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BRSR...An ESG Impact Reporting...

ESG denotes Environmental, Social and Governance impact by a Business Entity. SEBI, in its consultation paper, specified that in past 3 years, a number of ESG funds have been launched in India. As ESG Investing becomes mainstream, companies have been urged by both investors and regulator to make ESG related disclosures to their stakeholders. The use of ESG ratings and rating products by investors is also growing, as they increasingly factor ESG parameters in their investment decisions. It is time to upgrade the mindset of Industrialists from Gain to Gain with No Pain which means the gain should not only be the motive even if it costs to society and environment. The Broadly the Categorization of ESG has been made as under:

1. ESG Disclosures,
2. ESG Ratings and
3. ESG Investing

FAQs

1. What is BRSR?

In May 2021, SEBI introduced Business Responsibility and Sustainability Reporting (“BRSR” format), mandating the top 1,000 listed companies to file BRSR as part of the Annual Report with SEBI from FY 23-24 onwards, by amending Regulation 34 (2) (f) of SEBI (Listing Obligation and Disclosure Requirements) Regulation, 2015 (“LODR Regulations”).

2. On which Class of Companies, it is applicable?

From FY 2023 – 2024, the top 1000 listed entities (by market capitalization) shall make BRSR disclosures as part of their Annual Reports.

Listed entities shall mandatorily undertake reasonable assurance of the BRSR Core, as per the glide path specified in the following table:

Financial Year	Applicability of BRSR Core to top listed
2023 – 24	Top 150 listed entities
2024 – 25	Top 250 listed entities
2025 – 26	Top 500 listed entities
2026 – 27	Top 1000 listed entities

3. Is there any Format prescribed by SEBI for BRSR?

Yes, BRSR divided into three sections:

Section- A for General Disclosures

Section-B for Management Process and Disclosure

Section- C for Principle Wise performance Disclosure

4. What are ESG Attributes?

ESG attributes are the part of BRSR Core which consists of several additional Key Performance Indicators (“KPIs”) under nine Principles inter-alia, Green-house gas footprint, Water footprint, Energy footprint, Enabling Gender Diversity in Business, and others, and mandates listed companies to disclose them.

5. What are Nine Principles of ESG Attributes under BRSR?

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.

6. Prescribe the Bifurcation of Nine Principles of ESG attributes as stated above into Environment, Social and Governance separately for each of the attribute.

Principles relating to Environment are Principle 2 and 6 stated above

Principles relating to Social are Principle 3, 5 and 8 stated above

Principles relating to Governance are Principle 1, 4, 7 and 9 stated above

7. What are the Key Highlights of ESG disclosures and assurance for value chain?

The framework provides that a listed entity should report the parameters as per BRSR Code for their value chain to the extent it is attributable to their business with that value chain partner.

Value chain should encompass the top upstream downstream partners of a listed entity, cumulatively comprising 75 per cent its purchases/sales (by value) respectively.

Such reporting may be segregated for upstream and downstream partners or can be reported on an aggregate basis.

8. What are Essential Indicators?

The Information Sought through Essential Indicators means the reporting which is expected to be disclosed by every entity that is mandated to file this report.

9. What are Leadership Indicator?

The Information which may be voluntarily disclosed by entities which aspire to progress to a higher level in their quest to be socially, environmentally and ethically responsible.

10. What would be the impact on the Listed Entities?

According to the ESG Attributes Framework, the Listed Entities needs to report the Value chain which should encompass the top upstream downstream partners of a listed entity, cumulatively comprising 75 per cent its purchases/sales (by value) respectively.

Here it is important to understand that Though ESG reporting is applicable to the listed entities but the reporting by the listed entity will include the names of Value chain partners and Quantum of Business with that concerned value chain partner in BRSR. This Compulsion of reporting the Value Chain partners positively effect the ESG reporting beyond the horizon of listed Companies because listed company will try to involve themselves with the other ESG Compliant Value Chain Partner even if that Value Chain Partner is MSME or SME Entity.

11. What is “comply-or-explain” under ESG Reporting of BRSR?

Under the SEBI framework, listed companies are mandated to include ESG disclosures of their value chain on a “comply-or-explain” basis. Listed companies have the option to explain non-disclosure of inclusion of value chain partners in their BRSR Reporting but definitely, there would be pressure on the listed entities to comply with ESG

disclosures of value chain partner over a period of time because listed companies are expected to adopt the ESG attributes principles and not to explain the reason non disclosure in every BRSR.

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