

SEBI UPDATE

**Mandatory BRSR Reporting
For Top 1000 Listed
Companies**



MANDATORY BRSR REPORTING FOR TOP 1000 LISTED COMPANIES [Applicable from FY 2022-23]

In recent years, adapting to and mitigating climate change impact and transitioning to sustainable development have emerged as major issues globally. There is an increased focus of investors and other stakeholders seeking businesses to be 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.

SEBI vide Circular no. CIR/CFD/CMD/10/2015 dated November 04, 2015 has prescribed the format for the Business Responsibility Report (BRR) in respect of reporting on ESG (Environment, Social and Governance) parameters by listed entities. In terms of amendment to regulation 34 (2) (f) of LODR Regulations vide Gazette notification no. SEBI/LAD-NRO/GN/2021/22 dated May 05, 2021 decided to introduce new reporting requirements on ESG parameters called the Business Responsibility and Sustainability Report (BRSR). The BRSR is accompanied with a guidance note to enable the companies to interpret the scope of disclosures. The format of the BRSR and the guidance note are detailed in **Annexure I** and **Annexure II** respectively.

The 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. The 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.

APPLICABILITY

In terms of the aforesaid amendment, BRSR shall be applicable to the top 1000 listed entities (by market capitalization) for reporting on a voluntary basis for FY 2021 – 22 and mandatory from FY 2022 – 23.

FEW KEY DISCLOSURES ON ESG RELATED PARAMETERS

- a. An overview of the entity's material ESG risks and opportunities, approach to mitigate or adapt to the risks along-with financial implications of the same
- b. Sustainability related goals & targets and performance against the same
- c. Environment related disclosures covering aspects such as resource usage (energy and water), air pollutant emissions, green-house (GHG) emissions, transitioning to circular economy, waste generated and waste management practices, bio-diversity etc.
- d. Social related disclosures covering the workforce, value chain, communities and consumers, as given below:
 - ✓ **Employees / workers:** Gender and social diversity including measures for differently abled employees and workers, turnover rates, median wages, welfare benefits to permanent and contractual employees / workers, occupational health and safety, trainings etc.
 - ✓ **Communities:** disclosures on Social Impact Assessments (SIA), Rehabilitation and Resettlement, Corporate Social Responsibility etc.
 - ✓ **Consumers:** disclosures on product labelling, product recall, consumer complaints in respect of data privacy, cyber security etc.

The listed entities already preparing and disclosing sustainability reports based on internationally accepted reporting frameworks (such as GRI, SASB, TCFD or Integrated Reporting) may cross-reference the disclosures made under such framework to the disclosures sought under the BRSR.

STRUCTURE

The reporting questionnaire is divided into three sections

Section A: General disclosures

This section contains basic details about the entity such as size location, products/services, operations, employees, holding, subsidiary and associate companies (including joint ventures); CSR; transparency and disclosure compliances

Section B: Management and process disclosures

This section contains information related to policy and management processes, governance, leadership and oversight.

Section C: Principle-wise performance disclosures

This section is aimed at helping entities demonstrate their performance in integrating the Principles and Core Elements with key processes and decisions. **The 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.**

- **Essential indicators (mandatory):** KPIs include data on training programmes conducted, environmental data on energy, emissions, water and waste, social impact generated by the company, etc.
- **Leadership indicators (voluntary):** Companies are expected to comply with these indicators for better accountability and responsible purpose. Some of the KPIs include data on life cycle assessments (LCAs), details on conflict management policy, additional data on biodiversity, breakup of energy consumption, Scope 3 emissions and supply chain disclosures.

Companies are required to report upon KPIs in alignment with the following nine principles of the NGRBC as mentioned below

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.

In recent years, sustainability reporting has become a very important part of Integrated Reporting, which includes financial and non-financial parameters. Unlike financial reporting, BRSR is an initiative towards ensuring that investors have access to standardized disclosures on ESG parameters. Access to relevant and comparable information, will enable investors to identify and assess sustainability-related risks and opportunities of companies and make better investment decisions. At the same time, companies will be able to better demonstrate their

sustainability objectives, position and performance resulting into long term value creation. Overall, higher standards of ESG disclosures and transparency, will help in attracting more capital and investment.

For detailed guidance on this aspect, please refer the below link:

a) SEBI Circular

https://www.sebi.gov.in/legal/circulars/may-2021/business-responsibility-and-sustainability-reporting-by-listed-entities_50096.html

b) Press Release

<https://www.sebi.gov.in/media/press-releases/may-2021/sebi-issues-circular-on-business-responsibility-and-sustainability-reporting-by-listed-entities-50097.html>

c) Format of BRSR - Annexure 1

https://www.sebi.gov.in/sebi_data/commondocs/may-2021/Business%20responsibility%20and%20sustainability%20reporting%20by%20listed%20entitiesAnnexure1_p.PDF

d) Guidance Note - Annexure 2

https://www.sebi.gov.in/sebi_data/commondocs/may-2021/Business%20responsibility%20and%20sustainability%20reporting%20by%20listed%20entitiesAnnexure2_p.PDF

DISCLAIMER:

The information contained herein is in summary form of SEBI Circular, Press Release and Related Annexures on Business responsibility and sustainability reporting by listed entities dated May 10, 2021 and is based on information available in public domain. While the information is believed to be accurate to the best of our knowledge, we do not make any representations or warranties, express or implied, as to the accuracy or completeness of this information. Readers should conduct and rely upon their own examination and analysis and are advised to seek their own professional advice. This note is not an offer, invitation, advice or solicitation of any kind. We accept no responsibility for any errors it may contain, whether caused by negligence or otherwise or for any loss, howsoever caused or sustained, by the person who relies upon it.