

Cartload of details in BRSR

- A challenge ahead for elaborate reporting

[Updated as on: 7th May, 2021]

- By CS Pammy Jaiswal and CS Megha Saraf
- corplaw@vinodkothari.com

Business Responsibility Reporting (“BRR”) is a reporting which is currently done by a certain selected group of listed companies. The philosophy behind is to remain accountable towards stakeholders, and also at the same time environmentally sustainable. There have been several developments seen globally in this aspect. With a view to align the same with the globally set principles, it was felt desired to revamp the framework of BRR under the Indian laws. As a result, MCA issued a Report¹ of the Committee on the Business Responsibility Reporting on 11th August, 2020 where it has recommended several additions with an aim to make BRR a “one-stop source for all non-financial disclosures”. Further, it has also widened the scope of BRR to “Business Responsibility and Sustainability Reporting (“BRSR”). Details on employee benefits, complaints on bribery, plant/office location near a protected area, penalty or fine for violation of principles or competition laws, payment of minimum wages, etc. are some of the few additions recommended. Further, the applicability is proposed to be extended to all companies and even LLPs in a span of 5 years starting from 2021-2022.

Soon after this Report, SEBI had also placed its Consultation Paper² on 18th August, 2020 open for public comments wherein it has sought inputs from public on the comprehensive format of BRSR put forward by the Committee.

Based on the same, SEBI in its Board meeting held on 25th March, 2021, discussed on the broad base structure of BRSR and how the same will be a leap for enhanced disclosures in the ESG space in India. The Committee recommended that the BRSR is structured around disclosures on the nine principles laid down by the NGRBCs. The disclosure requirement under each of the nine principles has been divided into 2 sections: Essential (mandatory) and Leadership (voluntary)

Subsequently, SEBI vide Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2021³ substituted the existing Regulation 34 which required top 1000 listed entities by market capitalization to submit a BRR. The requirement has been discontinued from FY 2021-22 onwards.

¹ http://www.mca.gov.in/Ministry/pdf/BRR_11082020.pdf

² https://www.sebi.gov.in/reports-and-statistics/reports/aug-2020/consultation-paper-on-the-format-for-business-responsibility-and-sustainability-reporting_47345.html

³ <https://egazette.nic.in/WriteReadData/2021/226859.pdf>

For FY 2021-22, the top 1000 listed entities may voluntarily submit BRSR and from FY 2022-23 onwards, the same has to be submitted mandatorily.

Another interesting thing to note about the amendment is that from now onwards any compliance that gets triggered due to meeting of the threshold based on market capitalization (like in the case of BRR), the same will continue to apply even if the company in question falls below the specific threshold thereafter any time in future. This would mean once BRR becomes applicable, companies will have to comply and report on the same always irrespective of whether the company subsequently falls below the threshold of top 1000 listed companies based on market capitalization.

The Article briefly captures the key takeaways of the Report and the questions revolving around it. For a detailed analysis on the topic, our Article on the same can be referred [here](#).

Necessity of BRSR

It was seen that while the large business houses were complying with the extant BRR requirements, however, there was a lack of parity in this. A sample study of 490 listed companies was done by the Indian Institute of Corporate Affairs (“IICA”) for examining the need of a comprehensive format of reporting. During the study, it was observed that due to an absence of standard guidelines, companies were making their own set of disclosures and had multiple interpretations on a same point. While, some of the reports contained a few quantitative data, few were only providing qualitative data. Hence, these issues gave rise to the need for a standardized framework of BRSR.

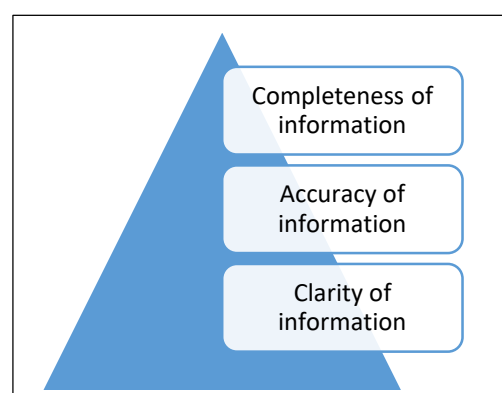


Figure: Need for BRSR

Purpose behind the Report

The purpose behind the Report is mainly to provide all stakeholders with “one-stop source on non-financial disclosure”. Not only the larger companies, BRSR shall also be required to be done by smaller unlisted companies will be required to make such disclosure. Further, along with this, the disclosure under BRSR shall be utilized by several credit rating agencies, banks, financial institutions, that will use the disclosures made for data analytics and ascertaining the credibility of the company. This information will be then used by Government for procurement purposes and such businesses will be preferred that demonstrate good business conduct.

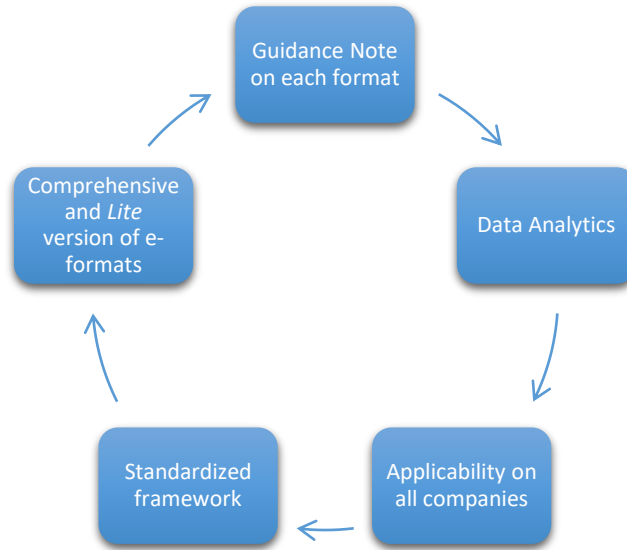


Figure: Key takeaways from the Report

Key Points on the BRSR Format

The format of the BRSR is substantially different from the existing BRR. It lays considerable emphasis on quantifiable metrics, which will enable better measurement and comparability. Disclosures on climate and social like employees, consumers and communities related issues have been enhanced and made more granular in BRSR in comparison to the disclosure requirements under BRR.

The structure has been segregated into two indicators: Essential (“mandatory”) and Leadership (“voluntary”).

The disclosures are set to bring in more standardization and enable companies to engage more meaningfully with their stakeholders, by encouraging them to look beyond financials and towards social and environmental impacts. It will allow for easy measurement and comparability across companies, sectors and time period.

The Extra Cartload

Quantitative data

SECTION A –GENERAL DISCLOSURES

Top 3 Product details-

- brand % contribution to turnover
- export % contribution to turnover

Plant/ Office locations (national & international)

- Total number
- Top 3 locations % contribution to turnover
- Location of top 3 Markets % contribution to turnover

Employee/ workmen details-

- Employees on the basis of classification by gender, time-basis, ability/ disability
- Workmen on the basis of gender, skill, time involvement, ability/disability
- Female representation (incl. differently abled) in the Board and management

PRINCIPLE- 2

R&D and Capex

- % of R&D and capital expenditure (capex) investments in specific technologies to improve the environmental and social impacts of product and processes to total R&D and capex investments.

Sourcing and input material

- % sourced adhering to national and internal codes/certifications/standards/etc.
- % sourced adhering to internal standards
- % sourced from MSME/small producers
- % sources from nearby districts

Use of recycled /reused inputs

- % of recycled or reused input material to total raw material (by value) used in production.
- Quantity of collection/re-used/re-cycled/disposal of plastic, e-waste and others

PRINCIPLE- 3

Measures for well-being of employee & workmen (all categories)

- % covered by health and accident insurance, maternity and paternity benefits and day care facilities
- Number of employees and workmen covered by PF/ Gratuity/ ESI
- Number of complaints and their status

Payment of minimum wages

- Number and % of employees or workmen given equal to or more than min wages

Number of safety related incidents during a FY

Training to employee & workmen

- Number and % covered on health and safety issues
- Number and % covered on skill up gradation

Association / Union(s)

- % of membership of employees or workmen with association(s)/ Union(s)

Assessment

- % of plants/ offices assessed for child labour, sexual harassment, forced labour or health and safety practices (incl. that of value chain partners)

PRINCIPLE- 5

Training on human rights to employees and workmen

- Number and % covered by the same

Details of remuneration/ salary/wages

- Number of person in the BoD, KMPs, Employees (other than BoD and KMPs) and workmen
- Avg payment made gender wise

Number of human rights complaints

PRINCIPLE- 6

Air and liquid emission details

- Unit , permitted and actual emission level

Solid waste generation and management

- Quantum generated
- % of the same recycled and sent to landfill
- % of non-biodegradable waste to total waste
- % of recyclable waste to total waste
- % of hazardous waste to total waste

- Carbon emission details for each major product
- % of renewable energy consumed to total energy

PRINCIPLE- 7

Affiliation with chambers/ associations

- Number of such affiliations
- Listing top 10 associations

Energy and water consumption details

- Unit of energy and water consumed on turnover
- % of water consumed from recycled & harvested sources
- % of water consumed from groundwater resources

PRINCIPLE- 8

CSR beneficiaries

- % of beneficiaries from vulnerable and marginalised groups

PRINCIPLE- 9

Informative products

- % of products and services carrying information on environmental and social parameters, safe and responsible usage, recycling and safe disposal

Number of consumer complaints in respect of data privacy, advertising, delivery of essential services, RTP or UTP

Qualitative Data

Section A

- Issues on high priority responsible business conduct

Section B

- Process of identification of stakeholder groups
- Channels used for communication

P-8

- Mechanism for receiving and redressing grievances of community and actions taken to mitigate negative social impact and cases of intellectual property

P-9

- Mechanisms in place to receive and respond to consumer complaints and feedback
- Channels where information on products and services of the company can be accessed
- Steps taken to educate consumers
- Corrective actions taken in respect of complaints received on data privacy, advertising etc.

Section C

P-1

- Details of non-disputed fines/penalties available on public domain

P-2

- Details of actions taken to mitigate adverse environmental and social impacts in production and disposal

P-3

- Measures taken for safe and healthy work place
- Corrective actions taken for children/adolescents/forced or involuntary labour
- Action taken for preventing discrimination and harassment cases

P-4

- Details of engagement with vulnerable marginalized stakeholder groups

P-5

- Internal mechanism for addressing human rights
- Scope and coverage of human rights due diligence conducted including value chain

P-6

- Strategies w.r.t. resource scarcity, health pandemics, natural disaster
- Environmental risks identified and measures taken against it incl. solid waste management practices adopted, strategy for reducing usage of hazardous/ toxic chemicals

P-7

- Details of adverse judicial or regulatory orders for anti-competitive conduct and corrective action taken against it

Reporting Authority – SEBI or MCA?

Regulation 34(2) of the SEBI (LODR) Regulations, 2015 provides for BRR for top 1000 listed entities by market capitalization. Further, the current format is also prescribed by SEBI, however, considering the recommendations to make BRSR an electronic form on MCA21 portal, the question that arises is whether the companies shall report to both MCA and SEBI (where the company is listed and gets covered under the threshold)?

Since, the Report has been recommended by MCA, it is most likely that the form will be filed in the MCA21 portal. Having said that, since current reporting authority, is SEBI, therefore, certain listed companies will also parallelly report to SEBI under Regulation 34. Further, besides section 135, there is no other section under the Companies Act, which deals with social or environmental concerns.

Accordingly, it is expected that the rules will be amended at any appropriate place under the Act, 2013 or may be a specific provision may be added. Having said that, please note that currently the same has not been made clear.

Further, since it will be an electronic based filing, it may no longer be a part of Annual Report and therefore, an inspection of the e-Form will required to be done after payment of a nominal fee with MCA.

Conclusion

While the recommendations spell out elaborate contents for companies which were already covered, the real challenge will also be for those who are absolutely new to this reporting requirement. The modalities of actual filling and filing of BRSR with the MCA is yet to be addressed while SEBI has rolled out the dates. Therefore, it is very likely that MCA may also insert the requisite amendments under the Companies Act so that other companies as intended, are also set to start working on the same. Looking at the cartload of details, the same surely poses a challenge for companies to quantify and qualify its data to suit the reporting format.

Our other resources on BRR can be referred at:

1. http://vinodkothari.com/wp-content/uploads/2020/04/note_on_annual_business_responsibility_report_will_this_make_companies_responsible.pdf
2. http://vinodkothari.com/wp-content/uploads/2017/03/FAQs_on_BRR-1.pdf
3. http://vinodkothari.com/wp-content/uploads/2017/03/Global_overview_of_BRR-1.pdf
4. http://vinodkothari.com/wp-content/uploads/2017/03/Presentation_on_BRR.pdf

To view our other articles, click [here](#)

To subscribe to our YouTube channel, click [here](#)