/sebi_data/commondocs/jul-2023/Annexure_II-Updated-BRSR_p.PDF

Applicability of BRSR

- From the financial year 2022-23, in terms of the proviso to regulation 34 (2) (f) of the LODR Regulations, top 1000 listed entities based on market capitalization have to submit a Business Responsibility and Sustainability Report (BRSR) in the format as specified by the Board. Further, other listed entities can voluntarily submit such reports.
- Listed entities shall mandatorily undertake reasonable assurance of the BRSR Core, as per the glide path specified below:

Financial Year	Applicability of BRSR Core to top listed entities (by market capitalization)
2023 – 2024	Top 150 listed entities
2024 – 2025	Top 250 listed entities
2025 – 2026	Top 500 listed entities
2026 – 2027	Top 1000 listed entities



ESG Disclosures for Value Chain

- Disclosures for value chain shall be made by the listed company as per BRSR Core, as part of its Annual Report. For this purpose, value chain shall encompass the top upstream and downstream partners of a listed entity, cumulatively comprising 75% of its purchases / sales (by value) respectively.
- Listed entities shall report the KPIs in the BRSR Core for their value chain to the extent it is attributable to their business with that value chain partner.


Applicability :

- ESG disclosures for the value chain shall be applicable to the top 250 listed entities (by market capitalization), on a comply-or-explain basis from financial year 2024-25.
- The limited assurance of the above shall be applicable on a comply-or-explain basis from financial year 2025 - 26.



Evolution of ESG in India

- **In December 2009**, MCA took the initiative to guide the corporates towards responsible conduct and a sustainable future by issuing Corporate Social Responsibility Voluntary Guidelines in December 2009.
- **In July 2011**, 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business' introduced.
- **In 2012**, SEBI Mandates top 100 listed companies by market capitalization to file Business Responsibility Report.
- **In 2015**, SEBI vide Circular no. CIR/CFD/CMD/10/2015 dated November 04, 2015, had prescribed the format for the Business Responsibility Report (BRR) in respect of reporting on ESG parameters by listed entities in line with clause (f) of sub regulation (2) of regulation 34 of SEBI(LODR) Regulations 2015. Top 500 listed companies by market capitalization were required to file Business Responsibility Report (BRR).
- **On 6 February 2017**, SEBI issued a circular advising top 500 listed companies which are required to prepare BRR to adopt Integrated Reporting on a voluntary basis from the financial year 2017-18.

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- **In 2019**, MCA revised the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business, 2011 (NVGs) and formulated the National Guidelines on Responsible Business Conduct (NGRBC).
 - **In 2019**, As per SEBI (LODR) (Fifth Amendment) Regulations, 2019, w.e.f December 26, 2019, the annual report of the top 1,000 listed entities based on market capitalization shall contain a business responsibility report as per clause (f) of sub regulation (2) of regulation 34 of Listing Regulations.
 - **In 2021**, Under notification no. SEBI/LAD-NRO/GN/2021/22 dated May 05, 2021, SEBI introduced new reporting requirements on ESG parameters called the Business Responsibility and Sustainability Report (BRSR). BRSR seeks disclosures from listed entities on their performance against the nine principles of the 'National Guidelines on Responsible Business Conduct' (NGBRCs) and reporting under each principle is divided into essential and leadership indicators.



Assurance in BRSR

- ICAI has issued Standard on Sustainability Assurance Engagements (SSAE) 3000 Assurance Engagements on Sustainability Information.
- The intended users of this Standard include
 - Assurance providers providing assurance on sustainability information.
 - Entities seeking to engage a professional auditor.
 - Regulators, investors, and other users of Sustainability Reporting data
- The effective date of application of SSAE 3000 is as follows:
 - Voluntary basis for assurance reports covering periods ending on 31st March 2023.
 - Mandatory basis for assurance reports covering periods ending on or after 31st March 2024.
- ICAI has also issued SAE 3410, Assurance Engagements on Greenhouse Gas Statements which deal with assurance engagements on an entity's sustainability information including assurance of BRSR

As per SSAE 3000,

- **Assurance Engagement** is an engagement in which a practitioner aims to obtain sufficient appropriate evidence in order to express a conclusion designed to enhance the degree of confidence of the intended users other than the responsible party about the subject matter information (that is, the outcome of the measurement or evaluation of an underlying subject matter against criteria). Each assurance engagement is classified on two dimensions:
 - (i). Either a reasonable assurance or a limited assurance engagement
 - (ii). Either a attestation engagement or a direct engagement
- **Practitioner** is a professional accountant in public practice* conducting the engagement.

* As per the ICAI's Code of Ethics, the term "professional accountant in public practice" refers to the member of the Institute of Chartered Accountants of India who is in practice in terms of section 2 of The Chartered Accountants Act, 1949.

Refer below link for SSAE 3000 and illustration of Assurance Report:

<https://kb.icai.org/pdfs/PDFFile664adde045a121.43104470.pdf>

Methodology to provide assurance on BRSR:

Preliminary Review of ESG report, parameters.

On-site Assessment / Verification of ESG Report.

Issuance of Assessment Report and Assessment Statement.

Review of the responses and clarifications on the findings.

Submission of findings of the onsite assessment and document review.

Preparation of Assessment / Verification report including final results of assessment/ recommendation.



Role of Auditor

- The role of the auditor is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, to enable auditor to report whether the financial statements are prepared and presented fairly, in all material respects, in accordance with the applicable Financial Reporting Framework (FRF).
- In developing the understanding of an entity, the auditor should include the consideration of climate related risks and how these risks may be relevant to the audits.
- The auditor's reports must follow the requirements of applicable auditing standards.
- In addition to the audit opinion, it provides information about auditor's responsibilities and, when required, an understanding of the matters of most significance in our audit and how they were addressed.
- It may include an Emphasis of Matter paragraph to draw attention to disclosures that are of fundamental importance to users' understanding of the financial statements. The auditor should also determine whether the entity has appropriately disclosed relevant climate-related information in the financial statements in accordance with the applicable FRF.
- The auditor should also read the other information for consistency with information disclosed in the financial statements such as SA 720, The Auditor's Responsibilities Relating to Other Information.