

# Boardroom questions: Business responsibility and sustainability reporting



Boardroom Leadership Center (India)

Environmental, Social and Governance (ESG) issues are of increasing concern to the investor community. Companies are also facing rising expectations from different stakeholders to take a proactive approach to manage ESG risks and opportunities as part of their business strategies. The requirement of Business Responsibility and Sustainability Reporting (BRSR) is an important part of the evolution of ESG reporting in India.

The Securities and Exchange Board of India (SEBI) requires the top 1000 listed companies, by market capitalisation to file BRSR as part of their annual report from FY 2022-23 onwards. BRSR consists of disclosures which require these listed entities to report on their performance against the nine principles as per the 'National Guidelines on Responsible Business Conduct' (NGBRCs).

Considering the growing importance of ESG disclosures for investors and other stakeholders, there was a need for entities to obtain assurance on these disclosures. Therefore, in June 2023, SEBI introduced BRSR Core and BRSR Core for a company's value chain through amendments to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations). Subsequently, on 12 July 2023, SEBI issued the framework prescribing the disclosure and assurance requirements for BRSR Core, BRSR Core for value chain and assurance requirements. The BRSR Core consists of a set of Key Performance Indicators (KPIs)/metrics under nine ESG attributes.

Amid rapid developments in the ESG space and rising stakeholder demand for improved sustainability performance, company board's responsibility and oversight for ESG/sustainability issues have been enhanced. The ESG management approach and strategy of the board are expected to include the process used to evaluate, prioritise and manage material ESG-related issues and risks. Therefore, boards are also expected to include how they review progress towards ESG-related goals and targets and relevance to the business.

## What questions should a board consider?

This document highlights few critical questions that boards should consider and address related to BRSR as part of ESG reporting.

### Governance and strategy

01

Does the board understand its full responsibility for managing ESG issues? Whether the company has established a formal ESG governance framework including setting up a separate or identified committee comprising members with relevant skills and knowledge to establish the sustainability agenda for the company?

02

Whether such a committee is established at the board level and/or management level? Does the board or committee contain any individual(s) who have knowledge and experience in ESG issues? Is the board considering ESG-related criteria or experience when selecting the members? Also, whether there are any independent directors on the board of this committee?

03

Whether the committee oversees, reviews, and assesses the organisation's strategy, policy and initiatives with respect to emerging risks and opportunities of sustainability or ESG?

04

Has the company set up a robust compliance and governance framework to ensure adherence with the regulatory and statutory requirements?

05

How is the company addressing ESG issue as a long-term strategic plan and embedding it into the company's core business activities (strategy, operations, risk management, incentives and corporate culture) to drive long term performance and corporate culture? Whether a long-term sustainable growth plan has been formulated for this purpose?

06

Are ESG-related risks being considered as part of risk management process by the board? Also, are action plans developed to remediate identified exposures outside the organisation's defined risk appetite? Whether management understands the current and evolving expectations of stakeholders and investors with respect to the ESG related risks?

07

Whether a clear picture of its ESG performance, its challenges, and its long-term vision (or ambition) is provided to stakeholders?

08

Does the company's ESG activities and the external impact of its products and services be given adequate weightage when evaluating the performance of the CEO and key executives? Does the board ensure and coordinate with management to link important ESG issues and company's performance based on these metrics to executive compensation?

### Considerations for preparation of BRSR

Although the members of the board may not have thorough expertise with respect to BRSR, however, considering the growing importance of ESG, they must be competent to understand the ESG risks and opportunities. And must aim to develop necessary competencies and skillsets to implement ESG in their business objectives and strategies. For this purpose, whether any upskilling or training programmes are being conducted by the company?

Whether the company has developed a process for collection and collation of data for the purpose of reporting? Are necessary data management systems and internal controls implemented to ensure completeness, accuracy and quality of the information disclosed in the BRSR?

Whether the judgements and estimates used for providing BRSR disclosure are appropriate and reasonable?

Whether the individual(s) involved in the process of identification of the ESG factors and preparation of BRSR have the requisite knowledge and skills to understand the intent and objectives of BRSR?

What steps has the company taken to embed the ESG/sustainability agenda in business operations to ensure responsible business practices are undertaken throughout the value chain?

Has the company disclosed the process used to identify the specific entities or operations that are included in the ESG report and explain any change in scope?

Has your company set targets for material ESG issues? Whether any benchmarking was performed with regard to the company's sustainability/ESG practices and disclosures compared with its peers?



## Other considerations

01

What is the impact of the climate-related risks on the financial statements?  
Whether the same have been disclosed in the financial statements?

02

Whether controls have been established to ensure reliability and integrity of financial and operational information contained in the sustainability report including BRSR? Whether the disclosures are presented fairly in accordance with an established framework and consistent with applicable criteria?

03

Are the disclosures in BRSR report adequately linked with the financial information, wherever applicable? Has the company established any processes and controls to develop an integrated reporting framework?

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We would like to **thank our Audit Committee Council Members** for their time in providing us with their valuable insights and perspectives that have contributed to building this point of view document.

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**30 years**  
and beyond

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