

BRSR Core: New guidelines around assurance

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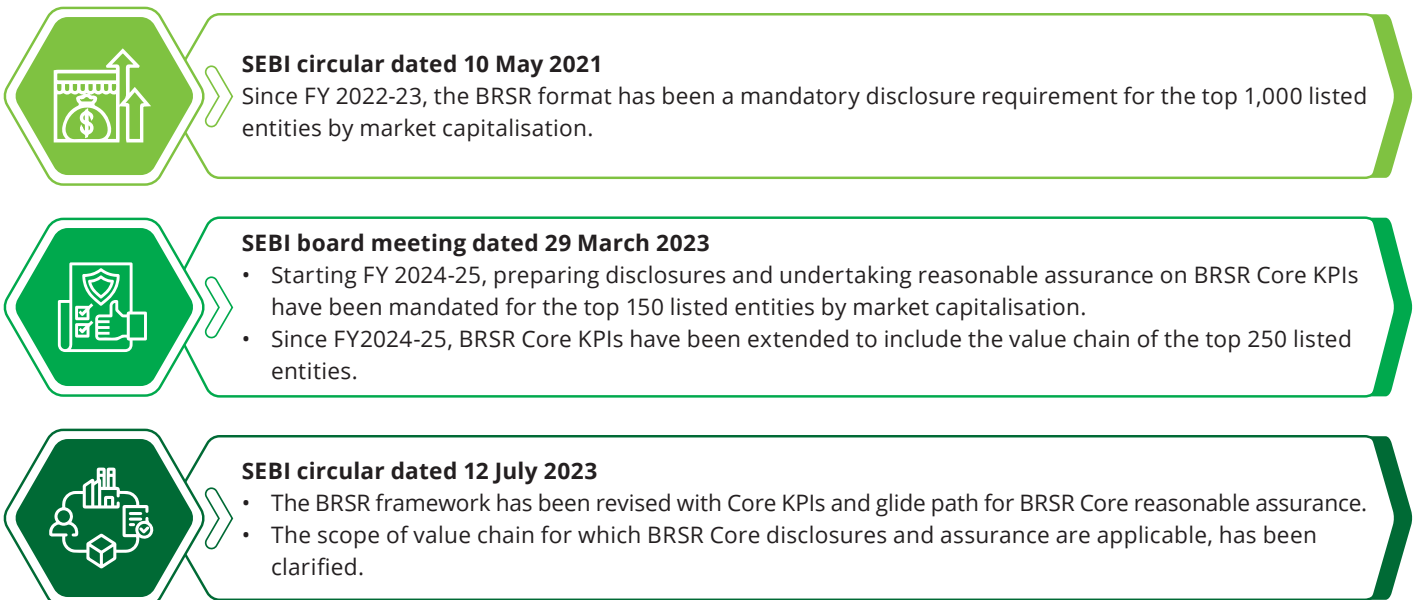


Standing together with global ESG requirements: New BRSR Core disclosures and assurance demands for listed entities

Are you in sync with new requirements under the BRSR Core?

The Business Responsibility and Sustainability Report (BRSR) has replaced Business Responsibility Report (BRR) disclosures and incorporated Key Performance Indicators (KPIs) from international frameworks to bring non-financial reporting by Indian companies at par with global Environmental, Social, and Governance (ESG) reporting trends.

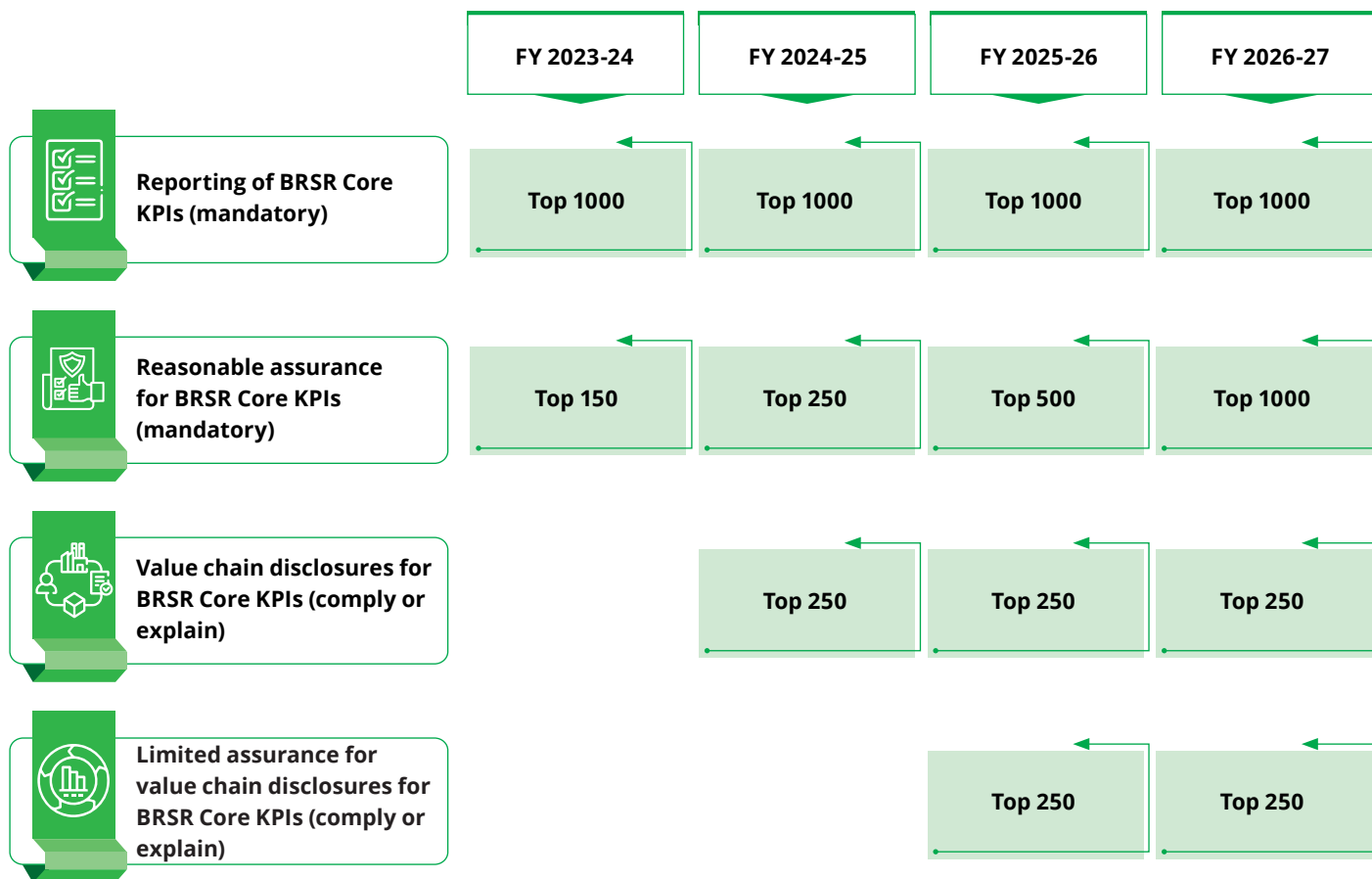
Evolution of BRSR regulations in India



The BRSR Core is a subset of the BRSR. The new format has additional KPIs (relevant for the Indian economy) under nine ESG attributes, mandating listed entities to disclose and obtain reasonable assurance. Visit Annexure II for the revised BRSR format.

From FY2023-24 onwards, the top 1000 listed entities in India by market capitalisation must prepare BRSR Core disclosures and undertake assurance according to the glide path.

BRSR Core – Timelines for disclosure and assurance



Now ESG Ratings Providers (ERPs) in India need to prepare a separate ESG rating category, core ESG rating, based on assured parameters under BRSR Core. ESG investment schemes and funds in India are also mandated to invest at least 65 percent of the total Assets Under Management (AUM) in listed entities, where BRSR Core assurance has been undertaken. Hence, listed entities must comply with BRSR Core disclosures and assurance requirements to access such funds.

Apart from increasing investor demand, the Board of Directors of listed entities must recognise that ESG issues are important and connected to financial issues and statutory compliance. In addition to cross-functional synergy, preparing BRSR disclosures requires the board of the listed entity to have oversight obligations related to

identification, assessment, decision-making, and disclosure of ESG-related risks.

The Board’s vital role in ensuring BRSR compliance

The BRSR Core Circular and the amended Listing Obligations and Disclosure Requirements (LODR) set forth requirements and guidance with respect to ESG-related matters for the Board of listed entities.

The Board has the ultimate responsibility to comply with BRSR disclosure and assurance requirements and ensure the accurate disclosure of the entity’s ESG initiatives and impact. However, the Board may choose to vest this responsibility (either in part or in entirety) in specific individuals and/or committees.

Must ensure:

- Members have the necessary expertise and experience in ESG-related matters
- Proactive expansion of the Board's knowledge on ESG matters, especially with respect to BRSR, BRSR Core, and NGRBC principles
- Specific directors have responsibility for BRSR and/or the committee for ESG-related matters
- Responsible directors issue a statement highlighting ESG-related challenges, targets, and achievements (as part of BRSR disclosure)
- Board approval is issued for the entity's stakeholder policies
- Assurance provider for BRSR Core meets necessary independence requirements to eliminate the chances of conflicts of interest
- ESG/sustainability disclosures are reviewed and in line with regulator and stakeholder expectations

Must review and provide strategic guidance to the listed entity to:

- Establish governance structures to align ESG disclosures with financial disclosures
- Risk management policy (periodic review at least once in two years)
- Align the entity's strategy with identified ESG risks and mitigation measures
- Decide on a framework and approach to identify internal and external ESG-related risks that the entity faces.
- Develop its ESG strategy, objectives, and targets (carbon neutrality, net zero, water neutrality, waste management, diversity, etc.)
- Incur major ESG capital expenditure (technology upgrades, acquisitions, divestments, etc.)

Must monitor that the listed entity:

- Adheres to reporting timelines for BRSR (to be reported as part of annual report)
- Is compliant with BRSR and CSR-related disclosure and assurance requirements for its operations and value chain
- Has processes to identify ESG risks
- Has auditing processes to report ESG KPIs/metrics
- Has established appropriate methodologies, systems, and processes for internal control
- Has aligned its stakeholder policies with the NGRBC's nine (9) principles
- Is measuring performance on a year-on-year basis across BRSR Core KPIs and other material ESG metrics/KPIs



Audit Committee's (AC) role in enabling BRSR Core disclosures and assurance

To ensure a smooth assurance process over BRSR Core KPIs, companies need to establish policies, protocols, internal checks, and a governance framework similar to those for the collection and disclosure of financial information.

With its extensive experience in overseeing such matters, the AC is best positioned to supervise BRSR disclosures, controls, and assurance to meet the expectations of investors and regulators. Some of the key responsibilities of the AC are mentioned below.

Understand how the entity identifies and prioritises ESG risks and opportunities

Refer Section 4(2), Clause F(ii)(1,7) of [LODR](#)

Identifying significant ESG risks and opportunities, along with their influence on the company, demands collaboration across functions and necessitates the Board's supervision.

Furthermore, AC should ensure the integration of ESG risks into the company's risk management. These risks affect the organisation's resilience and value creation over the short and long term.

For example, ascertain how management has considered the impact of increasing climate-related disruptive events on business operations, business models, and value chain.

Provide guidance on how the entity communicates its ESG story

Refer Section 4(2), Clause F(ii)(8) of [LODR](#)

AC guides the organisation on how to effectively communicate its ESG story. This involves helping the entity create comprehensive narratives about its sustainability practices, achievements, challenges, and goals in its BRSR reporting. The Board needs to approve the BRSR report.

AC might offer insights into the best practices for transparent and impactful communication to stakeholders.

For example, ensure that the management has prepared BRSR Core disclosures in line with BRSR and XBRL disclosure templates in a timely manner.

Determine material information and impact on financial reporting

Refer Section 4(2), Clause E of [LODR](#)

Determining material information is critical to ensure relevant reporting on ESG. This process must align with regulatory norms, such as LODR requirements.

Additionally, AC must evaluate how material aspects influence financial statements, ensuring connectivity between financial disclosures and non-financial disclosures. AC must work with the CSR/ Sustainability and Risk committees to ensure consistency in reporting.

For example, determine the impact of decreased life of company assets due to climate-related events and the way the entity reports this in its financial statements.

Assess if appropriate controls are in place to ensure reporting consistency

Refer Section 4(2), Clause F(ii)(7) of [LODR](#)

Regulators seek comparable rigour for ESG data as they do for financial information. Systems and processes continue to develop as companies progress on their ESG journey.

Given their familiarity with company operations and expertise in processes and controls, ACs can provide insights on process enhancements, control design, and data governance over ESG reporting.

For example, determine if the company has adequate entity- and activity-level controls over the collation and consolidation of climate data (scope 1, 2, and 3 GHG emissions).

Monitor assurance as part of annual and consolidated reporting

Refer Section 4(2), Clause F(ii)(7) of [LODR](#)

AC's responsibility includes overseeing the external assurance process of the BRSR Core disclosures. External assurance involves an independent assessment of the accuracy, reliability, consistency, and credibility of the reported information.

Now, the entity's assurance readiness is critical to comply with regulatory requirements.

For example, ensure implementation of adequate policies, processes, and controls to comply with BRSR Core reasonable assurance requirements.

Monitor and assess the capabilities and independence of assurance provider

Refer Section 4(2), Clause F(iii)(7, 8) of [LODR](#)

AC is responsible for reviewing and monitoring capabilities and independence of the assurance provider for BRSR Core disclosures.

This includes evaluating qualifications, expertise, and experience of the assurance provider to ensure that they are well-equipped to conduct a thorough and unbiased assessment.

Independence is crucial to ensure that assessment is objective and free from conflicts of interest.

For example, consider SEBI's guidance and verify independence requirements before the appointment of BRSR Core assurance provider.

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