

BRSR

Globally, disclosure regulations have advanced over the past ten years, holding businesses accountable for their recognition of their environmental, social, and governance (ESG) obligations and their clear inclusion in yearly reports. The idea has assisted firms in identifying tangible goods and/or services that are important to their long-term sustained growth in a market that is highly competitive on a global scale.

In response to these changes internationally, the Securities and Exchange Board of India (SEBI), as part of its ongoing efforts to improve ESG disclosures, has announced new guidelines for listed businesses' sustainability reporting. The Securities and Exchange Board of India (SEBI) has made it mandatory for the top 1000 listed companies (by market capitalization) to file Business Responsibility and Sustainability Reporting (BRSR)¹ from the financial year 2022-23. MCA has also in the 'Report of the Committee on Business Responsibility Reporting²' prescribed for unlisted companies and listed companies other than the top 1000 (by market capitalization) voluntary ESG disclosures in the format provided as BRSR.

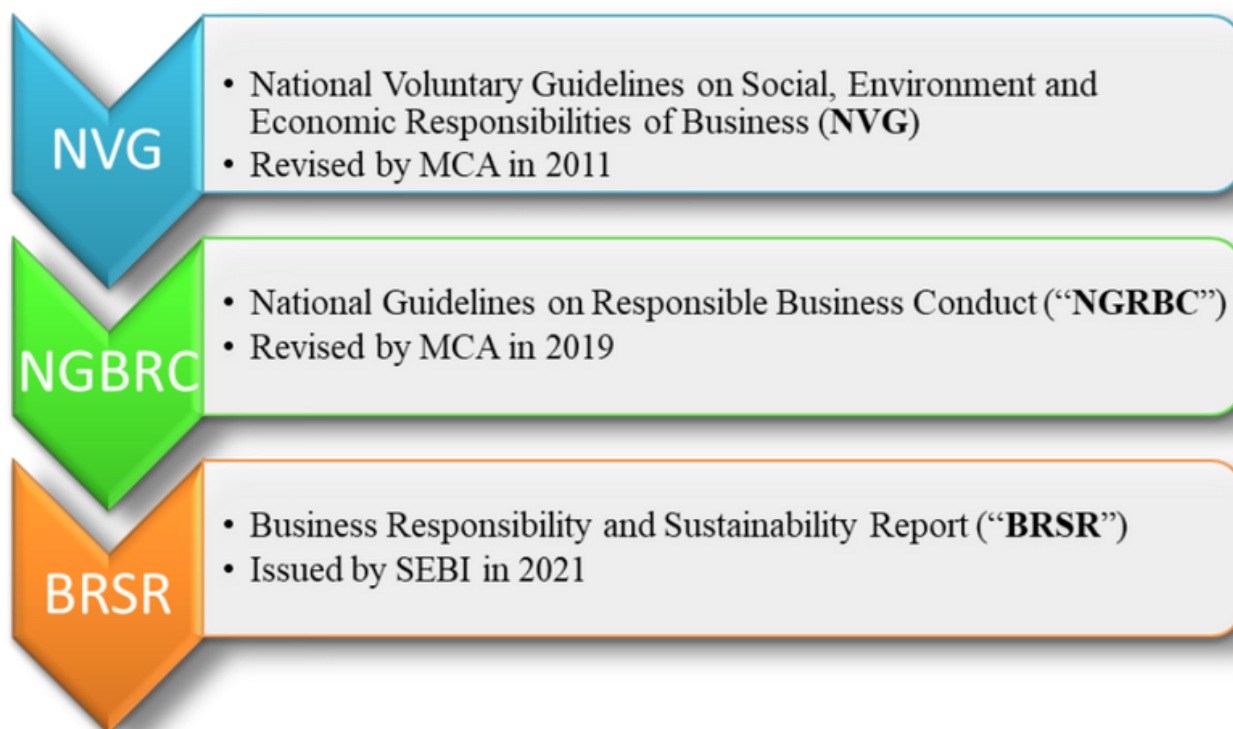
The goal of the new reporting format known as the Business Responsibility and Sustainability Report (BRSR) is to draw connections between an organization's financial performance and its ESG performance. The format and particulars of the disclosures are provided in Annexure 1³ of the circular dated 10.0.2021 and detailed guidelines provided to assist reporting are provided in Annexure 2⁴ of the same.

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

² https://www.mca.gov.in/Ministry/pdf/BRR_11082020.pdf

³ https://www.sebi.gov.in/sebi_data/commondocs/may-2021/Business%20responsibility%20and%20sustainability%20reporting%20by%20listed%20entitiesAnnexure1_p.PDF

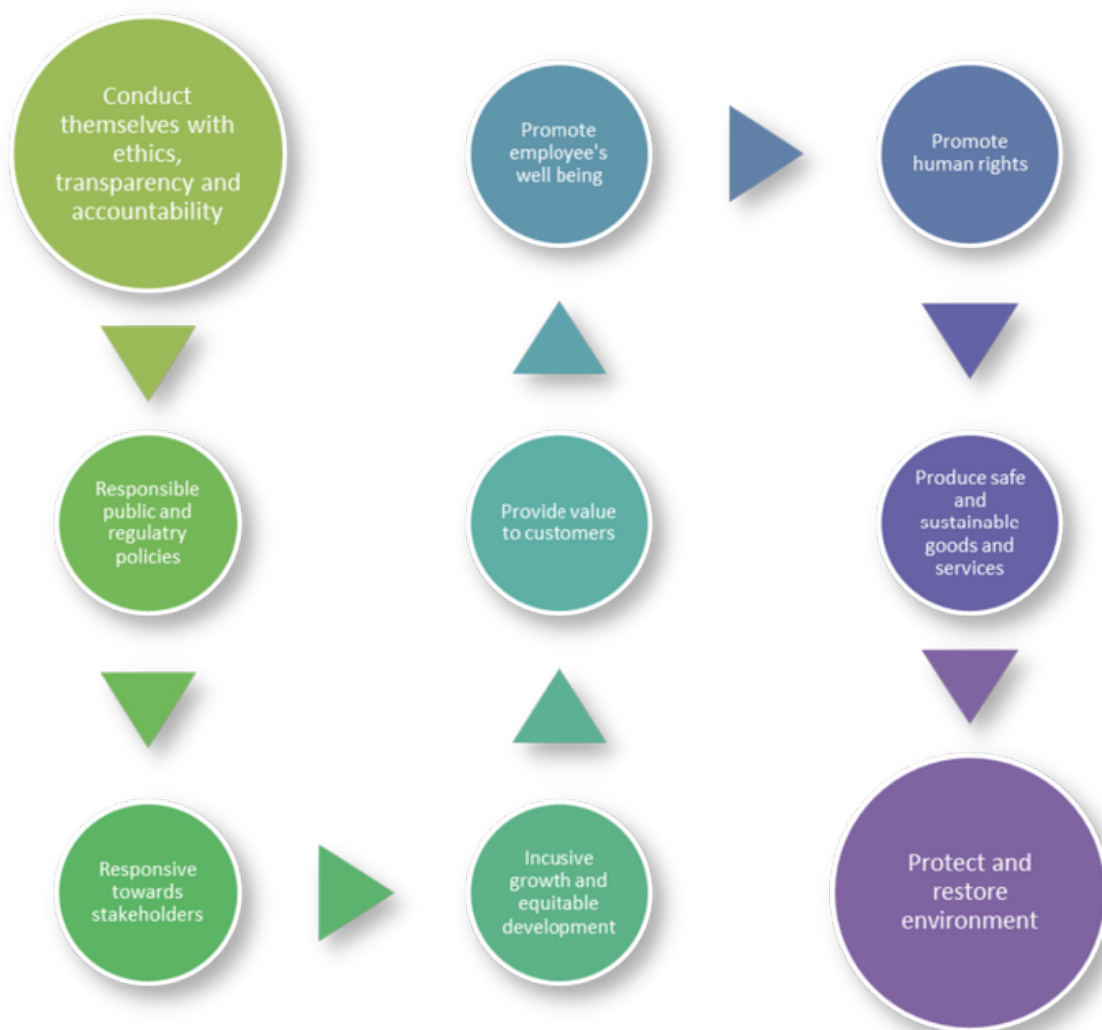
⁴ https://www.sebi.gov.in/sebi_data/commondocs/may-2021/Business%20responsibility%20and%20sustainability%20reporting%20by%20listed%20entitiesAnnexure2_p.PDF



The National Guidelines for Responsible Business Conduct ⁵ (NGRBC) provides the basis for BRSR. NGRBC in turn is based on the Sustainable Development Goals ⁶ (SDGs). The following nine principles incorporated in the BRSR are aligned with the SDGs.

⁵ https://www.mca.gov.in/Ministry/pdf/NationalGuideline_15032019.pdf

⁶ <https://sdgs.un.org/goals>

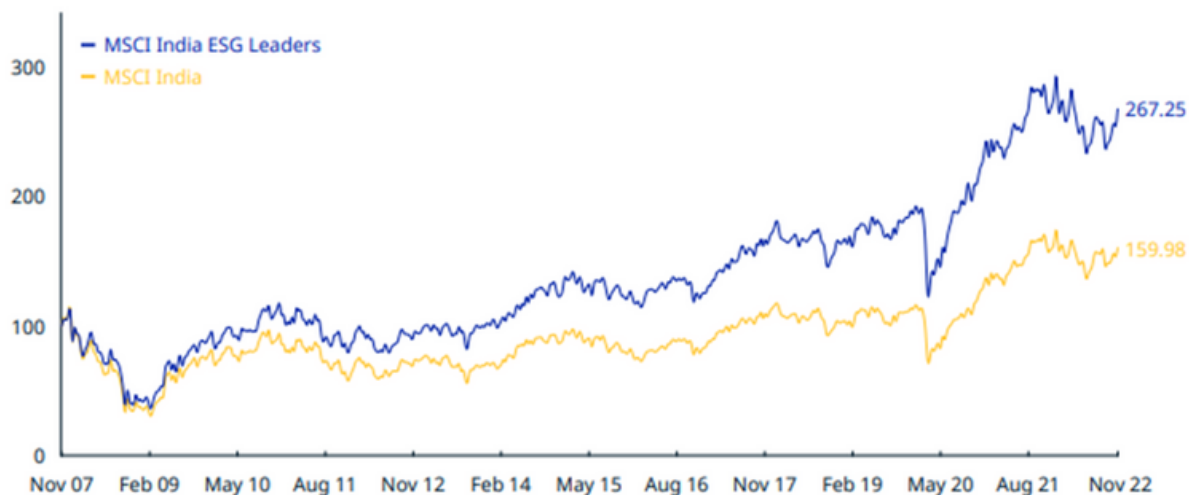


Advantages of BRSR to companies

- New markets- Several businesses have started to realize that making investments in social and environmental issues will not only enhance their own company continuity but will also provide them an advantage over competitors and customers, as well as open up new markets.
- Value creation- ESG-integrated businesses outperform their competitors as has been the observance in the recent past. The MSCI India ESG leaders index regularly outperformed the overall market as represented by the MSCI India IMI index over a 12-year period, demonstrating the same is true for India⁷.

⁷<https://www.msci.com/documents/10199/06d20a9e-bd6b-4ea8-a7a231cfb0444273#:~:text=The%20MSCI%20India%20ESG%20Leaders,cap%20>

CUMULATIVE INDEX PERFORMANCE – NET RETURNS (USD) (NOV 2007 – NOV 2022)



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- Employee retention- Employers with responsible behavior and purpose are more and more popular with employees. Companies have started integrating sustainability practises into their operations in order to satisfy customer expectations, attract and retain human resource, and grow their customer base.
- License of the society- Civil society has been instrumental in most democracies in increasing public understanding of social and environmental issues. Communities have also grown more knowledgeable and powerful. Most businesses understand that their licence to operate comes from the community, not from the government. Companies can reveal their goals and activities through sustainability reporting, earning the necessary social capital to operate.
- Capital procurement- Several prominent global reporting systems on ESG provide data, which is prominently used by the investors. The different green financial products and instruments (equity, loans, bonds) that have developed and the expanding size of their market reflect that ESG funds have been introduced by a number of Asset Management Companies (AMCs).