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Dynamics in Accounting: An Exploration of Sustainability with Special Reference to Business Responsibility and Sustainability Report (BRSR) in India



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ABSTRACT

Accounting is a dynamic area. In the fast-changing world sustainability accounting has become an important tool for an organization to create value and sustain. Sustainability accounting has been talk of the town for a long time, however there has been no hard and fast rule regarding its applicability. After crossing several waves of agreement and disagreement now we are in a situation where sustainability accounting cannot be considered to be a thing of fancy. Recent guidelines issued by SEBI stipulated a new framework called Business Responsibility and Sustainability Report (BRSR), which is mandatory from Financial Year 2022-23. The paper attempts to examine the pros and cons of the BRSR and see its effectiveness towards sustainability accounting.

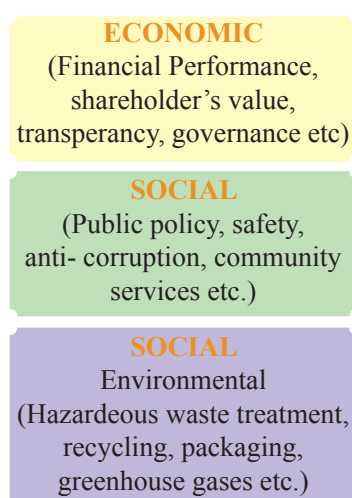
Keywords: Accounting, Accounting and Reporting, Social Accounting, Sustainability, Accounting, SEBI, BRSR.

1. INTRODUCTION

Accounting is a dynamic area, which has evolved over many years with changing business environment and practices. The objectivity of accounting is not merely limited to recording of transactions and estimation of profit, rather its role in planning, controlling and decision making cannot be ignored. This broader viewpoint of accounting has given birth to many new areas in accounting and finance. One such talked about area is sustainability accounting. Sustainability accounting originated about twenty years back. It is a practice that majorly focuses on disclosing information (financial and non-financial) to

the stakeholders on company's various social and environmental performances. In the fast-changing world sustainability accounting has become an important tool for an organization to create value and sustain. Through the use of sustainability accounting the companies now focus on disclosing relevant information on how the funds are being managed and utilized to reach the sustainable development goals. Broadly it focuses to touch the economic, social and environmental factors (Figure 1).

FIGURE 1: DIMENSIONS OF SUSTAINABILITY ACCOUNTING



2. OBJECTIVES OF THE STUDY

The Objectives of the Study are as follows-

- ☑ To give an understanding of the usefulness of social responsibility accounting in attaining sustainability.
- ☑ To briefly give a sketch of evolution of social responsibility reporting in India.
- ☑ To analyse the pros and cons of BRSR.

3. METHODOLOGY

The paper is a completely explanatory and commentary type, where data is being collected from various secondary sources. This paper initially points towards the dynamism of accounting moving towards the usefulness of responsibility accounting, moving towards attaining sustainability and thereby value creation. Then an attempt has been made to discuss the pros and cons of BRSR and try to predict its usefulness in today's situation.

4. SUSTAINABILITY ACCOUNTING AND ITS USEFULNESS

The organisations focusing on sustainability accounting looks through a broader objective and not just remain focused at making profits; rather their focus shifts towards the wider objectivity of value creation. By using sustainability accounting the organizations can use the financial information available to create social and environmental impact, which in turn would be expected to create long- term value for the organization. This could be understood through the following examples:

- ☑ Information on social and environmental causes could be linked with financial benefits or reduction in expenditure.
- ☑ An organization's present activities might be associated with creation of certain social or environmental risks. Organizational commitment to sustainability may reduce/ eliminate it in the long- run.
- ☑ Useful for establishing good relationship with various stakeholders, which in turn might be beneficial for creating long- term partnership with stakeholder organizations etc,

Talk of the Town

Sustainability accounting has been talk of the town for a long time, however there has been no hard and fast rule regarding its applicability. After crossing several waves of agreement and disagreement now we are in a situation where sustainability accounting cannot be considered to be a thing of fancy. The OECD and UNSD have been the major anchors among few others, which were responsible for shaping the framework for sustainability accounting. However, those were adapted in different ways by different organizations at different levels. Recently, India has reached another milestone through the recent guidelines issued by SEBI. "SEBI has stipulated a new framework called Business Responsibility and Sustainability Report (BRSR), which is mandatory from Financial Year 2022-23".

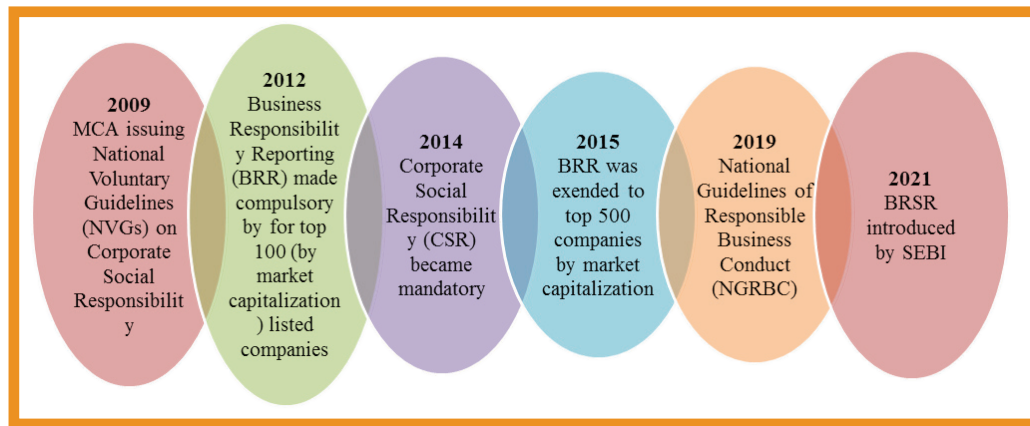
Business Responsibility and Sustainability Report (BRSR)

In order to cater the requirements of the ESG parameters SEBI introduced the BRSR in May 2021. "The BRSR tries to make disclosures on social responsibility more

quantitative and standardized following the ESG parameters, in order to enable better comparability and standardization. It is applicable for top 1000 listed companies in terms of market capitalization,

replacing the Business Responsibility Reporting (BRR) framework. The journey started way back in 2009” (Figure 2).

FIGURE 2: EVOLUTION OF SOCIAL RESPONSIBILITY REPORTING, MOVING TOWARDS SUSTAINABILITY



Source: MCA, SEBI, Companies Act, 2013

The previously held BRR had few major gaps, which were being covered by the BRSR. The major limitation of BRR was that it provided only qualitative information. In 2017 in a report released by KPMG, in which 100 top companies listed in BSE and NSE were analysed, it was observed that for 81 percent of the companies BRR was just a part of the annual report and only 1 percent of the companies surveyed mapped it with sustainability report or any other non- financial report.

☑ **BRSR Key Points**

The BRSR replaces the BRR in order to make the organizations disclose information holistically based on the ESG parameters. This move of SEBI makes it a point that organizations don't just merely stick to regulatory compliances, but that information may be materialized in a fruitful way to create social and environmental values.

☑ **Basis of Reporting**

The BRSR as stated earlier has evolved from BRR and National Guidelines on Responsible Business

Conduct Principles (NGRBC). The objectivity is to provide non- financial sustainability information to all the business stakeholders through a single comprehensive report.

☑ **Social Responsibility Concerns**

The “Sustainable Development Goals” (SDGs) given by United Nations was the base for the principles of NGRBC, which in turn paved the way for the formation of BRSR. The BRSR has covered the Environmental, Social and Governance (ESG) aspects (Fig 3).

The companies are required to provide a statement regarding the ESG related challenges, targets and achievements. The entities are required to identify the probable risks and point out about the opportunities faced by them in the way of being socially and environmentally aware with being an appropriately governed organization.

FIGURE 3: THE ESG FRAMEWORK

ENVIRONMENTAL	SOCIAL	GOVERNANCE
Global Warming Air, Water and Noise Pollution Deforestation Water Scarcity Epidemic and Pandemic	Human Rights Sexual Harassment Inequality Gender Discrimination Data Protection and Privacy	Bribery and Corruption Lobbying Whistleblowing Board Composition

The BRSR comprises of three sections -

Section A: “General Disclosures regarding the organization, product/ service operations, employees, transparency and disclosure compliances etc”.

Section B: “Management and Process disclosure regarding policy and management processes, governance and leadership etc”.

Section C: “Principle wise performance disclosure (here the nine principles of NGRBC are to be followed)”. It has two sub- parts.

- ☑ **Essential Indicators (Mandatory):** data on training programs for human development, environmental data for emissions, wastages etc.
- ☑ **Leadership Indicators (Voluntary):** Data on lifecycle assessment, conflict management policy, biodiversity, energy consumption etc.

5. BRSR - A STEP FORWARD

The BRSR's motive is not merely reporting, but also effectively addressing the ESG framework. Several steps have been taken to make most information quantifiable (qualitative earlier). This could be considered a leap towards better reporting and disclosure for all. Further, the companies are also required to disclose in details the policies and mechanisms the companies adapted wherever possible. This makes it a point that it not only remains a thing of compliance. “The disclosures in BRSR from ESG perspective actually direct the

organizations to engage more meaningfully with their stakeholders and encourage them to go beyond just regulatory framework”.

Thus, it can be stated that the new BRSR is a step forward towards sustainability reporting in India. The growing awareness of the stakeholders regarding non-financial aspects of investments and disclosures along with the financial information makes the business organizations more socially responsible. It would be too early to conclude whether BRSR will gain acceptability in the existing framework, as much work is to be done on detailing and awareness creation; still it can be concluded that we have dynamically moved a step forward towards sustainability.

Stands for Environmental, Social and Governance. This gives a parameter to the ethical investors to evaluate the extent to which an organization is being socially responsible.

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Kolkata Bidhannagar Society for Academic Advancement

Kolkata Bidhannagar Society for Academic Advancement (hereinafter referred to as the '**KBSAA**') established in the year 2022 as a registered Society under the West Bengal Societies Registration Act (West Bengal Act XXVI) of 1961 bearing Registration No. S0025851 of 2021-2022.

KBSAA is a non-profit seeking Society for Promotion and Advancement of Learning and Research in the field of Social Sciences and other allied areas.

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- ☉ To organize and participate in Conferences, Seminars, Webinars and Workshops in collaboration with other Societies, Corporates and other Organizations / Associations / Foundations etc. for the promotion and development of research in the field of Social Sciences and other allied areas.

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