



Evolution of the ESG Reporting in India

White paper on Non-Financial Reporting in India

January 2024



1. Introduction

The ESG reporting landscape is rapidly changing at the global level. Considering the ever-increasing global challenges pertaining to environmental, social, and governance dimensions, business leaders in India too have found it to be in their interest to reorient their corporate purpose to extend beyond merely wealth creation into broader themes that its key stakeholders are concerned with. This global shift toward sustainability and responsible business practices has catalyzed a series of noteworthy developments in India's corporate reporting framework, particularly in the domains of Environmental, Social, and Governance (ESG) reporting.

The journey towards comprehensive ESG reporting in India began in 2009 when the Ministry of Corporate Affairs (MCA) released voluntary Corporate Social Responsibility (CSR) Guidelines. This marked the initial foray into a more responsible and accountable corporate landscape. Subsequent years saw the issuance of National Voluntary Guidelines on Social, Environmental & Economic Responsibilities of Business by MCA in 2011, further emphasizing the need for businesses to consider their broader responsibilities.

However, it was in 2012 that a significant milestone was reached when the Securities and Exchange Board of India (SEBI) issued a circular mandating Business Responsibility Reporting (BRR) for the top 100 companies. This move set the stage for more structured and transparent corporate reporting practices. In 2014, the Companies (Corporate Social Responsibility Policy) Rules were introduced, making CSR mandatory for qualifying companies.

The Securities and Exchange Board of India (SEBI) notified the Listing Obligations and Disclosure Requirements (LODR) Regulations in 2015.

LODR is a comprehensive set of regulations that govern the disclosure practices of listed companies, encompassing both financial and non-financial information. Specifically, under sub-section 34(2)(f) of LODR, listed companies are mandated to disclose their ESG performance through Business Responsibility and Sustainability Reporting (BRSR).

In 2015, SEBI further expanded the scope of BRR by mandating it for the top 500 companies and prescribing a specific format for reporting. Simultaneously, SEBI encouraged the adoption of Integrated Reporting on a voluntary basis, aimed at promoting a holistic approach to corporate reporting.

The year 2019 saw the release of the National Guidelines on Responsible Business Conduct (NGRBC) by MCA, which broadened the understanding of responsible business practices in India. The year 2021 marked another crucial turning point as SEBI introduced the Business Responsibility and Sustainability Reporting (BRSR) format, making it mandatory for the top 1000 listed companies, aligning with global ESG reporting standards.

Fast-forwarding to 2023, SEBI introduced further enhancements to BRSR, including Assurance on BRSR Core and ESG Disclosure for the Value Chain, as well as a new BRSR format. These developments signify the ongoing commitment of Indian regulatory authorities to promote responsible business practices and enhance transparency in corporate reporting.

In this evolving landscape of ESG reporting, this article will delve into the timeline and key developments that have shaped the path toward greater corporate responsibility and sustainability in India. It will explore how these regulatory changes have influenced the way companies approach their ESG reporting and the impact of these efforts on business, society, and the environment.

2. Evolution of Regulations for Non-Financial Disclosures in India

A Comprehensive Overview of the Evolution of Sustainability and ESG in the Indian Context is illustrated here.

2023

- Carbon Trading Scheme
- SEBI Circular introducing new BRSR Format, Assurance on BRSR Core, ESG Disclosure for Value Chain
- Master Circular for ESG Rating Providers by SEBI
- Green Credit Rules, 2023
- Draft Methodology for Tree Plantation-based Green Credit
- Draft Methodology for Water Harvesting based Green Credit
- Draft Ecomark Certification Rules, 2023

2021 - SEBI Circular introduced BRSR. Mandated for the top 1000 listed companies from FY 22-23

2017 - SEBI Circular advised top 500 companies to adopt Integrated Reporting on a voluntary basis from the financial year 2017-18

2019 - MCA released the National Guidelines on Responsible Business Conduct (NGRBC).

2014 - The Companies (Corporate Social Responsibility Policy) Rules, 2014 - CSR mandated

2015 - SEBI Circular prescribed the format for BRR for top 500 companies

2011 - MCA issued National Voluntary Guidelines (NVG) on Social, Environmental & Economic Responsibilities of Business

2012 - SEBI Circular mandated BRR (Business Responsibility Report) for Top 100 companies

2009 - MCA released voluntary Corporate Social Responsibility (CSR) Guidelines

3. What is BRSR?

The Business Responsibility and Sustainability Reporting (BRSR) framework is a mandatory reporting framework for the top 1000 listed companies in India, as per their market capitalization, for the financial year (FY) 2022-23 and onwards. It was voluntary for FY 2021-22. Market capitalization, or market cap, is the total value of a company in the stock market. It's determined by multiplying the current share price by the total number of outstanding shares. This metric is a key indicator of a company's size and worth to investors.

The BRSR framework was introduced by the Securities and Exchange Board of India (SEBI) to promote transparency and accountability in ESG reporting by Indian companies. SEBI, or the Securities and Exchange Board of India, is the regulatory authority overseeing the securities and commodity markets in India. Its primary role is to protect the interests of investors and promote the development and regulation of the securities market.

The BRSR framework covers a wide range of ESG topics, including environmental, social, and governance (ESG) performance which includes:

- Environmental: climate change, energy efficiency, pollution, water management, biodiversity, and waste management.
- Social: human rights, labor standards, diversity and inclusion, community engagement, and product responsibility.
- Governance: board composition, executive compensation, risk management, and anti-corruption measures.

Companies are required to disclose information on their ESG performance in a comprehensive and transparent manner, in accordance with the BRSR framework. The BRSR report must be published on the company's website and submit to the stock exchange.

The BRSR framework is aligned with international ESG reporting standards, such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB).

This makes it easier for Indian companies to attract foreign investment and to compete in global markets.

Benefits of BRSR reporting:

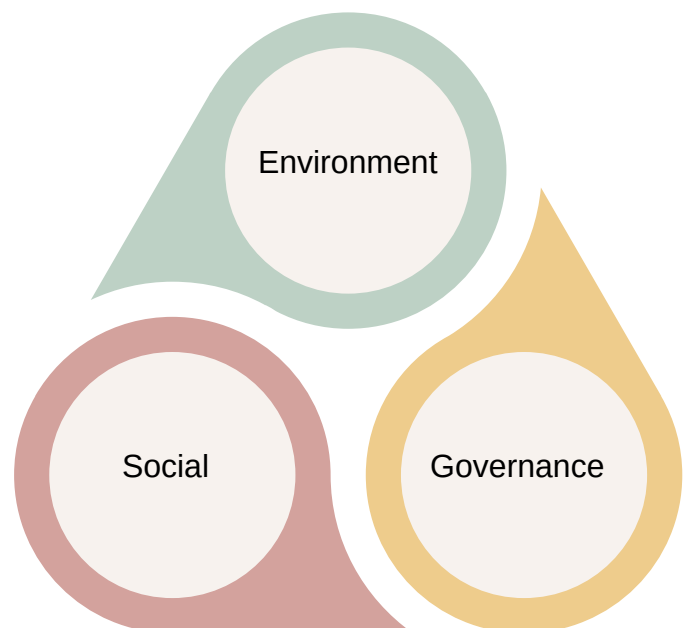
There are many benefits to BRSR reporting, for both companies and investors. BRSR reporting can help companies to:

- Attract and retain investors and customers who are interested in ESG investing.
- Improve their ESG performance by identifying and addressing areas of weakness.
- Reduce their risk profile by managing ESG risks.
- Gain a competitive advantage by demonstrating their commitment to responsible business practices.

BRSR reporting can help investors to:

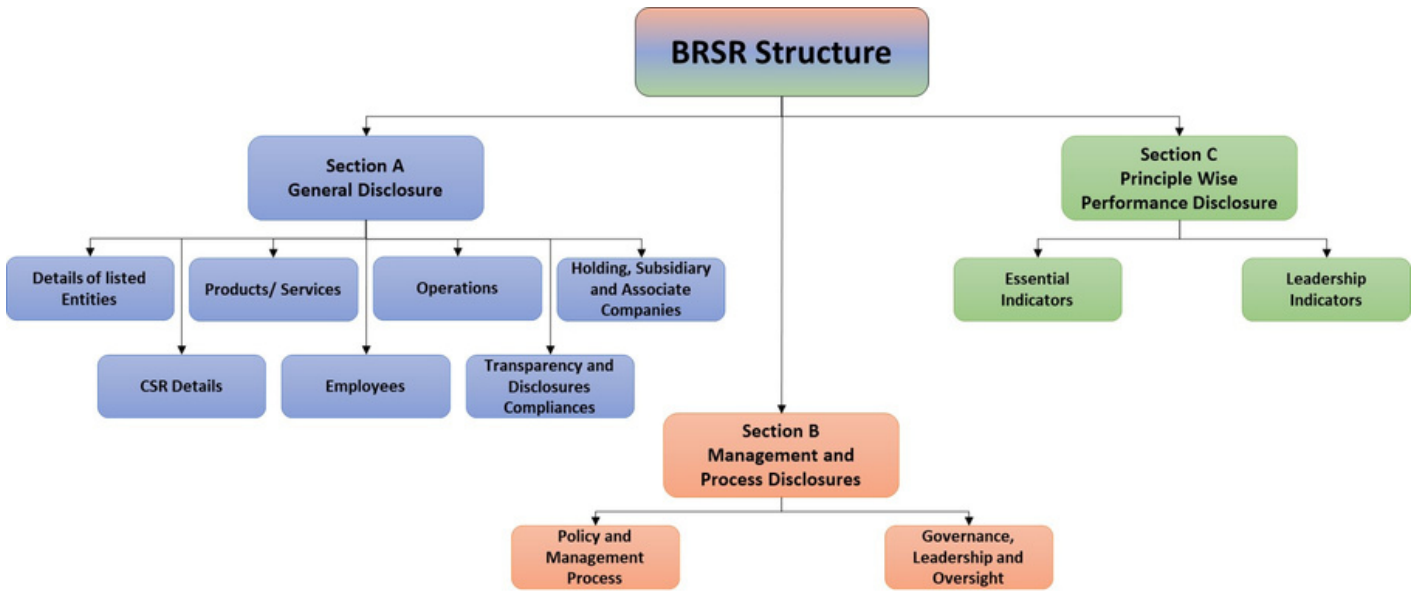
- Make more informed investment decisions by understanding a company's ESG performance.
- Identify and invest in companies that are well-managed and sustainable.
- Support companies that are making a positive impact on society and the environment.

BRSR reporting is a valuable tool for both companies and investors. It can help companies to improve their ESG performance and to attract and retain investors and customers. It can also help investors to make more informed investment decisions and to reduce their risk exposure.



3.1 Structure and format of BRSR

BRSR has three reporting sections: General Disclosures (Section A), Management and Processes (Section B), and Principle-wise Performance (Section C). Details for each section are outlined below:



3.2 NGRBC Nine Principles

The Ministry of Corporate Affairs (MCA), Government of India, has established a set of guidelines and principles called the National Guidelines on Responsible Business Conduct (NGRBC). The NGBRC has designed to assist businesses to perform the requirements of the regulatory compliance. There are nine principles in the National Guidelines on Responsible Business Conduct (NGRBC) which are depicted below.



4. BRSR Core

In July 2023, SEBI introduced BRSR Core, marking a significant development within the context of SEBI's broader Business Responsibility and Sustainability Reporting (BRSR) framework. BRSR Core is designed to offer a focused and structured approach for reporting on key Environmental, Social, and Governance (ESG) attributes for businesses.

BRSR Core represents a significant development in the context of SEBI's broader Business Responsibility and Sustainability Reporting (BRSR) framework. It is designed to provide a focused and structured approach for reporting on key Environmental, Social, and Governance (ESG) attributes for businesses.

BRSR Core is a sub-set of the SEBI BRSR format, which means it is a more concise and targeted version of the broader reporting framework. It offers a streamlined set of

ESG attributes and Key Performance Indicators (KPIs) to simplify the reporting process for listed entities.

Nine ESG Attributes: The framework covers nine essential ESG attributes, reflecting a comprehensive view of corporate responsibility. The new BRSR format incorporated these new nine KPIs of BRSR Core.

BRSR Core is mandatory for the top 1,000 listed entities in India based on market capitalization from FY 2023-24. This regulatory requirement ensures that a significant portion of India's corporate sector adheres to standardized ESG reporting, contributing to greater transparency and sustainability in business operations. BRSR Core-Attributes and parameters are detailed in the table below:

Table 01: BRSR Core - Attributes and parameters

SI No	Attribute	Parameters	BRSR Principle and Related Question
1.	Green-house gas (GHG) footprint	Total Scope 1 emissions (Break-up of the GHG into CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , if available)	Principle 6, Question 7 of Essential Indicators
		Total Scope 2 emissions (Break-up of the GHG (CO ₂ e) into CO ₂ , CH ₄ , N ₂ O, HFCs, PFCs, SF ₆ , NF ₃ , if available)	
		GHG Emission Intensity (Scope 1 +2)	
2.	Change in water footprint	Total water consumption	Principle 6, Question 3 of Essential Indicators
		Water consumption intensity	
		Water Discharge by destination and levels of treatment	
3	Energy footprint	Total energy consumed % of energy consumed from renewable sources	Principle 6, Question 1 of Essential Indicators
		Energy intensity	

SI No	Attribute	Parameters	BRSR Principle and Related Question
4.	Embracing circularity - details related to waste management by the entity	Plastic waste (A)	Principle 6, Question 9 of Essential Indicators
		E-waste (B)	
		Bio-medical waste (C)	
		Construction and demolition waste (D)	
		Battery waste (E)	
		Radioactive waste (F)	
		Other Hazardous waste. Please specify, if any. (G)	
		Other Non-hazardous waste generated (H). Please specify, if any. (Break-up by composition i.e., by materials relevant to the sector)	
		Total waste generated ((A+B + C + D + E + F + G + H)	
Waste intensity			
Each category of waste generated, total waste recovered through recycling, re-using or other recovery operations			
5	Enhancing Employee Wellbeing and Safety	Spending on measures towards well- well-being of employees and workers– cost incurred as a % of total revenue of the company	Principle 3, Question 1(c) of Essential Indicators
		Details of safety-related incidents for employees and workers (including contract workforce e.g. workers in the company's construction sites)	Principle 3, Question 11 of Essential Indicators
6.	Enabling Gender Diversity in Business	Gross wages paid to females as % of wages paid	Principle 5, Question 3(b) of Essential Indicators
		Complaints on Prevention of Sexual Harrasment (POSH)	Principle 5, Question 7 of Essential Indicators

SI No	Attribute	Parameters	BRSR Principle and Related Question
7.	Enabling Inclusive Development	Input material sourced from following sources as % of total purchases – Directly sourced from MSMEs/ small producers and from within India	Principle 8, Question 4 of Essential Indicators
		Jobcreation in smallertowns – Wages paid to persons employed in smaller towns (permanent or non-permanent /on contract) as % of total wage cost	Principle 8, Question 5 of Essential Indicators
8.	Fairness in Engaging with Customers and Suppliers	Instances involving loss / breach of data of customers as a percentage of total data breaches or cyber security events	Principle 9, Question 7 of Essential Indicators
		Number of days of accounts payable	Principle 1, Question 8 of Essential Indicators
9.	Open-ness of business	Concentration of purchases & sales done with trading houses, dealers, and related parties Loans and advances & investments with related parties	Principle 1, Question 9 of Essential Indicators

5. Revised Format of BRSR

On July 12, 2023, SEBI introduced a revised BRSR format that incorporates BRSR core elements. A summary of the modifications in the BRSR format is presented below: -

SECTION A: GENERAL DISCLOSURES

- The listed entity is now required to disclose the name of the assurance provider and the type of assurance obtained.

SECTION B: MANAGEMENT AND PROCESS DISCLOSURES

- No Changes

SECTION C: PRINCIPLE WISE PERFORMANCE DISCLOSURE

- The following additions have been made with respect to the parameters under the 'Essential indicators' to incorporate the KPIs of BRSR Core.

Details of the Revised BRSR Format are outlined in the table below:

Table O2: Overview of the Revised BRSR format

SI No.	Principle	Disclosure	Type of change	BRSR Core KPI/ attribute
1.	Principle 1 Businesses should conduct and govern themselves with integrity, and in a manner that is Ethical, Transparent and Accountable	Number of days of accounts payables ((Accounts payable *365) / Cost of goods/services procured) in the specified format.	New Requirement	Fairness in Engaging with Customers and Suppliers
		Open-ness of business Provide details of concentration of purchases and sales with trading houses, dealers, and related parties along-with loans and advances & investments, with related parties in the specified format.	New Requirement	Open-ness of business
2.	Principle 3 Businesses should respect and promote the well-being of all employees, including those in their value chain	Spending on measures towards well-being of employees and workers (including permanent and other than permanent) in the specified format.	New Requirement	Enhancing Employee Wellbeing and Safety
3.	Principle 5 Businesses should respect and promote human rights	Gross wages paid to females as percentage (%) of total wages paid by the entity in the current and previous financial year	New Requirement	Enabling Gender Diversity in Business
		Complaints filed under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 for the current and previous financial year	New Requirement	

SI No.	Principle	Disclosure	Type of change	BRSR Core KPI/ attribute
4.	Principle 6 Businesses should respect and make efforts to protect and restore the environment	Details of total energy consumed (in Joules or multiples) from renewable and non-renewable sources, Energy intensity per rupee of turnover adjusted for Purchasing Power Parity (PPP) and Energy intensity in terms of physical output.	Mandatory (earlier voluntary)	Energy footprint
		Water intensity per rupee of turnover adjusted for Purchasing Power Parity (PPP) and water intensity in terms of physical output	New Requirement	Water footprint
		Details related to water discharged for the current and previous financial year	Mandatory (earlier voluntary)	
		With respect to the disclosure of greenhouse gas emissions (Scope 1 and Scope 2 emissions) & its intensity, the listed entity is also required to disclose the Total Scope 1 and Scope 2 emission intensity per rupee of turnover adjusted for Purchasing Power Parity (PPP) and in terms of physical output	New Requirement	Greenhouse gas footprint and water footprint
5.	Principle 8 Businesses should promote inclusive growth and equitable development	Job creation in smaller towns – Disclose wages paid to persons employed (including employees or workers employed on a permanent or non-permanent/on contract basis) in the rural, semi-urban, urban and metropolitan locations, as % of total wage cost	New Requirement	Enabling Inclusive Development
6.	Principle 9 Businesses should engage with and provide value to their consumers in a responsible manner	Information relating to data breaches	Mandatory (earlier voluntary)	Fairness in Engaging with Customers and Suppliers

6. ESG Disclosure for Value Chain

As per the SEBI circular released on July 12, 2023 the listed company is required to make disclosures pertaining to the value chain in accordance with the BRSR Core within its Annual Report. In this context, the value chain should encompass the primary upstream and downstream partners of the listed entity, collectively representing 75% of its purchases and sales by value, respectively.

Listed entities are required to report the Key Performance Indicators (KPIs) specified in the BRSR Core for their value chain, to the extent that these KPIs are applicable to their business relationships with value chain partners. Such reporting can be presented separately for upstream and downstream partners or consolidated as deemed appropriate.

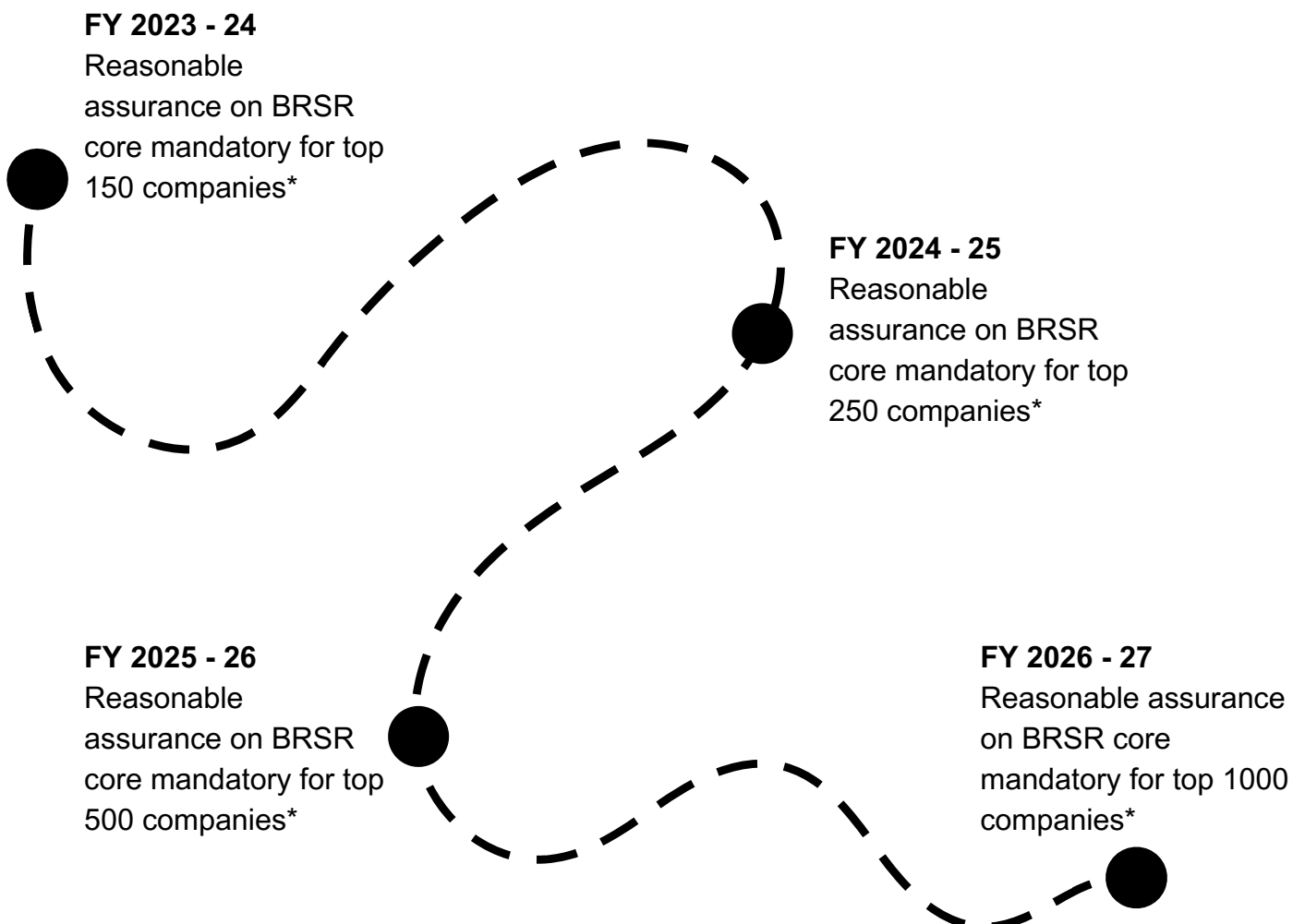
Applicability: ESG disclosures pertaining to the value chain will be mandatory for the top 250 listed entities based on market capitalization.

This requirement will come into effect on a comply-or-explain basis starting from the financial year 2024-25. Limited assurance for these disclosures will also be subject to a comply-or-explain basis, beginning from the financial year 2025-26.

7. BRSR Assurance

SEBI has set clear guidelines for achieving reasonable assurance within the BRSR Core framework. These guidelines include specific parameters, measurements, data collection methods, and reporting approaches for each of the BRSR Core attributes.

The framework makes it mandatory for listed companies to obtain reasonable assurance for both the BRSR Core and its accompanying disclosures. This assurance process is to be conducted by an independent assurance provider and follows a predefined glide path designed for listed companies, as described below:



* As per market capitalization

The appointment of the internal auditor of a listed entity or its affiliated group entities as the assurance provider for the BRSR Core is not permissible. However the statutory auditor of a listed entity is eligible to assume the role of the assurance provider for the BRSR Core.

It is important to emphasize that the Circular does not prescribe or endorse the adoption of any specific assurance standard. The assurance provider is encouraged to exercise discretion and may opt for a

globally recognized assurance standard related to sustainability and non-financial reporting. Examples include the International Standard on Assurance Engagements (ISAE) 3000 or relevant assurance standards issued by The Institute of Chartered Accountants of India (ICAI), such as the Standard on Sustainability Assurance Engagements (SSAE) 3000 or Standard on Assurance Engagements (SAE) 3410, Assurance Engagements on Greenhouse Gas Statements.

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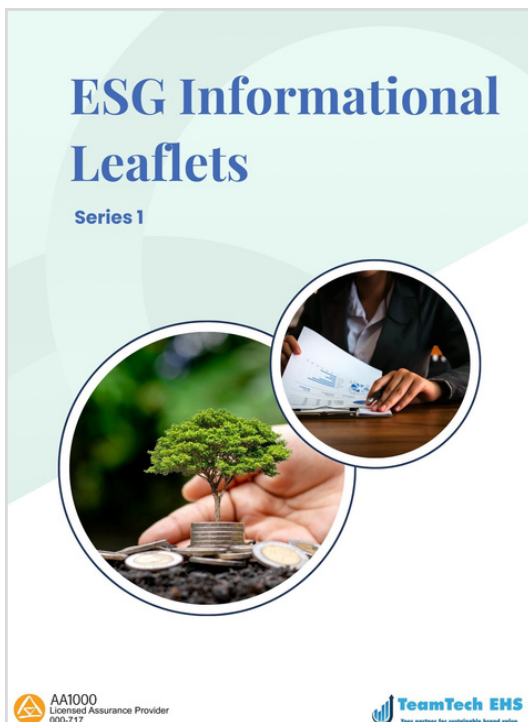
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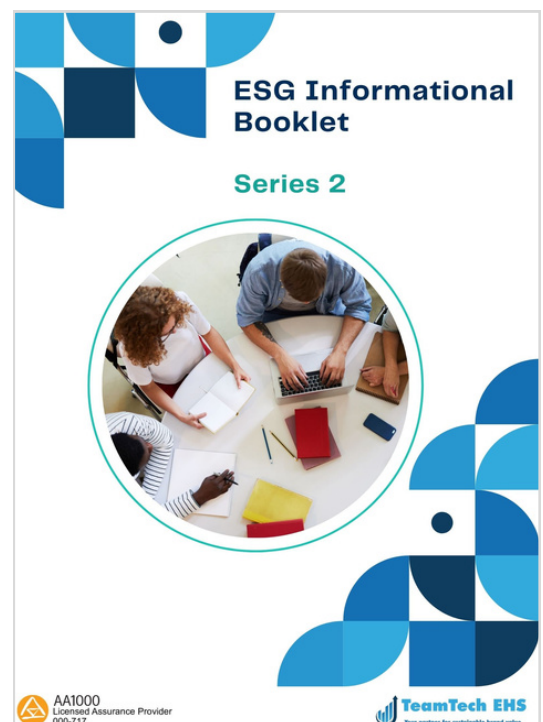
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Furthermore, we have provided extensive ESG consulting support to more than 40 leading organizations in India, which includes 17 of India's top 1000 listed companies based on their market capitalization. We are a licensed assurance provider of AA1000AS (The AA1000 Assurance Standard), and we possess the necessary tools to offer comprehensive and reliable ESG assurance services to our Clients.

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-  Reporting & Assurance
-  Digital transformation



JOIN OUR MASTERCLASS ON BRSR, ESG & SUSTAINABILITY REPORTING

Business Responsibility and Sustainability Reporting (BRSR), Environmental, Social, and Governance (ESG), and Sustainability reporting are tools that organizations employ to showcase their dedication to environmental stewardship, social responsibility, and good governance, either as a leading practice or a legal mandate. In our master class, we endeavour to demystify the practical implications of BRSR/ESG/Sustainability, emphasizing its global significance and relevance within the Indian context. This encompasses a comprehensive coverage of the Business Responsibility and Sustainability Report (BRSR), mandated by SEBI for India's top 1000 listed companies by market capitalization. We will illustrate how this report aligns with ESG principles and underscore its role in facilitating effective stakeholder communication. Join us in this engaging event, designed to equip participants with the necessary skills to develop any of these reports. Together, let's explore and learn!

KEY CONTENTS

- ◆ Global & Indian Sustainability reporting landscape including legal mandates.
- ◆ ESG/ Sustainability report development based on Global Reporting Initiative (GRI) Standards.
- ◆ In-depth coverage of Business Responsibility and Sustainability Reporting (BRSR) by the Securities and Exchange Board of India (SEBI).
- ◆ NGBRCs Principles 01 to 09 & SEBI mandate for FY 22-23++
- ◆ Live demonstration of 1) how to carry out stakeholder engagement, 2) materiality assessment & 3) draft BRSR/ESG/Sustainability Reports
- ◆ Coverage of sustainability reporting standards such as PRI, Integrated Reporting (IR), SASB, and IFRS. Discussion on global ESG frameworks/ initiatives such as UN SDGs, TCFD, & CDP



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