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ADVISORYEmbedding
Sustainability into
Corporate Strategy

Leveraging the BRSR Framework

This thought leadership note explores the transformative role of the Business Responsibility and Sustainability Report (BRSR) framework in redefining board accountability. It delves into key aspects such as strategic guidance, policy development, resource allocation, and stakeholder engagement, highlighting how the BRSR framework integrates sustainability into corporate governance. Designed to guide boards in aligning ESG goals with long-term business objectives, this document provides actionable insights for fostering resilience, transparency, and sustainable growth in an evolving regulatory and market landscape.

Introduction

The Business Responsibility and Sustainability Report (BRSR) framework represents a significant evolution in corporate governance, placing sustainability at the heart of boardroom discussions. Introduced by the Securities and Exchange Board of India (SEBI) in 2021, the BRSR replaced the earlier Business Responsibility Report (BRR), reflecting the growing importance of environmental, social, and governance (ESG) considerations in corporate decision-making. The transition from BRR to BRSR marked a shift toward a more comprehensive and standardized disclosure format, aligned with global sustainability reporting frameworks.

By requiring boards to take a proactive role in shaping and overseeing ESG strategies, the framework establishes a new standard for accountability and transparency. In an era where businesses are expected to balance profit with purpose, the BRSR framework empowers organizations to navigate complex ESG challenges, build stakeholder trust, and create long-term value.

This document examines the various dimensions of board accountability under the BRSR framework, offering insights into how companies can align their governance practices with sustainability aspirations. From strategic planning and policy development to stakeholder engagement and risk management, the BRSR framework provides a comprehensive blueprint for embedding ESG considerations into the core of business operations.

Enhancing Board Accountability

The introduction of the Business Responsibility and Sustainability Report (BRSR) framework marks a transformative shift in how companies approach sustainability and governance. By significantly increasing the board's responsibility for overseeing and guiding a company's sustainability initiatives, the BRSR framework establishes a robust mechanism for aligning corporate actions with long-term environmental, social, and governance (ESG) goals. This thought leadership note explores the multifaceted ways in which the BRSR framework impacts board accountability and sets a precedent for sustainable corporate governance.

Strategic Guidance

The board of directors holds the primary responsibility for embedding sustainability into the company's strategic framework, ensuring that it becomes an integral part of the organization's vision and operations. Under the Business Responsibility and Sustainability Reporting (BRSR) framework, the board is tasked with aligning sustainability objectives with the company's long-term goals, fostering a strategic approach that enhances resilience, reputation, and value creation. This involves setting clear sustainability goals, integrating Environmental, Social, and Governance (ESG) considerations into the overall corporate strategy, and driving initiatives that contribute to sustainable growth.

The board must also oversee the development of systems and processes that embed sustainability into operational practices across all departments, ensuring that ESG principles are reflected in day-to-day decision-making. By leveraging the BRSR framework, the board can establish accountability mechanisms, monitor performance against sustainability targets, and ensure transparent reporting to stakeholders. This proactive approach enables the company to adapt to emerging risks, capitalize on new market opportunities, and meet the evolving expectations of investors, regulators, and consumers. In doing so, the board not only fulfills its fiduciary duty but also positions the company for long-term success in a rapidly changing and sustainability-focused global environment.



Alignment with Strategy

The board must guide the development of a BRSR framework that aligns with the company's long-term objectives and stakeholder expectations. This includes defining how the company addresses key ESG challenges and opportunities.



Active Involvement

Board members are expected to participate actively in setting the strategic direction for sustainability efforts, ensuring that these align with the company's mission and vision.

Oversight and Monitoring

Active oversight is critical to achieving BRSR objectives. The board's role involves:



Performance Monitoring

Regularly tracking the company's progress toward its BRSR goals and engaging with management to identify areas for improvement.



Risk Identification

Assessing emerging ESG risks and opportunities to ensure the company's sustainability strategy remains dynamic and relevant.



Implementation Assurance

Ensuring that BRSR practices are effectively implemented through structured monitoring and reporting mechanisms.

Assurance and Accountability

The board's accountability extends to ensuring the reliability and transparency of the BRSR report.

Approval Process

Reviewing and approving the BRSR report to guarantee its accuracy and completeness.

Independent Evaluation

Advocating for third-party assurance of the report to enhance its credibility and stakeholder trust.

Stakeholder Commitments

Demonstrating accountability for the company's sustainability commitments through rigorous evaluation and disclosure.

Goal Setting and Progress Evaluation

The board's involvement in goal-setting ensures alignment with sustainability aspirations:



Ambitious Targets

Establishing measurable and time-bound BRSR goals that reflect the company's ESG priorities.



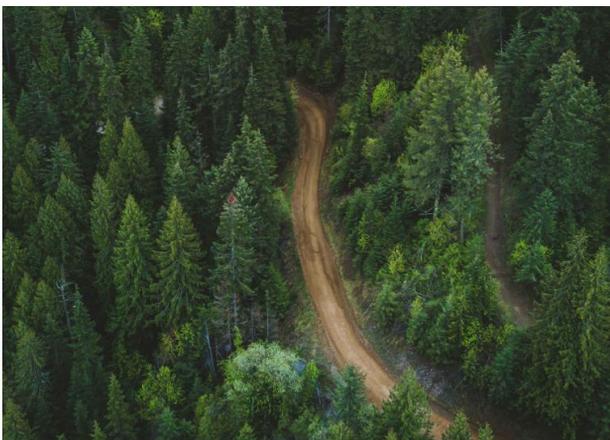
Performance Metrics

Evaluating progress against these goals and holding management accountable for achieving them.

Embedding ESG into Corporate Culture

The board's commitment to ESG should permeate the organization's culture, influencing decision-making at every level. By demonstrating leadership and providing the necessary resources, the board can set a tone from the top that underscores the importance of ESG. This culture can encourage employees at all levels to integrate ESG considerations into their day-to-day activities, ensuring that sustainability is embedded throughout the business.

Policy Development



Policy formulation is a cornerstone of effective BRSR implementation, as it lays the foundation for aligning a company's sustainability initiatives with its broader strategic objectives. This process entails the development, approval, and regular review of policies that govern how the company addresses key environmental, social, and governance (ESG) issues.

By defining clear standards, benchmarks, and guiding principles, policy development ensures consistency, accountability, and a unified direction for sustainability efforts across the organization.

Importantly, well-crafted policies enable companies to adapt to evolving regulatory requirements, stakeholder expectations, and market trends, thereby maintaining competitive advantage and operational resilience. Integrating these policies into the company's strategic framework empowers the board to guide decision-making, allocate resources effectively, and establish a strong governance structure that supports long-term value creation and sustainable growth.

Policies for Business Responsibility and Sustainability Reporting (BRSR)

The Business Responsibility and Sustainability Reporting (BRSR) framework, aligned with the **National Guidelines for Responsible Business Conduct (NGRBC)**, requires companies to develop and disclose policies that ensure ethical and sustainable business practices. These policies must address all nine principles outlined in the NGRBC, with clear coverage of each principle's core elements.

Below is a detailed guide to the policies to be considered under the BRSR framework:

1 — General Policies and Framework

To support ethical and responsible operations, companies must establish the following overarching policies:

- **Comprehensive Policy Framework:** Develop a set of robust policies and procedures to promote ethical conduct, prevent misuse, and ensure accountability across the organization.
- **Dissemination and Training:** Communicate policies effectively across all functions and operations. Provide regular training to employees to foster awareness and ensure compliance.
- **Value Chain Integration:** Extend policy frameworks to cover the entire value chain, including suppliers, distributors, and other partners.
- **Transparency and Disclosure:** Disclose strategies, policies, and both financial and non-financial performance metrics to stakeholders, ensuring openness.
- **Regular Review and Oversight:** Conduct periodic reviews of policies through board-level committees or other governance structures.
- **Policy Translation and Implementation:** Translate high-level policies into detailed, actionable procedures for consistent application throughout the organization.

2 — Principle-Specific Policies

Principle 1: Good Governance

- **Anti-Bribery and Anti-Corruption Policy:** Establish guidelines to prevent unethical practices and ensure compliance with legal and ethical standards.
- **Conflict of Interest Policy:** Address and manage conflicts involving the board and key managerial personnel (KMPs).
- **Related Party Transactions Policy:** Promote transparency and fairness in dealings with related parties.
- **Whistleblower Policy:** Implement a vigil mechanism to encourage reporting of unethical practices securely and anonymously.

Principle 2: Environmentally Sustainable Business

- **Environmental Impact Policy:** Create systems for identifying, assessing, and mitigating environmental impacts.
- **Natural Resource Management Policy:** Aim to reduce consumption of resources such as water, fossil fuels, and minerals.
- **Climate Change Mitigation Policy:** Develop a roadmap aligned with frameworks like the Paris Agreement to combat climate change.
- **Sustainable Sourcing Policy:** Incorporate sustainable practices into procurement and supply chain operations.
- **Performance Metrics Policy:** Define measurable goals for energy use, air and water quality, land utilization, and waste management.

Note: The policies and practices outlined are indicative and serve as a framework for reference. Organizations are encouraged to tailor their own policies to align with their unique values, operational context, and stakeholder expectations.

Principle 3: Well-being of Human Resources

- **Employee Code of Conduct:** Define behavioural standards and ethical expectations for employees.
- **Health and Safety Policy:** Promote a safe, healthy working environment with strong occupational safety protocols.
- **Fair Labor Practices Policy:** Ensure compliance with labour laws, prevent child/forced labour, and advocate for fair wages.
- **Training and Development Policy:** Invest in upskilling employees through structured training programs.

Principle 4: Stakeholder Interests

- **Stakeholder Engagement Policy:** Identify key stakeholders and establish mechanisms for meaningful engagement.
- **Communication Policy:** Ensure timely and effective communication with stakeholders.

Principle 5: Respect for Human Rights

- **Human Rights Policy:** Protect and promote human rights across operations and value chains.
- **Grievance Mechanism Policy:** Implement a process for addressing and resolving human rights violations.
- **Equal Opportunity Policy:** Ensure fair pay and equal opportunities for all employees.

Principle 6: Environmental Protection and Restoration

- **Impact Identification Policy:** Establish frameworks to assess and address environmental risks.
- **Value Chain Assessment Policy:** Evaluate and address the environmental impacts of value chain partners.

Principle 7: Public and Regulatory Policy Advocacy

- **Policy Advocacy Framework:** Promote fair competition and transparency in public advocacy efforts.
- **Engagement Policy:** Leverage industry associations to align advocacy efforts with ethical principles.

Principle 8: Equitable Development

- **Social Impact Policy:** Identify and mitigate negative social and cultural impacts while promoting positive outcomes.
- **CSR Policy:** Align CSR initiatives with regional and local development priorities for meaningful impact.

Principle 9: Customer Value and Service

- **Responsible Advertising Policy:** Ensure ethical advertising that avoids misinformation.
- **Data Privacy and Security Policy:** Protect customer data and address breaches promptly.
- **Customer Grievance Redressal Policy:** Establish transparent mechanisms to resolve customer complaints.

Additional Policies

- **Cybersecurity Policy:** Protect digital assets and ensure robust data security measures.
- **Extended Producer Responsibility (EPR) Policy:** Manage waste collection, disposal, and recycling.

Implementation and Oversight

To ensure the effectiveness of these policies, companies must:

- **Secure Board Approval:** Policies should be reviewed and approved by the board of directors.
- **Establish Oversight Committees:** Assign specific committees or directors to oversee policy implementation.
- **Conduct Independent Assessments:** Engage third-party experts to evaluate policy effectiveness periodically.
- **Set SMART Goals:** Establish goals that are specific, measurable, achievable, relevant, and time-bound. Report on performance against these goals, with explanations for any non-compliance.
- **Enable Accessibility:** Publish policies on the company's website for stakeholder access.

Resource Allocation

The board of directors holds the primary responsibility for overseeing the development and implementation of the Business Responsibility and Sustainability Reporting (BRSR) framework. This includes ensuring that adequate resources are allocated for BRSR initiatives. The board must establish a robust governance structure that facilitates transparency, accountability, and effective decision-making to meet BRSR requirements.

The board is responsible for defining the company's strategic approach to BRSR, which aligns with its long-term goals and stakeholder expectations. This involves setting the vision, commitment, and priorities for ESG and sustainability practices. The board must:

- Articulate the company's ESG goals and objectives.
 - Guide the integration of sustainability into the business strategy.
 - Ensure that the BRSR framework is developed to reflect the company's values and compliance obligations.
- Through its leadership, the board drives a culture of responsibility and sustainability across the organization.

The board must ensure that sufficient resources—financial, human, and technological—are allocated to effectively implement BRSR initiatives. Key areas requiring board oversight include:



Sustainability Reporting:
Overseeing the allocation of resources for the preparation and publication of the BRSR report, which provides comprehensive disclosures on sustainability performance.



Addressing Human Rights:
Ensuring investment in identifying, mitigating, and addressing human rights concerns within the company's operations and supply chain.



Impact Assessments:
Allocating resources for conducting environmental and social impact assessments to evaluate and mitigate the effects of business operations.



Employee Training:
Supporting resource allocation for employee training programs focused on ESG practices, BRSR compliance, and reporting requirements.



Research and Development:
Encouraging investments in R&D to create innovative solutions for reducing the environmental footprint and enhancing sustainability performance.



Audits and Assurance:
Ensuring funding for internal and external audits to maintain compliance with BRSR standards and provide third-party assurance.

Risk Management

The board's oversight includes a focus on identifying and mitigating sustainability risks:



Risk Evaluation

Understanding the human rights and environmental risks associated with the company's operations and supply chain.



Mitigation Strategies

Collaborating with management to implement strategies that address these risks effectively.

Understanding the Human Rights and Environmental Risks Associated with the Company's Operations and Supply Chain

Addressing human rights and environmental risks is vital for ethical and sustainable business practices. Boards must ensure robust frameworks for managing risks like forced labour, unsafe working conditions, deforestation, and pollution. **Human rights due diligence** and **sustainable practices**, aligned with global standards, help mitigate these risks. Proactively addressing them prevents legal, reputational, and operational setbacks while enhancing stakeholder trust, brand loyalty, and access to sustainable finance. By embedding risk management into operations and fostering accountability, companies can support long-term growth, resilience, and alignment with stakeholder expectations in an increasingly conscientious global market.

Stakeholder Engagement

Engaging stakeholders is essential for informed decision-making and transparency:



Feedback Mechanism

Gathering stakeholder insights to refine the company's BRSR efforts.



Demonstrating Commitment

Showcasing transparency and accountability through open communication with stakeholders.



Communication and Transparency

Transparency is a hallmark of effective BRSR governance. The Board must oversee accurate and transparent communication of BRSR efforts to stakeholders.

Long-Term Sustainability

The BRSR framework enables the board to align the company's sustainability efforts with its long-term objectives:



Strategic Alignment

Strategic alignment ensures that sustainability efforts are directly linked to the company's core mission, vision, and business objectives. The board plays a critical role in ensuring that BRSR initiatives are not treated as separate or peripheral activities but as integral to the overall corporate strategy. By aligning sustainability goals with business priorities, the company can enhance its resilience, making it more adaptable to emerging risks such as climate change, regulatory shifts, and evolving consumer expectations.

For example, the board can guide the development of long-term sustainability goals that strengthen the company's competitive position, such as reducing carbon emissions, improving energy efficiency, or investing in sustainable product innovation. These initiatives not only improve environmental impact but also enhance the company's brand value and market reputation. As sustainability becomes a key factor in consumer and investor decision-making, aligning BRSR initiatives with long-term objectives ensures that the company remains competitive and attractive to socially conscious stakeholders.

Moreover, strategic alignment encourages the organization to identify new business opportunities that arise from sustainability trends, such as tapping into the growing demand for green products, renewable energy solutions, or sustainable finance. This proactive approach positions the company for long-term success while contributing to global sustainability goals.



Operational Integration

Operational integration involves embedding sustainability into the company's day-to-day operations, ensuring that ESG considerations are not isolated but woven into the fabric of the organization. This means that every department, from supply chain management to marketing, human resources, and finance, should incorporate sustainability into their strategies and processes.

The board's role is to ensure that sustainability is part of the company's governance and decision-making frameworks. This might include integrating ESG criteria into procurement decisions, aligning the company's operational practices with energy efficiency standards, or implementing responsible waste management systems. Additionally, the board must ensure that sustainability targets are tracked through clear metrics and performance indicators, which are regularly monitored and updated based on progress.

Operational integration also involves creating a culture of sustainability throughout the organization. The board should ensure that sustainability is embedded in employee training, development programs, and performance evaluations, so that every employee understands their role in achieving the company's sustainability objectives. This can foster a sense of ownership and accountability, ensuring that sustainability goals are pursued at every level of the organization.

The BRSR framework emphasizes the integration of ESG into business strategy:



Risk Management

Incorporating ESG considerations into enterprise risk management frameworks.



Holistic Approach

Ensuring a unified approach to addressing sustainability and governance challenges.

Integrating ESG into Risk Management and Strategy

In today's complex global landscape, incorporating Environmental, Social, and Governance (ESG) factors into risk management and strategic planning is crucial for resilience and growth. ESG considerations help assess financial, reputational, operational, and regulatory risks affecting organizational sustainability.

Assessing ESG Risks

1

The initial step is identifying ESG risks, such as climate change, resource depletion, labour practices, human rights, and regulatory compliance. Conducting materiality assessments is vital to understand risks specific to the organization's industry, geography, and stakeholders.

2

Embedding ESG in Risk Identification

ESG risks must be integrated into the organization's risk prioritization process. Frameworks should evaluate financial impact, reputational damage, legal implications, and stakeholder effects. This approach aligns the organization with global sustainability goals and enhances disruption preparedness.

3

Integrating into Strategic Objectives

Incorporating ESG into strategy aligns goals with sustainability objectives. ESG factors should influence corporate strategy and KPIs, embedding initiatives like emission reduction, ethical sourcing, and diversity targets into broader business strategies.

4

Governance Structures for ESG

Robust governance ensures effective ESG integration. This includes dedicated roles, committees, and board-level discussions to oversee ESG initiatives, ensuring accountability and transparency.

5

ESG as a Driver of Growth

Beyond risk mitigation, ESG drives innovation and growth by unlocking new market opportunities in areas like renewable energy and sustainable technologies, enhancing competitiveness and long-term success.

6

ESG Reporting

Organizations should implement robust systems for ESG reporting and performance measurement to effectively communicate progress on ESG goals. Aligning reports with frameworks such as the BRSR ensures transparency and credibility. Regular tracking and reporting enable organizations to assess performance, adjust strategies, and mitigate emerging risks proactively.

7

Continuous Review and Adaptation

Regular reviews of ESG risk management frameworks and strategic plans help maintain alignment with global trends and ensure long-term competitiveness and sustainability. Agility in responding to these changes fosters resilience and supports innovation.

Board Composition and Skill Sets

An effective board composition is critical for overseeing BRSR implementation:



Diversity

Incorporating diverse expertise, including environmental science, social impact analysis, and governance.



Independence

Independent directors provide impartial perspectives, ensuring sustainability is prioritized over short-term gains.



Stakeholder Representation

Including stakeholder voices ensures a comprehensive understanding of ESG impacts.

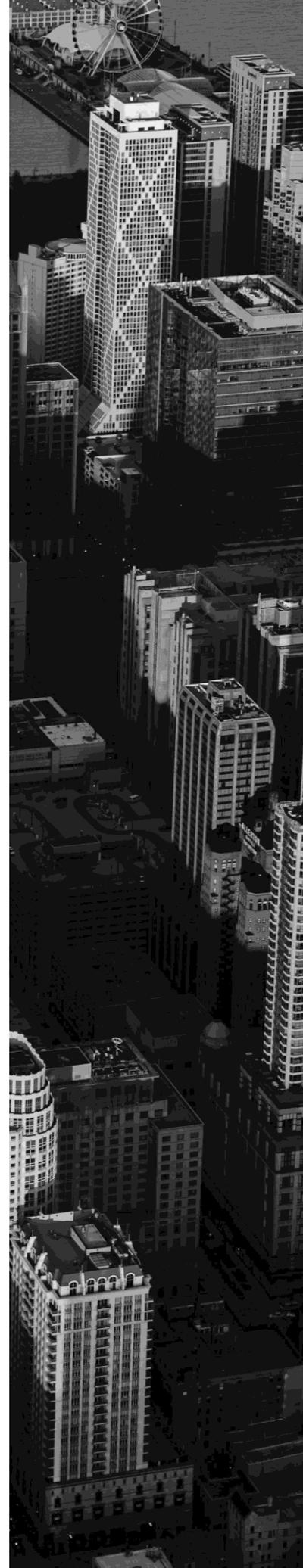
Specialized Committees

The formation of specialized committees plays a crucial role in enhancing BRSR oversight by providing targeted expertise and dedicated focus on various aspects of sustainability and governance. A Sustainability or CSR Committee offers strategic guidance on ESG initiatives, while the Audit Committee ensures the accuracy and reliability of sustainability data. The Risk Management Committee is responsible for managing and mitigating sustainability-related risks, and the Stakeholder Engagement Committee facilitates meaningful relationships and incorporates stakeholder feedback. The Human Resources Committee aligns employee practices with sustainability objectives, and the Nomination and Governance Committee ensures board diversity and the inclusion of relevant expertise to oversee the BRSR process effectively.

When forming specialized committees for overseeing sustainability and governance, it is essential to ensure that each committee has a clear mandate, defined responsibilities, and access to the necessary resources and expertise. A balanced mix of board members, senior management, and external experts with diverse backgrounds in ESG, risk management, finance, and operations is crucial for effective decision-making. Additionally, committees should have the authority to influence strategy, ensure alignment with organizational goals, and drive accountability. Regular reporting and communication between committees and the board will ensure a cohesive approach, while establishing measurable outcomes will help track progress and identify areas for improvement.

Alignment with Corporate Governance

The BRSR framework aligns seamlessly with broader corporate governance principles by fostering an environment where sustainability and governance are intertwined at every level of decision-making. It emphasizes transparency through accurate and timely disclosures, ensuring stakeholders are informed about the company's sustainability efforts and progress. Accountability is a key pillar, requiring boards to take ownership of ethical practices, stakeholder protection, and alignment of company operations with long-term ESG goals. By promoting ethical conduct, the framework nurtures a culture of responsibility and integrity, establishing a foundation for trust and resilience in an evolving business landscape.



The Business Responsibility and Sustainability Reporting (BRSR) framework signifies a transformative shift in corporate governance by redefining board accountability. It challenges companies to move beyond the traditional focus on financial performance, urging boards to adopt a holistic approach that integrates sustainability into their strategic and operational frameworks. This integration acknowledges that businesses are not just economic entities but also critical contributors to environmental and societal well-being.

The BRSR framework extends the responsibilities of boards to include proactive oversight of ESG performance, embedding sustainability into long-term strategic planning, resource allocation, and ethical practices. It aligns with the principles outlined in Section 166 of the Companies Act, 2013, which highlights the directors' duties to the company's stakeholders, including employees, the environment, and society. Boards are now expected to ensure that their organizations meet both financial and non-financial expectations by addressing ESG risks, seizing opportunities for innovation, and maintaining transparent communication with stakeholders. This framework also emphasizes the importance of diversity, expertise, and independence within boards. To effectively address the multifaceted challenges of sustainability, boards must be equipped with the necessary skills and perspectives, free from conflicts of interest, and committed to ethical decision-making. Additionally, specialized committees focused on ESG issues can play a pivotal role in driving the sustainability agenda, ensuring that it is woven into the fabric of business operations.

By adopting the BRSR framework, companies are not only enhancing their governance practices but also strengthening their resilience in an increasingly complex and stakeholder-driven business environment. Transparent disclosures, effective stakeholder engagement, and a commitment to sustainability are no longer optional but essential for building trust and maintaining relevance.

In essence, the BRSR framework serves as a vital bridge between compliance and purpose-driven leadership. It enables boards to fulfil their dual responsibility of fostering financial growth and addressing their companies' environmental and social impact. By doing so, it positions businesses as catalysts for positive change, driving sustainable and ethical practices that benefit all stakeholders while securing long-term value. Through this evolution, corporate governance is reimaged, ensuring that companies are better prepared to meet the challenges and opportunities of the 21st century.

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