

Integrated Reporting: Encompassing Business Responsibility and Sustainability Report (BRSR)



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Integrated Reporting is about integrating the financial reporting with non-financial narrative information. While financial reporting pre-dominantly concentrates on serving the shareholders, the current thinking on the subject emphasize that annual reports should also disclose how the companies are taking care of the interest of other stakeholders, such as, customers, suppliers, employees, society, environment and the government. These disclosures put together are called Business Responsibility Reporting (**BRR**) or Economic, Social and Governance (**ESG**) Reporting. An annual report is termed as **Integrated Annual Report** when it includes this qualitative information also.

SEBI, in 2012, mandated the top 100 listed entities by market capitalisation to file **Business Responsibility Reports** on ESG parameters. The requirement for filing BRRs was extended in December 2019, to the top 1000 listed entities by market capitalisation, from the financial year 2019-20.

On May 10, 2021, SEBI decided to introduce new reporting requirements on ESG parameters called the Business Responsibility and Sustainability Report (**BRSR**).

The BRSR seeks disclosures from listed entities on their performance against the nine principles of the '**National Guidelines on Responsible Business Conduct**' (NGBRCs) and reporting under each principle is divided into **essential** and **leadership** indicators. The essential indicators are required to be reported on a mandatory basis while the reporting of leadership indicators is on a voluntary basis. Listed entities should endeavour to report the leadership indicators also.

SEBI claims, "The BRSR is intended towards having quantitative and standardized disclosures on ESG parameters to enable comparability across companies, sectors and time. Such disclosures will be helpful for investors to make better investment decisions. The BRSR shall also enable companies to engage more meaningfully with their stakeholders, by encouraging them to look beyond financials and towards social and environmental impacts".

The aforesaid 9 principles are as under:

- Principle 1** Businesses should conduct and govern themselves with integrity, and in a manner that is Ethical, Transparent and Accountable.
- Principle 2** Businesses should provide goods and services in a manner that is sustainable and safe.
- Principle 3** Businesses should respect and promote the well-being of all employees, including those in their value chains.
- Principle 4** Businesses should respect the interests of and be responsive to all its stakeholders.
- Principle 5** Businesses should respect and promote human rights.
- Principle 6** Businesses should respect and make efforts to protect and restore the environment.
- Principle 7** Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.
- Principle 8** Businesses should promote inclusive growth and equitable development.
- Principle 9** Businesses should engage with and provide value to their consumers in a responsible manner.

BRSR thus aims at integrated business reporting.

Case of ITC Ltd.

Now, presented hereunder are the extracts on BRSR from the 2022-23 annual report of ITC Limited to enable readers to view how these disclosures look like. These are only for one principle that too abridged. For full report, please visit the annual report at www.itcportal.com

Principle 2: Businesses should provide Goods and Services in a manner that is Sustainable and Safe.

Essential indicators:

Percentage 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 made by the Entity, respectively.

The Company's state-of-the-art ITC Life Sciences and Technology Centre (LSTC) in Bengaluru is at the core of driving science-led product innovation to support and build ITC's portfolio of world-class brands. ITC LSTC's research and development initiatives are equipped with world-class scientific platforms and centres of excellence that deliver improvements in environmental and social impacts, some of which are summarised below –

- **Agroforestry and Crop Sciences:** Agroforestry, one of LSTC's key expertise, involves working on tree improvement by using contemporary research tools for Eucalyptus, Casuarina, Corymbia, and Subabul species. LSTC has released several new clones for all the four species, aimed at improving productivity and catering to the sourcing needs of ITC's paper business. Last year, 6 million new clones with improved productivity were distributed to farmers.
- **Sustainable Packaging & Material Sciences:** This vertical works on reducing the impact of single use plastics and plastic packaging by focussing on suitable alternatives, improving recyclability of multi-layered plastic packaging, and increasing the use of recycled content, thereby reducing the carbon footprint of packaging.
- **Health, Wellness and Nutrition:** Health and Wellness platform focuses on multiple aspects of human health stratified across age, gender, specific health concerns as well as uniqueness of the Indian consumer. LSTC, over the last decade, has been instrumental in creating scientifically validated solutions catering to areas such as diabetes, cardiovascular health, weight management, gut health, immunity, brain health, women's health, kids' health, and targeted nutrition as well as various concerns associated with ageing. Solutions range from delivering benefits in various product formats including nutraceuticals. Scientific due diligence as well as clinical efficacy has helped in generating health claims and in providing nutrition, nourishment, health and wellness to the Indian consumer.

	Rupees in crore	
	FY 2022-23	FY 2021-22
Expenditure on R&D – Capital	9.67	20.17
Expenditure on R&D – Revenue	161.31	143.59
Total R&D Expenditure	170.98	163.76
Capital Investment on Energy Conservation Equipment	18.93	12.22

Further details:

1. a. Does the Entity have Procedures in place for Sustainable Sourcing?
b. If yes, what percentage of inputs were sourced sustainably?
2. Describe the Processes in place to Safely Reclaim your Products for Reusing, Recycling and Disposing at the end of Life, for (a) Plastics (including Packaging) (b) E-waste (c) Hazardous Waste and (d) Other Waste.
3. Whether Extended Producer Responsibility (EPR) is applicable to the entity's activities (Yes/No). If yes, whether the waste collection plan is in line with the Extended Producer Responsibility (EPR) plan submitted to Pollution Control Boards? If not, provide steps taken to address the same.

Leadership Indicators:

1. Has the entity conducted Life Cycle Perspective/ Assessments (LCA) for any of its Products (for Manufacturing Industry) or for its Services (for Service Industry)?
2. If there are any significant Social or Environmental Concerns and/or risks arising from Production or Disposal of your Products/Services, as identified in the Life Cycle Perspective/Assessments (LCA) or through any other means, briefly describe the same along-with action taken to mitigate the same.
3. Percentage of Recycled or Reused Input Material to Total Material (by Value) used in Production (for Manufacturing Industry) or providing Services (for Service Industry).
4. Of the Products and Packaging Reclaimed at End of Life of Products, amount (in Metric Tonnes) Reused, Recycled, and Safely Disposed.
5. Reclaimed Products and their Packaging Materials (as Percentage of Products sold) for each Product Category.

Note: Please refer to the annual report for full details.

Issues and Challenges

1. BRSR information is repetitive in nature. Most of it is already covered in corporate governance report, corporate social responsibility report, energy conservation report, directors' report and management's discussion and analysis report. Only the format is different. It may be noted that ITC's annual report has devoted 119 pages to corporate governance report, corporate social responsibility report, energy conservation report, directors' report and management's discussion and analysis report and again 47 pages to integrated BRSR report. Against this only 70 pages are devoted to stand alone financial statements and notes thereto. Which investor reads, or can read, this plethora of non-financial information? This is anybody's guess. Take out any annual report of a big company and the length of these reports is more or less the same.
 2. BRSR information is mainly narrative and comprises qualitative management statements, a large number of them being generic in nature and forward looking which are subject to inherent risks. By its very nature, most of the BRSR information is non-verifiable and non-auditable which raises question mark on its authenticity.
 3. The BRSR information does not gel with the financial information either directly or indirectly. Therefore an investor finds no purpose in this information.
 4. Other stakeholders, such as, customers, suppliers, employees, society, environment and the government may also not make much out of the narrative self-certifying general statements. For them also it may not serve any practical purpose.
 5. Producing and publishing BRSR information is hugely costly in terms of money and time. With no ostensible benefit in site, should it not be disbanded?
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