

## *Covering Value Chains: BRSR Core*



Securities and Exchange Board of India (SEBI) introduced disclosure requirements on Environmental, Social & Governance (ESG) parameters for the top-1000 listed Indian entities by market capitalization under the Business Responsibility and Sustainability Report (BRSR) framework updated as on May 2021. This has been mandatory for top 1000 listed companies from FY 2022-23 onwards. The BRSR seeks disclosures from listed entities as per the nine principles of the 'National Guidelines on Responsible Business Conduct' (NGRBC) and reporting under each principle is divided into essential and leadership indicators. This framework is meant to promote and encourage ESG-related disclosures for corporate transparency and responsibilities.

In July 2023, SEBI launched BRSR Core as the extension of BRSR. BRSR core is the sub-set of BRSR, where disclosures and assurance of ESG parameters for the value chain have been introduced for top 150 listed companies (by market capitalization) from FY 2023-24. In this, value chain shall encompass the top upstream and downstream partners of listed entities. The objective is to encourage disclosures of Scope 2 and Scope 3 emissions amongst the entities in question. Scope 1 emissions are greenhouse gas emissions that occur directly from the source or entity. Scope 2 emissions are emissions that occur from the upstream activities such as emissions from the production of raw material by the suppliers etc. Scope 3 emissions are

emissions that occur from the downstream activities such as disposal of products, transportation etc.

In addition, the companies have to take the assurance from assurance providers. Keeping in view the relevance to the Indian / Emerging market context, few new Key Performance Indicators (KPIs) have been identified for assurance such as job creation in small towns, openness of business etc.

Under BRSR Core, the 9 ESG attributes are given which are as follows –

<i>Attributes</i>	<i>Parameters</i>
<i>Green-house gas (GHG) footprint</i>	<i>CO<sub>2</sub>, CH<sub>4</sub>, N<sub>2</sub>O, HFCs, PFCs, SF<sub>6</sub>, NF<sub>3</sub> emission</i>
<i>Water footprint</i>	<ul style="list-style-type: none"> <li>• <i>Total water consumption</i></li> <li>• <i>Water consumption intensity</i></li> <li>• <i>Water Discharge by destination and levels of treatment</i></li> </ul>
<i>Energy footprint</i>	<ul style="list-style-type: none"> <li>• <i>Total energy consumed</i></li> <li>• <i>% of energy consumed from renewable sources</i></li> <li>• <i>Energy intensity</i></li> </ul>
<i>Embracing circularity (Details on waste generated)</i>	<ul style="list-style-type: none"> <li>• <i>Plastic waste, E-waste, Bio-medical waste</i></li> <li>• <i>Construction and demolition waste</i></li> <li>• <i>Battery waste, Radioactive waste</i></li> <li>• <i>Other Hazardous &amp; Non-hazardous waste generated</i></li> <li>• <i>Total waste generated, Waste intensity</i></li> <li>• <i>Total waste recovered through recycling, re-using or other recovery operations</i></li> <li>• <i>For each category of waste generated, total waste disposed by nature of disposal method</i></li> </ul>
<i>Enhancing Employee Well-being &amp; Safety</i>	<ul style="list-style-type: none"> <li>• <i>Spending on measures towards well-being of employees and workers</i></li> <li>• <i>Details of safety related incidents for employees and workers</i></li> </ul>

<i>Enabling Gender Diversity in Business</i>	<ul style="list-style-type: none"> <li>• <i>Gross wages paid to females as % of wages paid</i></li> <li>• <i>Complaints on POSH</i></li> </ul>
<i>Enabling Inclusive Development</i>	<ul style="list-style-type: none"> <li>• <i>Input material sourced from MSMEs/small producers</i></li> <li>• <i>Job creation in smaller towns</i></li> </ul>
<i>Fairness in Engaging with Customers &amp; Suppliers</i>	<ul style="list-style-type: none"> <li>• <i>Loss/breach of data of customers as a percentage of total data breaches</i></li> <li>• <i>Number of days of accounts payable</i></li> </ul>
<i>Openness of business</i>	<ul style="list-style-type: none"> <li>• <i>Purchases &amp; sales done with trading houses, dealers, &amp; related parties</i></li> <li>• <i>Loans and advances &amp; investments with related parties</i></li> </ul>

As per SEBI, listed entities will have to 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. This mandate comes at a time when the carbon footprint of supply chain is a matter of concern for regulators and industries. This will bring more transparency in disclosures and reduce the chances of greenwashing by entities. Inclusion of supply chain into disclosure requirement will also bring the awareness for reducing carbon footprint among MSMEs. Thus, this move will strengthen the adoption of sustainability practices across the value chains.

When India is heading towards the goal of achieving net zero carbon emission, this move will be one step close to net zero carbon emission by bringing all the stakeholders under the regulatory lens.

Furthermore, this framework is aimed at improving regional disparities and gender imbalance in the industries and will also help investors in making more informed decisions.