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ESG

summary notes

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CHAPTER 20

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Ch 20 Integrated Reporting / GRI / BRSR.

1) Integrated reporting is a process found on the premise of integrated thinking which results into a periodic integrated report which discloses the value creation by an organisation over the time and related communication about aspects of value creation.

2) The framework helps in addressing the issues regarding measurement and disclosure of all the capitals. (Natural, mfg, Financial, Intellectual, Social and Human).

3) It is just not about a reporting process, rather it is found on the premise of integrated thinking and emphasizes on adding integrated thinking in the decision making of the daily operations.

4) It is a report that discloses the material info. about the strategy / governance / performance which provides a clear and concise presentation of how the organisation creates value. in short / medium / long term.

5) It is consistent with the financial & other reporting followed, however, the core focus is on the disclosure of the ability of the organisation to create value.

6) The primary purpose of integrated report is to explain the providers of financial capital how org. creates / preserve value as well as how it erodes value.

7) Integrated reporting & integrated thinking are mutually reinforcing.

* Guiding Principles (7) for better preparation & presentation of integrated report:

1) Strategic focus and future orientation -
An integrated report provides the details about an organisation's strategy as well as the organisation's ability to create value in short / medium / long term.

2) Connectivity of information -
An integrated report must give a holistic picture of the organisation & the interdependence amongst various capitals and how it affects an organisation's ability to create value.

3) Stakeholder Relationship -
An integrated report must report upon the quality of an organisation's relationship with its stakeholders and how well the organisation understands and takes into account their legitimate needs.

4) materiality -
An integrated report must disclose all the information which may substantially affect the

organisation's ability to create value.

5) Conciseness

6) Reliability & completeness -
It must include all material matters, accurately which covers both positive & negative aspects.

7) Consistency & comparability -
The information provided in the integrated report must be presented consistent over time & in a way which enables comparison with other organisations as well as its own ability to create value.

* Challenges in implementing IR framework:

1) The first challenge is to motivate the information providers to move from the traditional report which only focused on financial terms to disclosure as to how the org creates value.

2) In comparison to the statutory reports an integrated report is much concise which makes it very difficult for an organisation to prepare.

3) Since it requires many other informations which is not required under the statutory regulations it becomes costly & at the same instance time consuming.

4) Since it is concise it requires high expertise for understanding this report.

5) Other challenges includes:
a) Lack of standardization
b) Lack of willingness by organisations to disclose sensitive information.
c) Difficulty in measuring the various capitals.

* Benefits of integrated reporting:

1) Where the traditional reporting focused on profit making the integrated ~~re~~ reporting moves the organisation towards value creation

2) Since it combines all the material information & reflects the commercial / social / environmental context it leads to a clear & concise articulation of organisation's value creation.

3) It provides a holistic picture and makes a link between financial and non financial performance of the company.

4) It enhances transparency and accountability & leads to better identification of risk & opportunities.

5) It enhances the reputation of the organisation.

6) It's a single report which is a clear & concise representation & is easy to access at the same time.

SOBO GB RP

Strategy outlook business model org overview governance performance risk & opportunities

* Content Elements (SOBO PRO G)

1) There are 8 content elements that are linked for effective integrated reporting & are posed in the form of questions which are to be answered in the report.

2) Following are the 8 content elements:

(a) organizational overview & external environment:

Q: What does the organization do & in which circumstance it operates?

[This is the first ques which an integrated report should ans, which includes the company's culture, it values & details about industry in which it operates.]

(b) Governance:

Q: How does the governance structure promotes value creation in short / medium / long term?

[in this the co. generally discloses its leadership structure, governance policies & relationship with the stakeholders]

(c) Business model:

Q: What is organization's business model?

[in this the company reports about the activities it performs, input / output, in short all the activities it take up for generating revenues]

(d) Risks and opportunities:

Q: What is the specific risk & opportunities which may affect the organization's value creation ability in short / medium / long term?

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[In this the organisation repost the risks and opportunities which maybe internal or external which may hamper the org's value creation in short / medium / long term]

(e) Strategy and resource allocation:
Q: Where does org want to go & how does it intend to get there?
[In this the company discloses it short / medium / long term strategies as well as its existing resources & how they are allocated]

(f) Performance :
Q: What is the extent of acheivement of strategic objectives for a given period & how it affects the capitals?
[In this the co. represents their progress as well as the impact on the 6 capitals.]

(g) Outlook:
Q: What are the challenges org feels it is likely to encounter in pursuing its objective?

(h) Basis of presentation:
Q: How does org determine what matters to include in the integrated report & how are such matters quantified / evaluated?

* Global Reporting Initiative (GRI) Framework:

1) The GRI is an org which provides a framework for all the organisations as to how to report on sustainibility.

2) There are many standards for sustainability reporting amongst which GRI is the most followed.

3) It applies to all the organizations & helps them communicate their sustainibility performance which in turn enhances their brand value.

4) Lately, the GRI has also included ESG issues.

5) The GRI issues three series of standards:
(a) GRI Universal Standards (followed by all)
(b) GRI Sector Standards (tailored for part. sectors) oil/gas
(c) GRI Topic Standards (particular topics like emission / economic performance / occupational health / safety)

(a) GRI Universal Standards:-

The GRI Universal standards is the foundation of all the reports prepared using GRI framework:

i] GRI-1 foundation:

This outlines the purpose of GRI Stds., explains how these Stds are to be used & all requirements that an org must comply to make a compliant report with GRI standards.

~~ii) GR~~
It focuses on accuracy & verifiability.

ii) GRI-2 General Disclosures:
This contains the general disclosure which includes the following:
a. Org's overview
b. objective & activities undertaken
c. Governance structure
d. Stakeholder engagement.

iii) GRI-3 Material Topics:
In this it helps an org identify the material topics and also describes how the sector standards are to be used so that an org can move into the GRI sector standards.

(b) GRI Sector Standards:
- Under the GRI sector standards initially there were only 40 sectors which included the major topics of impact like oil, gas, agriculture.
- But now, sector standards have likely being prepared for almost all major sectors, and if an applicable sector standard is available then it is mandatory to use it while reporting with GRI standards.
- Each sector standards consist of an initial section that gives an overview of the sector's characteristics.
- Then comes the main section in which the most material topics of the sector are covered.

- And lastly, under those sections topic wise disclosure is required which may be in addition to the topic standards.

(c) GRI Topic Standards:

- This is the last series of standards which contain disclosures relating to material topics, for instance it ~~at~~ includes disclosure on waste / occupational health / child labour / taxation.

Each topic standard gives an overview of the topic and disclosures specific to that topic, and provides guidance on how to manage the associated impacts.

- An organisation first identifies its material topics with the help of sector standards and then correspond it with topic standards.

* The GRI framework:

1) The GRI aims to cover wide range of ESG issues & offers 80 environmental performance indicators which is a part of environmental sustainibility report.

2) These are grouped into 9 categories:
a. Material - (sourcing, packaging, recycling)
b. Energy - (source of energy & how we are reducing its usage)
c. Water - (How much used, reduced, reused)
d. Biodiversity - (overall impact how the co. reduces it)

e. Emissions, Effluents, Waste - Total amount of emission of GHG, total water discharge & weight of waste generated & disposed.

f. Products and services - (Type of material used / how much is recycled)

g. Environmental Compliance - (amount of fine paid for non-compliance)

h. Supplier's assesment - Practices adopted by supplier to improve environmental impact.

i. Climate Change Adaptation - How org adapts to climate change risk.

* Identifying and Assessing Impacts:

- Every organisation complying with GRI standards must identify & assess all the impacts of its day to day activities.

- These can be identified by the company by itself or by using GRI sector standards which states the impacts created by such companies in that sector, out of which the company can identify & select those which are relevent to its activities.

- Further GRI 3 helps in identifying all the material impacts & once the org decides upon the same, it decides on which it needs to report.

- For this they generally group the impacts into topics. like water & effluents / child labour.

- Then the relevent topic standard is used which correspondes to the material topics & impacts.

- If an applicable sector standard is available then the organisation must follow it & in other cases it could be at the discretion of the company.

* BRSR

Introduction:

1) Business Responsibility & Sustainability Reporting (BRSR) is new form of reporting based on premise that the modern investors & stakeholders seek more transparency apart from financial reporting.

2) A BRSR is a type of reporting which focuses on sustainability reporting, where a sustainability report focuses on reporting about the companies economic / social / environmental impacts caused by its daily activities

3) It is a type of non-financial reporting through which the co. communicates its ESG performance

4) The sustainability reporting framework allows the companies to provide a much transparent & more reliable information which inturn enhances brand royalty & trust amongst investors.

5) The current BRSR applicability is upon the Top 1000 listed entities based on market capitalization & the remaining listed entities may follow it on a voluntary basis.

6) The BRSR form of reporting is a shift from the current BRR framework which typically was in the form of questionnaire & provided very little insight, on the other hand the BRSR framework is based upon the GRI framework & also reports around the national voluntary guidelines which carries the 9 sustainability principles.

7) The report has 2 types of indicators under each principle i.e. essential indicators which focuses on mandatory disclosures and can be considered as the baseline of sustainability & other indicator is leadership which is voluntary disclosure & gives deep insights into ESG leadership practices.

8) BRSR is divided into following sections:
Section A - General Disclosures
Section B - Mgmt & Process Disclosures
Section C - Principle wise performance
(which carries the 9 principles)

BRSR core applicability
↳ 2024-25 – Top 250 listed
↳ 2025-26 – Top 500 listed.

9) ~~Apart~~ BRSR aims to enhance ESG practices in India by:
(a) Implementing NGRBC
(b) Enhanced disclosures on climate & social related issues.
(c) Segregating disclosures into essential & leadership indicators wherein essential means mandatory & leadership being voluntary.

* Structure / Framework of BRSR:

* BRSR Core: -> for Top 500 listed entities from FY25-26
- BRSR core is a subset of BRSR reporting framework which consist of quantifiable matrix which revolves around the 9 ESG attributes which are derived from the BRSR principles.

- Currently the applicability of BRSR core is getting applied in phases where it initially in 23-24 was applicable on Top 150 listed entities & from the yr 24-25 upon Top 250.

- The BRSR core is relevent for both mfg as well as service sector.

- It provides the requirement of disclosures on the most imp ESG factors like GHG emissions, ~~waste water~~ generation, water consumption.

- Aim of report is to provide reasonable assurance.

* Benefits of BRSR Reporting

a] Improved ESG performance-
BRSR reporting helps the cos. monitor their ESG performance which in turn provides them with insights which helps them improve their ESG performance.

b] Competitive Advantage -
Those cos which report about their sustainable practices have an edge over & above their competitors which allows companies to attract better investments.

c] Improve Stakeholder Engagement -
By disclosing ESG performance cos engage with its stakeholders such as investors/ customers / etc.

d] Cost saving & Innovation -
Building new products for society

e] Investor confidence

f] Improved Reputation.

* Challenges of BRSR :

i) There are very diverse views on sustainibility which makes it ambit very large & makes it diff for cos to present a report

2) There are multiple reporting stds such as IIRC / GRI which are diff in its nature & makes it challenging for co. to report.

3) Time consuming exercise

4) No clear of fin. returns on investments.

* The Reporting framework of BRSR is divided into 3 sections:

1) Section A - General Disclosures -
Under this section basic details of the co. shall be disclosed which includes following:
a. Name b. CIN c. address of reg. office
d. Paid up cap of co. e. Contact details of person responsible for BRSR.
f. Products & services offered
g. CSR

2) Management & Process Disclosures - Section B -
This section addresses questions which are related to the Governance / leadership / mgmt process.
It includes all the policies & process which have been put in place to adopt NGRBC.

3) Principle wise Performance Disclosures - Section C -
Under this section co's report upon their KPI's with 9 principles of NGRBC.
The KPIs are further divided into 2 sub cat:
a) Essential Indicators - Mandatory
b) Leadership Indicators - Voluntary.

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