

SEBI'S REFORM ON BRSR CORE



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Introduction:

BRSR Reporting in India is a SEBI initiative to ensure investors have access to Standardized disclosures on ESG. SEBI, on 15th May, 2021 brought in the new requirements for reporting on sustainability related information by listed entities. Thus, the Business Responsibility and Sustainability Report (BRSR) replaced the then existing Business Responsibility Report (BRR).

The BRSR, SEBI has stipulated, is applicable to the top 1,000 listed entities (by market cap), with voluntary implementation for FY22 (year ending March 2022) and mandatory implementation FY23 (year ending March 2023) onwards. The applicability was further clarified by SEBI in the informal guidance issued in May 2023¹. As compared to the BRR, BRSR lays considerable emphasis on both qualitative and quantitative metrics, which, as opposed to BRR, will enable easier comparability across sectors and time periods. Further, disclosures on environment and society (employees, consumers and other society) related issues have been significantly enhanced in the BRSR by SEBI. BRSR, which includes a detailed Guidance Note on how to fill the report, requires disclosures on a lot of data points on:

- ⊙ Management policies and process,
- ⊙ Environmental protection and impact,
- ⊙ Employees, vendors, supply chain,
- ⊙ Diversity, ethics etc.
- ⊙ Waste management,
- ⊙ Stakeholder engagement etc.

¹ https://www.sebi.gov.in/sebi_data/commndocs/may-2023/Nectar_lifescience_IG_p.pdf

Abstract

This article tries to capture the essence behind SEBI's new reform on BRSR Core (Business Responsibility and Sustainability Core) which has been introduced by SEBI in July 2023 and which be based on major parameters, and will provide to be a Framework for assurance and ESG disclosures for value chain.

What has changed?

Ever since the Paris accord in 2015, which was an international treaty on climate change signed by 196 countries, and the Conferences of Parties (the last CoP (CoP 27) was in Egypt), adapting to and mitigating climate change impact, inclusive growth (social) and transitioning to a business that is sustainable economy have emerged as major issues globally. There is an increased focus of investors and other stakeholders not just on returns, but they want the returns with businesses being responsible and sustainable towards the environment and society. Thus, reporting of company's performance on sustainability related factors has become as vital as reporting on financial and operational performance.

This is also well endorsed in two of the most impactful legislation on listed companies – the SEBI (Listing Obligations and Listing Requirements) Regulations, 2015 and the Companies Act, 2013:

Section 166(2) of the Companies Act, 2013 says that:

“A director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.”

Regulation 4(2)(f)(iii)(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 stipulates that:

“Members of the board of directors shall act on a fully informed basis, in good faith, with due

diligence and care, and in the best interest of the listed entity and the shareholders.”

This was the reason why SEBI prescribed new reporting requirements on ESG parameters called the Business Responsibility and Sustainability Report (BRSR), based on the joint MCA and SEBI Committee on Business Responsibility Reporting report² drawing from the parameters of the national Guidelines for Responsible Business Conduct (NGRBC). The BRSR is a massive improvement over the erstwhile BRR inasmuch that it has a lot of qualitative and quantitative metrics and almost three times the amount of information required under the BRR.

NGRBC principles

The BRSR seeks disclosures from listed entities on their performance against the nine principles of the ‘National Guidelines on Responsible Business Conduct’ (NGRBCs) and reporting under each principle is divided into essential and leadership indicators.

- ⦿ **PRINCIPLE 1:**
Businesses should conduct and govern themselves with integrity, and in a manner that is Ethical, Transparent and Accountable.
- ⦿ **PRINCIPLE 2:**
Businesses should provide goods and services in a manner that is sustainable and safe.
- ⦿ **PRINCIPLE 3**
Businesses should respect and promote the well-being of all employees, including those in their value chains
- ⦿ **PRINCIPLE 4:**
Businesses should respect the interests of and be responsive to all its stakeholders.
- ⦿ **PRINCIPLE 5**
Businesses should respect and promote human rights.
- ⦿ **PRINCIPLE 6:**
Businesses should respect and make efforts to protect and restore the environment
- ⦿ **PRINCIPLE 7**
Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.

- ⦿ **PRINCIPLE 8**
Businesses should promote inclusive growth and equitable development.
- ⦿ **PRINCIPLE 9**
Businesses should engage with and provide value to their consumers in a responsible manner.

What is the BRSR Core?

The BRSR Core is a sub-set of the BRSR, consisting of a set of Key Performance Indicators (KPIs) / metrics under 9 ESG attributes. BRSR Core specifies data and approach for reporting and assurance by listed entities.

BRSR Core - Attributes and KPIs

The nine ESG Attributes under which the Key Performance Indicators (KPIs) are prescribed are –

Sl. no.	Attribute	Parameter
1.	Green House Gas (GHG) footprints*	Scope 1 and Scope 2 emissions
2.	Water footprint	Total water consumption, intensity of water consumption, Water discharge, water treatment
3.	Energy Footprint	Total energy consumed – from renewable and non-renewable sources, Energy intensity
4.	Embracing circularity-details related to waste management by Entity	Waste – Plastic, Electronic, Bio-medical Construction & demolition, Battery, Radioactive, other hazardous and non-hazardous waste. Recovered waste through recycling / reuse
5.	Enhancing Employee wellbeing and safety	Spending on measures towards wellbeing of employees and workers – cost incurred as a % of total revenue of the company, Details of safety related incidents
6.	Enabling Gender diversity in Business	Gross wages paid to women as % of wages paid, POSH ³ complaints

² https://www.mca.gov.in/Ministry/pdf/BRR_11082020.pdf

³ Prevention of Sexual Harrasment

7.	Enabling Inclusive Development	Input material directly sourced from MSMEs/ small producers and from within India, Job creation in smaller towns - Wages paid to persons employed in smaller towns as % of total wage cost
8.	Fairness in Engaging with customers and suppliers	Instances involving loss / breach of data of customers as a percentage of total data breaches or cyber security events, no. of days accounts payable
9.	Openness of Business	Concentration of purchases & sales done with trading houses, dealers, and related parties Loans and advances & investments with related parties

* SEBI has said that Greenhouse gas emissions may be measured in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard

SEBI has provided the ways to measure each of the above parameters as well as the data and assurance approach that has to be adopted. The cross reference to the BRSR – both the question, the essential indicator to which the same pertains to has been provided for reference, to ensure holistic reading.

SEBI has also revised the BRSR format taking into account the KPIs.

Applicability:

The BRSR Core specifies the data and approach for reporting and assurance and is applicable as follows:

- ⦿ For FY 2023 – 2024, top 150 listed entities (by market capitalization);
- ⦿ For 2024-25, top 250 listed entities;
- ⦿ For 2025-26, Top 500 listed entities;
- ⦿ For 2026-27, top 1000 listed entities

The SEBI circular on BRSR Core clarifies that while the BRSR Core specifies the data and approach for reporting and assurance, the approach specified is only a base methodology and that changes or industry specific adjustments / estimations shall be disclosed by listed entities, if such adjustments / estimations are made.

Benefits of BRSR Core:

A recent ESG preparedness survey for Indian Corporate, *inter-alia*, indicated that⁴:

- ⦿ 27 percent of Indian businesses are confident about ESG preparedness;
- ⦿ 85 percent organisations believed sustainability regulations will directly impact their businesses;
- ⦿ More than 75 percent organisations agreed that ESG is a boardroom discussion
- ⦿ Also nearly 90 percent organisations believed ESG reporting will benefit them by improving brand reputation;
- ⦿ Nearly 75 percent organisations stated that their investors rate their ESG performance.

Thus there is scope for improvement and it is hoped that organisations will find value through the BRSR and BRSR Core.

Other aspects – BRSR Core:

The Board of the listed entity shall ensure that the assurance provider of the BRSR Core has the necessary expertise, for undertaking reasonable assurance. The listed entity shall ensure that there is no conflict of interest with the assurance provider appointed for assuring the BRSR Core.

The reasonable assurance of the BRSR Core and the disclosures for the value chain – which will encompass both the upstream and downstream business partners of a listed entity, comprising 75% of its purchases / sales by value – is expected to give a complete and holistic picture of the actuality of the achievements as regards environmental and social parameters.

Conclusion:

SEBI, based on the recommendations of the ESG Advisory Committee and after intense discussions, public consultation, decided to introduce the BRSR Core for assurance by listed entities. SEBI, through the BRSR Core, has introduced disclosures and assurance for the value chain of listed entities in order to give a complete picture of the business of the listed entity. The BRSR and BRSR Core will go a long way in ensuring a sustainable approach to business, which is the want of the society today. The BRSR and the BRSR Core touch newer realms in non-financial reporting and are expected to give a huge fillip in India’s transition to *Net Zero* by the year 2070. **MA**

⁴<https://www2.deloitte.com/in/en/pages/about-deloitte/articles/ESG-preparedness-survey-report.html>