

**RECOMMENDATIONS OF THE EXPERT COMMITTEE FOR
FACILITATING EASE OF DOING BUSINESS
WITH RESPECT TO
BUSINESS RESPONSIBILITY AND SUSTAINABILITY
REPORTING (BRSR)**

1. Value Chain Reporting

1.1. **Existing provisions:**

1.1.1. Regulation 34(2)(f) of SEBI (Listing Obligations and Disclosure Requirements)

Regulations, 2015 (“LODR Regulations”) specify that annual report shall contain:

“for the top one thousand listed entities based on market capitalization, a Business Responsibility and Sustainability Report on the environmental, social and governance disclosures, in the format as may be specified by the Board from time to time:

Provided that the assurance of the Business Responsibility and Sustainability Report Core shall be obtained, with effect from and in the manner as may be specified by the Board from time to time:

Provided further that the listed entities shall also make disclosures and obtain assurance as per the Business Responsibility and Sustainability Report Core for their value chain, with effect from and in the manner as may be specified by the Board from time to time:

Provided further that the remaining listed entities, including the entities which have listed their specified securities on the SME Exchange, may voluntarily disclose the Business Responsibility and Sustainability Report or may voluntarily obtain the assurance of the Business Responsibility and Sustainability Report Core, for themselves or for their value chain, as the case may be.

Explanation-1: For the purpose of this clause:

- (i) market capitalization shall be calculated as on the 31st day of March of every financial year;*
- (ii) Business Responsibility and Sustainability Report Core shall comprise of such key performance indicators as may be specified by the Board from time to time;*
- (iii) “value chain” for the listed entities shall be specified by the Board from time to time.”*

1.1.2. SEBI circular SEBI/HO/CFD/CFD-SEC-2/P/CIR/2023/122 dated July 12, 2023, captioned “BRSR Core – Framework for assurance and ESG disclosures for value chain” specifies the following provisions regarding ESG disclosures for value chain:

1.1.2.1. Disclosures for value chain shall be made by the listed entities as per BRSR Core, as part of its Annual Report. For this purpose, value chain shall encompass the top upstream and downstream partners of a listed entity, cumulatively comprising 75% of its purchases / sales (by value) respectively.

1.1.2.2. Listed entities shall report the KPIs in the BRSR Core for their value chain to the extent it is attributable to their business with that value chain

partner. Such reporting may be segregated for upstream and downstream partners or can be reported on an aggregate basis.

1.1.2.3. The scope of reporting and any assumptions or estimates, if any, shall be clearly disclosed.

1.1.2.4. Applicability:

1.1.2.4.1. ESG disclosures for the value chain shall be applicable to the top 250 listed entities (by market capitalization), on a comply-or-explain basis from FY 2024-25.

1.1.2.4.2. The limited assurance of the above shall be applicable on a comply-or-explain basis from FY 2025 - 26.

1.2. **Suggestions received:** The suggestions received were on the following lines:

1.2.1. The definition of 'value chain' needs to be rationalised to cover only significant partners.

1.2.2. The inclusion of 75% of its purchases / sales (by value) should be relaxed to make it applicable in a staggered manner starting with 10% in the first year and taking it ahead to 40% in the third or fourth year.

1.2.3. Value chain reporting coverage extending for top 75% partners be restricted to Top 10 suppliers and customers. Further, it should also be clarified that the reporting will be at an entity level and basis pro rata share of business shared by the supplier as companies will not have means to verify the same.

1.2.4. Clarity needed on scope of disclosure for value chain partners - Guidance on which parameters we need to report on for value chain. Do we have to report on all 61 data points as listed in BRSR Core? In our considered view, it would be optimal if only a subset of the 61 data points is introduced for value chain as reporting on all 61 data points will not be feasible at this stage, for e.g., for top 10 suppliers and customers this will mean $61 \times 20 = 1220$ data points which will have to be gathered, validated and reported by the company.

1.2.5. There should be a glide path to mandate limited assurance on value chain reporting. The companies should be given a 3-year window to stabilise the reporting process and then assurance can be made mandatory. Further, guidance on limited assurance of the data points pertaining to value chain partners to be released.

1.2.6. Clarity required on approach of limited assurance i.e. will an auditor be expected to go and audit the systems and books of suppliers and customers or can they place reliance on self-certification/ audit conducted by the suppliers and customers.

- 1.2.7. Obtaining BRSR disclosures and assurances from value chain partners within the timelines for publication of annual report may become a challenge.
- 1.2.8. For the first year of mandatory reporting i.e. FY 2024-25, the previous year numbers should not be mandated for Value Chain partners.
- 1.2.9. Leadership disclosures approach in place of comply or explain approach- Leadership disclosure approach to be adopted for Width and Depth of reporting as well as for Assurance/certification.
- 1.2.10. Basis of allocation - For ESG indicators, allocation of share of business to be done at a Corporate level and not each unit level which ESG data lend itself to.
- 1.2.11. Use of estimate be allowed for last quarter.

1.3. **Recommendations:** After taking into consideration the suggestions received, the Committee recommends as follows:

- 1.3.1. To redefine value chain partners as follows: “*Value chain shall encompass the upstream and downstream partners of a listed entity, individually comprising 2% or more of the listed entity's purchases / sales (by value) respectively.*”
- 1.3.2. For the first year of reporting ESG disclosures for value chain, i.e. FY 2024-25, it may be clarified that reporting previous year numbers shall be voluntary.
- 1.3.3. “Voluntary” disclosures approach in place of “comply or explain” approach for ESG disclosures for value chain and assurance thereof.

1.4. **Rationale:**

1.4.1. **Coverage of Value Chain Partners:**

- 1.4.1.1. The Committee acknowledged that covering a large set of VC partners may have an unintended adverse impact on small businesses in terms of cost burden and viability of complying.
- 1.4.1.2. The above was evidenced by the data obtained by the Committee from approx. 10 sizeable listed entities:

Sector->	FMCG	Tech	Chemicals	Industrial Machinery	Diverse
No. of Value Chain partners covering 75% of purchases	160	225	38	60	160
No. of Value Chain partners covering 75% of sales	1100	185	47	65	1018
Total no. of Value Chain partners covering 75% of purchases and sales	1260	410	85	125	1178

- 1.4.1.3. Hence, in view of the above data and suggestions received, the Committee proposed that the definition of value chain may be revised to upstream and downstream partners of a listed entity, individually comprising comprise of 2% or more of the listed entity's purchases / sales (by value) respectively.
- 1.4.1.4. Based on data from 9 companies (across top-250 companies based on market capitalization), the number of value chain partners that will be covered under the revised definition of “value chain” is as under:

Sr. No.	Sector	Value Chain Partners	
		Upstream	Downstream
		2%	2%
1	Automobile and Auto Components	2	0
2	Automobile and Auto Components	4	2
3	Automobile and Auto Components	4	3
4	Consumer Durables	10	0
5	Healthcare	1	2
6	Power	1	1
7	Capital Goods	5	3
8	FMCG	1	4
9	Metals & Mining	3	1
	Median	3	2

- 1.4.1.5. The above proposal provides for ESG disclosures (as per the BRSR Core format) for key/ major value chain partners of a listed entity, as part of the annual report of the listed entity. At the same time, this avoids undue cost burden for smaller companies who may be value chain partners for large listed entities or listed entities with long tails in their value chain.
- 1.4.2. Regarding reporting previous year numbers by value chain partners, it was felt that the Value Chain partners would require some time to set up processes and controls to gather the required data. Hence, the same may be voluntary for the first year of reporting, i.e. FY 2024-25.
- 1.4.3. With regard to change in approach from “comply-or-explain” basis to “voluntary” disclosures for VC reporting and assurance thereof, the Committee noted that the data systems required to report on value chain partners may take time to be set up. Further, companies may not be comfortable to be held non-compliant for data beyond their realm of verifiability/ reporting and be asked to offer an

explanation when the readiness for reporting was clearly not in place based on multiple representations received by the committee. In view of the same, the Committee recommended that ESG disclosures for value chain, and third-party verification thereof, may be termed as 'voluntary' requirement rather than being required on a 'comply-or-explain' basis.

1.5. **Suggested text of the amendments:**

- 1.5.1. No amendments are proposed to the LODR Regulations at this stage.
- 1.5.2. SEBI circular dated July 12, 2023 to be modified to give effect to recommendations at Para 1.3.1 - 1.3.3 above.

2. Green Credit Program

- 2.1. **Budget Announcement:** In the Union Budget for FY 2023 – 24¹, the Green Credit Programme (GCP) was proposed to be notified under the Environment (Protection) Act, 1986 to encourage behavioural change by incentivizing environmentally sustainable and responsive actions by companies, individuals and local bodies and help mobilize additional resources for these activities.
- 2.2. **Subsequent Developments:**
- 2.2.1. On June 26, 2023, Ministry of Environment, Forest and Climate Change (MoEFCC) notified 'draft Green Credit Programme Implementation Rules 2023' for public comments.
- 2.2.2. On October 12, 2023, the "Green Credit Rules, 2023²" were notified that *inter-alia* named Indian Council of Forestry Research and Education as "the administrator" – responsible for implementation of GCP, including its management and operation under the rules.
- 2.2.3. On February 22, 2024, MoEFCC notified³ the methodology for calculation of green credit in respect of tree plantation.
- 2.2.4. The notification *inter-alia* states: "The Green Credit generated in lieu of tree plantation under the said Rules may be used for reporting under environmental, social and governance leadership indicator or under corporate social responsibility under the applicable rules made under any law for the time being in force." [Emphasis added.]
- 2.3. **Recommendations:** In view of the above, it is proposed that the following disclosure may be added as a **leadership** indicator under Principle 6 of BRSR, i.e. "*Business should respect and make efforts to protect and restore the environment*", subsequent to public consultation on the same:

2.3.1. *How many Green Credits have been generated:*

2.3.1.1. *By the company*

2.3.1.2. *By the value chain partners*

*Explanation: Value chain shall encompass the upstream and downstream partners of a listed entity, individually comprising **2% or more** of the listed entity's purchases / sales (by value) respectively.*

2.4. **Rationale:**

- 2.4.1. Inclusion in BRSR shall incentivize listed entities and their value chain partners to participate in generation of green credits by following environmentally sustainable activities.

¹ <https://pib.gov.in/PressReleaselframePage.aspx?PRID=1895291>

² <https://egazette.gov.in/WriteReadData/2023/249377.pdf>

³ <http://www.indiaenvironmentportal.org.in/files/file/notifcation%20on%20green%20credit.pdf>

- 2.4.2. It may be noted that India and UAE launched the Global Green Credit Initiative (GGCI)⁴ at COP-28, which has been conceptualized as a mechanism to incentivize voluntary pro-planet actions, as an effective response to the challenge of climate change. It envisions the issue of Green Credits for plantations on waste/degraded lands and river catchment areas, to rejuvenate and revive natural eco-systems. The proposed disclosure of green credits in BRSR is in alignment with the goals of GGCI.
- 2.4.3. The disclosure is also in line with MoEFCC notification dated February 22, 2024, that states that the green credits generated in lieu of tree plantation under the said Rules may be used for reporting under ESG leadership indicator.
- 2.4.4. At the same time, the disclosure is sought as a leadership indicator to facilitate ease of compliance. Further, coverage of only key value chain partners is considered – in line with the proposed definition of value chain for BRSR Core disclosures (refer Para 1.3.1 above)
- 2.5. **Suggested text of the amendments:** No amendments are proposed to the LODR Regulations at this stage. However, a circular may be issued to prescribe a leadership indicator on green credits, as proposed at Para 2.3 above.

⁴ <https://pib.gov.in/PressReleaselframePage.aspx?PRID=1981719>

3. Substituting the term “Assurance” with “Assessment”

3.1. **Existing provisions:**

3.1.1. Regulation 34 (2)(f) of LODR Regulations specifies that the annual report shall contain:

“for the top one thousand listed entities based on market capitalization, a Business Responsibility and Sustainability Report on the environmental, social and governance disclosures, in the format as may be specified by the Board from time to time:

Provided that the assurance of the Business Responsibility and Sustainability Report Core shall be obtained, with effect from and in the manner as may be specified by the Board from time to time:

Provided further that the listed entities shall also make disclosures and obtain assurance as per the Business Responsibility and Sustainability Report Core for their value chain, with effect from and in the manner as may be specified by the Board from time to time:

Provided further that the remaining listed entities, including the entities which have listed their specified securities on the SME Exchange, may voluntarily disclose the Business Responsibility and Sustainability Report or may voluntarily obtain the assurance of the Business Responsibility and Sustainability Report Core, for themselves or for their value chain, as the case may be.

Explanation-1: For the purpose of this clause:

- (iv) market capitalization shall be calculated as on the 31st day of March of every financial year;*
- (v) Business Responsibility and Sustainability Report Core shall comprise of such key performance indicators as may be specified by the Board from time to time;*
- (vi) “value chain” for the listed entities shall be specified by the Board from time to time.”*

3.1.2. SEBI circular SEBI/HO/CFD/CFD-SEC-2/P/CIR/2023/122 dated July 12, 2023, captioned “BRSR Core – Framework for assurance and ESG disclosures for value chain” specifies the following provisions regarding assurance:

3.1.2.1. **BRSR Core Disclosures:**

3.1.2.1.1. Listed entities shall mandatorily undertake reasonable assurance of the BRSR Core, as per the glide path specified in the following table:

Financial Year	Applicability of BRSR Core to top listed entities (by market capitalization)
2023 – 24	Top 150 listed entities
2024 – 25	Top 250 listed entities
2025 – 26	Top 500 listed entities
2026 – 27	Top 1000 listed entities

3.1.2.2. ESG disclosures for value chain:

3.1.2.2.1. ESG disclosures for the value chain shall be applicable to the top 250 listed entities (by market capitalization), on a comply-or-explain basis from FY 2024-25.

3.1.2.2.2. The limited assurance of the above shall be applicable on a comply-or-explain basis from FY 2025 - 26.

3.2. **Proposal – Substitute “assurance” with “assessment”:**

3.2.1. With regards to BRSR, the term “assurance” shall be substituted with “assessment” in LODR Regulations and SEBI circulars on BRSR.

3.2.2. Hence, instead of current requirement of ‘reasonable assurance’ of BRSR core and ‘limited assurance’ for ESG disclosures for value chain, listed entities shall be required to undertake ‘assessment’ as per the standards as may be specified by the Industry Standards Forum (ISF) in consultation with SEBI.

3.2.3. Applicability:

3.2.3.1. Disclosures for FY2023-24: Since top-150 companies may already be in an advanced stage of their current engagements on ‘reasonable assurance’, companies shall be provided with an option either to undertake ‘assessment’ or ‘reasonable assurance’ of BRSR Core disclosures for FY2023-24.

3.2.3.2. Disclosures for FY2024-25 and onwards: Reasonable/ Limited assurance will be substituted with ‘Assessment’. There shall not be any other change with regard to the mandatory nature of BRSR Core or voluntary nature of ESG disclosures of value chain, entities covered, timelines for disclosure/ assessment, etc. (except the changes suggested in other recommendations such as coverage of value chain partners).

3.3. **Rationale:**

3.3.1. Through discussions with industry stakeholders, it has been observed that while BRSR Core data is accessible for third-party assessment, however, the usage of the term "assurance" has inadvertently resulted in unintended consequences, additional financial burdens and challenges for the industry. This is not in alignment with the regulatory intent of facilitating ease of compliance with the assessment of BRSR Core data.

3.3.2. The unintended consequences arise from the association of "assurance" with the financial audit domain, where terms like "reasonable assurance" carry specific implications.

- 3.3.3. According to the guiding principles of the International Organization of Securities Commissions (IOSCO)⁵, third-party assessment of sustainability-related corporate disclosures should remain independent of any specific profession. However, the use of the term "assurance" inadvertently aligns the standard with the audit profession. Thus, removing references to "assurance" is deemed necessary to prevent unwarranted association with a particular profession.
- 3.3.4. A parallel can be drawn to SEBI's framework for social stock exchange, where the term "social audit" was replaced with "social impact assessment" to address industry concerns regarding the negative connotations associated with the term "audit." This substitution aligns with the overarching goal of maintaining professional agnosticism.
- 3.3.5. Further, "assurance" is undertaken based on various global/ domestic standards that may contain requirements beyond mere verification of data, and thus impose cost burden and other challenges for corporates. Hence, to facilitate ease of compliance while mitigating risks of greenwashing, an alternative to 'assurance' (reasonable and limited) may be considered for third-party assessment of BRSR core data.
- 3.3.6. Moving forward, the Industry Standards Forum (ISF), in collaboration with SEBI, will develop "assessment" standards, ensuring alignment with regulatory objectives and avoiding unnecessary professional bias. It may be noted that listed entities may still voluntarily undergo assurance based on global / domestic standards to cater to the needs of their stakeholders.

3.4. **Suggested text of the amendments:**

- 3.4.1. The following amendment in Regulation 34 (2)(f) of LODR Regulations is proposed to substitute "assurance" with "assessment":

"for the top one thousand listed entities based on market capitalization, a Business Responsibility and Sustainability Report on the environmental, social and governance disclosures, in the format as may be specified by the Board from time to time:

Provided that the ~~assurance~~ assessment of the Business Responsibility and Sustainability Report Core shall be obtained, with effect from and in the manner as may be specified by the Board from time to time:

Provided further that the listed entities shall also make disclosures and obtain ~~assurance~~ assessment as per the Business Responsibility and Sustainability Report Core for their value chain, with effect from and in the manner as may be specified by the Board from time to time:

Provided further that the remaining listed entities, including the entities which have listed their specified securities on the SME Exchange, may voluntarily disclose the Business Responsibility and Sustainability Report or may voluntarily obtain the ~~assurance~~ assessment of the Business Responsibility and

⁵ <https://www.iosco.org/library/pubdocs/pdf/IOSCOPD729.pdf>

Sustainability Report Core, for themselves or for their value chain, as the case may be.

Explanation-1: For the purpose of this clause:

- (i) market capitalization shall be calculated as on the 31st day of March of every financial year;*
- (ii) Business Responsibility and Sustainability Report Core shall comprise of such key performance indicators as may be specified by the Board from time to time;*
- (iii) “value chain” for the listed entities shall be specified by the Board from time to time.”*

3.4.2. Similar changes to be carried out in SEBI circular dated July 12, 2023.