

The background of the slide is a low-angle, black and white photograph of a modern skyscraper with a grid-like facade of windows. A large, thick red curved shape, resembling a stylized arrow or a ribbon, curves from the top right towards the center. In the upper left, a small airplane is visible in the sky. The overall aesthetic is professional and architectural.

Thought Paper:

**Decoding the Business Responsibility
& Sustainability Reporting Core from
Assurance Perspective**

(ver 01, Dated 3rd of August 2023)

A hand holding a pen is positioned over a document. The document features a bar chart and a line graph. The bar chart has a vertical axis labeled from 0 to 700 in increments of 100. The horizontal axis is labeled with months: Jan., feb., mar., apr., may, June, July, and Aug. The bars represent values for each month: Jan. (100), feb. (120), mar. (140), apr. (160), may (200), June (250), July (280), and Aug. (350). A line graph is overlaid on the bar chart, showing a steady upward trend from approximately 100 in January to 350 in August. The document also contains some text, including "Detailed information of changing business activity of subsidiaries of..." and "WXY".

Part A:

A Broad Understanding about
Sustainability Assurance



What is an Assurance Engagement?

It is the process of gathering sufficient confidence by an assurance engagement team, corroborated through appropriate collection of evidences, to provide the practitioner with relevant confidence to issue an appropriate assurance opinion primarily on the following:

- (a) The qualitative and quantitative performance/ information of a subject matter, and
- (b) The process resulting in the performance/information, wherever applicable.

A Broad Overview on Assurance & Its Relevance

◆ Relevance of Sustainability Assurance Engagements in Current Context - Globally as well as in India

- **Regulatory requirements:** A separate set of performance parameters, BRSR Core, which are mentioned in Annexure 1, vide a consultation paper had been released by SEBI in March 2023, vide regulation # 34 (2) (f) LODR. Further, SEBI's circular, dated the 12th of July 2023, calls for assurance of the reported BRSR Core by the top 1000 listed companies in phases, as well as reporting and assurance of the BRSR Core by the value chain for the top 250 listed companies, on a comply-or-explain basis.
 - **Investors Requirements:** Various B2B investors are seeking third party assurance of the ESG performance disclosed by the companies prior to taking investment related decisions.
 - **ESG Rating Agencies:** Various ESG Rating frameworks have questions that seek assurance for different kind of ESG performances that have been disclosed by companies. Additional marks are provided if the disclosures are third party endorsed. This in turn, facilitates companies to improve their ESG score and attract better investment and or better business match making.
 - **Investment in Green Funds:** Various green based financial instruments are seeking assurance of the ESG performance of their companies/impacts of their projects, prior to seeking approvals as green fund before investment in the market.
- 
- A photograph showing three hands in business attire giving thumbs up, symbolizing approval or success. The hands are positioned in the upper right quadrant of the slide, partially overlapping the text area.
- **Demonstration of Transparency & Credibility for the Information Reported:** Various stakeholders, primarily the shareholders, regulatory authorities, local communities, customers, are seeking an external assurance of the company's ESG performance and long-term sustenance.
 - **Requirement by companies based abroad:** The companies in the value chain of UK, EU, US, etc. based companies are gradually seeking independent assurance against various requirements emerging out of their local ESG norms.

Understanding the Universe of Assurance

Select Type of Key Assurance Frameworks (Standards)

Existing:

- International Standard on Assurance Engagement (ISAE) 3000
- Sustainability Standard on Assurance Engagement (SSAE) 3000
- AA 1000 Assurance Standard
- Indian Standard (IS) 26002

Upcoming:

- International Standard on Sustainability Assurance™ (ISSA) 5000

Select Performance Parameters that are Subjected to Assurance

- Number of beneficiaries who have been brought above the below poverty line
- Social Returns on Investment (Monetised Wealth) created for the local community (in Million USD)
- Contribution in GDP of the country (in Rs.) for every cum. of Water Surplus
- Total quantity of GHG abated (in MT CO2 eq.)
- Number of Medical Negligence Cases (in numbers)
- Volume of water surplus/positive (in Million Litres)
- Suppliers in non-compliance with legal mandates (in numbers)
- Carbon Negative (in MT of CO2)
- Carbon emission per unit of revenue (MT of CO2/Rs.)
- Employees were highly motivated (Qualitative indicator),
- Local Community were highly satisfied (Qualitative indicator)

Select Type of Extra Financial Reports Subjected to Assurance

- Sustainability Reports
- Integrated Reporting (<IR>)
- Corporate Social Responsibility (CSR) Reports
- Environmental, Social and Governance (ESG) Reports
- Green/Sustainability/Social Bonds Reports
- Sustainable Development Goals (SDG) Reports
- Business Responsibility & Sustainability Report
- National Guidelines on Responsible Business Conduct (NGRBC) Reports
- Stand alone sustainability parameter

Select Types of Frameworks Subjected to Assurance

- Global Reporting Initiative Standards
- UN's Principles of Global Compact
- UN's Seventeen Sustainable Development Goals (SDGs)
- UN's Principles of Responsible Investment
- WRI/WBCSD GHG Accounting Protocol
- WBCSD Social & Human Capital Protocol, SRI Guidelines
- <IR> Framework of International Integrated Reporting Council (IIRC)
- ISO 26000: Social Responsibility Standard
- ISO 37000: Governance of Organizations Standard
- Principles of Responsible Investment
- National Guidelines on Responsible Business Conduct (NGRBC)
- Climate Bonds Initiative GB Framework
- The AWS International Water Stewardship Standard
- SEBI's Business Responsibility & Sustainability Report (India specific) framework

Part B:
The Requirements



Relevance of Assurance in the context of BRSR Core mandated by SEBI

◆ Disclosure and Assurance Requirements as Mandated by SEBI for the top 1000 Listed Companies (based on market capitalization)

- **The Journey of Mandatory Sustainability Reporting in India:** In 2012, SEBI had mandated the top 100 companies by market capitalization to report as per the Business Responsibility Report (BRR) framework, which was been developed based on National Voluntary Guidelines. This mandate was subsequently extended to the top 500 companies in 2015 based on market capitalization. In between, the Govt. of India had released the National Guidelines on Responsible Business Conduct (NGRBC) in Dec. 2018, which was conceptualized on the basis of nine business principles. The extract of NGRBC formed the basis of development of Business Responsibility and Sustainability Reporting (BRSR) framework. In 2019, SEBI has mandated the top 1000 companies, based on market capitalization to disclose as per the framework of BRSR, from FY 2022/23 onwards.
- **The Beginning of Mandatory Assurance of BRSR Core :** A separate set of performance parameters, BRSR Core, which are mentioned in Annexure I, vide a consultation paper had been introduced by SEBI in March 2023, vide regulation # 34 (2) (f) LODR. On the 12th of July 2023, SEBI released a circular that defined nine attributes in Annexure I, which are termed as BRSR Core. These 9 attributes are – Change in Greenhouse Gas (GHG) footprint, Change in Water footprint, Investing in reducing environmental footprint, Embracing circularity - details related to waste management by the entity, Enhancing Employee Well-being and Safety, Enabling Gender Diversity in Business, Enabling Inclusive Development, Fairness in Engaging with Customers and Suppliers and Open-ness of business. These 9 attributes defines reporting of approx. 50 key performance parameters, i.e. sustainability based performance indicators. The updated format of BRSR, post inclusion of the BRSR Core is mentioned in Annexure # II of the circular. In order to enhance the credibility of the disclosures, generate higher investor confidence and prevent green-washing of the reported data, SEBI has mandated assurance of such reportable performance parameters. Accordingly, the following has come into application, as mandated by SEBI as per the revised circular for the top 1000 listed companies (by market capitalization):
 - (a) All the top 1000 listed companies, vide clause # 3.4.1 of the circular, shall have to make disclosures as per the updated BRSR format defined in Annexure II (vide clause # 3.1), as part of their Annual Reports.
 - (b) Vide clause # 3.4.2 of the circular, the top 1000 listed companies shall seek reasonable assurance of the BRSR Core in phases, as mentioned below:
 - ✓ The top 150 listed companies need to seek reasonable assurance starting FY 24/25 onwards, for the BRSR Core that is reported for FY 23/24 onwards.
 - ✓ The top 250 listed companies need to seek reasonable assurance starting FY 25/26 onwards, for the BRSR Core that is reported for FY 24/25 onwards.
 - ✓ The top 500 listed companies need to seek reasonable assurance starting FY 26/27 onwards, for the BRSR Core that is reported for FY 25/26 onwards.
 - ✓ The top 1000 listed companies need to seek reasonable assurance starting FY 27/28 onwards, for the BRSR Core that is reported for FY 26/27 onwards.

Relevance of Assurance in the context of BRSR Core mandated by SEBI (*continued*)

◆ Disclosure Requirements Mandated by SEBI for the Top 250 Listed Companies (based on market capitalization) for their Value Chain

The Beginning of Mandatory Sustainability Reporting for the Value Chain in India: Vide clause # 4.1 and 4.2 of the circular, issued by SEBI, dated 12th July 2023, SEBI has mandated the top 250 listed companies by market capitalization to disclose the performance of BRSR Core of their value chain, in their Annual Report, to the extent that the performance parameters are attributable to their business with that value chain partner. Vide clause # 4.1, the circular states that the value chain shall encompass the top upstream and downstream partners of a listed entity, cumulatively comprising 75% of its purchases/sales (by value) respectively. Such reporting by the listed entity may be segregated for upstream and downstream partners or can be reported on an aggregate basis. Clause # 4.3 of the circular states that the scope of reporting and any assumptions or estimates, if any that is applied in the estimation of the reportable performance parameters, shall be clearly disclosed.

◆ Disclosure Requirements as Mandated by SEBI for the Value Chain of the top 250 Listed Companies (based on market capitalization)

The Beginning of Mandatory Sustainability Reporting by Value Chain in India: Vide clause # 4.4.1 of the circular, dated 12th July 2023 that has been issued by SEBI, it has also mandated the value chain of the top 250 listed entities (by market capitalization) to report on the BRSR Core performance parameters starting FY 24/25 onwards, on a comply-or-explain basis

◆ Requirements for Assurance of Disclosure Mandated by SEBI for the Value Chain of the Top 250 Listed Companies (based on market capitalization)

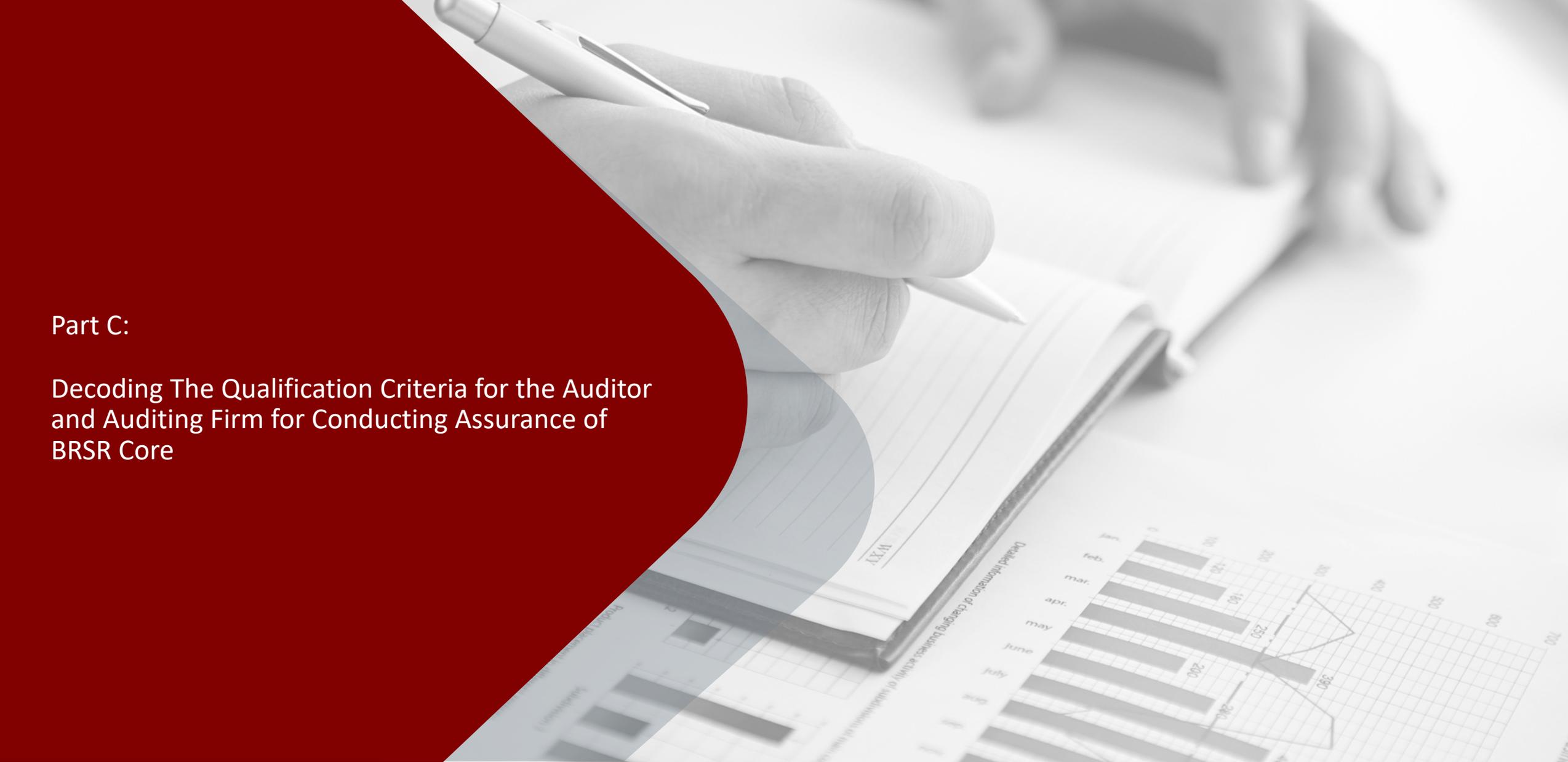
The Beginning of Mandatory Assurance of BRSR Core by Value Chain in India: Vide clause # 4.4.2, SEBI's circular dated 12th July 2023 states that for the BRSR Core to be reported by the value chain of the top 250 listed companies, limited assurance opinion has to be sought, on a comply-or explain basis from FY 2025/26 onwards. The circular however does not clearly mention, whether it would be the responsibility of the suppliers to conduct the limited audit or that of the top 250 listed companies. The following options could therefore be considered in respect to such a requirement:

- Option # 01: Keeping in view that a company in the value chain could be a supplier of services/goods to multiple companies in the top 250 listed companies, it could make reasonable sense for such companies in the value chain, to seek limited audit for their reportable BRSR Core performance and submit their audit report to the top 250 listed companies, which falls under the mandate of SEBI.
- Option # 02: In a scenario, wherein it is ultimately the responsibility of the listed company to report the performance of value chain, it could make reasonable sense for the listed company to seek limited assurance opinion for their value chain, by undertaking audits at the sites of some of their value chain on a sample basis and accordingly disclosing the same in their annual report.

◆ An Explanation of the Requirements specific to Assurance Providers

Assessment of Qualifying Criteria of the Auditors: Vide clause # 5.1 and 5.2 of the circular, issued by SEBI, dated 12th July 2023, SEBI has mandated the Board of the top 1000 listed companies by market capitalization to ensure the following:

- The assurance provider of the BRSR Core has the necessary expertise, for undertaking reasonable assurance.
- There is no conflict of interest with the assurance provider appointed for assuring the BRSR Core.

A hand holding a pen is positioned over a document. The document features a bar chart and a line graph. The bar chart has a vertical axis labeled from 0 to 700 in increments of 100. The horizontal axis is labeled with months: Jan., feb., mar., apr., may, June, July, and Aug. The bars represent values for each month: Jan. (100), feb. (120), mar. (140), apr. (160), may (200), June (250), July (280), and Aug. (350). A line graph is overlaid on the bar chart, connecting the tops of the bars. The document also contains some text, including "Detailed information of changing business activity of subsidiaries of the company" and "W.X.Y.".

Part C:

Decoding The Qualification Criteria for the Auditor and Auditing Firm for Conducting Assurance of BRSR Core

An Analysis of the Qualifying Criteria that Board of Listed Companies could Consider while Selecting an Assurance Standard and Assurance Provider

What are the key assurance standards that are primarily in application in India for issuance of assurance opinions?

The assurance standards that are in application in India are International Standard on Assurance Engagement (ISAE) 3000 and AA 1000 Assurance Standard (AS). The Sustainability Standard on Assurance Engagement (SSAE) 3000 and Indian Standard (IS) 26002 standards have been released recently by the Institute of Chartered Accountants of India and the Bureau of Indian Standards. Of these standards, ISAE 3000 is mostly in application in India.

Given the importance of assurance in sustainability reporting, the International Auditing and Assurance Standards Board (IAASB) shall be releasing International Standard on Sustainability Assurance (ISSA) 5000 in 2024. The standard will be profession-agnostic, supporting its use by both professional accountant and non-professional accountant assurance practitioners in performing sustainability assurance engagements.

Of the Assurance Standards that are available in India, which Assurance Standards offer the concept of Limited and Reasonable Assurance Engagements?

Currently the ISAE 3000, SSAE 3000 and IS 26002 standard offer the provision of both Limited and Reasonable Assurance Engagements. *Annex # 1 gives a comparative analysis of limited and reasonable assurance engagements.*

What criteria should be considered while selecting an Assurance Standard?

Any document is defined as a global standard, when it has been developed through global stakeholder engagement and consultation process and consent. An assurance standard should therefore be universal, which can be applied by any organization across the globe. Any internal quality control mechanism developed by any organization cannot be defined as a standard. **Further, the BRSR Core is a statutory requirement, hence, it makes reasonable sense to for the board of a company to select an assurance standard that is recognised by a Govt. of India body.** *Annex # 2 gives a comparative analysis of the assurance standards that are currently available in India.*

How will the Board be able to identify which auditor/auditing firm is eligible and authorised to issue an opinion based on an assurance standard?

- **ISAE/SSAE 3000:** Some companies may be ignorant of the fact that most of the competent practitioners (non-chartered/non-cost accountants) are not authorised to issue audit reports as per ISAE 3000/SSAE 3000, unless they are a part of Multi-Disciplinary Partnership accounting firm. Audit reports issued by persons other than such defined practitioners may therefore stand invalid. A detailed analysis of the requirements that are specified in ISAE 3000 is presented in *Annex # 2 and 3 to facilitate a company to understand why practitioners other than Chartered Accountants are not eligible to conduct and opine on the basis of ISAE 3000.*
- **AA 1000AS:** No mandatory requirements have been defined for practitioners.
- **IS 26002:** Part 3 of the standard defines the qualifications of the practitioners and auditing firms. Audit reports issued by persons other than such defined practitioners may stand invalid.

An Analysis of the Qualifying Criteria that Board of Listed Companies could Consider while Selecting an Assurance Standard and Assurance Provider *(continued)*

◆ How will the board assess whether the assurance provider to be engaged for audit of the BRSR Core has the necessary expertise for undertaking reasonable assurance?

This would encompass two requirements, as mentioned below:

- **Ability of Auditing Firm to issue Reasonable Assurance Opinion:** If the auditing firm has issued any reasonable assurance opinion to any organization, then, proof of such qualifications should ideally suffice the purpose.
- **Ability of Auditor to issue Reasonable Assurance Opinion:** If the auditor/practitioner has issued any reasonable assurance opinion to any organization, then, proof of such qualifications should ideally suffice the purpose.

◆ How will the board ensure that there is no conflict of interest with the assurance provider appointed for assuring the BRSR Core?

The board of the listed company shall ensure that the management of the auditing firm offering assurance service is independent of the companies that have offered the advisory services. The auditor shall mention in the assurance statement that it has maintained independence in the assurance engagement.

◆ What is the critical statement that must be mentioned in an opined assurance report?

Every assurance statement should mention that the assurance engagement has been conducted '**in accordance with**' the relevant standard (such as ISAE 3000, IS 26002, etc.), subject to the condition that the auditor is in compliance with every applicable requirement defined in the standard. Mere mention of 'in alignment with' or 'as per' etc. are indications that the auditor/auditing firm is not in compliance with the requirements defined in the assurance standard. Such assurance statements may therefore stand invalid.

Part D:

Neutralizing the Lurking Risks



Analysis of Risks in respect to BRSR Core and How to Neutralize such Risks

◆ **Is there a possibility that the auditor can deny the issuance of a reasonable assurance opinion?**

For any of the reportable BRSR Core based performance parameter, if its processes is found to be inappropriate, which fails to provide a confidence to the auditor, an auditor could deny the issuance of a reasonable assurance opinion. In such a case, the auditor could cite the challenges in the assurance report. In such a scenario, failure to receive a reasonable assurance opinion from the auditor, could be construed as a non-compliance. In order to prevent such a situation, it is advisable that a listed company establishes a robust and effective process for every performance parameter that shall stand the test of reasonable assurance.

◆ **How can the board of a company which is beyond the top 150 listed companies, strive to ensure that it receives a reasonable assurance statement from the assurance provider it has appointed for assuring the performance of BRSR Core parameters?**

The board of a listed company that is beyond the top 150 companies has an opportunity of at least one year, to improve its processes and correct the course of action. Such a company can start seeking a reasonable assurance from FY 24/25 onwards, for its disclosed BRSR Core performance of FY 23/24. This will enable the board to get at least a window/opportunity of one year to understand the challenges that prevents the auditor from issuing a reasonable opinion, if any. During such a period, the company can start improving and strengthening its processes to ensure that such processes do not pose any challenge for the auditor, for the issuance of a reasonable assurance statement, from the year when seeking a reasonable opinion becomes mandatory for the company.

◆ **Is knowledge pertaining to Environmental, Health, Safety and Social regulations an important requirement?**

No matter, even if the company is not seeking an assurance wrt. being in compliance with applicable legal requirements from a third party, the company is otherwise making a self-declaration in respect to the same in its BRSR report. Hence, it becomes imperative for the company to ensure that has put in effective processes and procedures in place for effective implementation of the applicable legal requirements, with a special mention to being in compliance with the environmental regulations. It makes a reasonable sense to introduce quarterly environmental, health, safety, social and sustainability documentation and site-specific internal audits.

◆ **Where lies the risk in reporting the performance parameters of the value chain?**

It is the responsibility of the top 250 listed companies by market capitalization to disclose the performance of BRSR Core of their value chain, in their Annual Report, to the extent it is attributable to their business with that value chain partner. Apart from those companies that are opting for an independent assurance opinion for the BRSR Core reported by such companies, there remains a possibility that some of the other companies in the value chain that are not seeking an independent opinion, could be reporting information of BRSR Core performance parameters that may be inconsistent and could therefore vary significantly.

It is generally seen that 25% of companies in the value chain account for approx. 75% of outsourced revenue. Further, 25% of 25% number of suppliers, hold approx. 75% of 75% of revenue. Supposing, a company has 200 companies in the value chain with Rs. 2,000 crore as outsourced revenue, then, 25% of 25% of suppliers, i.e. $25\% \times 25\% \times 200$, i.e. 25 companies will hold 75% of 75% of revenue, i.e. $75\% \times 75\% \times \text{Rs. } 2,000 \text{ Crores}$, i.e. Rs. 1,125 Crores. Hence, on a proportionate basis, an independent limited review could be carried out for the top 10% of suppliers (i.e. approx. 25 sample companies for a total population of 200 companies) on a sample basis that accounts for approx. 50% of outsourced revenue (i.e. Rs. 1,125 Crores). The audited figure of such 10% companies could thereafter be extrapolated to the balance 90% companies on the basis of their type and size to arrive at an appropriate disclosure.

Part E:

The Conclusion



Summarizing the Thought Paper

While, SEBI has taken a positive and encouraging stand to prevent green-washing by introducing the concept of reasonable audit, in order to ease off the pressure on industries, SEBI could have considered initiating limited audit for one to two years for the top 1000 listed companies, which could have been followed by a reasonable audit. This would have allowed industries to have the breathing time to establish robust internal processes and management information systems that would eventually stand the test of reasonable audits. Sudden introduction of reasonable assurance could pose challenges for the listed companies and may mean high investment in the development of processes by some companies.

The silver lining is, with the introduction of reasonable assurance, all companies will have to follow a common methodology of audit right from the beginning, which will help industries of a particular type and size to benchmark their performance with each other on sustainability related matters. This would eventually help the investors, regulators, value chain and other interested stakeholders in their decision-making process.

While SEBI has not mandated the use of a specific assurance standard, it is important that industries also appreciate the fact that since reasonable assurance audit is a statutory requirement, hence it becomes imperative that they apply an assurance standard that is recognised by a national body; and accordingly, engage auditors and auditing firms who are technically qualified and eligible to conduct the audit as per such assurance standards. In order to ensure that there is no impairment of independence, prior to engagement of auditing firms, companies can seek a declaration from such auditing firms on whether they are independent of the audit services that they would be offering. Such declarations could be signed off by the highest office authority of the auditing firm. Also, to ensure that the auditor and auditing firm have complied with all requirements defined in the assurance standard, the listed company should seek a declaration from the auditing firm that the audit has been carried out 'in accordance' with the requirements specified in the assurance standard. Such a declaration needs to be stated in the opined assurance statement.

For the BRSR Core to be reported by the value chain of the top 250 listed companies, limited assurance opinion has to be sought, on a comply-or explain basis from FY 2025/26 onwards. Keeping in view that a company in the value chain could be a supplier of services/goods to multiple companies in the top 250 listed companies, hence, it makes reasonable sense for such companies in the value chain, to seek limited audit for their reportable BRSR Core performance and submit the audit report to the top 250 listed companies. The circular however does not clearly mention, whether it is the responsibility of the suppliers to conduct the limited audit or that of the listed company. In a scenario, where it is ultimately the responsibility of the top 250 listed companies to report the performance of value chain (*with 75% of purchase/sale by value*), such listed companies could consider undertaking limited assurance audit, at the sites of some of their value chain, on a sample basis. The sample to be selected for the purpose of such an audit should be appropriate enough to give the auditor sufficient confidence to issue a limited assurance opinion.



A hand holding a pen is positioned over a document. The document features a bar chart and a line graph. The bar chart has a vertical axis labeled from 0 to 700 in increments of 100. The horizontal axis is labeled with months: Jan., feb., mar., apr., may, June, July, and Aug. The bars represent values for each month: Jan. (100), feb. (120), mar. (140), apr. (160), may (200), June (250), July (280), and Aug. (350). A line graph is overlaid on the bar chart, connecting the tops of the bars. The text 'Detailed information of changing business activity of subsidiaries of...' is visible on the document. A large red curved shape is on the left side of the image.

The Annexures

Annexure # 1: Comparative Analysis of Limited and Reasonable Assurance Engagements

Elements of Assessment	Reasonable/High Assurance Engagement	Limited/Moderate Assurance Engagement
Confidence Level of Engagement	<ul style="list-style-type: none"> ▪ A reasonable assurance engagement lowers the assurance engagement risk to a manageable level. The engagement risk in this type of assurance engagements is diminished to the point wherein, the auditor secures very high confidence to opine and conclude on a subject matter and its information, positively. ▪ Such an assurance engagement is slightly lesser in confidence level in comparison to ‘absolute opinion’. 	A type of assurance engagement wherein, the engagement has a higher level of engagement risk <i>(which is brought to a level that is acceptable to the auditor)</i> .
Significance of Subject Matter Informed and accordingly the Opinion	The subject matter informed is reliable, consistent and accurate; hence, a positive assurance opinion is issued on the same.	The subject matter informed is plausible; hence, a negative assurance opinion is issued on the same.
Examples of Opinion Conclusions/Expressions	<ul style="list-style-type: none"> ▪ We hereby state that the information disclosed by the company is true and fair. ▪ We hereby state that the company is in compliance with the applicable laws. 	<ul style="list-style-type: none"> ▪ Nothing has come to our attention that causes us to believe that the disclosed information is misstated. ▪ Nothing has come to our attention that causes us to believe that the company is not in compliance with the applicable laws.
Timing of review	Fairly extensive time period	Requires a shorter time span
Extent of evidence gathering for the information of the subject matter	<ul style="list-style-type: none"> ▪ Unrestricted and a deep-dive extensive sampling and evidence gathering exercise, across all levels, supported by collection of sufficient corroborative evidence, to an extent that the practitioner considers it reasonable. ▪ Conducting a detailed review to obtain sufficient and appropriate evidence and identify the possibility of any material misstatement of the subject matter and its information. 	<ul style="list-style-type: none"> ▪ Less extensive; the evidence gathering is limited to the extent that an auditor finds the information ‘worthy of belief’ to have the appropriate confidence to issue an assurance opinion. ▪ Conducting a limited sampling and analytical evidence gathering and inquiry exercise.

Annexure # 2: Comparison of the Assurance Standards

Items of Assessment	Assurance Standards			
	International Standard on Assurance Engagement (ISAE 3000)	Sustainability Standard on Assurance Engagement (SSAE 3000)	AA 1000AS (Assurance Standards)	Indian Standard (IS) 26002 (Gazetted Standard)
Issuing Authority	International Accounting and Assurance Standards Board (IAASB)	Institute of Chartered Accountants of India (ICAI)	Accountability	The Bureau of Indian Standards, Govt. of India
Additional Applicable Standards on Quality Control and Code of Ethics	<ul style="list-style-type: none"> International Standard on Quality Control (ISQC1) The International Ethics Standards Board for Accountants (IESBA) Code of Ethics (CoE) 	<ul style="list-style-type: none"> SQC 1 (International Standard on Quality Control) Code of Ethics (CoE) issued by the ICAI Framework for Assurance Engagements 	<ul style="list-style-type: none"> Quality Control requirements are defined in the standard Code of Ethics is in-built in the standard 	<ul style="list-style-type: none"> Quality Control Standard is in-built in the standard Code of Ethics is in-built in the standard
Approval by Govt. of India approved body, if any		Standard recognized by ICAI (<i>a statutory body established by an Act of Parliament under the Chartered Accountants Act, 1949</i>)		Standard recognized by the Bureau of Indian Standards (<i>the nodal national standards development body of Govt. of India</i>)
Nature of Assurance Engagement	Limited or Reasonable Assurance Engagement	Limited or Reasonable Assurance Engagement	Moderate or High Assurance Engagements	Limited or Reasonable Assurance Engagement
Eligibility Requirements for Auditors and Auditing Firms and Key Challenges, if any	<ul style="list-style-type: none"> Can be applied only by Professional Accountants who are: <ul style="list-style-type: none"> ✓ IFAC members, i.e. Chartered Accountants and Cost Accountants of India; ✓ Engineers, architects, lawyers, etc. subject to the condition that they are members of Multi-Disciplinary Partnership (MDP) CA firms. Can be applied by Competent Practitioners other than a Professional Accountant, subject to the condition they follow Quality Control & Code of Ethics standards which are at least, as demanding as IESBA CoE and ISQC1. If the practitioner is not a professional accountant, the statement shall identify the professional requirements, or requirements imposed by law or regulation, applied that are at least as demanding as Parts A and B of the IESBA Code and ISQC 1 related to assurance engagements. 	<ul style="list-style-type: none"> Can be applied only by a Professional Accountant who is: <ul style="list-style-type: none"> ✓ A member of the Institute of Chartered Accountants of India and is a professional accountant in public practice (as mentioned in the Framework for Assurance Engagements); ✓ An engineer, architect, lawyer, etc. subject to the condition that he/she is a member of Multi-Disciplinary Partnership (MDP) CA firm. ✓ In compliance with the guidelines of the Code of Ethics issued by the Institute of Chartered Accountants of India related to assurance engagements. ✓ A member of a firm that applies Standard on Quality Control (SQC) 1. 	<ul style="list-style-type: none"> No mandatory requirement specified for an auditor, hence quality control matters related to practitioner's qualification is a challenge. Vide Clause # 12.3 of the AA1000AS v3 Licensing Agreement, all matters related to license agreement of AA 1000AS shall be governed by and construed in accordance with the laws of the state of New York, USA. As such, all disputes/ litigation resulting on the use of AA 1000AS shall be settled in the court of New York. 	<ul style="list-style-type: none"> Can be applied by a practitioner who has the requisite educational qualification and professional expertise based on their competence and skill-set. Part 3 of IS 26002, defines the specific educational qualification and expertise/professional qualification of the auditing firm and of the auditor.

Annexure # 3: The Challenges for Non-IFAC Members in the Issuance of Opinion as per ISAE 3000

ISAE 3000 is largely applied in the issuance of assurance opinion. However, only a limited number of firms are eligible to conduct assurance engagements as per ISAE 3000. The following describe the challenges in the issuance of assurance statements as per ISAE 3000 by non-IFAC members.

Requirement mentioned in ISAE 3000	Applicability	
	IFAC Members (Professional Accountants)	Non-IFAC Members (Competent Practitioners)
<p>Clause # 3 (a) of ISAE 3000: This ISAE is premised on the basis that - The members of the engagement team and the engagement quality control reviewer are subject to Parts A and B of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code) related to assurance engagements, or other professional requirements, or requirements in law or regulation, that are at least as demanding.</p> <p>Clause # 3 (b) of ISAE 3000: This ISAE is premised on the basis that - The practitioner who is performing the engagement is a member of a firm that is subject to International Standard on Quality Control (ISQC1), 1 or other professional requirements, or requirements in law or regulation, regarding the firm's responsibility for its system of quality control, that are at least as demanding as ISQC 1.</p>	<p>Professional Accountants are authorised to use ISAE 3000 in assurance engagements as they fulfil the following requirements:</p> <ul style="list-style-type: none"> • The Requirement: The Preface of the IESBA Code of Ethics (CoE) mentions that the Code is for use by Professional Accountants around the world. Further, under 'Authority of ISQC1', the Clause # 4 of ISQC1, Volume 1 states that the ISQC1 applies to all firms of Professional Accountant in respect of audit and reviews of financial statements, and other assurance and related services engagement. • How Chartered Accountants and Cost Accountants are Eligible? The Glossary of the IESBA Code of Ethics defines Professional Accountant as a member of a member firm of International Federation of Accountants (IFAC). Similarly, the Glossary of the Terms in ISQC1, defines Professional Accountant as an individual who is a member of IFAC member body. The IFAC members in India* are: <ul style="list-style-type: none"> ➤ Institute of Chartered Accountants of India, ➤ Institute of Cost Accountants of India. (*Source: https://www.ifac.org/what-we-do/global-impact-map/members-associates) ▪ How Other Professionals other than Chartered Accountants and Cost Accountants too are also Eligible, subject to the condition they work with a Multi-Disciplinary Partnership firm? Chartered Accountant (CA) Amendment Regulations 2021 and revised Form 18 that is applicable from 8th July 2021, vide regulation 53B, specifies that a Company Secy., Cost Accountant, Advocate, Engineer, Architect and Actuary working for a Multi-Disciplinary Partnership (MDP) CA firm can also act in the capacity of a Professional Accountant. 	<p>Competent practitioners (say, sustainability auditors) are non IFAC members. They are not Professional Accountants, hence, in respect to the limitation defined vide clause # 3 (a) and 3 (b) of ISAE 3000, competent practitioners based in India are not authorised to use ISAE 3000 in assurance engagements.</p>

Annexure # 3: The Challenges for Non-IFAC Members in the Issuance of Opinion as per ISAE 3000 (contd.)

Requirement	Applicability	
	IFAC Members (Professional Accountants)	Non-IFAC Members (Competent Practitioners)
<p>Clause # 4 of ISAE 3000 (last sentence): If a competent practitioner other than a professional accountant in public practice chooses to represent compliance with this or other ISAEs, it is important to recognize that this ISAE includes requirements [Clause # 20 & 69(h)] that reflect the premise in the preceding paragraph [Clause # 3 (a) and 3 (b)].</p> <p>Clause # 20 of ISAE 3000: The practitioner shall comply with Parts A and B of the IESBA Code related to assurance engagements, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding.</p> <p>Clause # 69 (h) of ISAE 3000: The assurance report shall include a statement that:</p> <ul style="list-style-type: none"> The practitioner complies with the independence and other ethical requirements of the IESBA Code, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding as Parts A and B of the IESBA Code related to assurance engagements. If the practitioner is not a professional accountant, the statement shall identify the professional requirements, or requirements imposed by law or regulation, applied that are at least as demanding as Parts A and B of the IESBA Code related to assurance engagements. 	<p>Professional Accountants are authorised for use of ISAE 3000 in assurance engagements as they comply with the following eligibility requirements:</p> <ul style="list-style-type: none"> The Requirement: The Preface of the IESBA Code of Ethics (CoE) mentions that the Code is for use by Professional Accountants around the world. How Chartered Accountants and Cost Accountants are Eligible? The Glossary of the IESBA Code of Ethics defines Professional Accountant as a member of a member firm of International Federation of Accountants (IFAC). IFAC members in India* are: <ul style="list-style-type: none"> Institute of Chartered Accountants of India, Institute of Cost Accountants of India. <p>(*Source: https://www.ifac.org/what-we-do/global-impact-map/members-associates)</p> How Other Professionals other than Chartered Accountants and Cost Accountants too are also Eligible, subject to the condition they work with a Multi-Disciplinary Partnership firm? Chartered Accountant (CA) Amendment Regulations 2021 and revised Form 18 that is applicable from 8th July 2021, vide regulation 53B, specifies that a Company Secy., Cost Accountant, Advocate, Engineer, Architect and Actuary working for a Multi-Disciplinary Partnership (MDP) CA firm can also act in the capacity of a Professional Accountant. 	<p>In respect to the following limitations, competent practitioners (say, sustainability auditors) based out of India are technically not eligible or authorised to use ISAE 3000 in assurance engagements:</p> <ul style="list-style-type: none"> Competent practitioners are non IFAC members, hence, they are not Professional Accountants. No such professional requirement has been defined 'nor' is there any requirement by any law in India that recognizes such competent (sustainability) practitioners in India. No such professional document nor any requirement by law has been defined, as an alternate to IESBA CoE, which is at least as demanding as IESBA CoE, for application by competent (sustainability) practitioners in India. In the absence of professional recognition by law or regulation for competent (sustainability) practitioners in India, no such statement can be mentioned in the assurance statement that represents their professional requirements. Further, in the absence of an alternate document to IESBA CoE, no such name of a professional document that is alternate to IESBA CoE can be mentioned in the assurance opinion statement.

Annexure # 3: The Challenges for Non-IFAC Members in the Issuance of Opinion as per ISAE 3000 (contd.)

Requirement	Applicability	
	IFAC Members (Professional Accountants)	Non-IFAC Members (Competent Practitioners)
<p>Clause # 4 of ISAE 3000 (last sentence): If a competent practitioner other than a professional accountant in public practice chooses to represent compliance with this or other ISAEs, it is important to recognize that this ISAE includes requirements [Clause # 31 & 69(i)] that reflect the premise in the preceding paragraph [Clause # 3 (a) and 3 (b)].</p> <p>Clause # 31 of ISAE 3000: The engagement partner shall: (a) Be a member of a firm that applies ISQC 1, or other professional requirements, or requirements in law or regulation, that are at least as demanding as ISQC 1.</p> <p>Clause # 69 (i) of ISAE 3000: The assurance report shall include a statement that:</p> <ul style="list-style-type: none"> The firm of which the practitioner is a member applies ISQC 1, or other professional requirements, or requirements in law or regulation, that are at least as demanding as ISQC 1. If the practitioner is not a professional accountant, the statement shall identify the professional requirements, or requirements in law or regulation, applied that are at least as demanding as ISQC 1. 	<p>Professional Accountants are authorised for use of ISAE 3000 in assurance engagements as they comply with the following eligibility requirements:</p> <ul style="list-style-type: none"> The Requirement: Under ‘Authority of ISQC1’, Clause # 4 of ISQC1, Volume 1 states that the ISQC1 applies to all firms of Professional Accountant in respect of audit and reviews of financial statements, and other assurance and related services engagement. How Chartered Accountants and Cost Accountants are Eligible? The Glossary of the Terms in ISQC1, defines Professional Accountant as an individual who is a member of IFAC member body. IFAC members in India* are: <ul style="list-style-type: none"> Institute of Chartered Accountants of India, Institute of Cost Accountants of India. <i>(*Source: https://www.ifac.org/what-we-do/global-impact-map/members-associates)</i> How Other Professionals other than Chartered Accountants and Cost Accountants too are also Eligible, subject to the condition they work with a Multi-Disciplinary Partnership firm? Chartered Accountant (CA) Amendment Regulations 2021 specifies that a Company Secy., Cost Accountant, Advocate, Engineer, Architect and Actuary working for a Multi-Disciplinary Partnership (MDP) CA firm can also act in the capacity of a Professional Accountant. 	<p>In respect to the following limitations, competent practitioners (<i>say, sustainability auditors</i>) based out of India are technically not eligible or authorised to use ISAE 3000 in assurance engagements:</p> <ul style="list-style-type: none"> Competent practitioners are non IFAC members, hence, they are not Professional Accountants. No such professional requirement has been defined ‘nor’ is there any requirement by any law in India that recognizes such competent (sustainability) practitioners in India. No such professional document nor any requirement by law has been defined, as an alternate to ISQC1, which is at least as demanding as ISQC1, for application by competent (sustainability) practitioners in India. In the absence of professional recognition by law or regulation for competent (sustainability) practitioners in India, no such statement can be mentioned in the assurance statement that represents their professional requirements. Further, in the absence of an alternate document to ISQC1, no such name of a professional document that is alternate to ISQC1 can be mentioned in the assurance opinion statement.

A grayscale photograph of a hand holding a pen, poised to write on a document. The document features a bar chart and a line graph. The bar chart has a vertical axis labeled from 0 to 700 in increments of 100. The horizontal axis is labeled with months: Jan., Feb., Mar., Apr., May, June, July, and Aug. The bars represent values for each month: Jan. (100), Feb. (150), Mar. (160), Apr. (250), May (200), June (200), July (350), and Aug. (380). A line graph is overlaid on the bars, connecting the tops of each bar. The background is a solid dark red color with a white curved shape on the left side.

Thank You!



Rajib Kumar Debnath,
Head, Sustainability & CSR Services
Mo. #: +91-98107-27686

Standard Disclaimer:

This thought leadership paper titled, 'An Analysis of the BRSR Core mandated by SEBI and Decoding the Criteria for the Selection of Auditors by the Board for Conducting Audit of BRSR Core & Neutralization of Identified Risks' has been prepared by Rajib Kumar Debnath purely from the perspective of knowledge sharing and has been shared in the public in good faith. The views expressed herein this thought paper are solely of Rajib Kumar Debnath. The firm which Rajib Kumar Debnath represents, as well as persons in the leadership of the firm, takes no responsibility of any content and views expressed in this thought leadership paper. Rajib Kumar Debnath, the firm and its leadership shall also not be held responsible for any concern arising from this thought leadership paper and shall not be held liable nor accountable for responding to any individual's or organizations' query or concern expressed in writing or otherwise, in respect to this thought leadership paper.

Our Offices



NOIDA

(Delhi NCR - Corporate Office)
A-109, Sector 136,
Noida – 201304, India
T: +91 120 2598000

GURUGRAM

001-005, Tower A-10th Floor, Emaar Digital
Greens Sector 61
Gurugram, Haryana, 122102, India
T: +0124-4301551/1552

BENGALURU

Prestige Obelisk, Level 4, No 3 Kasturba
Road Bengaluru – 560 001, Karnataka,
India
+91 80 2248 4555

CHENNAI

Prestige Palladium Bayan, Level 5, 129-140,
Greams Road, Thousand Lights, Chennai –
600006, India
T: + 91 44 4654 9201

DELHI

(Registered Office)
B-27, Soami Nagar,
New Delhi-110017, India
T: +91 120 2598000

MUMBAI

4th Floor, Iconic Tower, URMI Estate,
Ganpat Rao Kadam Marg, Lower Parel-
400013, India
T: +91 22 61737000

PUNE

3rd Floor, Park Plaza,
CTS 1085, Ganeshkhind Road, Next to Pune
Central Mall,
Shivajinagar, Pune – 411005, india

DEHRADUN

First Floor, “IDA” 46 E. C. Road,
Dehradun - 248001, Uttarakhand, India
T: +91 135 271 6300/301/302/303