THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

(Set up by an Act of Parliament)



BRSR Core: From Reporting to Assurance – The Role of Chartered Accountants

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- Evolution of ESG Reporting in India
- Structure and Format of BRSR
- BRSR Principles and key components
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Sustainable Development Goals



193 Countries

17 Goals

169 Targets

232 Indicators

Goal 13 – Climate Action

Target 13.2 – Integrate Climate Change measures into policies and procedures

Indicator 13.2.1 – Reduce GHG emission, Net zero targets

Pillars of ESG



Examples:

- GHG Emissions – CO_2 per unit produced
- Energy Consumption – Renewable energy used
- Health and Safety – Protocols maintained
- Community Welfare – Activities executed
- Conflicts of interest – Common goal
- Board Independence – Unbiased decisions

ESG Reporting and BRSR

Sustainability

“The ability for a company to sustainably maintain resources and relationships with and manage its dependencies and impacts within its whole business ecosystem over the short, medium and long term.” – definition of sustainability as per the International Sustainability Standards Board.

Sustainability Reporting

ESG Report more commonly known as Sustainability Report is published by companies on the **Environmental, Social and Governance (ESG)** impacts of their activities.

The widely accepted frameworks for Sustainability Reporting globally are Global Reporting Initiative (“GRI”) and IFRS Sustainability Standards whereas Business Responsibility and Sustainability Reporting (“BRSR”) is the Indian framework for Sustainability Reporting.





MINISTRY OF CORPORATE AFFAIRS
सत्यमेव जयते
GOVERNMENT OF INDIA

Evolution of ESG Reporting in India

- **The United Nations Human Rights Council (UNHRC)** adopted the United Nations Guiding Principles on Business and Human Rights (UNGPs) in **June 2011**, which were endorsed by India.

- These principles were thereafter adopted by the **Ministry of Corporate Affairs in India**, to introduce the 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business' (NVGs) in **July 2011**.

Business Responsibility Report

- **SEBI** has introduced the requirement of ESG reporting in India **in 2012** in the form of Business Responsibility Report (BRR), mandatory for top 100 listed companies.

- At the global level, the UN General Assembly adopted the **2030 Agenda for Sustainable Development** in 2015 and established the seventeen **Sustainable Development Goals** and review mechanisms for tracking targets using indicators.

- In India, the process of revision of the NVGs in alignment with UN SDGs began in 2015. Due to the increased investor awareness, SEBI also increased the number of companies that were required to file for BRR, to the top 500 listed companies from FY 2015-2016 onwards.

Evolution of ESG Reporting in India (Contd.,)

- National Guidelines on Responsible Business Conduct (NGRBC) were released in 2019 as a revised form of the NVGs. SEBI's mandate to top 1,000 listed companies for publishing BRR as part of their annual report started soon after.

  Business Responsibility and Sustainability Reporting

  - BRR which emanated from the NVGs, needed to be modified to align it with NGRBC and encourage companies to take on leadership roles in practices and disclosures.

  - In May 2021, SEBI introduced a new ESG reporting structure titled 'Business Responsibility and Sustainability Reporting' (BRSR) to make it mandatory for the top 1,000 listed companies to report their sustainability performance from FY 2022 – 2023 onwards.

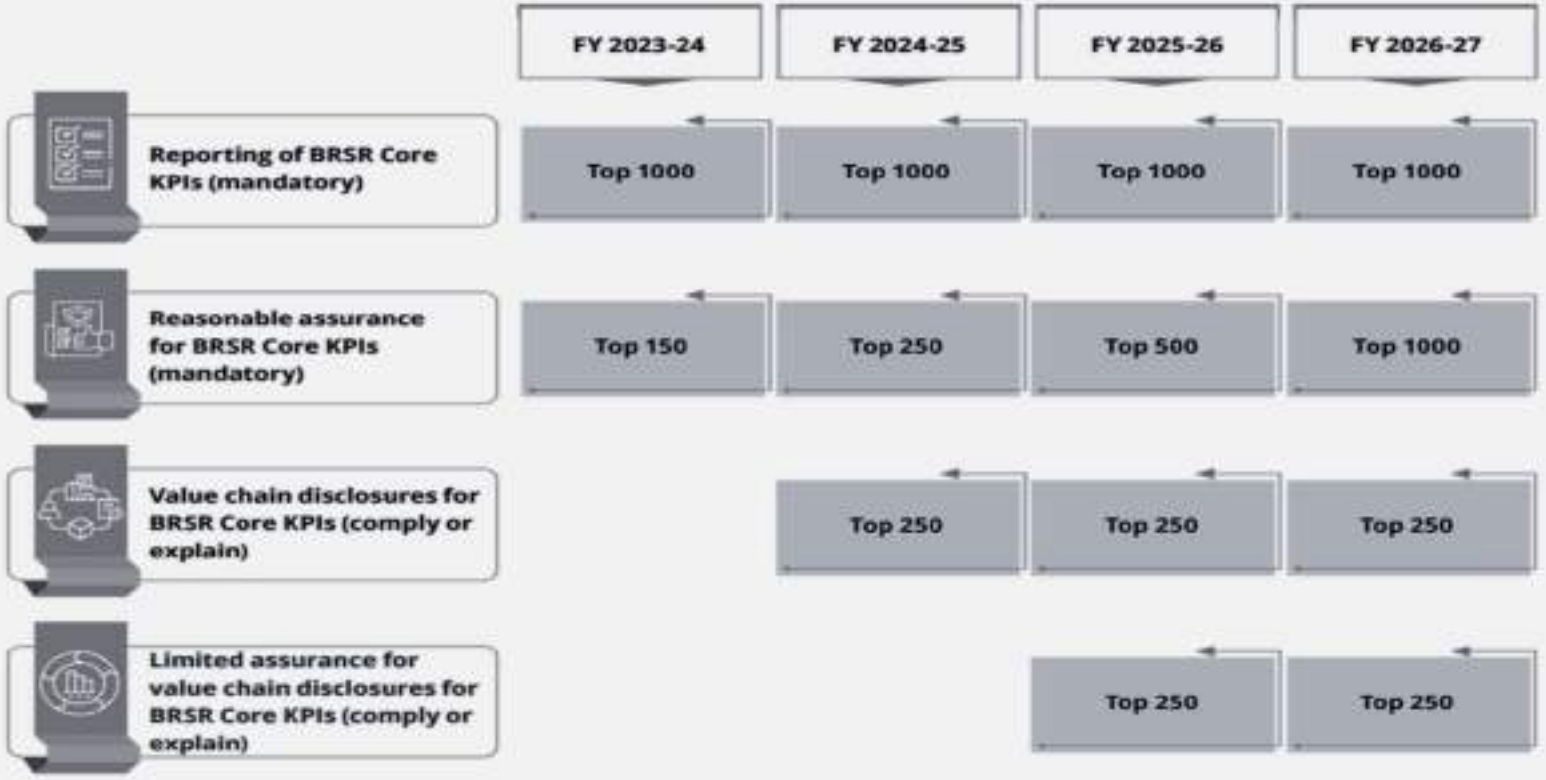
- SEBI, through a circular dated 12 July 2023, announced the introduction of BRSR core for assurance from FY 2024 and disclosures and assurance for the value chain by listed entities from FY 2024-25. The BRSR core comprises select mandatory/essential indicators to be assured using accounting principles.



Evolution of ESG Reporting in India (Contd.,)

BRSR Core-Timelines for disclosure and assurance

The BRSR Core is a subset of the BRSR. The new format has additional KPIs (relevant for the Indian economy) under nine ESG attributes, mandating listed entities to disclose and obtain reasonable assurance in a phased manner.



Evolution of ESG Reporting in India (Contd.,)

Timeline of evolution of Non-Financial Disclosures in India-SEBI mandated

2012-2019	2021	2023
SEBI BRR (SEBI circulars-August 13, 2012 and November 4, 2015)	**BRSR (SEBI circular-May 10, 2021)**	**Revised BRSR (SEBI circular- July 12, 2023)**
Business Responsibility Report based on National Voluntary Guidelines- • Mandatory Reporting for 100 companies in 2012 • Extended to BSE top-500 in 2015 • Extended to BSE top-1,000 in 2019	• BRSR Reporting based on NGRBC-Voluntary for FY 2021–22 and Mandatory for top 1,000 listed companies based on Market capitalisation from FY 2022-23.	• Introduction of BRSR Core and reasonable assurance from FY 2023-24 • Extension of BRSR Core to value chain from FY 2024-25

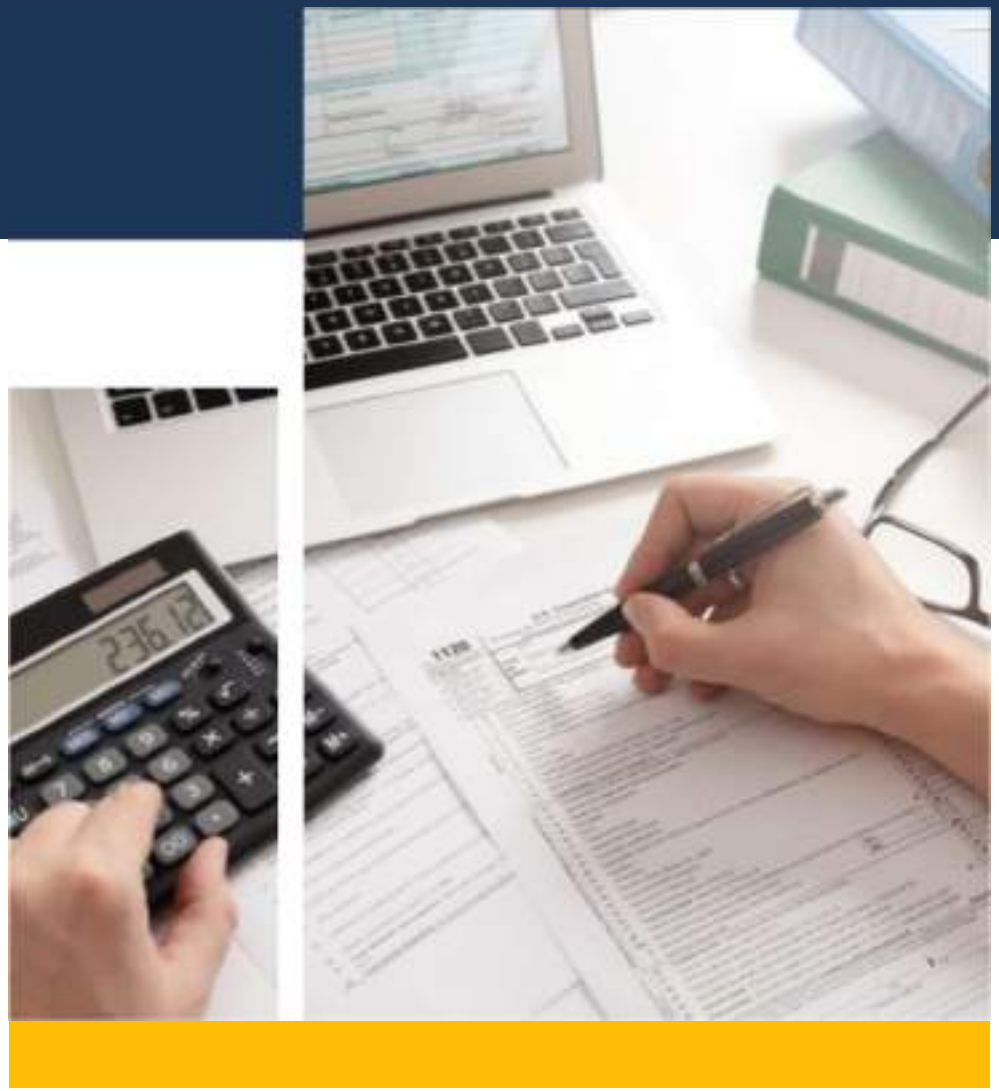


Structure and Format of BRSR

- The principal purpose of BRSR framework is to serve as an internal tool for businesses intending to align themselves with the NGRBC. BRSR reporting structure is divided into three sections-
  - Section A: General disclosures
  - Section B: Management and process disclosures
  - Section C: Principle-wise performance disclosures

Section A: General Disclosures

- The objective of this section is to obtain basic information and details of the listed entity, which includes their products and services, operations, employees, transparency and disclosure compliances on complaints/grievances, details of holding/subsidiary companies, joint ventures and % of holdings etc.,



Structure and Format of BRSR (Contd.,)

Section B: Management and process disclosures

- In this section, the company is required to disclose information on policies and processes relating to the NGRBC principles concerning leadership, governance and stakeholder engagement.

Section C: Principle-wise performance disclosures

- This section requires companies to demonstrate their intent and commitment to responsible business conduct through actions and outcomes. In that regard, companies need to report upon KPIs in accordance and alignment with the NGRBC's nine principles of responsible business conduct.



Structure and Format of BRSR (Contd.,)

Further, companies are required to report on two parameters for each principle, which are:

Essential indicators (mandatory)

- These are the indicators which the company mandatorily needs to report, which include environmental data such as energy, emissions, water, and waste; trainings conducted; community initiatives undertaken by the company and social impact created by the company.

Leadership indicators (voluntary)

- These indicators may be voluntarily disclosed by entities which aspire to progress to a higher level in the quest of the corporates to be socially, environmentally and ethically responsible. These among others include reporting on scope 3 emissions and breakdown of energy consumption, health, and safety assessment of value chain partners etc.,



THE 9 PRINCIPLES



01

Businesses should conduct and govern themselves with integrity, and in a manner that is ethical, transparent and accountable

02

Businesses should provide goods and services in a manner that is sustainable and safe

03

Businesses should respect and promote the well-being of all employees, including those in their value chains

04

Businesses should respect the interests of and be responsive to all its stakeholders

05

Businesses should respect and promote human rights

06

Businesses should respect and make efforts to protect and restore the environment

07

Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent

08

Businesses should promote inclusive growth and equitable development

09

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

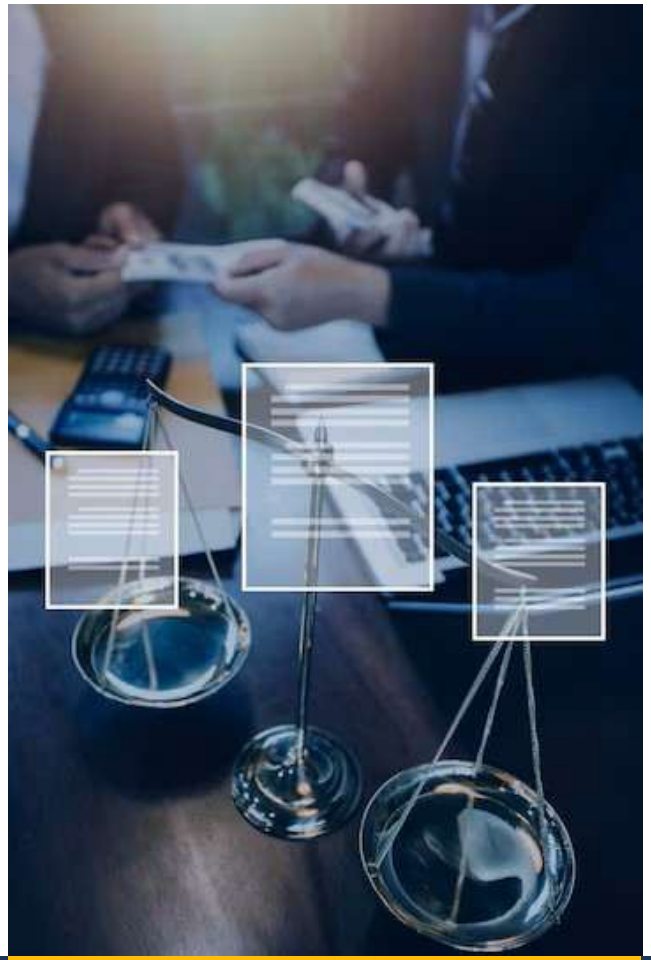
BRSR Principles and key components

<u>Principle 1</u>: Businesses should conduct and govern themselves with integrity and in a manner that is ethical, transparent, and accountable

- The principle emphasizes the use of ethical business practices across the value chain of the company and is put into practice using the company governance structure by defining economic, social, and environmental responsibilities.

<u>Key components include-</u>

- Details of training and awareness programmes across all the levels Board of Directors to workers.
- Details of fines, penalties, punishments, awards, compounding fees and settlement sums paid in proceedings by the entity or by directors or KMPs to the regulators.
- Details of concentration of purchases and sales and transactions with related parties.



BRSR Principles and Key Components (Contd.,)



<u>Principle 2</u>: Businesses should provide goods and services in a manner that is sustainable and safe

- The principle emphasises that companies should put safety and resource efficiency first when designing and producing their goods. This principle pushes organizations to comprehend all material sustainability challenges throughout the life cycle and value chain of their products.

<u>Key components include-</u>

- % of R&D and capital expenditure to improve environmental and social impacts of product and processes.

- Processes in place to reclaim products for reusing, recycling and disposing at the end of life.

BRSR Principles and Key Components (Contd.,)

<u>Principle 3</u>: Businesses should respect and promote the well-being of all employees, including those in their value chains

- The principle encompasses all practices and policies that promote equity, dignity and well-being for employees and workers who are involved in a company's value chain or within its own organisation.

<u>Key components include-</u>

- Details of measures for the well-being of employees and workers
- Details of retirement benefits to employees and workers
- Details of trainings given to employees and workers



BRSR Principles and Key Components (Contd.,)



<u>Principle 4</u>: Businesses should respect the interests of and be responsive to all their stakeholders.

- This principle acknowledges that businesses while working to maximize the interests of their shareholders and investors, be also conscious of other stakeholders and look for ways to respond to their interests as well.

<u>Key components include-</u>

- Process of identifying key stakeholder groups
- Details of purpose, means of engagement and frequency thereof.

BRSR Principles and Key Components (Contd.,)

<u>Principle 5:</u> Businesses should respect and promote human rights

- The principle acknowledges that businesses operate in an ecosystem and their operations have an impact on the human force in addition to that on the environment and natural resources.

- It emphasizes that businesses while maximizing the positive effects of their operations and products, at the same time must do all within their reach to protect and promote human rights.

<u>Key components include-</u>

- Details of training on human rights issues and policies to the employees and workers.

- Details of wages paid to employees,

- Number of complaints made by workers and employees.



BRSR Principles and Key Components (Contd.,)



<u>Principle 6</u>: Businesses should respect and make efforts to protect and restore the environment.

- According to this principle, efforts should be made to address problems like pollution, biodiversity conservation, sustainable resource use and climate change in a thorough and methodical manner.

- It requires businesses to progressively implement environmental procedures and practices that reduce or eliminate the negative consequences of their activities across the value chain.

<u>Key components include-</u>

- Details of energy consumption, air emissions, GHG emissions, water, air, waste management etc., and their intensity.

- Details of environmental approvals or permissions if the business has operations or offices in or close to environmentally sensitive areas.

- Details of non-compliance with environment law/regulations/guidelines and corrective actions taken

BRSR Principles and Key Components (Contd.,)

<u>Principle 7:</u> Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent

- This principle acknowledges that corporations can legitimately interact with governments to have their complaints heard or to have their opinions heard in the formulation of public policy. Additionally, public policy advocacy must advance the common good according to the law.

<u>Key components include-</u>

- Details of memberships and affiliations with trade and industry chambers/ associations

- Details of corrective actions taken in case of anti-competitive conduct.



BRSR Principles and Key Components (Contd.,)



<u>Principle 8</u>: Businesses should promote inclusive growth and equitable development

- This principle underlines the importance of commercial, governmental, and civil society collaboration. It affirms the interdependence between economic success, inclusive growth and equitable development.

<u>Key components include-</u>

- Details of Social Impact Assessments of projects undertaken
- Information on projects for which ongoing rehabilitation and resettlement is in progress, amounts paid etc.,
- Mechanisms to receive and redress community grievances.

BRSR Principles and Key Components (Contd.,)

<u>Principle 9:</u> Businesses should engage with and provide value to their consumers in a responsible manner

- The underlying tenet of the principle is that a company's main goal is to provide safe products and services to its customers, thereby generating value for both parties.
- Businesses, together with other important stakeholders, play a key role in reducing the negative impacts of excessive consumption of their products on the society's general well-being.

<u>Key components include-</u>

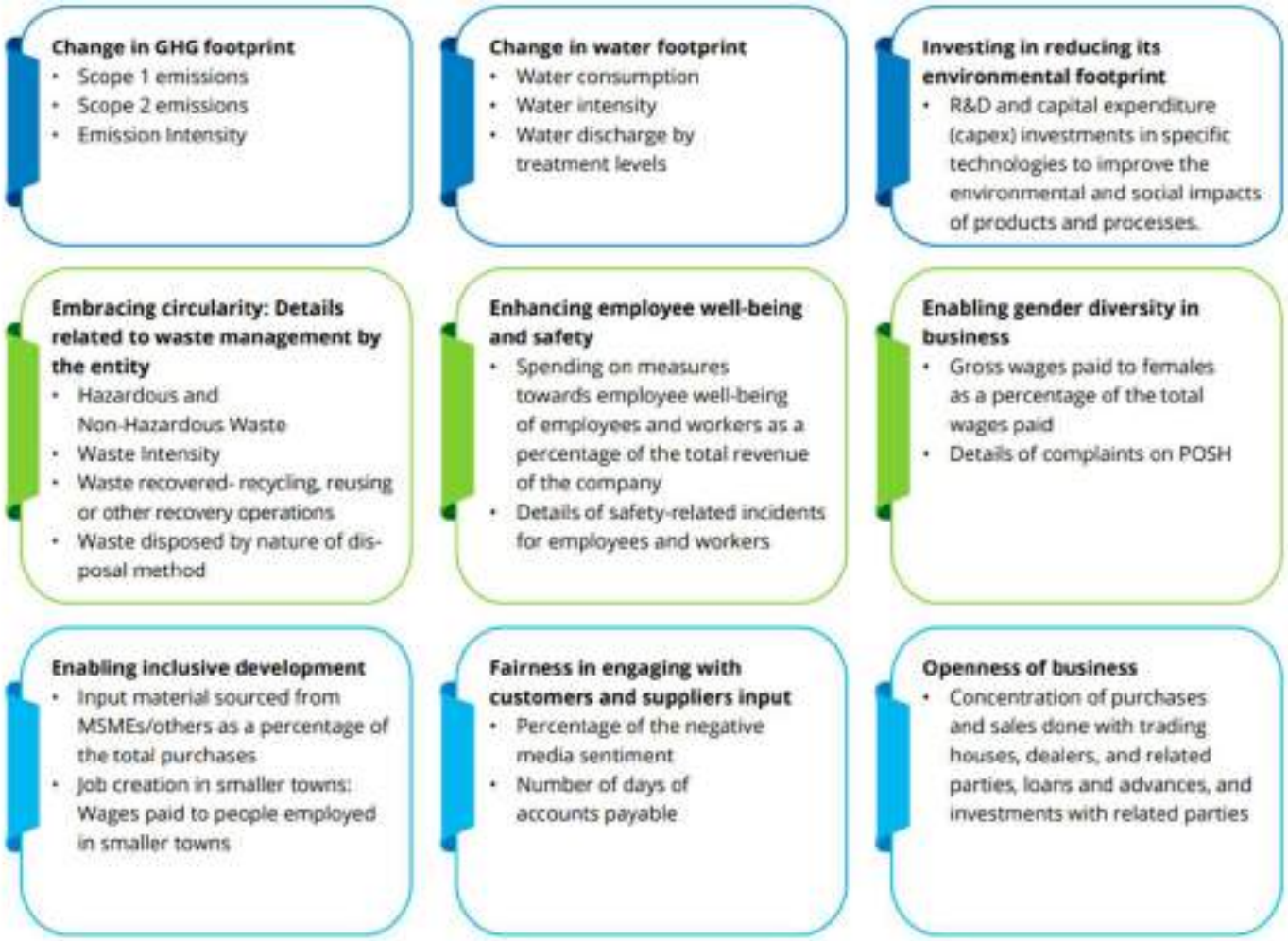
- Mechanisms for receiving and handling customer complaints and feedback.
- Details of instances of product recalls due to safety issues.
- Framework on cyber security and data privacy risks.



BRSR Principles and Key Components (Contd.,)

BRSR Core KPIs

- BRSR Core expands the scope of disclosures to include a subset of 20 KPIs that include the performance metrics designed, keeping in mind the unique environmental and social challenges faced by stakeholders in India.



BRSR and UN SDG

- The NGRBC principles based on which disclosures in BRSR are required closely align with the Sustainable Development Goals (SDGs) of UN.

	NGRBC principles	Sustainable Development Goals (SDGs)
P 1	Businesses should conduct and govern themselves with **ethics, transparency, and accountability**	
P 2	Businesses should provide goods and services that a**re safe and contribute to sustainability** throughout their life cycle	
P 3	Businesses should promote the **well-being of all employees**	
P 4	Businesses should respect the interests of, and be **responsive towards all stakeholders**, especially the disadvantaged, vulnerable, and marginalized	
P 5	Businesses should **respect and promote human rights**	
P 6	Business should respect, protect, and make efforts to restore the **environment**	
P 7	Businesses, when influencing **public and regulatory policy,** should do so in a responsible manner	
P 8	Businesses should support inclusive growth and **equitable development**	
P 9	Businesses should engage with and **provide value to their customers** in a responsible manner	

Strategic Definition of Assurance

Assurance refers to an independent process that tests and verifies the quality, reliability, and completeness of an organization's sustainability disclosures.

This goes beyond checking numbers—assurance evaluates the systems, processes, and internal controls that generate ESG data. The process follows rigorous frameworks and results in a third-party opinion or conclusion.

Example: A company might claim that 80% of its electricity use is renewable. Assurance would verify the sources of energy, cross-check utility data, and validate whether renewable energy certificates were properly accounted for.



Functional Role of Assurance in ESG Strategy



Assurance supports a company's sustainability strategy on three fronts:

1.Risk Mitigation – It identifies weaknesses in ESG data collection or control systems before stakeholders do.

2.Strategic Alignment – It helps companies align disclosures with investor expectations and peer benchmarks.

3.Trust Building – Verified disclosures enhance stakeholder confidence, especially in sectors prone to greenwashing risks.

Example: After assurance, a company discovers that data on workplace diversity was being manually compiled, leading to inconsistencies. It then invests in an HR analytics tool to automate and improve accuracy going forward.

Stakeholder-Driven Demand for Assurance

The demand for ESG assurance is being driven by a diverse set of stakeholders:

- **Investors** want validated data to manage ESG-related financial risks.
- **Regulators** are increasing scrutiny and mandating assured disclosures.
- **Customers** increasingly consider ESG performance in vendor selection.
- **Employees** want to see verified evidence of corporate responsibility.

Example: A retail brand faced reputational risks due to inconsistent environmental claims.

Assurance helped it standardize sustainability data and regain stakeholder confidence



Strategic Outcomes of Assurance



Robust assurance delivers several long-term benefits:

- Elevates the organization's reputation for transparency and integrity.
- Provides high-quality data that can be confidently shared across markets.
- Supports better management decisions by identifying performance gaps.
- Enhances access to ESG-linked financial instruments or indices.
- Strengthens preparedness for future regulatory developments.

Example: After a limited assurance engagement, the company realized that its supply chain emissions were underreported. This insight led to the development of new procurement guidelines tied to emissions targets.

Voluntary vs. Mandatory Assurance – India

In India, assurance was traditionally voluntary—driven by boards or investors seeking enhanced governance.

However, SEBI's new **mandatory glide path for BRSR Core** has institutionalized assurance as a compliance requirement. This dual model creates both a regulatory obligation and a strategic opportunity.

Example: A mid-cap listed company that voluntarily pursued assurance early was better prepared to meet SEBI's mandatory timelines, giving it a competitive advantage in ESG ratings.



SEBI's Glide Path – Mandatory BRSR Core Assurance



SEBI's July 2023 circular mandates **reasonable assurance** for top-listed companies in a phased manner:

- FY 2023–24: Top 150
- FY 2024–25: Top 250
- FY 2025–26: Top 500
- FY 2026–27: Top 1000

The assurance is focused on **BRSR Core** indicators. It ensures consistency, comparability, and reliability in ESG disclosures across sectors.

Example: A company prepared for FY24 assurance by setting up a cross-functional ESG data governance committee six months prior to the reporting deadline.

Key Performance Indicators (KPIs)

BRSR Core focuses on a subset of **Key Performance Indicators (KPIs)**. These are critical indicators across:

- Environment (e.g., GHG emissions, energy use)
- Social (e.g., workforce diversity, employee safety)
- Governance (e.g., board composition, grievance redressal)

Assurance applies not only to internal operations but also to value chains—where attributable impact can be assessed.

Example: During assurance, the company is expected to verify data from major suppliers contributing significantly to emissions or workforce conditions.



Applicable Indian Assurance Standards



In India, assurance providers may follow:

•**SSAE 3000**: For sustainability assurance engagements broadly.

•**SAE 3410**: For specific engagements on greenhouse gas (GHG) statements.

These standards are issued by the Institute of Chartered Accountants of India (ICAI) and are aligned with global best practices.

Example: An assurance engagement might use SAE 3410 to verify the company's Scope 1 and Scope 2 emissions disclosures under the BRSR Core.

(SSAE – Standard on Sustainability Assurance Engagements)

International Standards for Assurance

Globally, the commonly used assurance standards include:

- **ISAE 3000 (Revised)** – A general framework for non-financial assurance
- **ISAE 3410** – Specifically for GHG emissions

These are issued by the International Auditing and Assurance Standards Board (IAASB) and are widely accepted by multinational investors and regulators.

Example: A company with international investors may opt for assurance under ISAE 3000 to ensure recognition and comparability across jurisdictions.

(ISAE – International Standards on Assurance Engagements)



ISSA 5000 – The Emerging Global Standard



ISSA 5000, currently under development by IAASB, will be the first global standard dedicated exclusively to **sustainability assurance**. It will:

- Apply to **reasonable and limited assurance** alike
- Be usable by both accountants and other qualified professionals
- Be adaptable across multiple sustainability frameworks

Example: A company preparing for multi-standard reporting (like GRI, SASB, BRSR) sees ISSA 5000 as a way to standardize its assurance approach globally.

(ISSA – International Auditing and Assurance Standards Board)

Reasonable Assurance – Definition & Scope

Reasonable assurance requires the practitioner to reduce engagement risk to a very low level. The conclusion is usually expressed in a **positive form**, e.g., “In our opinion, the information is free of material misstatement.”

- Involves **extensive procedures**
- Suitable for disclosures where high stakeholder confidence is critical

Example: A firm undergoing reasonable assurance on GHG emissions might need to provide meter-level data, energy bills, and audited records to validate their carbon intensity claims.



Limited Assurance – Definition & Scope



Limited assurance involves a lower level of testing and results in a **negative form of conclusion**, e.g., “Nothing has come to our attention that causes us to believe…”.

- Less extensive than reasonable assurance
- Often used for disclosures that are evolving or for value chain-related data

Example: A company might opt for limited assurance on employee well-being data sourced from surveys, where some variability is acceptable.

Comparing Assurance Types – Strategic Implications

Aspect	Reasonable Assurance	Limited Assurance
Testing Depth	High	Moderate
Risk of Material Misstatement	Very Low	Acceptable
Stakeholder Confidence	High	Moderate
Time & Cost	Higher	Lower

Choosing the right assurance level depends on stakeholder expectations, materiality of the indicator, and internal preparedness.

Example: For core ESG metrics tied to executive pay or investor commitments, reasonable assurance is typically preferred.



Nature of Conclusion – Positive vs. Negative Assurance

Criteria	Reasonable Assurance	Limited Assurance
Nature of Opinion	Positive assurance	Negative assurance
Wording	“In our opinion, the subject matter conforms…”	“Nothing has come to our attention to cause us to believe…”
Confidence Level	High (based on extensive testing)	Moderate (based on limited procedures)

Insight:
Reasonable assurance offers greater confidence due to its affirmative opinion. Limited assurance provides a cautious, risk-sensitive review with less certainty.

Example:
When a company reports verified Scope 1 emissions, a reasonable assurance statement would assert the data’s conformity. In contrast, limited assurance would simply state no obvious issues were found.

Depth of Testing & Evidence Gathering

Criteria	Reasonable Assurance	Limited Assurance
Level of Testing	High (transaction-level sampling)	Moderate (inquiry-based)
Evidence Collected	Detailed, corroborative documentation	Analytical reviews and inquiries
System Interrogation	Deep (examines design + implementation of controls)	Surface-level (focus on preparation process)



Insight:
Reasonable assurance involves a deep dive into the systems and controls generating ESG data, whereas limited assurance prioritizes plausibility/acceptability over precision.

Example:
In reasonable assurance, verifiers may audit water consumption logs for each facility. Limited assurance might only compare year-on-year usage trends.

Understanding of Subject Matter & Controls

Criteria	Reasonable Assurance	Limited Assurance
Control Evaluation	Yes (design + implementation tested)	No formal testing, relies on process walkthroughs
Internal Process Review	In-depth, control-level	Overview of preparation processes
Objective	Identify granular misstatements	Identify likely misstatement zones

Insight:
Assurers performing reasonable assurance gain a robust understanding of organizational processes, including governance over ESG data.

Example:
For data on employee attrition, reasonable assurance may involve HR system audits; limited assurance may rely on interviewing HR managers about turnover trends.



Response to Risk & Materiality Treatment

Criteria	Reasonable Assurance	Limited Assurance
Response to Risk	Extensive, risk-based testing	Moderate, may use similar tests but less rigor
Risk Assessment	Detailed risk identification	Identifies broad risk areas
Materiality Treatment	Same across both – driven by user relevance	



Insight:
While both assurance types use materiality from the user's viewpoint, the extent of follow-up varies. Reasonable assurance goes further in verifying high-risk data points.

Example:
For worker safety disclosures, reasonable assurance could involve sampling injury records; limited assurance may simply check summarized reports or dashboards.

Strategic Use Cases and Decision Criteria

Criteria	Reasonable Assurance	Limited Assurance
Best Use Case	High-priority ESG metrics (e.g. GHG, health & safety)	Emerging disclosures, value chain data
Cost & Time	Higher	Lower
Stakeholder Expectation	Suitable for investors, regulators	Suitable for internal reviews, customers

Insight:
Choosing between the two depends on strategic priorities, disclosure maturity, and stakeholder expectations.

Example:
An organization might pursue reasonable assurance for carbon intensity, which is tied to sustainability-linked loans, while opting for limited assurance on social KPIs still under development.



Phases of Sustainability Assurance Engagements

Sustainability assurance engagements follow a structured approach consisting of three key phases:

- **Planning Phase** – Foundation-setting and strategic alignment
- **Execution Phase** – Evidence collection and validation
- **Completion Phase** – Reporting, sign-off, and documentation

Each phase includes professional judgment, risk analysis, and tailored procedures aligned with the level of assurance (reasonable or limited).



Planning Phase: Strategy, Scope & Risk Assessment



- Define Scope: Identify disclosures/KPIs under assurance
- Assess Evidence Availability: Check for sufficiency and appropriateness
- Initial Risk Assessment: Evaluate subjectivity, fraud risk, and materiality
- Engage Experts: e.g., GHG, biodiversity, DEI data
- Understand Entity & Sector: Business model, reporting goals, users
- Relevance & Completeness: Confirm decision-usefulness for users
- Criteria Suitability: Validate use of appropriate frameworks
- Independence Compliance: Maintain ethical assurance practice
- Materiality Thresholds: Define quantitative misstatement levels

Execution Phase: Applying Evidence-Based Procedures

- Conduct walkthroughs of reporting systems, controls, and processes

Design assurance tests:

✓ Control testing (design and effectiveness)
✓ Substantive testing (sample testing, recalculations, etc.)

- Check completeness and accuracy of reported data
- Evaluate appropriateness of management's judgments and estimates
- Confirm process consistency and methodology adherence



Completion Phase: Final Review and Reporting



- **Letter of Representation**: Obtain client confirmation
- **Use of Assurance Template**: Align report with chosen standard (SSAE/ISAE/ISSA)
- **Validate Scope Alignment**: Match engagement scope with report
- **Subsequent Events Review**: Ensure changes post-period are captured

Practical Takeaways for Assurance Quality

- Plan strategically with clear scope and criteria
- Engage subject experts early in high-risk areas
- Customize procedures by materiality and assurance level
- Maintain independence and objectivity throughout
- Support transparent stakeholder communication through well-evidenced reporting
- Assurance enhances trust and drives better sustainability outcomes.



Ethics and Independence in Assurance



Ethics and independence are fundamental in assurance engagements to maintain integrity, objectivity, and professional skepticism.

Regulatory bodies, like SEBI and ICAI, provide guidelines to ensure that practitioners uphold these principles during engagements.

Key Ethical Standards in Assurance Engagements

- **Code of Ethics Compliance**: Assurance providers must follow the Code of Ethics by ICAI.
- **Adherence to Professional Standards**: Compliance with SSAE 3000, ISAE 3000, and relevant regulations.
- **Independence and Objectivity**: Ensuring no conflict of interest and maintaining independence in mind and appearance.
- **Quality Control**: Practitioners must apply Standard on Quality Control (SQC) 1 for their engagements.



Threats to Independence (ICAI Framework)



- **Self-Interest**: Example – undue dependence on total fees from the entity.
- **Self-Review**: Example – involvement in services that affect the subject matter.
- **Advocacy**: Example – representing the entity's interests.
- **Familiarity**: Example – long relationships or close personal connections with entity personnel.
- **Intimidation**: Example – being pressured to reduce the scope of work to lower fees.

Safeguards to Address Independence Threats

1. **Regulatory Safeguards**: Legal or regulatory measures governing the profession.
2. **Professional Safeguards**: Measures provided by professional bodies like ICAI.
3. **Engagement-Specific Safeguards**: Internal ethical guidelines within the firm.
4. **Rotation of Senior Personnel**: Mitigates familiarity threats by limiting long-term relationships with clients.





IESBA Code of Ethics: Application to Assurance Engagements

Part A: **Conceptual Framework**

Identifies and evaluates threats to compliance with fundamental principles.

Categories of threats:

- **Self-interest**
- **Self-review**
- **Advocacy**
- **Familiarity**
- **Intimidation**

Safeguards: Applied to eliminate or reduce threats to acceptable levels.



(IESBA – International Ethics Standards Board for Accountants)

IESBA Code of Ethics: Application to Assurance Engagements



Part B: Application to Professional Accountants in Public Practice

Key Areas:

- Professional appointment
- Conflicts of interest
- Second opinions
- Fees and remuneration
- Marketing professional services
- Gifts and hospitality
- Custody of client assets

The IESBA Code of Ethics and Independence

- **Independence of Mind**: Ability to form unbiased conclusions without external influences.
- **Independence in Appearance**: Ensuring third parties perceive the engagement as unbiased.

Both principles ensure the integrity and objectivity of the assurance process.







Evaluating and Mitigating Threats



Identifying Threats: Detecting potential threats during the engagement process.

Evaluating Significance: Assessing the impact of the threat on objectivity and independence.

Applying Safeguards: Using appropriate measures to reduce risks to an acceptable level.

Professional Judgment: Determining if safeguards are sufficient to maintain independence.

Ethics and Independence in Assurance

- Upholding ethics and independence is crucial for maintaining trust and credibility in sustainability assurance.
- Adherence to ICAI and IESBA guidelines, and the application of safeguards, ensures integrity in corporate sustainability reporting.
- Transparency and integrity in assurance processes build confidence among stakeholders.



BRSR Core Assurance Table

Sr. No.	Attribute	Parameter	Measurement	Data & Assurance Approach	Cross-Reference
1	Greenhouse Gas (GHG) Footprint	Scope 1 & Scope 2 GHG Emissions, including CO2, CH4, N2O, HFCs, PFCs, SF6, NF3	GHG emissions in CO2e (Mn MT/KT/MT)	Emissions measured as per the Greenhouse Gas Protocol	Principle 6, Question 7 of Essential Indicators
1.1	Fossil Fuel Consumption	Absolute consumption of coal, natural gas, diesel, etc.	Mn MT/KT/MT/MM BTU	Emission Factor (GHG CO2e/unit of measure)	Principle 6, Question 7 of Essential Indicators
1.2	Carbon Capture	Quantity of Carbon Captured	Mn MT/KT/MT	GHG emissions from non-fuel sources (CO2e)	Principle 6, Question 7 of Essential Indicators
2	Water Footprint	Total water consumed, discharged by destination, treatment levels	Mn Lt/KL	Measurement through flow meters and consumption logs	Principle 6, Question 3 & 4 of Essential Indicators
2.1	Water Consumption Intensity	Water consumed per unit of product or service	Mn Lt/KL/Product/Service	PPP adjusted, audited revenue data	Principle 6, Question 3 of Essential Indicators
3	Energy Footprint	Total energy consumed and percentage of renewable energy consumed	Joules or multiples	Energy intensity calculations (non-renewable & renewable)	Principle 6, Question 1 of Essential Indicators
4	Circularity & Waste Management	Plastic waste, E-waste, Bio-medical waste, etc., waste generated and recycled	Kg/MT	Waste intensity (calculated from total waste generated)	Principle 6, Question 9 of Essential Indicators
5	Employee Wellbeing and Safety	Spending on employee wellbeing measures, incidents related to worker safety	Percentage of total revenue	Insurance policies, safety programs, claims reported	Principle 3, Question 1(c) of Essential Indicators
6	Gender Diversity	Gross wages paid to females as a percentage of total wages paid	Percentage (%)	Measurement of POSH complaints and actions taken	Principle 3, Question 11 of Essential Indicators
7	Inclusive Development	Material sourced from MSMEs, job creation in smaller towns	Percentage (%)	Data from company records, audited statements	Principle 8, Question 4 of Essential Indicators
8	Fairness in Engaging with Customers	Instances of data loss, breach of customer data, cybersecurity breaches	Percentage (%)	Financial audit reports, trading houses transactions	Principle 9, Question 7 of Essential Indicators
9	Open-ness in Business	Loans, advances, and investments with related parties	Percentage (%)	Audited financial reports, invoices, related-party transactions	Principle 1, Question 8 of Essential Indicators

INDUSTRY STANDARDS FOR REPORTING OF BRSR CORE FOR FY 2024-25 AND BEYOND...



In a significant move towards enhancing transparency and standardization in business reporting, the Industry Standards Forum (ISF), comprising ASSOCHAM, CII, and FICCI, in collaboration with the Stock Exchanges and SEBI, has introduced a set of industry standards for the effective implementation of Business Responsibility and Sustainability Report (BRSR) Core. This initiative aligns with the SEBI (Listing Obligations and Disclosure Requirements) Regulations (LODR) and aims to ensure uniformity in the disclosure of sustainability-related information by listed entities.

KEY HIGHLIGHTS

Objective: The new standards aim to facilitate ease of doing business and improve the consistency of BRSR Core disclosures by listed companies.

Collaboration: ASSOCHAM, FICCI, CII, and the Stock Exchanges have worked together under the aegis of SEBI to develop these guidelines.

Implementation: The standards will apply for the financial year 2024-25 and onwards. Listed entities must adhere to these standards to comply with SEBI's requirements under Regulation 34(2)(f) of LODR.

Accessibility: The industry standards will be published on the websites of ASSOCHAM, FICCI, CII, and the Stock Exchanges.

Stock Exchange Role: Stock Exchanges are tasked with ensuring that listed entities are aware of and comply with these new reporting standards.

For listed companies, adherence to these standards will ensure seamless compliance with SEBI's sustainability disclosure requirements, enhancing corporate governance and contributing to long-term value creation.

Stay tuned for more updates on this important development...

The PPP rate for India is available at:

https://www.imf.org/external/datamapper/PPPEX@WEO/OEMDC

Example calculation to determine PPP-adjusted revenue

2023-24 revenue of reporting company A= 10,000 INR million

PPP conversion rate (latest available is for 2024) = 22.4 INR/Int. US$

PPP adjusted revenue (US$) for 2023-24 for company A= (10,000/22.4) = 446 USD million

Example calculation for intensity based on PPP-adjusted revenue Environmental Parameter

Environmental Parameter	Total Footprint	PPP-Adjusted Revenue (million $)	Intensity (Units of footprint/million $)
Scope 1+ Scope 2	10,000 tCO2e	446	22.4 tCO2e/million US$
Water consumption	10,000 kL	446	22.4 kL/million US$
Energy consumption	10,000 GJ	446	22.4 GJ/million US$
Waste generation	10,000 MT	446	22.4 MT/million US$

SEBI FAQs on BRSR Core Assurance



- SEBI introduced assurance requirements via Circular dated July 12, 2023.
- Mandates **no conflict of interest** between listed entity and assurance providers.
- Emphasizes independence in assurance on sustainability parameters.
- FAQs issued to clarify stakeholder queries.

Conflict of Interest

Definition of Conflict of Interest
Conflict arises if:

- Assurance provider or associate **sells products** or
- Provides **non-audit / non-assurance services** (e.g., consulting).

✓ Applies to **listed entities and their group entities**.
✓ Assurance provider must be independent in both **relationship and conduct**.



Who Can Be an Assurance Provider?



- ✓ **Profession agnostic** – not limited to Chartered Accountants.
- ✓ Key requirement: Must possess **relevant sustainability assurance expertise**.
- ✓ **Board's responsibility** to ensure proper qualifications and capability.

Disallowed Services (Indicative List)

Assurance providers **cannot** engage in:

- Risk management
- Project/management consulting
- Investment advisory or banking
- IT system implementation
- Outsourced financial services
- Actuarial, accounting, bookkeeping services

💡 **Note:** This list is **indicative**, not exhaustive.



Allowed Services (Subject to Independence)



Permitted **only if no conflict arises**:

- Third-party certifications
- Tax audits and system audits
- Tax filing, sustainability audits

✓ Decision lies with the listed entity's evaluation of **independence**.

Appointment of Auditors

Can Internal Auditors Be Appointed?

❌ **No.** Internal auditors of listed entities or their group entities **cannot act** as assurance providers for BRSR Core.

Can Statutory Auditors Be Appointed?

✅ **Yes.** Statutory auditors **can be appointed** as BRSR Core assurance providers.



Understanding “Group” as per SEBI



"Group" includes:

- Holding company
- Subsidiaries
- Associates
- Joint ventures

📌 All are subject to conflict-of-interest norms under the Circular.

Associate of Assurance Provider

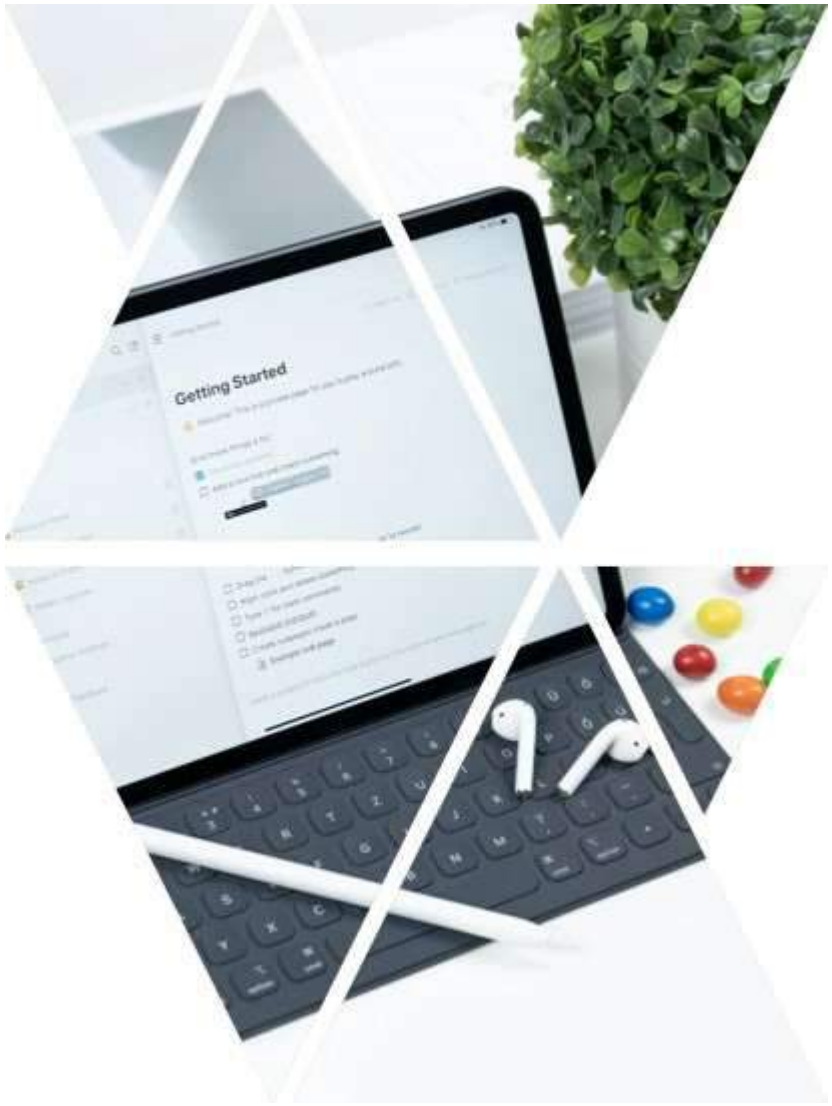
Who Is Considered an Associate of Assurance Provider?

A. If provider is a firm or corporate:

- Partners, parent, subsidiaries, entities with significant influence
- For CA firms: includes **network firms/entities**

B. If provider is an individual:

- Immediate relatives (as per Companies Act, 2013)
- Entities with significant influence/control



Standards to Be Used for Assurance

No specific standard **mandated** by SEBI.

May use globally accepted assurance standards, such as:

- **ISAE 3000**
- ICAI's **SSAE 3000**
- ICAI's **SAE 3410** – for GHG statements

✅ Disclosure of the adopted standard is **mandatory**.



Summary of Key Compliance Requirements



- Ensure **independence and no conflict** of interest
- Select **qualified assurance providers**
- Disclose **assurance standard used**
- Internal auditors: **not eligible**
- Statutory auditors: **eligible**

Role of Chartered Accountants in BRSR Reporting & BRSR Core Assurance

BRSR Reporting & Disclosures

- **Data Governance:** Establishing robust internal controls and frameworks for non-financial data collection.
- **Metric Alignment:** Mapping ESG disclosures to global standards (GRI, SASB) and SEBI requirements.
- **Materiality Assessment:** Identifying and quantifying key environmental, social, and governance risks.
- **Disclosure Review:** Checking completeness, consistency, and comparability of reported information.
- **Management Support:** Helping teams document policies, processes, evidence, and accountability.

BRSR Core Assurance

- **Data Reliability:** Providing independent third-party verification of the "Core" ESG KPIs.
- **Traceability:** Ensuring a clear audit trail from raw ESG metrics to final annual reports.
- **Confidence Building:** Enhancing stakeholder trust through rigorous professional skepticism and assurance standards.
- **Risk Focus:** Testing controls around high-impact metrics, estimates, and data boundaries.
- **Corrective Action:** Highlighting gaps and recommending improvements for future reporting cycles.





MULTIPLE CHOICE QUESTIONS



Q1. A listed entity is considering appointing a firm as its BRSR Core assurance provider. The same firm provides outsourced accounting services to one of its joint ventures. Based on SEBI's guidance, what is the most appropriate course of action?

a) Proceed, as outsourced services are rendered to a group entity, not the listed entity
b) Proceed, if the assurance team is different from the accounting service team
c) Do not proceed, as this creates a conflict of interest
d) Proceed only after obtaining approval from the Board



Correct Answer: c) Do not proceed, as this creates a conflict of interest

Explanation: SEBI clearly restricts assurance providers from offering non-audit/non-assurance services (e.g., accounting) to the listed entity or its group entities, as this compromises independence.



Q2. Which of the following individuals cannot be considered independent to undertake BRSR Core assurance for a listed entity?

a) An individual consultant who is a statutory auditor of a group company
b) A partner from a firm that offers project management services to the listed entity
c) A sustainability specialist offering only third-party certification
d) A professional with no direct relationship but an immediate relative working in the listed entity



Correct Answer: b) A partner from a firm that offers project management services to the listed entity

Explanation: Any professional offering project management services cannot take up the assurance engagement.



Q3. A listed company's statutory auditor is also registered as a BRSR assurance provider. Which condition must be ensured if they are appointed for BRSR Core assurance?

a) That the firm is also a sustainability consultant
b) That the firm is rotated annually
c) That there are firewalls between financial and sustainability assurance functions
d) That there is no provision of any consulting service to group entities



Correct Answer: d) That there is no provision of any consulting service to group entities

Explanation: Even if statutory auditors are eligible, SEBI prohibits any non-assurance or consulting service relationships with group entities to maintain objectivity.



Q4. Which of the following services, if offered by an assurance provider to the listed entity, is explicitly permitted under SEBI's indicative list?

a) Risk management advisory
b) Investment banking
c) Tax filing
d) Actuarial valuation



Correct Answer: c) Tax filing

Explanation: SEBI permits services that fall within the audit/assurance domain, such as tax filing, provided they do not impair independence. The others are listed as disallowed.



Q5. Under what conditions may a third-party certification agency act as a BRSR Core assurance provider?

a) Only if it is ISO 14001 certified

b) Only if it does not sell software to the listed entity

c) Only if it provides ESG strategy consulting

d) Only if it is listed under ICAI's assurance body



Correct Answer: b) Only if it does not sell software to the listed entity

Explanation: Selling products (even non-financial like software) creates a conflict of interest. The agency's certifications are permitted only if independence is preserved.



Q6. A firm is part of an international network that provides investment advisory services to the listed entity's subsidiary. Can it be appointed for BRSR Core assurance?

a) Yes, if the investment advisory was one-time only
b) No, as the network relationship implies conflict of interest
c) Yes, if the firm is based outside India
d) Yes, with SEBI's explicit approval



Correct Answer: b) No, as the network relationship implies conflict of interest

Explanation: SEBI includes network firms under “associate” category for CA firms, hence advisory by any part of the network creates ineligibility due to perceived influence.



Q7. A listed entity chooses to use ISAE 3000 as the standard for BRSR Core assurance. What must it mandatorily do under SEBI's circular?

a) File a separate annexure to SEBI detailing methodology
b) Notify the Ministry of Corporate Affairs
c) Disclose the standard used in its BRSR report
d) Get ICAI's approval before using international standards



Correct Answer: c) Disclose the standard used in its BRSR report

Explanation: SEBI allows flexibility in selecting global assurance standards but requires disclosure of the specific standard applied in the report.



Q8. Which of the following service combinations is most likely to be free from conflict under SEBI's FAQs?

a) Sustainability audit + investment advisory
b) System audit + outsourced financial operations
c) Tax audit + third-party certification
d) Project management + design of reporting systems



Correct Answer: c) Tax audit + third-party certification

Explanation: Both tax audits and third-party certification fall under permissible assurance services, provided they don't impair independence.



Q9. Which of the following best defines the term 'group' under SEBI's BRSR Core assurance framework?

a) Parent and unrelated strategic investors
b) Holding company, joint ventures, and unrelated affiliates
c) Holding company, subsidiaries, associates, and joint ventures
d) Only subsidiaries and associates with voting control



Correct Answer: c) Holding company, subsidiaries, associates, and joint ventures

Explanation: SEBI uses an inclusive definition of 'group' to encompass all entities over which the listed entity has control, influence, or shared ownership



Q10. Which of the following best reflects SEBI's expectation for listed entities when assessing potential conflict of interest with BRSR Core assurance providers?

a) Conducting an annual peer review of the assurance provider's other clients.

b) Ensuring the assurance provider or its associates are not simultaneously offering consulting or other non-assurance services to the entity or its group.

c) Rotating assurance providers every three years to maintain objectivity.

d) Disclosing a conflict only if it results in financial impact above a threshold set by the Board.



Correct Answer: b) Ensuring the assurance provider or its associates are not simultaneously offering consulting or other non-assurance services to the entity or its group.

Explanation: As per SEBI's Circular and FAQs, **listed entities must ensure** that the assurance provider or its associates **are not engaged in any non-assurance services**, such as consulting, for the entity or its group companies. This is to avoid even the appearance of conflict, irrespective of value or duration. There is **no prescribed financial threshold**, and rotation or peer review requirements are **not mandated** under this circular.



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