Tuesday, 17 October 2023

High-level panel

Current state of global financial and sustainability reporting frameworks, standards, and codes: prospects for further harmonization

Presented by

Priti Savla
Chairperson, Sustainability Reporting Standards Board
The Institute of Chartered Accountants of India (ICAI)
Current State of Global Financial and Sustainability Reporting Frameworks, Standards, and Codes: Prospects for Further Harmonization

CA Priti Paras Savla
Chairperson,
Sustainability Reporting Standards Board, ICAI
Sustainability Reporting Ecosystem Around the Globe
Sustainability Regulations in India

With Sustainability reporting gaining traction in India, SEBI defined Sustainability disclosures in a standardised manner for listed companies basis which Business Responsibility and Sustainability (BRSR) guidelines were issued.

SEBI introduced Business Responsibility Report (BRR) in 2011

BRR was mandated for top listed companies
- 100 in 2012
- 500 in 2015
- 1,000 in 2019

Scope of BRR was expanded in 2020 to introduce BRSR
Applicable to the Top 1,000 listed companies from FY23

ICAI’s BRSR Scoring Methodology

<table>
<thead>
<tr>
<th>Maturity stage</th>
<th>BRSR Score (% of Total Score)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formative</td>
<td>Up to 25%</td>
</tr>
<tr>
<td>Emerging</td>
<td>&gt; 25% and Up to 50%</td>
</tr>
<tr>
<td>Established</td>
<td>&gt; 50% and Up to 75%</td>
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<tr>
<td>Leading</td>
<td>&gt; 75%</td>
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<table>
<thead>
<tr>
<th>Principle</th>
<th>Essential Indicators</th>
<th>Leadership Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethics</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Sustainable life-cycle</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Employees</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>Stakeholders</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Human Rights</td>
<td>7</td>
<td>2</td>
</tr>
<tr>
<td>Environment</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Public policy</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Social development</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Consumers</td>
<td>3</td>
<td>6</td>
</tr>
</tbody>
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Maximum Score: 300
- Essential | 225
- Leadership | 75
Key points:

➢ SEBI vide Circular No. SEBI/HO/CFD/CMD - 2/P/CIR/2021/562 dated May 10, 2021 had prescribed the Business Responsibility and Sustainability Report (BRSR) which was subsequently incorporated in the Master Circular dated July 11, 2023. Based on the recommendations of the ESG Advisory Committee and pursuant to public consultation, the Board decided to introduce the BRSR Core for assurance by listed entities.

➢ BRSR format has been updated to incorporate additional KPIs based on nine attributes of BRSR Core. Further, intensity ratios would be based on revenue adjusted for Purchasing Power Parity (PPP) to enable global parity.

➢ BRSR Core has been made applicable to top 1,000 listed entities (by market capitalisation) on glide path method from the year 2023 on glide path method. The Companies are required to provide the BRSR Core disclosures as part of the annual report from FY 2023-24.

➢ BRSR Core requires reasonable assurance by independent assurance provider as per the format provided in circular. It also specifies the parameter, measurement, data and approach for reporting and assurance for each attribute of the BRSR
Introduction:

Snability

BRSR Core – Framework for Assurance

**FY 2023-24**
Reasonable assurance on BRSR Core mandatory for top 150 companies*

**FY 2024-25**
Reasonable assurance on BRSR Core mandatory for top 250 companies*

**FY 2025-26**
Reasonable assurance on BRSR Core mandatory for top 500 companies*

**FY 2026-27**
Reasonable assurance on BRSR Core mandatory for top 1000 companies*

*As per market capitalisation*
The nine attributes of BRSR Core* are as follows:

- Water footprint
- Embracing circularity—details related to waste management by the entity
- Enabling gender diversity in business
- Fairness in engaging with customers and suppliers
- Green-House Gas (GHG) footprint
- Energy footprint
- Enhancing employee wellbeing and safety
- Enabling inclusive development
- Open-ness of business
Further SEBI has also introduced in BRSR, disclosures and assurance of ESG parameters for the **value chain** have been introduced from Financial Year 2023-24. In this, value chain shall encompass the top upstream and downstream partners of listed entities.
ICAI has issued:

Standard on Sustainability Assurance Engagement: (SSAE) 3000: SSAE 3000 deals with assurance engagements on an entity’s sustainable information to be read in conjunction with the “Framework for Assurance Engagements” issued by ICAI. It is an umbrella standard for all assurance engagement on sustainability information.

Standard on Assurance Engagement on Green House Gas Statements (SAE) 3410: SAE 3410 deals with assurance engagements to report on entity’s GHG Statement.
The aim of harmonizing, or unifying sustainability reporting standards is to provide a clear and easily understandable reporting framework, that will bring about much-needed uniformity amongst reports and help save time and resources for reporting entities.

Benefits of Harmonization:
- Standardization
- Easy Understanding
- Better Comparability
Main challenges when attempting to harmonize sustainability reporting standards across countries and reporting frameworks

Heavy variation between national legislation amongst different regions and the completely different approaches that countries’ legislators have. These types of significant differences between the underlying philosophies of the reporting practices between different regions cause challenges in trying to piece together the extent and scope of voluntary and mandatory disclosures, as well as what types of data the disclosures should contain and for whom the provided information should be accessible for and how.

Major Challenges:
• Different Goals
• Different Regulatory Requirements
• Different Reporting Formats
Thank You

CA Priti Paras Savla