

Frequently Asked Questions (FAQs) on the Business Responsibility and Sustainability Report (BRSR) Core

SEBI vide Circular No. SEBI/HO/CFD/CFD-SEC-2/P/CIR/2023/122 dated July 12, 2023 (“Circular”) has introduced assurance requirements as per the BRSR Core. The Circular requires the listed entity to ensure that there is no conflict of interest with the assurance providers appointed for assuring the BRSR Core. The Circular illustrates that potential conflict can arise if an assurance provider or any of its associates sell its products or provide any non-audit / non-assurance related service including consulting services, to the listed entity or its group entities.

In view of requests for clarifications received by SEBI, Frequently Asked Questions (FAQs) regarding the aforesaid circular are listed below.

1. Does the assurance provider need to be a Chartered Accountant?

Assurance of the BRSR Core is profession agnostic and need not necessarily be undertaken by a Chartered Accountant. The Board of the listed entity shall ensure that the assurance provider appointed for assuring the BRSR Core has the necessary expertise for undertaking reasonable assurance in the area of sustainability.

2. What activities / services by an assurance provider (for the BRSR Core) can lead to conflict of interest?

The Circular lays down the over-arching principle that there should not be any conflict of interest with the assurance provider appointed for assuring the BRSR Core.

In case an assurance provider sells its products or offers any non-audit or non-assurance services to a listed entity or its group entities, irrespective of whether the nature of the product / service is financial or non-financial, it will not be eligible to undertake assurance of the BRSR Core.

3. What activities can be undertaken by an assurance provider for the BRSR Core?

Activities that are in the nature of audit / assurance such as providing third-party certifications, tax audit, system audit and tax filing etc. can be undertaken by an assurance provider for the BRSR Core for the listed entity or its group entities, if the listed entity determines that they do not pose any conflict of interest or compromise the independence of the assurance provider.

However, activities such as risk management, project management, management and consulting services, investment advisory services, investment banking services, design and implementation of information systems, rendering of outsourced financial services, actuarial services, accounting and book keeping services cannot be undertaken by an assurance provider for the BRSR Core for the listed entity or its group entities. It may be noted that this is an indicative and not an exhaustive list.

4. Can the internal auditor of a listed entity or its group entities, be appointed as assurance provider for the BRSR Core?

No, the internal auditor of a listed entity or its group entities, cannot be appointed as the assurance provider for the BRSR Core.

5. Can the statutory auditor of a listed entity be appointed as assurance provider for the BRSR Core?

Yes, the statutory auditor of a listed entity can be appointed as the assurance provider for the BRSR Core.

6. What is the meaning of the term “group” that is referred in the above Circular?

For the purpose of this Circular, the term “group” means the holding company, subsidiaries, associates and joint ventures of the listed entity.

7. Which entities would be considered as “associate” of an assurance provider?

7.1. In case the assurance provider is a firm or a corporate entity, its associate would include any of its partners, its parent, subsidiaries, associates, and any entity in which the assurance provider, its parent or partner has significant influence or control. In case of a Chartered Accountant firm, “associate” shall also include all entities in the network firm / network entity of which the assurance provider is a part.

7.2. In case the assurance provider is an individual, associate shall include any immediate relative (as defined in Companies Act, 2013) of the person, and any entity in which such individual/s has significant influence or control.

8. Which assurance standard should be followed by an assurance provider for the BRSR Core?

The Circular does not mandate or recommend the use of any specific assurance standard. The assurance provider may appropriately use a globally accepted assurance standard on sustainability / non-financial reporting such as the International Standard on Assurance Engagements (ISAE) 3000 or assurance standards issued by The Institute of Chartered Accountants of India (ICAI), such as Standard on Sustainability Assurance Engagements (SSAE) 3000 or Standard on Assurance Engagements (SAE) 3410 “Assurance Engagements on Greenhouse Gas Statements”. Further, disclosure should be made of the assurance standard that is used.