



**Business Responsibility and
Sustainability Report**

An attempt to mainstream ESG

July 2021







Table of contents

| | |
|--|----|
| Background | 04 |
| Evolution of ESG reporting in India | 05 |
| Business Responsibility and Sustainability Report (BRSR) | 06 |
| A step towards ESG alignment | 08 |
| What's new | 09 |
| Top 1,000 listed companies: The next steps | 11 |

Background

With sustainable development and the climate change movement gaining momentum, the sustainability reporting landscape is changing rapidly around the globe. The push from investors has further accelerated this movement, and it is now incumbent on companies to report their sustainability performance in order to maintain transparency with stakeholders. Sustainability reporting frameworks have evolved over time and companies worldwide have adopted these frameworks for measuring, monitoring and disclosing performance in areas related to environmental, social and governance (ESG).

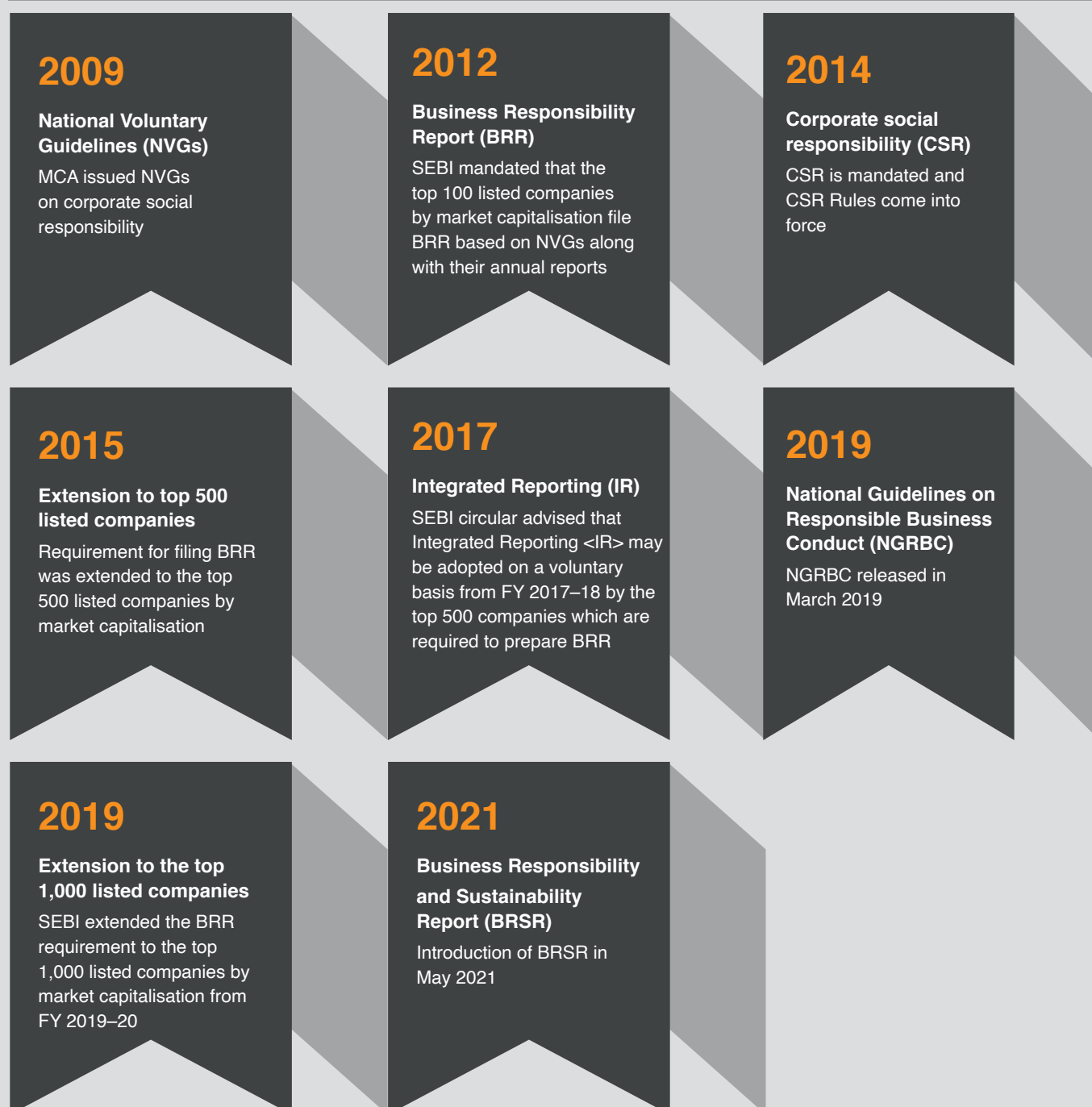
Global ESG/sustainability disclosures and frameworks such as the Global Reporting Initiative (GRI), Integrated Reporting <IR>, Sustainability Accounting Standards Board (SASB), United Nations Global Compact (UNGC) and CDP require businesses to disclose their sustainability performance as per the respective key performance indicators (KPIs) and principles. ISO 26000 offers voluntary guidance on social responsibility. Many countries around the world have introduced and mandated some form of ESG-related disclosures.



Evolution of ESG reporting in India

ESG reporting in India started in 2009 with the Ministry of Corporate Affairs (MCA) issuing the Voluntary Guidelines on Corporate Social Responsibility as the first step towards mainstreaming the concept of business responsibility. Since then, the reporting landscape has come a long way with the introduction of Business Responsibility Reporting (BRR), Corporate Social Responsibility (CSR), IR, National Guidelines on Responsible Business Conduct (NGRBC) and now Business Responsibility and Sustainability Report (BRSR) (introduced through a SEBI circular dated 10 May 2021).¹ Figure 1 outlines the evolution of ESG reporting in India.

Figure 1: Evolution of ESG reporting in India



Source: MCA, SEBI, Companies Act, 2013

¹ https://www.sebi.gov.in/legal/circulars/may-2021/business-responsibility-and-sustainability-reporting-by-listed-entities_50096.html

Business Responsibility and Sustainability Report (BRSR)

Overview

In November 2018, the MCA constituted a Committee on Business Responsibility Reporting (the Committee) to finalise business responsibility reporting formats for listed and unlisted companies, based on the framework of the NGRBC.

Through its 'Report of the Committee on Business Responsibility Reporting' (the Committee Report), the Committee recommended that BRR be rechristened BRSR, where disclosures are based on ESG parameters, compelling organisations to holistically engage with stakeholders and go beyond regulatory compliances in terms of business measures and their reporting.

Reporting is mandatory for the **top 1,000 listed companies** (by market capitalisation) from FY2022–23, while disclosure is voluntary for FY2021–22. Thus, the Committee Report encourages companies to report their performance for FY2021–22 in order to be better prepared to adopt this framework from the next FY.

As per SEBI's circular dated 10 May 2021, entities already preparing and disclosing sustainability reports based on internationally accepted reporting frameworks (such as GRI, SASB, Task Force on Climate-related Financial Disclosures (TCFD) or <IR>) may **cross-refer** to disclosures made under these frameworks.

Structure

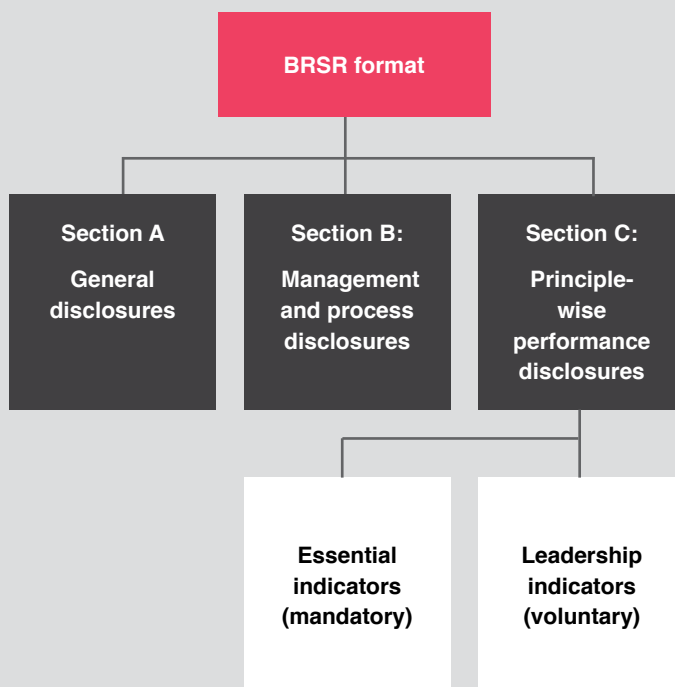
The reporting questionnaire is divided into **three sections** (see Figure 2).

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.



Figure 2: Structure of BRSR



Source: As per SEBI circular dated 10 May 2021

Section B: Management and process disclosures

It contains questions related to policy and management processes, governance, leadership and oversight.

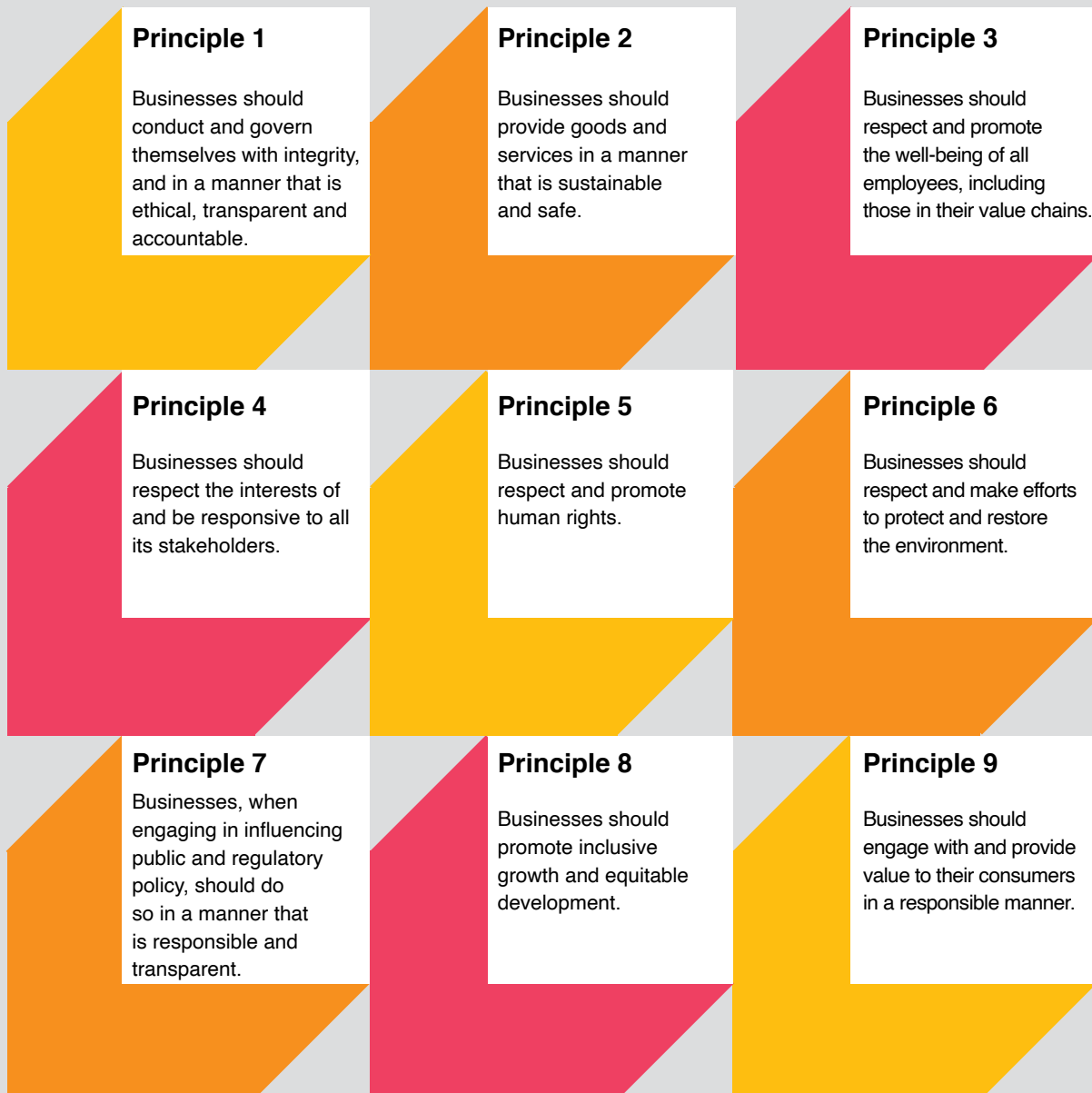
Section C: Principle-wise performance disclosures

Companies are required to report upon KPIs in alignment with the nine principles of the NGRBC highlighted in Figure 3.

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.

Figure 3: Nine principles of the NGRBC



A step towards ESG alignment

The growing trend of sustainability reporting trend has resulted in the standardisation of frameworks into a globally accepted framework such as the World Economic Forum (WEF) Metrics and that of the Value Reporting Foundation. BRSR incorporates several KPIs of the international frameworks in an attempt to bring it on par with global ESG reporting trends.

BRSR embraces ESG concepts in its disclosure formats. The KPIs mentioned in the report can be divided into three pillars, i.e. E, S and G (see Figure 4).

Figure 4: Alignment of BRSR's KPIs with ESG pillars



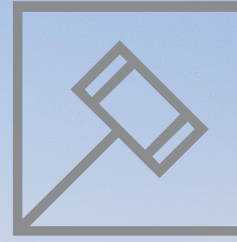
Environmental

- Energy and GHG/scope emissions
- Solid waste management
- Water consumption and withdrawal
- 3R practices
- Sustainable sourcing
- Extended producer responsibility (EPR)
- Life cycle assessments (LCAs)



Social

- Employee well-being
- Health and safety of workers
- Trainings
- Human rights
- Social impact assessment
- Gender equality – representation of women at the top levels
- CSR activities and details of beneficiaries



Governance

- Anti-corruption and anti-bribery policies
- Conflict management process
- Retention policies
- Remuneration policies
- Stakeholder engagement

What's new

The Indian Institute of Corporate Affairs (IICA) formulated BRSR on the basis of a study conducted in collaboration with the United Nations Children's Fund (UNICEF) in 2018² (IICA-UNICEF study). The study concluded that though there was completeness in

information disclosure in the SEBI-BRR framework, both the clarity and accuracy of the information provided by companies were weak. Hence, to plug these gaps, SEBI has brought in BRSR. The BRSR format improves upon BRR in the following ways:

More quantitative disclosures

The questions have become simpler and more specific for better quantitative disclosures under principle-wise indicators. This provides holistic and granular-level information.

Essential and leadership indicators

The questions have been divided into two categories for mandatory and voluntary disclosures. However, as per the MCA Committee Report, for the next cycle of review, the questions under the leadership category are likely to be shifted to the essential category to track the progress of disclosures and transition towards a comprehensive reporting format.

Availability of a guidance note

The report includes a guidance note on the definition and interpretation of the scope of each question/KPI to aid companies in filling the BRSR questionnaire.

Incorporation of value chain partners

The IICA-UNICEF study revealed that information related to supply chains was among the weakest in BRR disclosures. Therefore, in the BRSR update, several questions seek disclosures on a company's value chain and its stakeholders.

BRSR Lite*

The Committee Report allows smaller unlisted companies below a certain threshold (currently not defined by SEBI) to adopt a lite version of the format, on a voluntary basis, to make it easier for them to begin reporting on sustainability-related issues.

MCA21 portal*

As per the Committee Report, BRSR will be integrated with reporting under the Companies Act, 2013, and BRSR will be in the form of an annual report as well as a disclosure on the MCA21 portal in XBRL format.

Business Responsibility-Sustainability Index*

The Committee Report also envisions the development of a Business Responsibility-Sustainability Index to rate the responsible business conduct of organisations.

Sustainable Development Goals (SDGs) mapping

The Committee Report explores linkages between the NGRBC principles and the SDGs. BRSR is aligned with the SDGs so that businesses can demonstrate their performance on SDG targets (see Figure 5).

*The SEBI BRSR circular currently does not discuss some of the features such as BRSR Lite, the MCA21 portal and Business Responsibility-Sustainability Index mentioned in its consultation paper and Committee Report. In our view, the inclusion of these features will facilitate the transition from BRR to BRSR, leverage technology and data for informed decision making, and help stakeholders rank companies with respect to their ESG performance and disclosures.



Figure 5: Alignment of BRSR principles with the SDGs

| Principles/ SDGs | 1 NO POVERTY | 2 ZERO HUNGER | 3 GOOD HEALTH AND WELL-BEING | 4 QUALITY EDUCATION | 5 GENDER EQUALITY | 6 CLEAN WATER AND SANITATION | 7 AFFORDABLE AND CLEAN ENERGY | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 10 REDUCED INEQUALITIES | 11 SUSTAINABLE CITIES AND COMMUNITIES | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION | 14 LIFE BELOW WATER | 15 LIFE ON LAND | 16 PEACE, JUSTICE AND STRONG INSTITUTIONS | 17 PARTNERSHIPS FOR THE GOALS | |
|---------------------|--------------|---------------|------------------------------|---------------------|-------------------|------------------------------|-------------------------------|-----------------------------------|---|-------------------------|---------------------------------------|---|-------------------|---------------------|-----------------|---|-------------------------------|--|
| Principle 1 | | | | | | | | | | | | | | | | | | |
| Principle 2 | | | | | | | | | | | | | | | | | | |
| Principle 3 | | | | | | | | | | | | | | | | | | |
| Principle 4 | | | | | | | | | | | | | | | | | | |
| Principle 5 | | | | | | | | | | | | | | | | | | |
| Principle 6 | | | | | | | | | | | | | | | | | | |
| Principle 7 | | | | | | | | | | | | | | | | | | |
| Principle 8 | | | | | | | | | | | | | | | | | | |
| Principle 9 | | | | | | | | | | | | | | | | | | |



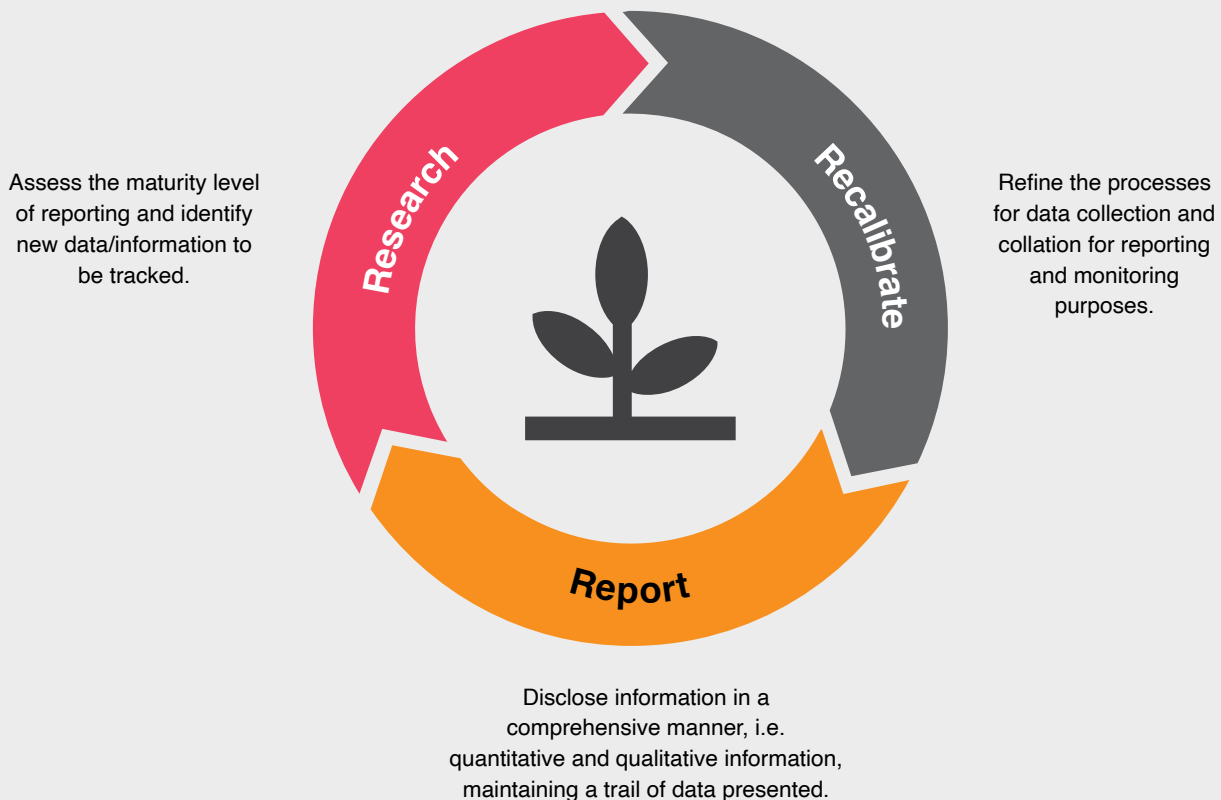
Top 1,000 listed companies: The next steps

BRSR is more a comprehensive disclosure framework than BRR. As compliance is mandatory from FY 2022–23, it is imperative for companies to prepare themselves for the change.

BRSR is an effective compliance and communication tool for a company's non-financial disclosures and is the next step in mandatory ESG reporting in India.

Figure 6 demonstrates the **3R (Research, Recalibrate and Report)** approach by which companies can smoothly transition from BRR to BRSR.

Figure 6: The 3R approach for BRSR



BRSR is a standard and consistent framework which has been prepared keeping in mind the dynamic global trends in sustainability reporting. It is evident that the Indian reporting scenario is evolving rapidly in line with international norms and regulations where corporates are expected to run businesses conscientiously and maintain transparency and accountability in reporting. BRSR is expected to be used as a single source for disclosing sustainability-related information in India. It would also serve as a base document for various stakeholders, especially investors, to bring about comparability amongst companies.

About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 155 countries with over 284,000 people who are committed to delivering quality in assurance, advisory and tax services. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

Find out more about PwC India and tell us what matters to you by visiting us at www.pwc.in.

© 2021 PwC. All rights reserved.

Contact us

Vivek Prasad

Markets Leader, India

vivek.prasad@pwc.com

Sambitosh Mohapatra

ESG Leader, India

sambitosh.mohapatra@pwc.com

Data Classification: DC0 (Public)

This document does not constitute professional advice. The information in this document has been obtained or derived from sources believed by PricewaterhouseCoopers Private Limited (PwCPL) to be reliable but PwCPL does not represent that this information is accurate or complete. Any opinions or estimates contained in this document represent the judgment of PwCPL at this time and are subject to change without notice. Readers of this publication are advised to seek their own professional advice before taking any course of action or decision, for which they are entirely responsible, based on the contents of this publication. PwCPL neither accepts or assumes any responsibility or liability to any reader of this publication in respect of the information contained within it or for any decisions readers may take or decide not to or fail to take.

© 2021 PricewaterhouseCoopers Private Limited. All rights reserved. In this document, "PwC" refers to PricewaterhouseCoopers Private Limited (a limited liability company in India having Corporate Identity Number or CIN : U74140WB1983PTC036093), which is a member firm of PricewaterhouseCoopers International Limited (PwCIL), each member firm of which is a separate legal entity.



PD/July 2021-M&C 13414