# BRSR - The journey towards Standardised ESG Reporting for a Sustainable Future

1. *A brief overview of the Webinar*

**Environment, Social, and Governance (ESG)** is gathering momentum with companies rushing to report as mandated, Investors showcasing green credentials, and Governments committing to meeting increasingly stringent targets.

Initially clubbed to represent non-financial indicators, ESG includes a range of themes with E representing resource use and environmental impact, S covering social impact, and G including Shareholder rights and Board roles and responsibilities', the Keynote Speaker, Mr. Amit Tandon highlighted, during the recent webinar, **'BRSR: The journey towards Standardised ESG for a Sustainable Future'** organised by Sattva.

**Mr. Amit Tandon** is the Founder and MD of Institutional Investor Advisory Services (IiAS), India. The webinar also included a panel discussion moderated by **Mr. Anantha Narayan**, Advisor, Sattva, where the panelists were a) **Ms. Anagha Mahajani**, Ambuja Cement Foundation, b) **Ms. Foram Nagori**, Tata Power, and c) **Mr. Soumyendra Lahiri**, PCBL. The panel discussion was followed by a presentation by **Ms. Shrutee Ganguly**, Principal, Sattva on how ESG reporting has evolved over the years, and how BRSR reporting can be navigated effectively to report on relevant parameters across principles.

In the backdrop of the Securities Exchange Board of India (SEBI) replacing the existing Business Responsibility Reporting (BRR) framework with a new reporting framework: Business Responsibility and Sustainability Reporting (BRSR) w.e.f. FY 2022-23 for the top 1000 listed entities, there arises a need for collective efforts of learning, doing, and improving together to progress on Sustainability impact and reporting.

For the FY 2021-22, the top 1000 listed entities may voluntarily submit the BRSR and from FY 2022-23 onwards, the same has to be submitted mandatorily. The BRSR is an extension of the existing BRR reporting and builds on the National Guidelines on Responsible Business Conduct (NGRBCs) which are the set of guidelines updated by the MCA in 2019.

While the BRSR has been made effective from FY 2022-23, it has to be understood that reporting is secondary, and needs to be backed by organisations taking appropriate actions to ensure a positive report. Where the BRSR reporting of a company is negative, the same, though not a non-compliance of the regulatory provisions, will result in a negative impact on the minds of the stakeholders.

At Sattva, we have been analysing the readiness of India's top 200 BSE-listed organisations, and find that there is an opportunity for them to improve in various areas while learning and creating impact together. Owing to this, we organised this webinar to learn from and participate in discussions with experts in the area while they exchange views and perspectives and answer some of today's most pressing ESG and Sustainability-related questions.

2. *Highlights from the Keynote Address*

The Keynote address at the webinar was given by Mr. Amit Tandon, Founder, and Managing Director, of Institutional Investor Advisory Services India Limited (IiAS). IiAS is an advisory firm that provides independent opinions, research, and data on corporate governance and ESG issues as well as voting recommendations on shareholder resolutions for about 800 companies in the Indian Market. Amit Tandon has a Bachelor in Economics from St. Stephens College, University of Delhi, an MBA from Faculty of Management Studies, University of Delhi, and an MPhil in Economics and Politics of Development from the University of Cambridge. Prior to starting IiAS, Mr. Tandon has been the MD of Fitch Ratings and the Senior Vice President and Head of Corporate Banking at ICICI Securities, responsible for the capital markets (both debt and equity).

As the Keynote speaker, Mr. Tandon discussed the evolution of Sustainability Reporting over the years, and the emergence of BRSR, highlighting its need. Despite the momentum, there is **a lot of ambiguity in the approach to ESG**. While companies look to regulators for guidance to meet investors' needs for digestible ESG data for stock selection, regulators are expecting to find guidance from the developed markets which have been at the forefront of ESG for much longer.

However, despite a head start, there is a lack of a clear roadmap from these markets. In fact, there is a lack of agreement even on what constitutes ESG. According to a NASDAQ and CCMC survey, 61 percent of US public companies say ESG is a subjective term that means different things to different companies and is difficult to define. This is despite the survey reporting increase in climate change disclosures over the last decade.

The **ambiguity is also reflected in the space of ESG rating providers**, whose ratings form the base for sustainability index inclusions, among other uses. Due to varied standards and methodologies, the International Organisation of Securities Commissions (IOSCO) highlighted a need for clarity and alignment on ESG definitions, including what ratings or data products intend to measure, and transparency in the methodologies underpinning the data and data products. As a consequence, SEBI published their Consultation paper on ERPs, with the proposal of regulating to develop some standardisation.

**Compounding this blurriness is the conventional cost-benefit analysis** that will not help point the way forward. Particularly, In the context of climate, it extends well "beyond the traditional horizons of most actors in imposing a cost on future generations that the current generation has no direct incentive to fix." Mark Carney, former governor of the Bank of England, fittingly called this the tragedy of the horizons.

The **BRSR is a significant milestone** through which SEBI aims at bringing about standardisation in ESG data and disclosure. Based on the UN Global Compact Principles, the Ministry of Corporate Affairs (MCA) developed the National Voluntary Guidelines (NVGs) that became the base of Business Responsibility Reporting (BRR) and required mandatory reporting. After the new Companies Act, and in response to global trends, MCA updated the guidelines to National Guidelines on Responsible Business Conduct (NGRBCs) which gave way to the BRSR reporting format.

Although there is **a lack of clarity**, companies and Boards must be prepared to face the ambiguity of ESG space. Companies need to look at two aspects: (a) What is to be done and who decides and (b) reporting and communication.

Both require Boards to chart their own paths and ensure that the company has rightly identified the ESG risks and opportunities as there is no one common approach. However, it is important to set both intermediate and final goals as the latter goals may be too far ahead and get caught in a 'tragedy of horizons'.

Sustainability is not something that impacts all companies equally. But in the future, **all companies have to focus on two things**: 1) Governance: if there is strong governance the companies can manage other issues and 2) Social risks: the area which will see the steepest climb in reporting and other requirements as India's social needs are different from the West and Government has a lot of policy focus on social issues.

However, BRSR reporting for companies as well as BRSR readiness for all industries is a challenge, and to help navigate the ambiguity, companies can also opt for BRSR Lite which focuses on critical and material areas. For companies that are starting out on reporting, the BRSR lite format seems a suitable choice.

3. *Highlights from the Panel Discussion: The Importance of embracing BRSR Reporting*

The panelists for this discussion were a) **Ms. Anagha Mahajani**, Ambuja Cement Foundation, b) **Ms. Foram Nagori**, Tata Power, and c) **Mr. Soumyendra Lahiri**, PCBL.

**Ms. Anagha Mahajani** is the Head - Program Research and Monitoring at Ambuja Cement Foundation. She is a postgraduate from Tata Institute of Social Sciences, Mumbai and is a qualified management and research practitioner with publications to her credit. Prior to joining ACF she worked with leading national and international organisations including Tata Trusts, EZE, among others. She has also been a member of the faculty, Urban & Rural Community Development Department of Tata Institute of Social Sciences, Mumbai.

**Ms. Foram Nagori** is the Head, CSR of Tata Power. She has years of experience in the CSR and Sustainability domain that spans CSR & environmental policy, design, deployment, management of flagship programs and anchoring of cause-based alliances.

**Mr. Soumyendra Lahiri** is the Head - Manufacturing Excellence & EHS at PCBL and has extensive experience of over a decade within the company and the sector, leading sustainability and safety initiatives for the company. PCBL is the largest carbon black manufacturer in India and a strong global player with a significant customer base in 45+ countries.

The panel was moderated by **Mr. Anantha Narayan**, an Advisor at Sattva. Anantha is a member of the CII's National Committee on Financial Reporting and also a member of the Technical Advisory Committee, National Financial Reporting Authority, Government of India. He has retired after spending over two decades in the investment banking industry in equities research.

The panel discussion touched upon a range of aspects that emerge when we explore the ESG reporting landscape in India, ranging from how BRSR reporting can further transform the ESG reporting landscape in the country, to how it can be used as a strategic tool in business and in creating a positive impact.

The format of the BRSR has elements that align with various Global Reporting Standards including the Global Reporting Initiative (GRI). For organisations there is a scope to report on sustainability issues that are: a) financially material in influencing business value and, b) material to the stakeholders of the organisation and the market. For companies embracing this **double materiality approach**, the BRSR can further function as a **strategic tool and improve decision-making outcomes**. It further allows organisations to balance industry-specific disclosures, and provide a positive outlook to investors.

It was highlighted that Ambuja Cement was a 2x water-positive entity due to its CSR engagements, the realisation of which led the organisation to set further ambitious targets and has made reporting and monitoring on Principle 6 easier for the entity.

Therefore, it emerges that as an organisation, **an investment in intent, capability and capacity building, and alignment of senior leadership, along with infrastructure investments** are required to **effectively report on BRSR**. Industry ESG leaders have the potential to become forerunners in reporting and pave a sustainable pathway for others. **Group guidelines for stakeholder engagements and internal assessments** have helped organisations imbibe the values in their overall business as well. A standardisation in ESG reporting also has the potential to bring a competitive edge to reporting, and improve the performance of entities on E, S, and G.

However, while we see BRSR as a positive logical step in the right direction, there are still **gaps in using it as a strategic tool**, which is required and needed. While we see the impacts of climate change and needed attention on human rights concerns, bringing Environmental and Social impact to the forefront, a caveat still exists in business priorities and imperatives preceding sustainability considerations, where organisations fall prey to the tragedy of the horizons.

Management of environmental and social risks arising from stakeholders across the value chain, and especially from smaller suppliers and vendors, is a challenge that corporates have to overcome. There exists a higher skepticism among smaller entities in realising financial or non-financial value for them in meeting compliances and regulations. A need, therefore, arises for companies to educate these smaller entities about the benefits they can accrue by improving on sustainability parameters. Communication emerges as an effective tool in transforming outlook and inculcating good practice.

Listing out key learnings from the BRSR and ESG reporting journey, the panelists highlighted that **starting on the reporting journey** and **continuous monitoring of data** is very important, however, organisations may, at times, find it **challenging to decipher regulations, and identify key areas which need effective reporting** or collate data required for BRSR readiness.

For smaller-sized organisations, an **intent and urge to improve ESG performance** is the most important requirement, which if available will lead to even small initiatives producing substantial impacts. Irrespective of the profit, or turnover of the company, the intent of the entity's management in improving sustainability outcomes and reporting is essential.

4. *Highlights from Q&A session with the Panelists*

The panel discussion was followed by a Q&A round, where the panelists responded to important questions about BRSR and ESG reporting. A few highlights from the Q&A round and responses to questions received during and prior to the webinar:

**Q: How can a mid-sized NBFC align themselves to BRSR reporting given the elements there are pretty large and look more suited for large organisations?**

The **BRSR lite** format, which has limited reporting parameters is a good point to start, especially for organisations that have not been historically reporting on ESG data. It can lead to improved knowledge of organisational strengths and weaknesses and pave the way for effective sustainability action planning, initiative monitoring, tracking, and reporting.

**Q. What is the intention of Govt. behind mandating reporting?**

The NGRBC Guidelines, which form the backbone of the BRSR regulation are influenced by leading international standards, including the UN Guiding Principles on Business and Human Rights, UN Sustainable Development Goals, Paris Agreement, and International Labour Organisation (ILO) Core Conventions. The Guidelines address key sustainability matters, such as business ethics and transparency, fair labor practices, human rights, environmental safety, and natural resource use.

The BRSR aims to secure transparent and standardised disclosures by companies on their ESG parameters and sustainability-related risks. This approach is expected to help companies better demonstrate their sustainability objectives, position, and performance to the market, resulting in long-term value creation and increasing the ability of investors to make informed ESG-related decisions.

**Q. Majority of companies are now looking toward digitalisation. How ESG can be ensured during Digital Transformation?**

Recent research shows that more than 60% of companies consider ESG factors a primary focus or a key criterion for selecting and prioritising digital initiatives, and more than 80% plan to increase their investments in sustainability. The survey covered 850 companies worldwide and highlighted a clear link between digital capabilities and sustainability emerged through the same.

Furthermore, it is seen that companies that are successful in digital transformations are more likely to see ESG goals as a key focus of digital initiatives than others. A shift from digital reengineering to innovation occurs as companies move past the challenges of delivering a transformation and focus on how their new capabilities can help tackle broader opportunities in their sustainability agenda.

**Q. What are the different ESG reporting standards followed in India?**

ESG reporting is still at a nascent stage in India, where corporate entities are starting to actively monitor and track their ESG performance and report on the same. The most widely adopted ESG framework in the world is the sustainability standards published by the Global Reporting Initiative (GRI), an international non-governmental organisation founded in 1997, the GRI Framework for reporting is also actively and widely used by companies in India. Other widely adopted standards include those published by the Sustainability Accounting Standards Board (SASB) and the Task Force on Climate-related Disclosures (TFCD). Many prominent international investors are known to adopt more than one or a combination of these standards.