

Business Responsibility Reports - Frequently Asked Questions (FAQs)

SEBI has, vide circular dated August 13, 2012, mandated inclusion of Business Responsibility Report (BRR) as a part of the Annual Report for top 100 listed entities. The said reporting requirement is in line with the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs)' notified by Ministry of Corporate Affairs, Government of India, in July, 2011.

Listed below are Frequently Asked Questions (FAQs) regarding the aforesaid circular of SEBI on Business Responsibility Reports. The FAQs have been developed in co-ordination with the Indian Institute of Corporate Affairs (IICA) to ensure that they are in line with the intent of NVGs.

1. What is Business Responsibility Report?

Business Responsibility Report is a disclosure of adoption of responsible business practices by a listed company to all its stakeholders. This is important considering the fact that these companies have accessed funds from the public, have an element of public interest involved, and are obligated to make exhaustive disclosures on a regular basis.

SEBI has prescribed a format for 'Business Responsibility Report' as a mandatory requirement for top 100 listed companies by SEBI's Circular dated August 13, 2012. Other companies are encouraged to use the Business Responsibility Report for making disclosures to their stakeholders. Business Responsibility Report must be submitted as a part of the Annual Report.

2. How does Business Responsibility Report help companies to make disclosures on adoption of responsible business practices or otherwise to the stakeholders?

A Business Responsibility Report contains a standardized format for companies to report the actions undertaken by them towards adoption of responsible business practices. Business Responsibility Report has been designed to provide basic information about the company, information related to its performance and processes, and information on principles and core elements of the Business Responsibility Reporting.

The prescribed format of a Business Responsibility Report also provides a set of generic reasons which the company can use for explaining their inability to adopt the business responsibility policy.

Further, Business Responsibility Report has been designed as a tool to help companies understand the principles and core elements of responsible business practices and start implementing improvements which reflect their adoption in the manner the company undertakes its business.

3. How should a listed company, which is not among the top 100, report as per Business Responsibility Report?

The top 100 listed companies are mandatorily required to furnish the Business Responsibility Report to the Stock Exchange where they are listed and publish the report on their websites. Other listed companies are encouraged to follow guidelines and formats provided in SEBI's Circular by including the Business Responsibility Report in their Annual Report and publishing the same on the company's website.

4. Whether Business Responsibility Reporting applies to financial services company?

Business Responsibility Reporting is applicable to all types of companies including manufacturing, services etc. The principles of Business Responsibility Reporting are generic in nature and are applicable to all the companies.

5. How should the Business Responsibility Report be prepared by the holding and subsidiary companies where one of them is listed but may or may not be among the top 100?

The holding company and the subsidiary company are required to prepare separate Business Responsibility Reports. As stipulated in the Circular issued by SEBI, the requirement of including a Business responsibility Report is mandatory for the top 100 listed Companies. Thus, any Company, Holding or Subsidiary, which falls among the top 100 listed Companies, has to mandatorily furnish a Business Responsibility Report.

6. How does an MNC which has its subsidiary in India and which produces a single Global Reporting Initiative ("GRI") report, or an Indian listed company that already publishes a GRI report for its operations, report its Business Responsibility Report? Does it make a separate Business Responsibility Report or can it provide a linkage of the Business Responsibility Report to the GRI report?

In case of an MNC which has its subsidiary in India and which produces a single Global Reporting Initiative ("GRI") report, the subsidiary is required to prepare its separate Business Responsibility Report highlighting the responsible business practices it has put in place in India.

In case of an Indian listed company that already publishes a GRI report for its operations, Clause 5 of the SEBI Circular says that those listed entities which have been submitting sustainability reports to overseas regulatory agencies/stakeholders based on internationally accepted reporting frameworks need not prepare a separate report for the purpose of these guidelines but only furnish the same to their stakeholders along with the details of the framework under which their Business Responsibility Report has been prepared and a mapping of the principles contained in these guidelines to the disclosures made in their sustainability reports. Sections D and E of the Business Responsibility Report provide the minimum set of questions on which such mapping must necessarily be done. Clauses A, B and C of the Business Responsibility Report contain generic questions which may easily be filled out by companies.

7. Is there any penalty, existing or proposed, if a company listed among top 100 companies on NSE or BSE fails to file a Business Responsibility Report?

SEBI views Business Responsibility Report as an enabling instrument for listed Companies to integrate Environmental, Social and Governance ("ESG") parameters into their core business practices.

Failure to provide Business Responsibility Report will be construed as non-compliance with Clause-55 of Equity Listing Agreement. However, no particular level of compliance with NVG has been mandated.

8. Whether the Business Responsibility Report has to only cover the disclosure format contained in Annexure 1 of SEBI Circular No. CIR/CFD/DIL/8/2012 on "Business Responsibility Reports" dated August 13, 2012, or it also has to respond on the Principles contained in Annexure 2?

Companies are expected to disclose information on responsible business practices in accordance with formats specified in Annexure 1. Whereas, Annexure 2 details the principles to assess compliance with Environmental, Social and Governance norms which may be referred to while preparing information under Annexure 1.

Companies are free to furnish additional information which may not be covered under specific Business Responsibility Report questions but may be relevant for Business Responsibility reporting.

9. Can the Business Responsibility Report be in a format different from the one provided in the Circular?

The format has been provided to capture information in a comparable manner which is important to be adhered to. Companies are advised to follow the format so that the reports of various companies are comparable to each other. Companies may, however, add tables, graphs etc. to capture the data that enhance the quality of information.

10. Does Business Responsibility Report have to be a part of the annual report, or can it form a separate document with the flexibility to be released earlier or later than the annual report?

As per paragraph 5(a) of the SEBI Circular dated August 13, 2012, the requirement to include Business Responsibility Report as a part of the Annual Report is mandatory for top 100 listed Companies based on market capitalisation at BSE and NSE as on March 31, 2012. However, those listed Companies, which have been submitting sustainability reports to overseas regulatory agencies/stakeholders based on internationally accepted reporting frameworks, need not prepare a separate report for the purpose of the Circular but only have to furnish the same to their stakeholders along with the details of the framework under which

their Business Responsibility Report has been prepared and a mapping of the principles contained in the SEBI Circular to the disclosures made in their sustainability reports.

In case the company is not providing full Business Responsibility Report and is providing only the mapping of BRR in Annual Report, it is expected to ensure that such mapping is carried out to the reports (which may be released earlier or later than the Annual Report) that are drawn over same reporting period.

Companies may provide full Business Responsibility Report as a part of their Annual Report or as a green initiative, host the Business Responsibility Report on their website and provide appropriate reference to the same in the Annual Report. Companies may also provide guidance on how a shareholder may request physical copy of the Business Responsibility Report from the company, if so desired.

If the company provides the Annual Report mentioning that company publishes the sustainability report under GRI framework along with a mapping as per the SEBI Circular and Clause 55 of Listing Agreement and indicates that the sustainability report would be available on its website providing website link for the same, it would be treated as sufficient compliance of the clause 5(a) of the Circular dated August 13, 2012.

11. Does the Business Responsibility Report have to be submitted to any regulatory authorities, or only uploading on the company's own website is sufficient?

Business Responsibility Report has to be furnished to the Stock Exchange where it is listed in electronic format.

12. Principle 1: If a company's policy on bribery, ethics and corruption extends to some or all of the indicated entities, how should a company report?

The company may specify the list of entities to which the company's policy is applicable along with the Business Responsibility Report.

13. Principle 2: The Business Responsibility Report reporting format requires that a company lists and provides details of up to three products/services whose design is aligned with Principle 2; How does a company report if it does not have any such

products or has less than three products that it can report on? How does a company report if it has more than three products that it can report on?

The Business Responsibility Report asks for “up to 3 of your products or services”. Thus, three is only an upper limit. In case a company has less than three such products/services, it may report on the products/services it is having as on the date of reporting.

If the company has more than 3 products or services that can be reported, the company may report on top 3 products or services based on their contribution to company's turnover.

14. Principle 2: What is “sustainable sourcing”?

“Sustainable Sourcing” essentially refers to ensuring that a company’s social and environmental performance extends to its supply chain. The company is expected to list all the activities that it is undertaking and processes it has established to encourage that its supply chain also embrace sustainability. More specifically:

- The report should indicate what proportion of its inputs (by quantity or value) are sourced from suppliers who are either covered by the company’s sustainable sourcing programmes and/or are certified to be compliant with social and environmental standards such as SA 8000, ISO 14001, OHSAS 18001 or relevant labels like Rainforest Alliance, Rugmark, RSPO etc.
- Transportation refers to initiatives taken relating to transportation of inputs e.g. use of rail, use of CNG trucks, safety training of drivers (especially relevant to transportation of hazardous material) etc.

15. Principle 2: What is the meaning of “local” in reference to procurement of goods and services?

"Local" would mean sourcing from the nearest possible place where goods of comparable quality are available. This would mean, same village/ town/ state/ country as the context might require. Further, only the producer will be considered as source, and not wholesaler or retailer.

16. Principle 2: What is the meaning of “small” in reference to procurement of goods and services?

“Small” would typically mean one where the owner herself or himself is a worker and includes informal and/or producers such as self-help groups and home-based workers as well as producer-owned entities such as cooperatives, producer companies.

Apart from providers of goods, procurement of services such as landscaping, janitorial, security, taxis etc. may also be reported.

17. Principle 2: How does a company report on mechanisms to recycle products and waste? How does a company report on ‘percentage’ of recycling of products and waste?

The company has to describe what mechanism it has in place to recycle its products (including packaging) after consumption as well as for all wastes emerging out of its manufacturing process — solid, liquid and gas.

It has to report what percentage of its product & packaging are recyclable. It further has to report what percentage of waste produced is recycled. These percentages are to be calculated in terms of weight and not in terms of value.

18. Principle 4: How does a company identify “vulnerable and marginalized” stakeholders?

“Vulnerable and Marginalized” stakeholders may be defined as “Group of individuals who are unable to realize their rights or enjoy opportunities due to adverse physical, mental, social, economic, cultural, political, geographic or health circumstances”. These groups in India include the following:

- Women and girls
- People with disabilities
- Children
- Tribals

- Migrants, migrant workers

19. Principle 4: How does a company report if it has mapped all the stakeholders but has no formal mechanism to engage with them?

Companies are encouraged to set up and continually improve on mechanisms of engagement with the stakeholders in a systematic manner. The company can explain what steps it plans to take in making such continual improvements on any of the principles.

20. Principle 8: What is meant by impact assessment and how can a company do it?

Impact refers to measurable and sustainable change as a result of a company's programs/initiatives/projects. Ideally impact assessment methodologies establish a baseline and measure change against that.

21. Principle 8: What is meant by 'successful adoption' of the community development initiative by the community?

Community development initiative refers to a community taking initiative for development on any environmental, social or governance front.

Successful adoption means the extent of contribution of its resources, such as, human economic, know-how etc., towards ESG initiative.

22. Principle 9: Does a company need to report on cases decided or pending or filed in any of the judicial and quasi judicial authorities?

All cases filed have to be reported.