



Confederation of Indian Industry

POLICY WATCH

FOCUS: ESG

Message from the Director General



BRSR – PAVING THE WAY FOR A SUSTAINABLE FUTURE

Businesses today operate in a very complex environment, driven by global trade disruptions, geopolitics, climate imperatives, civil society expectations, and global competition. By adopting ESG considerations in their strategies and disclosing information through sustainability reporting frameworks, organisations can better navigate the complexities and align their operations to match stakeholders' expectations.

With parallel ambitions in sustainable development and economic growth, environmental stewardship and social responsibility are significant for India's development journey. India's commitment to sustainability is reflected in its progressive regulatory landscape, starting

as early as 2009, with the launch of National Voluntary Guidelines (NVGs) for CSR. In 2012, the top 100 listed entities were mandated to file the Business Responsibility Report (BRR) as part of their annual report. With the launch of mandatory ESG disclosures for the top 1000 listed entities through the Business Responsibility and Sustainability Reporting (BRSR) and BRSR Core KPIs disclosures for the top 1000 listed entities and ESG Disclosures of the value chain for the top 250 listed entities from FY 2024-25, India encourages Industry to adopt sustainable and responsible business practices.

Through BRSR reporting, the Indian Industry contributes meaningfully to the

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MESSAGE FROM
THE DIRECTOR
GENERAL



VIEWS FROM
THOUGHT LEADERS



POLICY BAROMETER



INDUSTRY VOICES



country's resilience, competitiveness and growth story. CII, as an institutional partner, engages regularly with the Securities and Exchange Board of India (SEBI), Industry and global sustainability organisations on policy and regulatory issues. Focussed initiatives by CII across the three ESG pillars continue to shape the sustainability disclosure landscape in India. CII works with SEBI to facilitate a smooth and efficient adoption of BRSR across sectors, by building consensus on critical issues and through evidence-backed representation on reforms to have broader adoption of the BRSR reporting framework and by participating effectively in Government-led collaborative initiatives.

At the same time, global sustainability reporting frameworks are still evolving and there is a need for dialogues, guidance and collaboration, to ensure that Indian Industry can effectively align and report on the disclosures. Last year, CII led the B20 engagement under India's G20 Presidency - the ESG in Business Action Council of B20 India. The council identified unique challenges in the ESG ecosystem from the Global South perspective and proposed key recommendations in these areas. To create a common language for disclosing the effects of climate-related risks and opportunities and sustainability performance by organisations across the globe, CII conducted a roundtable with ISSB at the World Economic Forum in Davos in January this year. In a further effort to resolve challenges in the global ESG disclosure ecosystem, CII held a close-door roundtable with the Chair of the IFRS Foundation, Mr Erkki Liikanen in June 2024.

In a quest for a holistic approach to sustainability, the Indian Industry is undergoing a transformative journey to integrate ESG practices and through digital tools, assessments and feedback reports, CII catalyses Industry actions that are sustainable, inclusive and environment friendly. In recognition of the urgent need for capacity development in BRSR considerations, CII delivered a Management Development Programme (MDP) on achieving BRSR Core Compliance with the training institute of SEBI - National Institute of Securities Market (NISM) in May this year.

However, it is clear that this shift is impacting their value chains. ESG considerations, when adopted by value chain partners and MSMEs, can significantly reduce the risks to business operations and enhance the Industry's resilience. To resolve the challenges related to the 'ESG Disclosures for Value Chains' (as per the requirements for BRSR Core), CII's focussed consultations on SEBI's mandate for 75 per cent value chain partner compliance aimed at re-evaluating this threshold and make it more adaptable for businesses.

In response to CII's suggestion, SEBI proposed to reduce the required percentage of value chain partners for ESG disclosures. Subsequently, the regulatory body came forward with a Consultation Paper on the Recommendations of the Expert Committee for facilitating ease of doing business with respect to the BRSR. The paper proposes a new definition for value chain: Value Chain shall include upstream and downstream partners of a listed entity, with each partner accounting for 2 per cent or more of the entity's purchases or sales (by value). CII facilitated SEBI in obtaining inputs for this consultation paper and this definition was supported by a majority of organisations.

In June 2024, CII, as part of SEBI's Industry Standards Forum (ISF), formed a Core Group and held consultations to gather feedback on the draft BRSR Core Reporting Standards and simplified reporting of BRSR Core attributes. Another key focus area of CII is working with MSMEs and value chain partners by providing them with diagnostics as well as tools to integrate sustainability. CII currently engages with more than 500 MSMEs and value chain partners around the country in 10 clusters.

While Government incentives and schemes, mentoring by Industry and financial support from institutions will be integral to the transformation of the value chains, sustainable finance has a crucial role to play in the transition, particularly for SMEs. Going forward, CII hopes to work collaboratively with SEBI, financial institutions, Industry and MSMEs to resolve this critical impediment.

Building an environment of trust, transparency and accountability matters and CII will continue to work extensively with the regulatory body to resolve issues and bring guidance where required.

BRSR: ENABLING INDUSTRY TO CONTRIBUTE TO THE SUSTAINABILITY AGENDA



R Mukundan

Vice President, CII
MD and CEO, Tata Chemicals Ltd

Understanding and aligning with dynamic global regulations and compliance is essential for any organisation to remain competitive and ensure long-term sustainability. At the same time, stakeholders are increasingly pressing organisations to adopt sustainable and inclusive business practices. ESG reporting frameworks have become critical for the Industry's sustainability and resilience strategies, which must meet stakeholder expectations and contribute to global value chains.

SEBI has set a new benchmark for the Indian Industry by requiring the listed entities to disclose their ESG performance, including information on their value chains, through the sustainability reporting frameworks Business Responsibility and Sustainability Reporting (BRSR) and BRSR Core.

Indian Industry welcomes the BRSR reporting framework. While ensuring enhanced transparency in sustainability reporting, BRSR has also enabled organisations to understand their responsibility towards the environment and society. It has served as a vital bridge, enabling Indian organisations to meet global stakeholder expectations. According to a SEBI circular, more than 100 companies voluntarily reported on BRSR the year before its mandate.

CII plays a pivotal role in supporting businesses through this transition by engaging with SEBI on various aspects of reporting for BRSR and BRSR Core through research, Industry-wide surveys and stakeholder deliberations. CII also ensures timely representation of issues to SEBI to expedite the adoption of the reporting frameworks and make them more practical and accessible to adopt. Some critical Industry responses have been given below:

- Assurance on BRSR Core is challenging, as 'assurance' is audit-centric. Substituting the term 'assurance' with 'assessment' will entail defining it, setting broad contours on it and creating an SOP on which assessment can be done.
- Only some BRSR Core KPIs are relevant to some sectors. Thus, the introduction of sector-specific KPIs is recommended.
- Gathering BRSR Core data from 75 per cent of value chain partners before annual reports are complex; hence, a gap should be provided.
- Value chain ESG disclosures, which are currently required on a comply-or-explain basis, may be challenging in the first year,

especially for MSME supply chains. Therefore, they could be changed to a voluntary approach.

These were shared with the SEBI and the regulatory body is engaging with the Industry through consultations and feedback to resolve these. By bringing stakeholders' perspectives into these deliberations, CII ensures that the evolving BRSR and BRSR Core frameworks address the unique challenges different sectors face.

However, for the Indian Industry, which has a presence in other countries, global ESG reporting continues to be challenging. For the Industry to be competitive globally, it is essential to ensure that standards, KPIs, thresholds and ratings consider the Global South's applicability, relevance and prioritisation. A few pertinent issues have been highlighted below.

Absence of Global South Perspective

Organisations in the Global South choose to align their resources towards social development, including eliminating hunger and poverty, access to clean water and sanitation and social upliftment. Most of this work is classified under CSR. Global ESG frameworks need more relevant KPIs or misaligned weight to integrate these factors.

Global ESG regulations should advocate for a more inclusive approach in the standard-updating process involving representatives from the Global South, including India. This is a pertinent concern as developing nations in the Global South continue to grapple with obstacles such as limited access to capital, energy, policy constraints and inadequate infrastructure, hampering their progress towards sustainability. Integrating Global South concerns in global ESG regulations will ensure these regions' unique economic, social and environmental contexts are considered.



Multiplicity of Globally Accepted ESG Standards

Globally acceptable standards can accelerate the implementation of a sustainable economy. They can also form the basis for reporting for overseas subsidiaries and devise investment strategies in the ESG capital market.

However, this has remained a distant dream due to the diversity of standards, disclosures and metrics. Standard setters, Industry organisations and multilateral initiatives must play a pivotal role in harmonising standards, terminologies, reporting philosophies and practices worldwide.

Need for Differentiated Rating Parameters

Since every organisation is unique, ESG frameworks should not be prescriptive. Instead, they should offer flexibility around what material is needed for each organisation. This approach allows organisations to report on essential disclosures to their stakeholders without the burden of adhering to multiple frameworks.

At the same time, the global disclosure and rating parameters need to be recalibrated to a country's economic maturity and a company's size through their distribution into mandatory and voluntary topics.



Absence of KPIs Related to Informal Workforce / Gig Economy

Nearly 70 per cent of workers globally are in informal employment. Most of India's workforce belongs to digital and e-commerce organisations and comprises contractual gig workers and vendors. Standards, KPIs, thresholds and ratings must consider the informal workforce's applicability, relevance and prioritisation in developed and developing countries.

These frameworks can help support the vision of sustainable business and play an essential role in creating a level playing field in global trade. They can also help ease and simplify global compliance and simultaneously reduce multiple reporting, facilitating a more significant adoption of the three critical pillars.

Resolving these challenges can facilitate the Industry's transition towards greater transparency and meaningful contribution to the sustainability agenda.

KEY CII RECOMMENDATIONS

BRSR: Paving the Way for a Sustainable Future

Replace 'Assurance' of BRSR Core Disclosures with 'Assessment'

As per SEBI mandate, the top 1000 listed entities undertake reasonable assurance as per a specific glide path. However, conducting assurance on BRSR Core can be challenging for some organisations. Additionally, the term “assurance” is primarily associated with the audit profession. There is a need to make the process profession-agnostic and allow flexibility to the listed entities to undertake either assessment or assurance.

- It is recommended to replace the term “assurance” with the term “assessment”.
- It is further suggested that since “assessment” does not have a globally recognized definition or standards, this substitution would require a clear and comprehensive guidance document.

Introduce Sector-Specific KPIs in BRSR Core

The nine attributes under the BRSR Core comprise various environmental and social KPIs. There could be cases where some of the BRSR Core KPIs may not be applicable or material to specific sectors. More understanding of such scenarios is needed to ensure ease of adoption of BRSR Core.

- Introduction of sector-specific KPIs is recommended to help organisations disclose material and valuable information with respect to BRSR Core.

Different Reporting Period Should be Mandated for BRSR Core

SEBI mandated the top 250 listed entities to make disclosures for their value chains as per BRSR Core in their annual report. However, the listed entities find it difficult to gather the data on BRSR Core attributes from the value chain partners before the annual report is published. To ensure more accurate and reliable disclosures, a more flexible approach is needed.

- It is recommended that the timeline for reporting on the value chains should not coincide with the listed entity’s annual report disclosure, which includes BRSR disclosures.
- A gap of at least six months to one year should be maintained between the publication of the entity’s annual report and the reporting of its value chains.

Introduction of Voluntary Disclosure Framework for Value Chain Reporting

ESG disclosures for the value chains are applicable to listed entities on a comply-or-explain basis from FY2024-25. However, organisations encounter challenges in collecting information from value chain partners. Another hurdle is the diverse nature of value chain partners, who may not be collecting and reporting ESG-related data. To ease assurance and data collection of value chains, a more flexible and supportive approach is required.

- Instead of a rigid ‘comply-or-explain’ model, a ‘voluntary disclosure’ framework should be introduced.



Disclosure Related to Green Credits Should be Part of BRSR

Green Credit refers to a unit of incentive provided to entities engaged in activities that deliver a positive impact on the environment. The Ministry of Environment, Forest and Climate Change, Government of India has notified the Green Credit Program, with two schemes on afforestation and water neutrality being released. However, the program is still in the initial phase.

- In the initial years, disclosure related to the Green Credit should be part of the Leadership Indicator in BRSR, for the listed entities only.

Disclosure Related to Green Credits Should Not Apply to VCs

Listed entities may feel mandated to report on data beyond their domain. To promote the adoption of the program, value chains may be included in the program at a later stage.

- It is suggested that the Green Credit disclosures should not apply to the organisation's value chains in the initial years.

Exclude Retail Consumers from the Scope of BRSR Core

For Business-to-Consumer organisations that service customers directly such as banks, hospitality chains and Fast-Moving Consumer Goods through retail outlets, the inclusion of downstream partners as retail customers for BRSR Core disclosures is challenging.

- It is recommended that retail consumers should be excluded from the scope of disclosure in value chains for organisations that service customers directly.

Include Only Local Value Chains in the Scope of BRSR Core

For organisations with international value chain partners, several countries have their standard of disclosure, and it can be challenging to obtain data in the prescribed BRSR format.

- For organisations with international value chain partners, limiting the BRSR Core disclosures to local value chain partners in the initial years of reporting is suggested.



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Industry commends SEBI for its progressive steps in establishing a crisp yet comprehensive framework that encompasses all principles of sustainability, setting a benchmark far ahead of other countries. While there are challenges in collating information and ensuring assurance across the value chain, particularly upstream and downstream, we are confident that SEBI's resilient approach and forthcoming developments, informed by Industry feedback, will lead to benchmarked transparent disclosure which is an essential move towards responsible corporate governance.

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Arun Mishra

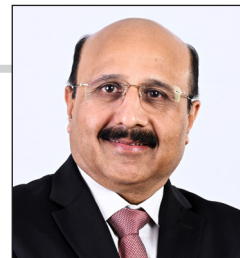
CEO and Whole-Time Director, Hindustan Zinc Ltd

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BRSR reporting emphasises the importance of integrating sustainability into core business strategies. It encourages organisations to align their operations with ESG principles. This approach enables businesses to build resilience, drive long-term growth and foster trust with stakeholders. By adopting the Business Responsibility and Sustainability Report (BRSR), companies demonstrate accountability and transparency, displaying their commitment to ethical practices, resource efficiency and community well-being.

The future of business lies in sustainable practices that create value for both shareholders and society at large. BRSR encourages businesses to identify and manage ESG-related risks, helping reduce reputational, regulatory and financial risks. By prioritizing sustainability, businesses can ensure resilience and adaptability, driving sustainable long-term growth and profitability..

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K K Sharma

Whole-Time Director – EHS, DCM Shriram Ltd

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The BRSR framework's comprehensiveness, combined with its requirement of independent assurance, provides a solid platform for corporations to continually calibrate and raise the bar on responsible business practices. Industry sees great value in the way this can nudge and channel companies in the right direction. However, a 'one size fits all' approach may not be very effective; the guiding principles need to be modified to align better with different sectors. Industry must be allowed sufficient time for capacity building in the assurance ecosystem as well as in MSME supply chains for effective integration with business strategy.

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**Narayan P S***Global Head & Vice President - Sustainability and Social Initiatives, Wipro Ltd*

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It is encouraging to see SEBI spearheading India Inc.'s corporate sustainability efforts, aligning with global frameworks and standards. The evolution from the Business Responsibility Report (BRR) to the Business Responsibility and Sustainability Report (BRSR) is a significant step in integrating corporate objectives with India's net-zero target by 2070. A key strength of the BRSR is its comparability, enabling effective peer benchmarking and performance reviews.

SEBI's regulatory approach is twofold: shaping a compliance-driven culture and encouraging sustainability excellence through leadership indicators. As the framework evolves, a greater focus on assurance processes and value chain coverage will be instrumental in helping businesses decarbonise effectively. However, additional support is crucial for MSMEs and the informal sector, which form the backbone of India's economy, to ensure inclusivity in the sustainability journey.

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