

LESSON 20

INTEGRATED REPORTING FRAMEWORK; GLOBAL REPORTING INITIATIVE FRAMEWORK; BUSINESS RESPONSIBILITY & SUSTAINABILITY REPORTING

INTEGRATED REPORTING FRAMEWORK

Introduction

- **Integrated Reporting System:**
It is part of an evolving corporate reporting system supported by frameworks, standards, regulation, and assurance.
- **Definition:**
Defined as a process based on integrated thinking, resulting in periodic reports on value creation over time.
- **Content of Integrated Report:**
Combines key information about an organization's strategy, governance, performance, and prospects in its broader commercial, social, and environmental context.
- **Purpose:**
Shows how an organization creates, preserves, or erodes value in the short, medium, and long term.
- **Integrated Thinking:**
Core to the process, it improves decision-making and understanding of value creation, embedding into operations and communications.
- **Characteristics of Integrated Report:**
 - ✓ Concise, strategic, and future-focused.
 - ✓ Shows connectivity and interdependence of various capitals (financial, manufactured, intellectual, human, social, and natural).
 - ✓ Enhances cohesion and efficiency in reporting.
- **Primary Audience:**
Mainly intended for financial capital providers but also benefits other stakeholders like employees, customers, communities, and regulators.
- **Difference from Traditional Reporting**
Goes beyond historical financial statements by offering a forward-looking, holistic view of value creation.
- **Framework Origin:**
Developed by the International Integrated Reporting Council (IIRC), it includes concepts,

principles, and content elements, and is used across private, public, and not-for-profit sectors.

- **Goal:**

To improve the quality of information, enabling better capital allocation and understanding of long-term organizational value.

EVOLUTION OF INTEGRATED REPORTING FRAMEWORK

- **Origin of Integrated Reporting (IR):**

- ✓ Rooted in the concept of capitalism focused on efficient capital allocation for investor returns over short, medium, and long term.
- ✓ The 2007 Global Financial Crisis (GFC) exposed the overemphasis on short-term financials and neglect of environmental interactions, prompting the need for a more holistic reporting system.

- **Initial Developments:**

- ✓ In 2009, the Prince of Wales convened a high-level meeting including investors, companies, UN bodies, and accounting organizations.
- ✓ This led to the creation of the **International Integrated Reporting Committee (IIRC)**, renamed the **International Integrated Reporting Council** in 2011.

- **Purpose of IIRC:**

- ✓ Formed as a global coalition (regulators, investors, companies, academia, NGOs, etc.) to promote corporate reporting focused on value creation, preservation, and erosion.

- **Pilot Programme (2011):**

- ✓ Involved 90+ companies willing to innovate corporate reporting and engage stakeholders responsibly.

- **Framework Launch (2013):**

- ✓ The first **Integrated Reporting Framework** was published in 2013, emphasizing **integrated thinking** – the organizational process behind creating IR.

- **IIRC-SASB Merger:**

- ✓ In November 2020, IIRC announced a merger with the **Sustainability Accounting Standards Board (SASB)**.
- ✓ Finalized in June 2021, forming the **Value Reporting Foundation (VRF)**.

- **Framework Revision (2021):**

- ✓ The IR Framework was revised after global consultation and testing.

- **VRF-IFRS Merger (2022):**

- ✓ In August 2022, the **Value Reporting Foundation merged with the IFRS Foundation**, a global body setting accounting and sustainability standards.

- ✓ IFRS now manages the IR Framework via its two boards: **IASB** and **ISSB**.
- **Latest Framework Version:**
 - ✓ The January 2021 IR Framework supersedes the December 2013 version and applies to reporting periods starting from **1 January 2022**.

Evolution of Integrated Reporting



STRUCTURE OF THE INTEGRATED REPORTING FRAMEWORK

“We’ve overspent our financial, environmental, social and governance “capital” and now the debt’s come due. Integrated Reporting is the starting point to help us repay that debt.”

Brad J. Monterio

- The Integrated Reporting (IR) Framework is principles-based, not rules-based.
- It aims to balance flexibility with standardization to suit diverse organizational contexts while ensuring comparability.
- The Framework does not mandate specific key performance indicators (KPIs), measurement methods, or disclosures.
- Preparers must use their judgement to determine:
 - ✓ What information is material to the organization.
 - ✓ How to disclose such information, using accepted measurement and disclosure methods where appropriate.
- If integrated report data is similar to other published data, it should be on the same basis or easily reconcilable with that information.

A. Guiding Principles

Seven Guiding Principles underpin the preparation and presentation of an integrated report, informing the content of the report and how information is presented:

- **Strategic focus and future orientation**
An integrated report **should provide insight into the organization’s strategy**, and how it relates to the organization’s ability to create value in the short, medium and long term, and to its use of and effects on the capitals.
- **Connectivity of information**
An integrated report **should show a holistic picture of the combination, interrelatedness and dependencies** between the factors that affect the organization’s ability to create value over time.
- **Stakeholder relationships**
An integrated report **should provide insight into the nature and quality of the organization’s relationships** with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests.
- **Materiality**
An integrated report **should disclose information about matters that substantively affect** the organization’s ability to create value over the short, medium and long term.
- **Conciseness**
An integrated report **should be concise**

- **Reliability and completeness**

An integrated report **should include all material matters, both positive and negative**, in a balanced way and without material error.

- **Consistency and comparability**

The information in an **integrated report should be presented:**

- (a) on a basis that is **consistent over time**; and
- (b) in a way that **enables comparison with other organizations** to the extent it is material to the organization's own ability to create value over time.

These Guiding Principles are **applied individually and collectively** for the purpose of preparing and presenting an integrated report; accordingly, judgement is needed in applying them, particularly when there is an apparent tension between them (e.g. between conciseness and completeness).

B. Content Elements

An integrated report includes eight Content Elements that are **fundamentally linked to each other and are not mutually exclusive**, posed in the form of questions to be answered.

The Content Elements **are not intended to serve as a standard structure** for an integrated report with information about them appearing in a set sequence or as isolated, standalone sections.

Rather, information in an integrated report is presented in a way that **makes the connections between the Content Elements apparent**.

The content of an organization's integrated report will **depend on the individual circumstances of the organization**.

The Content Elements are therefore **stated in the form of questions rather than as checklists of specific disclosures**.

Accordingly, **judgement needs to be exercised in applying the Guiding Principles** to determine what information is reported, as well as how it is reported.

- **Organizational overview and external environment**

What does the organization do and what are the circumstances under which it operates?

- **Governance**

How does the **organization's governance structure support its ability to create value** in the short, medium and long term?

- **Business model**

What is the **organization's business model**?

- **Risks and opportunities**

What are the **specific risks and opportunities** that affect the organization's ability to create value over the short, medium and long term, and how is the organization dealing with them?

- **Strategy and resource allocation**

Where does the organization **want to go and how does it intend to get there?**

- **Performance**

To **what extent has the organization achieved its strategic objectives** for the period and what are its outcomes in terms of effects on the capitals?

- **Outlook**

What **challenges and uncertainties is the organization likely to encounter** in pursuing its strategy, and what are the potential implications for its business model and future performance?

- **Basis of presentation**

How does the **organization determine what matters** to include in the integrated report and how are such matters quantified or evaluated?

BENEFITS OF INTEGRATED REPORTING

- Integrated Reporting (IR) is a voluntary approach aimed at providing authentic, comprehensive, and meaningful insights into an organisation's overall performance and value creation.
- IR combines key information on strategy, governance, performance, and future prospects, reflecting the organisation's commercial, social, and environmental context.
- It offers a clear and concise value creation narrative beneficial to both internal and external stakeholders.
- IR presents a holistic view by linking financial and non-financial performance, including sustainability, in a single document.
- It enhances transparency and accountability by uniting aspects like governance, financial, intellectual, social, and environmental capital on a common platform.
- IR resolves the prioritization dilemma faced by companies issuing multiple separate reports for different stakeholders, reducing confusion and publication costs—particularly beneficial for small and medium enterprises.
- It promotes clarity and reduces reputational risk, especially for State-Owned Enterprises by increasing transparency in resource allocation.
- Internal benefits include improved resource allocation, enhanced shareholder and stakeholder engagement, and better decision-making.
- Externally, IR boosts the organisation's reputation and brand by addressing stakeholder demand for environmental, social, and governance (ESG) data.
- Challenges include the potential need for costly changes to management information systems, especially for smaller companies.
- The real benefits depend on ethical values like honesty, fairness, and integrity being genuinely upheld by the organisation.

BENEFITS OF INTEGRATED REPORTING

- Encouraging your organisation to think in an integrated way
- Clearer articulation of strategy and business model
- A single report that is easy to access, clear and concise
- Creating value for stakeholders through identification and measurement of non-financial factors
- Linking of non-financial performance more directly to the business
- Better identification of risk and opportunities
- Improved internal processes leading to a better understanding of the business and improved decision making process.

CHALLENGES IN IMPLEMENTING INTEGRATED REPORTING FRAMEWORK

- **Shift from Traditional Reporting:** Integrated reporting moves away from lengthy, finance-focused reports to a more concise, value-creation focused format, which is a major challenge.
- **Compliance Complexity:** Being compliance-based, integrated reporting is difficult for many organizations to prepare.
- **Lack of Detailed Information:** It doesn't offer in-depth details, which can be a limitation.
- **Includes Non-Financial Data:** Involving non-financial information makes the preparation more time-consuming.
- **Requires High Expertise:** Understanding the concise and summary-style report demands significant expertise.
- **Complexity in Explaining Business Model:** Aligning the company's business model with the Framework's capital-based approach is one of the toughest parts.
- **Challenge of Conciseness:** Reporters struggle to stay concise while including new information and ensuring enough context for readers to understand the organization's value creation and performance.

Few other challenges include:

- ✓ Lack of standardization,
- ✓ Reluctance in disclosing sensitive information,
- ✓ Lack of importance of non-financial information, associated cost of reporting, difficulties with measuring and linking sustainability performance.

GLOBAL REPORTING INITIATIVE FRAMEWORK

Introduction

- **GRI (Global Reporting Initiative)** provides a widely used framework for sustainability reporting applicable to all types of organizations.
- It is an **independent international organization** that promotes accountability by helping organizations report their environmental, social, and economic impacts using a common global language.
- **Founded in 1997** by U.S.-based non-profits CERES and Tellus Institute with support from **UNEP** (United Nations Environment Programme).
- GRI's **Secretariat is based in Amsterdam**. It is independent but collaborates with UNEP and the **UN Global Compact**.
- **GRI's mission** is to make sustainability reporting standard practice through guidance that fosters transparency and accountability.
- Over time, GRI expanded its scope to include **social, economic, and governance** aspects alongside environmental issues.

GRI Standards for Reporting

- The GRI Standards form a modular and interconnected system for sustainability reporting.
- They enable organizations to report their activities' impacts in a transparent and structured manner.
- The system includes three types of Standards:
 - ✓ GRI Topic Standards – focused on specific topics with relevant disclosures.
 - ✓ GRI Sector Standards – tailored to particular sectors.
 - ✓ GRI Universal Standards – applicable to all organizations.
- These Standards help organizations identify and report material (relevant) topics.
- This process highlights an organization's positive or negative contributions to sustainable development.

a) GRI Universal Standards

The GRI Universal Standards apply to all organizations, and consist of the following:

- **GRI 1: Foundation 2021**
 - ✓ Explains the purpose and use of the GRI Standards.
 - ✓ Defines key concepts and compliance requirements.
 - ✓ Sets out principles like accuracy, balance, and verifiability for quality reporting.
- **GRI 2: General Disclosures 2021**
 - ✓ Includes disclosures on organization's structure, activities, governance, strategy, and stakeholder engagement.
 - ✓ Provides background and context for understanding the organization's impact.

- **GRI 3: Material Topics 2021**

- ✓ Guides how to identify material topics (key impact areas) for reporting.
- ✓ Explains use of Sector Standards in this process.
- ✓ Requires disclosure of the identified topics, the identification process, and how each is managed.
- ✓ GRI Sector Standards

- **Purpose:** GRI Sector Standards aim to improve the quality, completeness, and consistency of organizational reporting.
- **Initial Focus:** Developed for 40 high-impact sectors, starting with oil & gas, agriculture, aquaculture, and fishing.
- **Material Topics:** Each Standard lists topics likely to be material for most organizations in the sector and points to relevant disclosures.
- **Mandatory Use:** If a Sector Standard exists for a sector, organizations must use it when reporting under GRI Standards.
- **Structure:**
 - ✓ **Introductory Section:** Outlines the sector's characteristics, activities, and business relationships.
 - ✓ **Main Section:** Lists material topics and significant sector-specific impacts.
 - ✓ **Disclosure Guidance:** Directs to related Topic Standards and may include additional sector-specific disclosures.
- **Basis of Development:** Topics and disclosures are based on:
 - ✓ Sector-specific evidence
 - ✓ International instruments
 - ✓ Input from sector experts
- **Stakeholder Alignment:** Standards reflect broad stakeholder expectations on managing sector impacts.

b) GRI Topic Standards

- GRI Topic Standards provide disclosures for reporting on specific topics (e.g., waste, occupational health and safety, tax).
- Each Standard includes:
 - ✓ An overview of the topic.
 - ✓ Specific disclosures related to the topic.
 - ✓ Guidance on how the organization manages related impacts.
- Organizations choose the relevant Topic Standards based on the material topics they have identified.
- These selected Standards are then used for sustainability reporting.

GRI Standard		
Universal Standard	Sector Standard	Topic Standard
• GRI 1 – Requirements and principles for using the GRI Standards • GRI 2 – Disclosure about the reporting organisation • GRI 3 – Disclosures and guidance about the organisation's material topics	• GRI 11 • GRI 12 • GRI 13 • GRI 14 • GRI 15 • GRI 16 • GRI 17 • GRI 18	• GRI 201 • GRI 403 • GRI 305 • GRI 415 • GRI 303 • GRI 202 • GRI 304 • GRI 205

Understanding the GRI Framework

- **GRI reporting protocols** cover a wide range of ESG issues, including employee safety, human rights, and environmental management.
- Companies must **accurately track GHG emissions** by monitoring product usage, chemical inventory, and control technologies.
- Similar tracking is required for **water consumption, waste, and hazardous waste generation**.
- The GRI framework demands a **deep understanding of company operations and supply chains**.
- **Comprehensive and detailed data inputs** are essential for effective GRI reporting.

The GRI offers 30 environmental performance indicators that should be used as part of the environmental sustainability report. These performance indicators are divided into nine primary categories:

1. **Materials:** Includes raw materials (natural resources, manufactured chemicals, and materials needed for manufacturing) as well as packaging materials and recycled product content.
2. **Energy:** Includes direct and indirect energy consumption, renewable energy amounts used, such as wind, solar, and geothermal, and efforts made to reduce energy requirements through more energy efficient processes.
3. **Water:** Covers the total amount of water withdrawn from water sources and company impact on those water sources, as well as the percentage and total volume of water that is recycled or reused.
4. **Biodiversity:** Provides information regarding company impact on the biodiversity of adjacent/nearby protected areas and/or areas considered to have high biodiversity, as well as company strategies for managing impacts on biodiversity.
5. **Emissions, Effluents, Waste:** Includes total weight of direct and indirect emission of GHGs, ozone- depleting emissions, and NOx, SOx, and other air emissions by type;

total water discharge by quality and destination; total weight of waste generated by type and disposal method; total weight of treated, transported, or imported hazardous waste either as well as the percentage of waste shipped internationally; total volume and number of spills on and off-site.

6. **Products and Services:** Provides the percentage of products sold and packaging materials that are reclaimed/recycled.
7. **Compliance:** Provides the total monetary value of noncompliance fines and number of noncompliance sanctions.
8. **Transport:** Describes the impact of transporting your materials and finished products.
9. **Overall:** Provides the total values of environmental protection expenses and investments.

REPORTING PROCESS UNDER GRI FRAMEWORK

The foundation of sustainability reporting is for an organization to identify and prioritize its impacts on the economy, environment, and people – to be transparent about their impacts.

GRI 1 is the **starting point for all organizations reporting** using the GRI Standards in that it lays out key concepts and principles, and lists the requirements for reporting in accordance with the GRI Standards.

Identifying and assessing impacts

1. Impact Identification:

Organizations **must regularly identify and assess the significance of their impacts** based on their unique circumstances.

2. Role of Sector Standards:

- ✓ Sector Standards **help identify relevant impacts** by outlining typical sector-specific characteristics.
- ✓ Organizations **should review these impacts and determine if they apply to them.**

3. Importance of Context:

Understanding the organization's context is essential for assessing the significance of its impacts.

4. Support from GRI Standards:

- ✓ GRI 2 provides detailed disclosure requirements for aspects like reporting practices and governance.
- ✓ GRI 3 offers a step-by-step guide to identify and assess impacts and determine their significance.

5. Prioritizing Impacts:

- ✓ After assessing impacts, organizations must prioritize them.

- ✓ Grouping impacts into broader topics (e.g., water, child labor) helps identify material topics.

6. **Documentation Requirement:**

Organizations **must document how they determined their material topics** as per GRI 3 disclosures.

7. **Use of Sector Standards for Material Topics:**

- ✓ Organizations **should compare their selected material topics** with those in the relevant Sector Standard.
- ✓ This ensures **no key sector-specific topic** is missed.
- ✓ If a Sector Standard exists, its **use is mandatory for GRI-compliant reporting**.

8. **Supplementary Role of Sector Standards:**

While helpful, Sector Standards **do not replace the need for an organization to assess its own context** when determining material topics.

Reporting disclosures

- Once an organization identifies its material topics, it must collect relevant data for each topic.
- Sector Standards list specific disclosures from Topic Standards that are applicable to the sector.
- Additional sector-specific disclosures may also be included, where relevant.
- Topic Standards outline the exact information needed to comply with GRI Standards.
- Disclosures from GRI 2 and GRI 3 work together with Topic Standards to provide a structured reporting framework.
- Organizations may omit certain disclosures if they have a valid reason and explain the omission.
- Alongside required disclosures, recommendations and guidance are provided to enhance report quality and transparency.

Reporting in accordance with the GRI Standards

- GRI Standards let organizations report either on all significant impacts or focus on specific topics (e.g., climate change, child labor).
- GRI recommends reporting **in accordance with the GRI Standards, covering all material topics, their impacts, and management**.
- This approach offers a **comprehensive view of an organization's key economic, environmental, and social impacts**.
- If full compliance isn't possible or the organization only needs to report specific information (e.g., for regulations), it can:
 - ✓ Use **selected GRI Standards or**
 - ✓ Report **with reference to the GRI Standards**.

Navigating a report

- GRI-based reports **can be published in multiple formats** (e.g., electronic, paper-based) and locations (e.g., sustainability report, website, annual report).

- All reports must include a **GRI content index**.
- The content index:
 - ✓ **Makes** information traceable, enhancing credibility and transparency.
 - ✓ Provides an overview of reported information.
 - ✓ Helps stakeholders quickly locate and understand disclosures.
 - ✓ Specifies which GRI Standards were used.
 - ✓ Lists the location (e.g., page number or URL) of each disclosure related to material topics.
 - ✓ Identifies **what information is not reported**.
- If something is omitted, the index must state the **reason for omission** along with the **requirement not met and explanation**.
- If applicable, **Sector Standard reference numbers** should be included to indicate disclosures from Sector Standards, aiding in stakeholder assessment.

GRI reporting is broken down into a five-step process:

- ✓ **Step 1: Prepare** - Organizations define a vision for the report, create a report team, develop a plan of action, and set a kickoff meeting.
- ✓ **Step 2: Connect** - Companies identify, hold meetings, and set priorities with key stakeholders in order to determine reporting priorities and define scope.
- ✓ **Step 3: Define** - The reporting team selects issues for action and reporting as well as decides on the report content.
- ✓ **Step 4: Monitor** - The reporting team monitors activities and records data, checks processes and systems, ensures quality of information, and follows up as needed.
- ✓ **Step 5: Report** - Companies choose the best way to communicate, write, finalize, and launch the report publicly.

BUSINESS RESPONSIBILITY AND SUSTAINABILITY REPORTING

Introduction

- **Definition (GRI):** A sustainability report communicates the economic, environmental, and social impacts of an organization's activities, along with its values, governance model, and strategy towards sustainable development.
- **Purpose of Sustainability Reporting:** Also known as Non-Financial Reporting, it informs stakeholders about the environmental, social, and governance (ESG) impacts of a company's operations.
- **Strategic Importance:** Companies are increasingly integrating ESG considerations into their business strategies and are often rewarded by the market for disclosing sustainability efforts.
- **Global Momentum:** Sustainability reporting is rapidly evolving due to growing awareness of climate change and sustainable development, along with increased pressure from investors for transparency.
- **Global Frameworks:** Widely adopted ESG/sustainability frameworks include:

- ✓ **Global Reporting Initiative (GRI)**
 - ✓ **Integrated Reporting (IR)**
 - ✓ **Sustainability Accounting Standards Board (SASB)**
 - ✓ **United Nations Global Compact (UNGC)**
 - ✓ **CDP**
 - ✓ **ISO 26000 (voluntary guidance on social responsibility)**
- **Regulatory Push:** Many countries have made ESG disclosures mandatory to promote responsible business conduct.
 - **BRSR (Business Responsibility and Sustainability Report):**
 - ✓ **Focuses** on standardized, quantitative ESG disclosures.
 - ✓ Aims to enhance comparability across companies, sectors, and time.
 - ✓ Helps investors make informed decisions.
 - ✓ Encourages companies to consider and communicate their social and environmental impact, **not just financials**.

EVOLUTION OF ESG REPORTING IN INDIA

- **Start of ESG Reporting (2009):**

ESG reporting in India began in 2009 with the Ministry of Corporate Affairs (MCA) issuing Voluntary Guidelines on Corporate Social Responsibility.
- **Evolution of Reporting Frameworks:**

Over time, frameworks like Business Responsibility Reporting (BRR), Corporate Social Responsibility (CSR), Integrated Reporting (IR), National Guidelines on Responsible Business Conduct (NGRBC), and Business Responsibility and Sustainability Report (BRSR) were introduced.
- **National Voluntary Guidelines (NVGs) – 2011:**

In 2011, MCA released NVGs as India's first comprehensive framework on sustainable development, based on the **Triple Bottom Line (TBL)** principle—focusing on economy, environment, and society.
- **NVG Applicability and Content:**
 - ✓ Applicable to all businesses regardless of size or sector.
 - ✓ Covered 9 key principles: ethics, human rights, employee well-being, stakeholder engagement, environment, product life-cycle, transparency, policy advocacy, inclusive growth, and customer value.
- **Implementation Framework in NVGs:**

NVGs emphasized four key concepts: **leadership, integration, engagement, and reporting**, supported by annexures explaining implementation and regulatory context, including specific guidance for MSMEs.

- **SEBI Mandate on BRR (Post-2011):**

After NVGs were released, SEBI mandated the top 100 listed companies to file **Business Responsibility Reports (BRR)** disclosing non-financial (ESG-related) data.

- **Transition to BRSR:**

Following the release of NGRBCs by MCA, a committee was formed to develop updated reporting formats for both listed and unlisted companies.

- **Birth of BRSR:**

The committee recommended renaming BRR to **BRSR (Business Responsibility and Sustainability Report)** with ESG-based disclosures, pushing companies to engage with stakeholders meaningfully and go beyond just regulatory compliance.

The BRSR framework has been developed after years of evolution, as can be seen from the table below:

Year	Event
2009	Ministry of Corporate Affairs ("MCA") issued the Voluntary Guidelines on CSR as a step towards mainstreaming the concept of business responsibility.
2011	United Nations Human Rights Council (UNHRC) adopted UN Guiding Principles on Business and Human Rights (UNGPs) which India endorsed.
2011	MCA issued National Voluntary Guidelines on Social Environmental and Economic Responsibilities of Business, 200 (NVGs)
2012	SEBI introduced non-financial reporting in the form of Business Responsibility Report (BRR) and mandated the top 100 listed companies by market capitalization to file BRR based on the MCA's NVGs along with their annual reports.
2014	CSR was mandated and CSR Rules came into force.
2016	BRR was extended by SEBI to the top 500 listed companies by market capitalisation.
2017	SEBI advised that IR may be adopted by companies on a voluntary basis from financial year 2017-18 by the top 500 listed companies.
2019	NVGs were revised and MCA released the National Guidelines on Responsible Business Conduct (NGBRCs).
2019	BRR was extended by SEBI to the top 1000 listed companies by market capitalization.
2019-20	MCA formed a Committee to align BRR format in line with NGBRCs. Committee prescribed a revised format to reflect the intent and scope of reporting requirement and recommended that BRR be renamed as

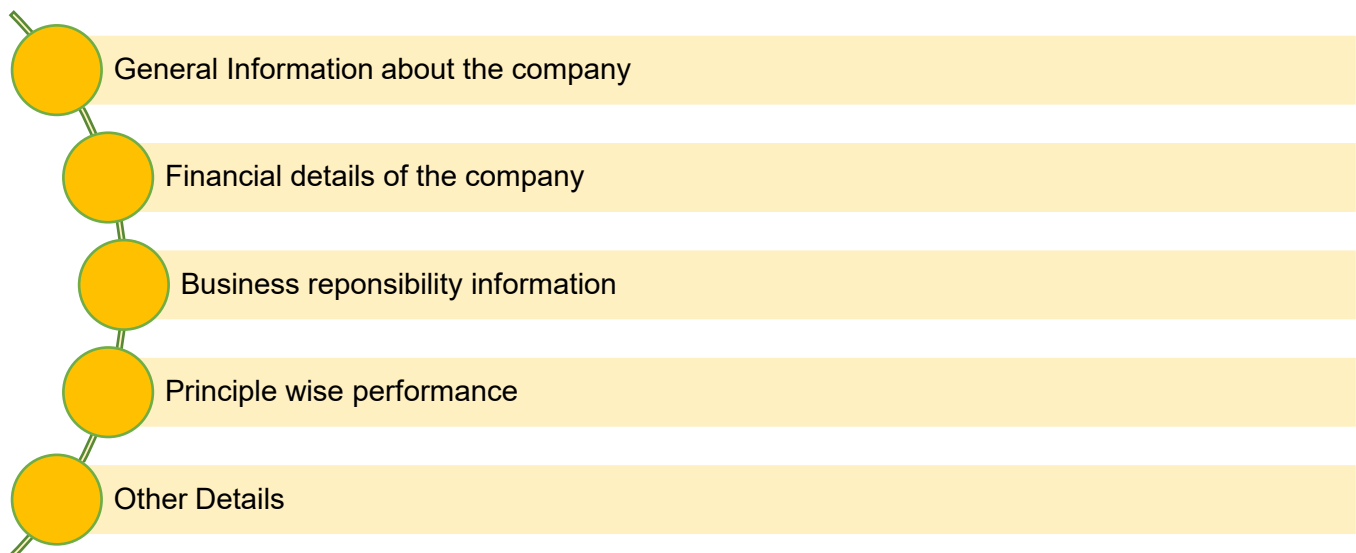
	Business Responsibility and Sustainability Report (BRSR). It was also envisaged that the information collected through BRSR be used to develop a Business Responsibility – Sustainability Index for companies. SEBI issued consultation paper inviting public comments on format of BRSR
2021	SEBI introduced BRSR in May 2021.

BRR TO BRSR – A COMPARATIVE STUDY

The BRR was introduced in August 2012. It was SEBI's reporting requirement, which was in tune with the National Voluntary Guidelines (NVGs) on Social, Environmental and Economic Responsibilities of Business.

BRR guidelines on sustainability information can be classified into five (5) categories as below:

Business Responsibility Report Classification



Both the BRSR and the BRR were designed around the nine business sustainability principles identified by the Ministry of Corporate Affairs in their voluntary ESG guidelines published in 2011 (“MCA ESG Guidelines”), but that is where the similarity ended.

The BRR was not well received, since it based its ESG disclosure requirements almost entirely on the nine sustainability principles from the MCA ESG Guidelines (often, as a Y/N questionnaire) and provided very little meaningful ESG data. The BRSR, on the other hand, built upon the framework of the MCA ESG Guidelines, derives inspiration from international reporting frameworks like the GRI standards, and provides for detailed ESG data, both qualitative and quantitative.

BRR Vs. BRSR – A comparison

Section A	←	GENERAL INFORMATION ABOUT THE COMPANY	→	Section A (Disclosures are more detailed)
Section B	←	FINANCIAL DETAILS OF THE COMPANY	→	PART I AND IV OF SECTION A
Section C	←	OTHER DETAILS – INFORMATION ABOUT SUBSIDIARIES AND BR INITIATIVES OF SUBSIDIARIES, IF ANY	→	PART V OF SECTION A
Section D	←	BR INFORMATION – DETAILS OF BR EFFORTS BASED ON 9 PRINCIPALS OF THE NVG FRAMEWORK	→	SECTION B - MANAGEMENT AND PROCESS DISCLOSURES
Section E	←	PRINCIPAL WISE PERFORMANCE	→	SECTION C – ESSENTIAL INDICATORS AND LEADERSHIP INDICATORS

OVERVIEW AND APPLICABILITY OF BRSR

- **SEBI's Initiative:**
SEBI promoted sustainability reporting in India through the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- Amendment to **Regulation 34(2)(f):**
On 5th May 2021, SEBI amended Regulation 34(2)(f), mandating the top 1000 listed companies (by market capitalization) to submit a **Business Responsibility Report (BRR)** on ESG initiatives.

- **Transition from BRR to BRSR:**

- ✓ BRR was to be discontinued after FY 2021–22.
- ✓ From FY 2022–23, **Business Responsibility and Sustainability Report (BRSR)** became mandatory for the top 1000 listed companies.

- **SEBI Circular for BRSR:**

On 10th May 2021, SEBI issued Circular No. SEBI/HO/CFD/CMD-2/P/CIR/2021/562 outlining the applicability and format of BRSR.

- **Mandatory Filing:**

BRSR is mandatory from FY 2022–23 for the top 1000 listed entities, replacing the earlier BRR.

- **Purpose of BRSR:**

Introduced in response to the rising trend of ESG investing and concerns about responsible governance and climate change.

- **Nature of BRSR:**

BRSR is part of sustainable finance and integrates ESG aspects into corporate disclosures.

- **Scope of BRSR Reporting:**

Covers environmental impact, social/community development, governance practices, and economic performance.

- **Stakeholder Value:**

BRSR enhances transparency and helps stakeholders evaluate a company's ESG performance, challenges, and future opportunities.

Apart from introducing a relatively comprehensive disclosure framework, BRSR also includes the following aspects, with an aim to enhance ESG complaint business practices in India:

- ✓ Implementation of the NGRBC principles to address ESG-related concerns;
- ✓ Disclosure of adequate policies and mechanism that a company implements to remain ESG-compliant. BRSR lays considerable emphasis on quantifiable metrics for ensuring comparison across sectors, companies, and time periods;
- ✓ Enhanced disclosures on climate and social related issues;
- ✓ Segregation of disclosures into essential and leadership indicators, the former being the mandatory requirement. The leadership indicators, inter alia, also emphasizes disclosures related to the value chain of eligible entities;
- ✓ BRSR allows interplay for organisations that are already publishing sustainability reports under other internationally recognized frameworks.

STRUCTURE / FRAMEWORK OF BRSR

Before exploring the structure / framework of BRSR, it is essential to have a look on the approach adopted for developing the BRSR Core-

i) Quantifiable and outcome oriented metrics

The KPIs sought in the BRSR Core are quantifiable to the extent possible, so as to facilitate comparability of the disclosures. The KPIs also incorporate metrics that are reflective of sustainable outcomes in companies. For instance, one of the metrics recommended by the Committee was 'gross wages by gender' which was reflective of whether a company has gender diversity practices which attract and retain women in its workforce.

ii) Relevance of the attributes / areas in the BRSR Core

The BRSR Core contains factors that are relevant to both the manufacturing and service factors and are relevant in the Indian context. Therefore, under the 'S' parameters, attributes such as job creation, and inclusive development have been considered. The 'G' parameter included openness / concentration of business including related party transactions.

iii) Comparability across jurisdictions

The KPIs in the BRSR Core, contain a number of intensity ratios, such as intensity of Green-House Gas (GHG) emissions, water consumption, waste generation etc., so as to enable comparability, irrespective of the size of the company.

These intensity ratios are based on both revenue and volume. Considering the fact that these ratios are also used by global investors and global ERPs, it is felt appropriate that intensity ratios based on economic value adjusted for Purchasing Power Parity (PPP) should be computed in addition to the norm intensity ratios, for global comparability to be fairer to low cost / developing economies. It is proposed that in the first phase, country level PPP may be used and over time, sector specific PPP may be developed.

The reporting framework is divided into three sections

Section A: General disclosures

The section contains details of the listed entity; products/services; operations; employees; holding, subsidiary and associate companies (including joint ventures); CSR; transparency and disclosure compliances.

Under this basic details of company shall be disclosed such as, name, CIN, registered office, contact details, paid-up capital, name and contact details of the responsible person for BRSR, details about operation, production, turnover, details of employee, gender ratio of employee, representation of women at the top management and turnover ratio of the employees etc.

Section B: Management and process disclosures

It contains questions related to policy and management processes, governance, leadership and oversight. It includes preparation/identification of policy(ies), processes put in place towards adopting the NGRBC principle and core elements, Sustainability Governance Structure to benchmark, implement and monitor sustainability aligned decisions and actions.

Section C: Principle-wise performance disclosures

Companies are required to report upon KPIs in alignment with the nine principles of the NGRBC given below. The section classifies KPIs into two sub-categories that companies are required to report upon:

- 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.

Nine principles of the NGRBC

The NGRBC are designed to be used by all businesses irrespective of their ownership, size, sector, structure or location. It is expected that all businesses investing or operating in India, including foreign multinational corporations (MNCs) will follow these guidelines. Correspondingly, the NGRBC also provide a useful framework for guiding Indian MNCs in their overseas operations, in addition to aligning with applicable local national standards and norms governing responsible business conduct.

Furthermore, the NGRBC reiterate that need to encourage businesses to ensure that not only do they follow these guidelines in business contexts directly within their control or influence, but that they also encourage and support their suppliers, vendors, distributors, partners and other collaborators to follow them.

The nine principles of NGRBC are as under:

Principle 1

Businesses should conduct and govern themselves with integrity, and in a manner that is ethical, transparent and accountable.

- Detailed description of number of trainings and awareness programmes on any of the principles held for the Board, KMP, employees and workers
- Details of fine/penalties /punishments/awards/compounding fees/settlement paid
- Disclosure on number of complaints received
- Details relating to anti- corruption

Principle 2

Businesses should provide goods and services in a manner that is sustainable and safe.

- Disclose percentage of Research and development and capital expenditure investments
- Disclose procedure on Sustainable sourcing
- Details of Life Cycle Assessment
- Disclosure on Extended producer Responsibility

Principle 3

Businesses should respect and promote the well-being of all employees, including those in their value chains.

- Detailed measure taken by entity for their employee's
- Details of retirement benefits

Principle 4

Businesses should respect the interests of and be responsive to all its stakeholders.

- Disclosure about the processes for identifying key stakeholder group

Principle 5

Businesses should respect and promote human rights

- Details of training
- Details of minimum wages paid

Principle 6

Businesses should respect and make efforts to protect and restore the environment.

- Specific disclosures relating to water withdrawal
- Disclosure regarding whether the entity has implemented a mechanism for zero liquid discharge
- Details of air emission or greenhouse gases
- Disclose the details of environmental impact assessment project

Principle 7

Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.

- Disclose details on trade and industry chambers of the entity
- Disclose details of corrective actions taken or underway on any issues related to anti-competitive conduct by the entity

Principle 8

Businesses should promote inclusive growth and equitable development.

- Disclose details of Social Impact Assessment (SIA) of projects undertaken by the entity
- Disclose details of preferential procurement policy

Principle 9

Businesses should engage with and provide value to their consumers in a responsible manner.

- Number of consumer complaints received during the current year and previous year
- Advertising, cyber security and unfair trade practises along with the details regarding mechanism
- Disclosure regarding framework /policy on cyber security and risks related to data privacy along with providing weblink of the policy.

A summary of the ESG metrics and other key disclosures required by the BRSR is as follows:

SUBJECT MATTER	KEY DISCLOSURES*
General	Key quantitative and/ or qualitative KPIs: • Principal business activities and products/ services. • Markets served, plants and offices (national and international), and types of customers. • Contribution of exports. • R&D and capex investments in technologies that improve ESG impacts. • Trade and industry affiliations. Other key disclosures: • Overview of material responsible business conduct issues. • Specific ESG commitments and performance. • External assessment/ evaluation of ESG policies.
Environmental	Key quantitative and/ or qualitative KPIs: • Material environmental impacts, risks and concerns. • Energy consumption and intensity. • Water consumption, intensity, withdrawal and discharge. • GHG emissions (scope 1 to 3) and projects for emissions reduction. • Plastics and waste management (including through 3Rs practices) and wastewater management. • Sustainable input sourcing.

	• Environmental impact assessments. • Extended producer responsibility. • Life cycle assessments. • Operations in ecologically sensitive areas and biodiversity impacts. • Compliance with environmental laws. Other key disclosures: • Business continuity and disaster management plan(s).
Social	Key quantitative and/ or qualitative KPIs: • Median remuneration and minimum wages. • Return to work and retention rates. • Union/ association memberships. • Occupational safety and health (OSH) matters, including risk assessments, reporting and corrective actions. • Safety incidents and corrective actions. • Human rights related risk assessments, diligence, corrective actions, grievance redressal and business process changes. • Trainings – on ESG, OSH, human rights, and skill upgradation. • Safety-linked product recalls. • Insurance, retirement, and other employee benefits. • Employee/ worker complaints and grievances, and protective mechanisms for complainants. • Rehabilitation and resettlement, and community grievances. • Social impact assessments and mitigating actions. • Customer/ consumer issues, including complaints, corrective actions, awareness, and feedback. • Product labelling. • Sourcing from local/ small producers and marginalised/ vulnerable groups. • Beneficiaries of CSR projects. • Data privacy issues. Other key disclosures: • Framework/ policy on cyber security and data privacy risks.
Governance	Key quantitative and/ or qualitative KPIs: • Anti-bribery/ corruption disciplinary sanctions involving directors and employees, and related corrective actions. • Conflicts of interest involving directors or KMPs, and related corrective actions. • Process for identifying and engagement with key stakeholders.

	Other key disclosures: Anti-corruption/ bribery policies.
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**Certain KPIs/ disclosures (particularly, those relating to value chain partners) are voluntary only.*

BENEFITS OF BRSR REPORTING

1. **Improved ESG Performance**

- Helps monitor Environmental, Social, and Governance (ESG) practices.
- Enables informed decisions to improve sustainability.
- Leads to reduced environmental impact and better governance.

2. **Competitive Advantage**

- Differentiates companies through transparent sustainability practices.
- Attracts ESG-conscious investors and customers.

3. **Compliance with Regulations**

- Supports adherence to SEBI and National Voluntary Guidelines.
- Demonstrates regulatory compliance and avoids penalties.

4. **Improved Stakeholder Engagement**

- Builds trust with investors, customers, and employees.
- Encourages collaboration and reinforces commitment to sustainability.

5. **Risk Management**

- Identifies and mitigates ESG-related risks.
- Protects reputation and enhances resilience to unforeseen events.

6. **Cost Savings**

- Highlights opportunities to reduce energy use and waste.
- Cuts operational costs and prevents non-compliance penalties.

7. **Innovation**

- Encourages development of sustainable products/services.
- Drives efficiency through goals like reduced carbon emissions or water use.

8. **Investor Confidence**

- Enhances transparency in ESG performance.
- Attracts investors who prioritize sustainability in decision-making.

9. **Improved Reputation**

- Demonstrates accountability and transparency.
- Strengthens brand image and stakeholder trust.

10. **Long-Term Value Creation**

- Promotes sustainable growth and strategic planning.
- Helps address long-term ESG risks while creating value for stakeholders.

CHALLENGES OF BRSR REPORTING

Challenges of Sustainability Reporting include –

- **Diverse views on Sustainability** – There is no one definition of sustainability. This results in the ambit of sustainability becoming very large, and it could be overwhelming for companies to collate such a lot of information and present it in the form of a report.
- **Multiple reporting standards and frameworks** – Globally there are various reporting standards and frameworks for Sustainability Reporting, such as Carbon Disclosure Project (CDP), the Climate Disclosure Standards Board (CDSB), the Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB). Each of these provide their own guidelines for Sustainability Reporting. This can result in challenges in reporting, basis each of these frameworks.
- **Time-consuming exercise** – Given the extensive data that is required, Sustainable Reporting could be time consuming, especially for smaller companies.
- **Lack of understanding within management** – The personnel responsible for collecting such data need to be educated and trained efficiently. Problems can arise if there is lack of proper coordination between different departments within a company. The credibility and reputation of the company depends on the accuracy of the data published.
- **No clear proof of financial return on investment** – Although studies have shown that stakeholders reward companies with sustainable practices, there is mixed empirical evidence, partly because data continues to be a challenge.

CONCLUSION

Unlike financial reporting where companies have robust system in place to capture and report necessary data, reporting around ESG parameters is still at a growing stage. Therefore, there is an urgent need to invest in necessary mechanism which could help in three aspects:

1. Enable capturing the required data for reporting ESG matters
2. Selection of sustainable framework and related metrics that can be adopted by companies to facilitate reporting
3. Level of assurance to be provided on such reporting. BRSR reporting is a first step towards achieving these milestones.

India is gradually moving towards developing regulations around ESG

- India is taking steps to establish ESG-related regulations.
- SEBI introduced the BRSR (Business Responsibility and Sustainability Report) framework, aligning with global sustainability reporting standards.

Though the reporting mandate is presently restricted to the top 1,000 listed companies by market capitalization

- Currently, only the top 1,000 listed companies must comply with BRSR.
- Past experience with BRR suggests that more companies may be included under BRSR in the future.

Thus, with the BRSR becoming mandatory from the financial year FY2022-23

- BRSR is mandatory from FY2022-23.
- Investors and ESG rating agencies rely on BRSR disclosures.
- Independent assurance of these disclosures is essential for enhancing their credibility and boosting investor trust.