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# ESG: Business Responsibility and Sustainability Reporting in India

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**ABSTRACT**

In the present era, major globally significant concerns are inclusive growth, adaptation to changes in climate and mitigation, and the shift to a sustainable economy. Environment, Social, and Governance (ESG) concerns, like changes in climate conditions and socioeconomic disparity, have become more prominent since the pandemic. Companies play major role in an economy. As it is essential to report on financial and operational performance of a company it is also now imperative to account and report for company's performance in the terms of various aspects associated with sustainability. This study discusses about the ESG reporting framework in India. This paper also discusses in detail ESG-Business Responsibility and Sustainability Reporting framework in India.

***Key words:*** *Environment, Social, Governance, Business Responsibility, Sustainability, Reporting*

## Introduction

In the present era, major globally significant concerns are inclusive growth, adaptation to changes in climate and mitigation, and the shift to a sustainable economy. Investors and other stakeholders are putting more emphasis on finding companies that are sustainable and accountable to society and the environment. The need for investing in the Environment, Social, and Governance (ESG) has been increasing globally. In the preceding five to six years, there has been a significant increase in the demand for ESG products. ESG concerns, like changes in climate conditions and socioeconomic disparity, have become more prominent since the pandemic. Companies play major role in an economy. As it is essential to report on financial and operational performance of a company it is also now imperative to account and report for company's performance in the terms of various aspects associated with sustainability.

In November 2014, Securities Exchange Board of India (SEBI) had recommended the reporting format on ESG (Environment, Social and Governance) aspects known as the Business Responsibility Report (BRR) for entities listed. This format was later amended on May 05, 2021 bringing forth the latest version of provisions on ESG metrics known as the Business Responsibility and Sustainability Report (BRSR). For the fiscal year 2021–2022, filing of BRSR was optional. However, from the financial year 2022-2023, it is obligatory for the top 1000 listed businesses (by market capitalization) must file BRSRs instead of the current BRRs.

### Relevance of ESG Reporting

It is progressively more noticeable that investors are now clearly abstaining from the traditional rules of

(Associate Professor)

business entities of disclosures in financial statements and putting a greater emphasis on ESG investments (Bhavani and Sharma, 2019). The need for investors and consumers to look outside standard financial measurements to evaluate investments seems to be growing. Additionally, conservative investments have constantly sought to have a narrow self-interest and repeatedly left unfavorable environmental and societal legacies (D'Souza, 2020), thus there is requirement to reexamine. In the same way, non-monetary actions of the entities related to environmental, social, and governance (ESG) issues, are elevated on investors' plan once it is time to take appropriate and wise decision.

The sustainability of investments and observance to environmental, social, and governance standards are becoming more and more imperative in investment decision-making practice and investment assessments. There is all the time an alternative available between picking straightforward profit maximization option or ESG incorporated profit maximization in these types of investments. Since the beginning of the twenty-first century, ESG investments often referred to as socially responsible investments have grown quickly. The available literature has demonstrated that corporate entities with ESG integration have produced greater profits than corporate houses without ESG integration (Korwatanasakul and Majoe, 2019).

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An ESG framing methodology BRSR seeks to correlate financial and ESG positional level of the entity to obtain its precise image of overall stability, growth and sustainability.

This framework is an all-inclusive source of data to know companies various efforts and practices for sustainability particularly non-financial. This is a crucial step of enhancing ESG regulations in India, as India is the third-largest greenhouse gas emitter in the world. A guidance note is also included with the BRSR framework to help the firms understand the disclosure's scope.

The goal of the BRSR is to provide quantifiable and standardized disclosures on ESG parameters to facilitate evaluation across businesses, industries, and periods of time. Investors will benefit from these disclosures by making wiser investing choices. The BRSR will also help businesses interact more deeply with their stakeholders by enticing them to consider factors other than just profits, such as social and environmental implications. The listed entities may make a cross-reference between the disclosure made under their current sustainability reporting frameworks and the disclosures requested under the BRSR. The BRSR must be included in annual report, and sent to the stock exchanges, posted on companies' web portal, and individually made available to shareholders.

**The BRSR is divided into three sections**

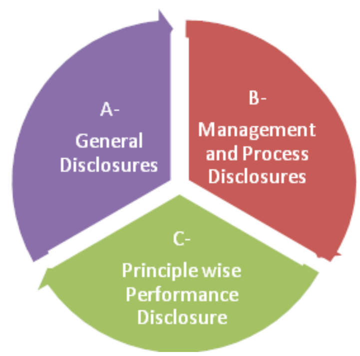


**Fig. 1.** Sections of BRSR

Source: Authors Illustration based on BRSR format of SEBI May 2021

**Section A: General Disclosures**

This section presents general information disclosures:

1. "Details of the listed entity
2. Products/services
3. Operation
4. Employees
5. Holding, Subsidiary and Associate Companies
6. CSR
7. Transparency and Disclosures" (ICSI, 2022)

**Section B: Management and Process Disclosures**

The purpose of this section is to assist firms in showcasing the systems, procedures, and practices put in place to implement the NGRBC Principles and Core Elements.

1. Policy and management processes
2. Governance, leadership and oversight

**Section C: Principle Wise Performance Disclosure**

The National Guidelines on Responsible Business Conduct (NGBRCs) contain nine principles, and the BRSR framework requires disclosures from listed entities about their performance against each of these principles. Each principle's reporting is broken down into essential and leadership indicators. The reporting of leadership indicators is voluntary, whereas the reporting of the essential indicators is mandated. Listed companies ought to try to report the leadership indicators as well.


**Fig. 2.** Nine Principles of NGBRCs

Source: Authors Illustration based on BRSR format of SEBI May 2021

The purpose of this section is to assist entities in demonstrating how well they have integrated the Principles and Core Elements into important procedures and choices. Following are the nine principles - "business should:

1. Conduct and govern with integrity, having approach which is Ethical, Transparent and Accountable.
2. Offer goods and services in a way making it sustainable and safe
3. Respect and promote the welfare of each and every employee, even those in their value chains should be included
4. Respect the interests of and be receptive to each Stakeholders
5. Respect and promote human rights
6. Respect and make efforts to protect and restore the environment
7. While involving in persuading public and regulatory policy, should do so in a method that is responsible and transparent
8. Promote inclusive growth and equitable development
9. Engage with and provide value to their consumers in a responsible manner" (SEBI, 2021)

   An abstract of the ESG indicators and key disclosures obligatory as per BRSR framework are as follows:

Further, ESG risks must be disclosed by businesses. They must also emphasize the methods they will use to lessen risks at the same time. It is necessary to reveal the financial effects of these ESG risks and mitigation measures. All businesses ought to encompass sustainability objectives, which ought to

**Table 1.** Environment- Principle and Key Disclosures

| Principle No. | Principle | Key Disclosures |
|---|---|---|
| 2 | Goods and Services | Specific Technologies to improve the Environmental and Social Impacts |
| | | Sustainable Sourcing |
| | | Reusing, Recycling And Disposing Product |
| | | Extended Producer Responsibility (EPR) |
| | | Life Cycle Perspective / Assessments (LCA) |
| 6 | Environment | Energy Consumption and Energy Intensity |
| | | Disclosures connected with Water Zero Liquid Discharge |
| | | Air Emissions (Other than GHG Emissions) |
| | | Greenhouse Gas Emissions (Scope 1 And Scope 2 Emissions) |
| | | Waste Management |
| | | Recycling, Re-Using Or |
| | | Other Recovery Operations |
| | | Strategy to Reduce Usage of Hazardous and Toxic Chemicals |
| | | Operations/Offices in/Around Ecologically Sensitive Areas |
| | | Water Withdrawal, Consumption and Discharge |
| | | Business Continuity and Disaster Management Plan |

Source: Compiled by Author based on BRSR format of SEBI May 2021

**Table 2.** Social- Principle & Key Disclosures

| Principle No. | Principle | Key Disclosures |
|---|---|---|
| 1 | Integrity | Training and Awareness Programmes |
| 2 | Goods &Services | Specific Technologies to improve the Social Impacts |
| 3 | Employees | Well-Being of Employees<br>Retirement Benefits<br>Accessibility of Workplaces<br>Equal Opportunity Policy<br>Mechanism to Redress Grievance<br>Employees /Workers Membership<br>Performance and Career Development<br>Health and Safety Management System |
| 5 | Human Rights | Human Rights Issues and Policy<br>Minimum Wages Paid |
| 7 | Public and Regulatory policy | Affiliations With Trade and Industry Chambers/ Associations<br>Anti- Competitive Conduct |
| 8 | Growth & Equitable Development | Social Impact Assessments (SIA)<br>Ongoing Rehabilitation and Resettlement (R&R)<br>CSR Projects |

*Source:* Compiled by Author based on BRSR format of SEBI May 2021

**Table 3.** Governance- Principle and Key Disclosures

| Principle No. | Principle | Key Disclosures |
|---|---|---|
| 1 | Integrity | Fines / Penalties /Punishment/ Award/ Compounding Fees/ Settlement Amount Paid<br>Anti-Corruption or Anti-Bribery Policy<br>Conflict of Interest |
| 4 | Stakeholders | Engagement With Each Stakeholder |
| 8 | Growth and Equitable Development | Benefits Derived and Shared from The Intellectual Properties |
| 9 | Value to Consumers | Consumer Complaints and Feedback<br>Cyber Security and Data Privacy |

*Source:* Compiled by Author based on BRSR format of SEBI May 2021

be disclosed. It is also necessary to report on performance and progress toward these objectives.

## Conclusion

It is encouraging move by SEBI to take the initiative to standardize ESG reporting, of no less than for the top 1,000 corporations. The obligation of these disclosures has aided in the standardization and benchmarking of ESG investing and practices in India. It is hoped that Indian institutional investors will pull alongside soon because the focal point on ESG reporting as in India is still being pushed by European and other foreign investors. Giving incentives to the entities that adhere to this framework will definitely attract more and more resources for achieving sustainable goals. The BRSR system of reporting is venerable and thoughtful step with a motive enhance transparency and good governance. This reporting framework is a yardstick for entities to known the present level and achieves the benchmark in the industry.

**Conflict of Interest-** None

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