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Conceptual Insights on Integrated Reporting, Business Responsibility Reporting and Business Responsibility and Sustainability Reporting.

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ABSTRACT

In the world of corporate reporting there has been a shift by the introduction of Integrated reporting. It is the latest novelty in the corporate reporting field. It talks of non financial disclosures to be done by firms and hence is capable of better representing the capacity of companies to create value over time. In the Indian context, SEBI mandated BRR and later BRSR to ensure non-financial disclosures by the companies. In recent years, attention to this new reporting tool has grown in both professional and academic field. This paper aims to give insights on the concepts of Integrated Reporting, BRR and BRSR.

Introduction

Over the last few decades there has been a paradigm shift in which people have started focussing on responsible social and environmental behaviour. The relevance of non-financial reporting has started impacting the investors' decision because mandatory sustainability reporting on responsible management practices has a positive impact. This further enhances sustainable development and imbibing ethical practices in the organization's culture reducing corruption, bribery and training the employees on the same (Ioannou & Sarafeim, 2011). Ernst and Young (EY,2014) emphasised that the value creation by an organization over a period of time reveals itself either in a decrease or increase of the capital germinating from the activities and output of any business enterprise. Value in itself has two dimensions of existence – one being value for the outside world and the other value for the organization itself. The organization's value for itself caught the interest of the financial capitalist, it also was understood that the value the company creates for others influences the value created for self (EY, 2014).

Integrated Reporting

IIRC- International Integrated Reporting Council, released an integrated reporting system in 2013. New corporate reporting method integrated reporting is gaining international prominence. Integrated reporting exceeds sustainability reporting.

Annual financial information/statements + Annual sustainability information = Integrated reporting (One report)

Based on integrated thinking, integrated reporting shows how strategy, strategic objectives, performance, risk, and incentives co-create value and uncover value-creation sources. Integrated reporting informs stakeholders about the company, its strategies, risk, and performance, linking its financial and sustainability performance to provide a holistic view of the organization and its prospects. These guide the content and presentation of an integrated report. Among them:

- Strategic focus and future orientation
- Connectivity of information
- Stakeholder relationships
- Materiality
- Conciseness
- Reliability and completeness
- Consistency and comparability

The key categories of information required to be included in an integrated report under the Framework. They include:

- Organizational overview and external environment

- Governance
- Business model
- Risks and opportunities
- Strategy and resource allocation 6. Performance
- Outlook
- Basis of preparation and presentation

Integrated reporting helps companies understand how financial and non-financial aspects affect performance and how they produce long-term value. Better integrating investment decisions, company behaviour, and reporting is crucial to financial stability and sustainable development. Regulators and enterprises today recognize the need for a fundamental transformation in reporting that focuses on value created by an entity within its economic, social, and environmental system rather than financial capital.

The IIRC says integrated reporting "builds trust and confidence between companies and their investors and between markets and society as a whole." IIRC describes integrated reporting as an organization's periodic communication on its strategy, governance, performance, and prospects. It creates short-, medium--, and long-term benefits. The value generation principle underpins integrated reporting. This holds that value is increasingly influenced by elements other than financial performance, such as environment, society, reputation, human capital abilities, and others. The long-term vision is integrated thinking established in mainstream public and private business practice, assisted by corporate reporting standards. Multi-level integrated reports let companies communicate success consistently.

Integrated reporting - BRR /BRSR in India

SEBI has worked to defend shareholders' rights and interests. To concisely communicate how an organization's strategy, governance, performance, and prospects produce value over time and to give shareholders financial and non-financial information. SEBI requires the top 1,000 listed businesses to submit Business Responsibility Reports ("BRRs") under Regulation 34(2)(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015. Entities must report essential principles on the environment, governance, stakeholder interactions, etc. Gazette notice no.SEBILAD-NRO/GN/2021/22 dated May 5, 2021, amended regulation 34 (2) (1) of LODR Regulations to mandate the Business Responsibility and Sustainability Report on ESG criteria.

The Business Responsibility Report (BRR) helps firms grasp the fundamentals of responsible business practices and start making changes to their operations. Instead of reporting financial and sustainability performance separately or even in the same annual report, integrated reporting shows how the company manages and integrates environmental, social, and financial thinking into its business. The Ministry of Corporate Affairs introduced the ‘National Voluntary Guidelines’ in 2011 to address the social, environmental, and economic obligations of Indian enterprises. These rules provided a reporting framework for structured business responsibility reporting. Reporting under these principles follows the ‘Apply-or-Explain’ philosophy. The proposed framework considers business entity needs reporting in other frameworks and those that cannot yet do so entire report.

The criteria apply to all organizations, regardless of size, sector, or location, and address the inherent ‘spirit’ of an enterprise. Below are the nine basic principles recognized in the Guidelines.

1) Businesses should conduct and govern themselves with ethics, transparency, and accountability;

2) Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle;

3) Businesses should promote the well-being of all the employees;

4) Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized;

5) Businesses should respect and promote human right;

6) Businesses should respect, protect and make efforts to restore the environment;

7) Businesses when engaged in influencing public and regulatory policy, should do so in a responsible manner;

8) Businesses should support inclusive growth and equitable development; and

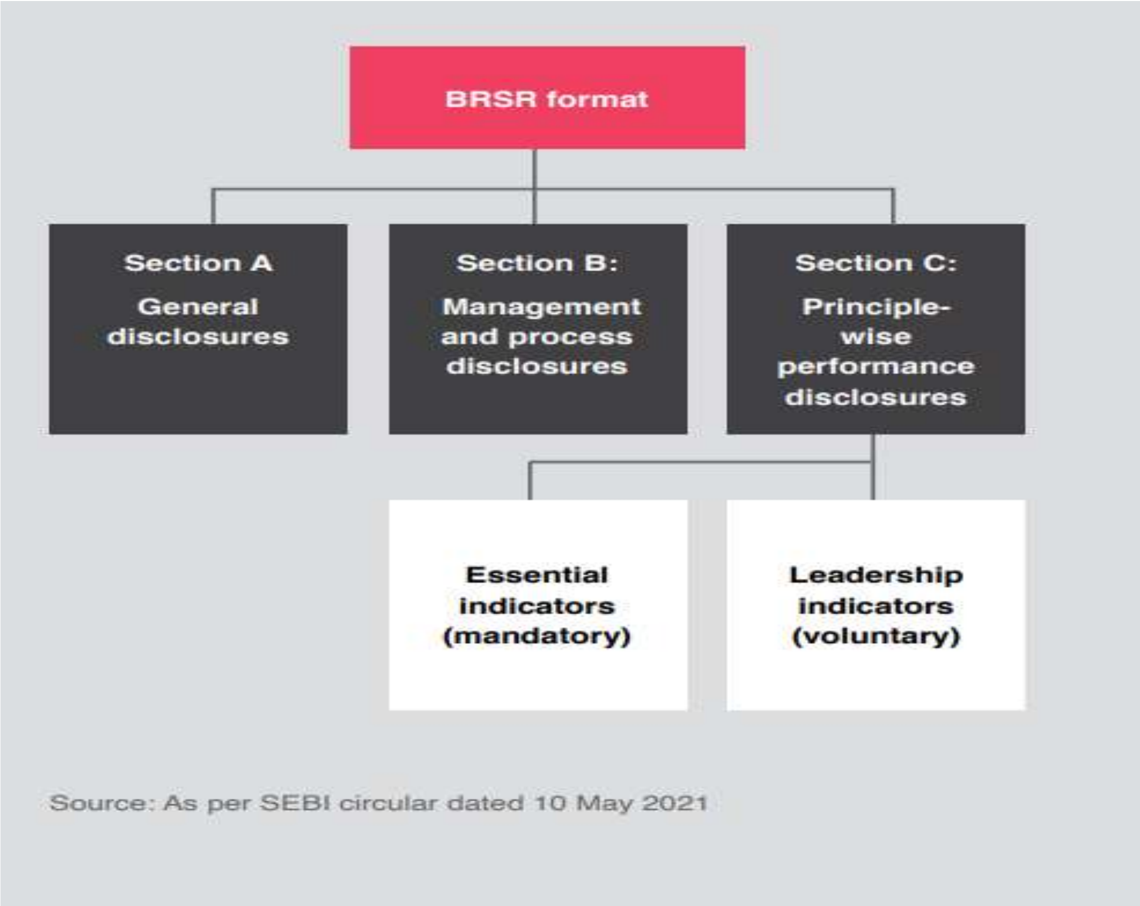
9) Businesses should engage with and provide value to their customers and consumers in a responsible manner

BRR & BRSR

The world's leading investment firms now look at non-financial metrics before deciding whether or not to put money into a new business or project. It gives confidence to everyone who has a stake in a company, including investors, regulators, consumers, suppliers, subcontractors, employees, members of the public, and members of the population impacted by the business's operations. Integrating financial and non-financial metrics, sustainability reporting provides an overview of the social, ecological, and commercial implications that a company's day-to-day activities and endeavors have on society. Organizations are increasingly recognized as essential parts of society. As such, they have responsibilities to both their shareholders, who are looking out for their bottom line, and society at large, who are also stakeholders. Both the good and bad results of a company's actions should be publicized. This makes sure that companies are held responsible for the effects they have on society and the environment.

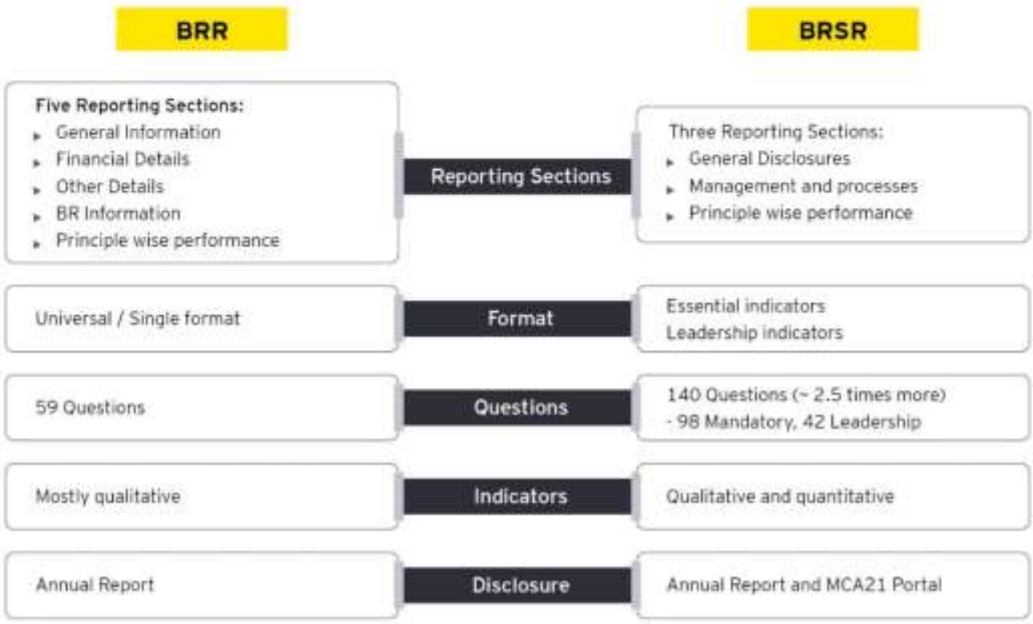
According to Menghnani and Babu (2022), the BRSR is meant to replace the BRR since it is a more thorough and consistent reporting system. This campaign aims to raise awareness among Indian companies about ESG issues and encourage them to take action. Additionally, it is anticipated to encourage long-term growth throughout the nation. This tool is essential for companies who wish to communicate with all parties involved in the global sustainability effort on their current and future sustainability initiatives. It has helped businesses enhance their ESG transparency and accountability, standing and establish credibility.

Structure of BRSR



The Securities and Exchange Board of India (SEBI) mandated ESG reporting in 2012. The SEBI required every 100 of India's publicly traded firms, ranked by market value, to submit what they called the Business Responsibility Report (BRR), their take on environmentalocial, and governance (ESG) reporting. As a full-fledged ESG stem, BRSR has developed from BRR by 2021. Additionally, it has effectively filled in the gaps in the thoroughness and veracity of the reporting.

The difference between BRR & BRSR:



Source: EY Report: India Climate Change Sustainability: 21st April 2023

A chain of events culminated in the creation of BRSR, or Business Responsibility and Sustainability Reports.

- In July 2011- MCA released National Voluntary Guidelines (NVGs) for sustainability reporting.
- In August 2012- SEBI issued a circular for the top 100 listed companies to disclose Business Responsibility Reporting (BRR) in line with National Voluntary Guidelines (NVG).
- In 2015- United Nations Sustainable Development Goals 2030 were released.
- In 2015-16- The applicability of Business Responsibility Reporting (BRR) extended to the top 500 listed companies of India.
- In March 2019- MCA revised the National Voluntary Guidelines (NVGs) to National Guidelines on Responsible Business Conduct (NGRBC).
- In December 2019- The applicability of Business Responsibility Reporting (BRR) extended to the top 1,000 listed companies of India.
- In August 2020- MCA report on Business Responsibility Reporting (BRR) with the proposed BRSR.
- In March 2021- Sustainability Reporting Standards Board of ICAI developed the scoring mechanism of the BRSR i.e., Assigned scores to Business Responsibility and Sustainability Reporting (BRSR).

A state-of-the-art tool that BRSR-compliant businesses can use to evaluate their own sustainability reporting maturity level. The BRSR framework uses a two-format approach: i. **Comprehensive BRSR** – Comprehensive BRSR has been developed for the top 1000 companies listed in India and may be stretched to several unlisted companies that meet specified thresholds of turnover and/or paid-up capital. Business Responsibility and Sustainability Reporting (BRSR) scoring mechanism comprising total 300 scores (225 Section A, B, C – Essential Indicators Score and 75 Leadership Indicators Score).

This approach consists of 3 sections and 9 principles: Section

A: General Disclosures Section

B: Management and Process Disclosures Section

C: Principle Wise Performance

Disclosure Principle: 1 Businesses should conduct and govern themselves with integrity in a manner that is Ethical, Transparent and Accountable Principle: 2 Businesses should provide goods and services in a manner that is sustainable and safe Principle: 3 Businesses should respect and promote the well-being of all employees, including those in their value chains Principle: 4 Businesses should respect the interests of and be responsive to all its stakeholders Principle: 5 Businesses should respect and promote human rights Principle: 6 Businesses should respect and make efforts to protect and restore the environment Principle: 7 Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent Principle: 8 Businesses should promote inclusive growth and equitable development Principle: 9 Businesses should engage with and provide value to their consumers in a responsible manner

ii. **BRSR Lite** – BRSR has been developed for unlisted companies unfamiliar with the groundwork of sustainability reporting. This format will encourage more companies to begin sustainability reporting as it is easier for all companies to adopt this format. The adoption of BRSR Lite would be voluntary for such companies. The underlying principle behind this thinking is that the implementation of reporting requirements would be done in phase manner, so that smaller companies would get the time to adapt and learn from the larger ones.

Conclusion

A business-society relationship based on trust and mutual benefit is essential to the long-term success of a company. Across the globe there has been an increased awareness amongst the various stakeholders about the accountability a business is expected to have for the social and environmental impacts. Social and environmental impacts like climate change, environmental degradation, gender equality are a few parameters that are a rising concern in the world that we live in and hence business are also being pushed to prepare their responsibility reports.

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