Sustainability Reporting Standards Board
The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)

FAQs on Sustainability Reporting - Heart of Good Governance

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The Institute of Chartered Accountants of India
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New Delhi

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FOREWORD

In the year 2020, the Sustainability Reporting Standards Board (SRSB) has been constituted by the Institute of Chartered Accountants of India (ICAI) to take initiatives in the sustainability domain and also to strengthen the sustainability reporting ecosystem in the country.

It is heartening to note that in its endeavour to advance and support entities and professionals towards sustainable practices and reporting, the SRSB of ICAI has developed this publication "*FAQs on Sustainability Reporting – Heart of Good Governance*". This publication covers all the important aspects related to adoption of sustainability reporting and highlights crucial role of accountants in enhancing the quality and credibility of sustainability information. It addresses the key questions related to sustainability reporting and will be of great help in understanding sustainability reporting ecosystem.

I congratulate CA. (Dr.) Sanjeev Kumar Singhal, Chairman, CA. Priti Paras Savla, Vice Chairperson, and all other members of the SRSB for conceptualizing this publication on such a pertinent topic.

I am confident that this publication would be extremely helpful for the members and other stakeholders and would encourage them to effectively contribute on sustainability reporting in their organisations.

June 27, 2022
New Delhi

CA. (Dr.) Debashis Mitra
President, ICAI

PREFACE

Globally, we have witnessed that businesses and their stakeholders have brought the sustainability agenda to the forefront and have started benefitting from the inter-dependency between sustainable development and financial performance. Evidence shows that such businesses not only better engage and inspire all stakeholders but also outperform the market by improving reputation and credibility. Sustainability reporting helps entities to focus on long-term value creation, by addressing environmental, social and governance (ESG) issues. To achieve this, boards and management need clarity on how the organization can contribute to sustainability and seize opportunities to deliver value to its key stakeholders.

As part of its continuous endeavour towards the enrichment of knowledge base of members and other stakeholders, Sustainability Reporting Standards Board of ICAI is bringing out the "FAQs on Sustainability Reporting – Heart of Good Governance". The objective is to assist members and other stakeholders in not only being updated in the sustainability reporting domain but also to gain an effective understanding and grasp on various dimensions of sustainability reporting, including global trends in corporate sustainability reporting. It covers important aspects like, regulatory framework, steps in preparation of sustainability report, materiality aspects, assurance framework, etc.

We would like to appreciate and thank CA. S. Badri Narayan for preparing the basic draft of the publication. We are also grateful to CA. Shantanu Deb Mukhopadhyay, special invitee, SRSB, and CA. Milind Bhave for reviewing the contents of the publication.

We wish to place on record our sincere gratitude to CA. (Dr.) Debashis Mitra, President, ICAI and CA. Aniket Sunil Talati, Vice-President, ICAI for their vision and support to the various initiatives of the Board. We also wish to thank our Council colleagues at the Board, *viz.*, CA. (Dr.) Rajkumar Satyanarayan Adukia, CA. Chandrashekhar Vasant Chitale, CA. Vishal Doshi, CA. Durgesh Kumar Kabra, CA. Dheeraj Kumar Khandelwal, CA. Sridhar Muppala, CA. Srinivas Cotha S, CA. Sripriya Kumar, CA. Ranjeet Kumar Agarwal, CA. Abhay Chhajed, CA. Anuj Goyal, CA. Kemisha Soni, CA. Pramod Jain, CA. Charanjot Singh Nanda, Shri Sanjay Kumar, Shri Ritvik Ranjanam Pandey and Advocate Vijay Kumar for their continued support and guidance in activities of the Board.

We are also thankful to our co-opted members CA. Raj Mullick, CA. Nilima Joshi, CA. Vivek Agarwal, CA. Arif Ahmed, CA. Shailesh V Haribhakti, CA. Sandeep Kumar, CA. Dilip Desai and our special invitees CA. Praveen Garg, IAS, CA. Manvendra Goyal, IRS, Ms. Leena Nandan, IAS, Ms. Surabhi Gupta, Mr. Nitesh Chandra, CA. Koushik Chatterjee, Dr. (CMA) Nandita Mishra, Mr. Chaitanya Kalia, CA. Heman Sabharwal, CMA Sanjay Gupta, Mr. Shikhar Jain, Ms. Ingrid Srinath, CA. Kishor Parikh and CA. Shantanu Deb Mukhopadhyay for their invaluable views, inputs and support in the various activities of the Board.

We sincerely appreciate the efforts of CA. Jyoti Singh, Secretary, SRSB and CA. Swati Gupta, PA, SRSB for finalising the publication.

We are sure that the members and other stakeholders will find this publication extremely useful in developing skill and competencies to support stronger and more sustainable organisations.

CA. (Dr.) Sanjeev Kumar Singhal
Chairman
Sustainability Reporting Standards Board, ICAI

CA. Priti Paras Savla
Vice-Chairperson
Sustainability Reporting Standards Board, ICAI

Q.1. What is Sustainability Reporting?

A.1 As per the definition of the Global Reporting Initiative (GRI), "Sustainability reporting is an organization's practice of reporting publicly on its economic, environmental, and/or social impacts, and hence its contributions – positive or negative – towards the goal of sustainable development."[1] Sustainability Reporting is an overview of a company's economic, environmental, and social impacts, caused by its everyday activities. It is the comprehensive mechanism of measuring and disclosing sustainability data with performance indicators and management disclosures. It helps stakeholders to understand organizations performance vis a vis sustainability and impacts. The reporting process emphasizes the link between financial and non-financial performance. Sustainability reporting refers to the information that companies provide about their performance to the outside world on a regular basis in a structured way.[2]

Sustainable Development refers to development that meets the needs of the present without compromising the ability of future generations to meet their own needs. This is in line with the shift from shareholder theory wherein profits for the shareholders were considered to be the only motive for business to exist, to stakeholder capitalism.

The dynamic and ever changing global environment is challenging corporates to broaden their perspective beyond financial performance to accelerate business. Top management have started acknowledging the criticality to integrate social and environmental issues within the overall business strategy. Corporate Social Responsibility has taken a significant place in the Board Room agenda. With changing expectations, corporates are required to take responsibility with the way businesses impact the communities and environments where they operate. Climate change, poverty, poor standard of living, illiteracy etc are some of the pressing concerns of the present times. Businesses are increasing their involvement in these areas which enlarges the significance of accurate and

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[1] GRI 2016 – GRI 101: Foundation

[2] Tim Rogmans and Karim El-Jisr, 'Designing Your Company's Sustainability Report', January 14, 2022 < https://hbr.org/2022/01/designing-your-companys-sustainability-report> accessed on 18.04.2022

transparent reporting of these activities. Sustainability reporting is gaining prevalence globally as an important tool to enhance stakeholder confidence.

It is intended to assist the organisations to assess, measure, analyze and present their performance in economic, social, environmental, and governance parameters, with an objective of setting challenging targets and goals.

Q.2. What are the different terminologies under Sustainability Reporting?

A.2 General terms in sustainability reporting include:

- **ESG Reporting**

Corporate Sustainability adopts a broad frame to business aimed at enhancing competitive positioning and profitability through the sustained creation of shared value, co-creation practices with stakeholders, popularly known as ESG. ESG stands for Environmental, Social, and Governance. Thus, the corporate sustainability is integration of ESG factors in decision- making'.

The E in ESG, environmental criteria, includes the energy the company takes in and the waste it discharges, the resources it needs, and the consequences for living beings as a result. Not least, E encompasses carbon emissions and climate change, as well as water use. Every entity uses energy and resources; through its operations every entity affects, and is affected by, the environment.

S, social criteria, addresses the relationships entity has and the reputation it fosters with people and institutions in the communities where you do business and the value chain involved. S includes labour relations and diversity and inclusion. Every company operates within a broader, diverse society.

G, governance, is the internal system of practices, controls, and procedures entity adopts in order to govern itself, make effective investment decisions, comply with the law, and meet the needs of all stakeholders. Every entity, which is itself a legal creation, requires governance.

- **Triple Bottom Line Reporting**:

The triple bottom line ("TBL") approach makes a company realize its responsibilities towards ecology and society. It is about accountability for the overall effect of the company's business practices and its contribution towards non-profitable aspects.

The bottom line is the ultimate objective for businesses. However, TBL theory focuses on the 3Ps that makes businesses socially responsible:

1. **People**: Companies are liable for the well-being of the society it operates around and its own people.
2. **Profits**: It is every company's duty to pay its employees, lenders and operational creditors.
3. **Planet**: This aspect is concerned with the location. Companies must ensure cleanliness of surrounding and ensure that their operations are not adverse for the environment.

- **Corporate Social Responsibility Reporting**:

Companies in present times are being called upon by their shareholders and stakeholders to help address problems, including but not limited to, concerning environment and economic development and not merely exist to boost the bottom line.

As a result, companies are working with stakeholders to understand their concerns on various environmental, social, corporate governance and economic issues (referred generally as Corporate Social Responsibility ("CSR") issues) and to incorporate and address those concerns in the company's strategic decision-making processes.

World Business Council for Sustainable Development ("WBCSD") defines CSR as "*the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large*."[3] As mentioned by United Nations Industrial

[3] World Business Council for Sustainable Development, 'Meeting Changing Expectations' (2016) p3 <https://growthorientedsustainableentrepreneurship.files.wordpress.com/2016/07/csr-wbcsd-csr-primer.pdf> accessed on 18.04.2022

Development Organization ("UNIDO"), "Corporate social responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders."[4]

The CSR report, also generally known as sustainability or social performance report, due to the typical breadth of stakeholder relevant information it contains, may be a key aspect of company's stakeholder engagement strategy. It may be used to inform stakeholders how a company has addressed or is addressing stakeholders' CSR concerns and incorporating them into the company's strategic decision-making processes.[5]

Q.3. Which matters are included for disclosures under Sustainability Reporting?

A.3 Sustainability disclosures generally relate to environmental, social, and governance matters, including companies sustainability impacts and responses to external sustainability trends.[6] It includes quantitative or qualitative information pertaining to aspects other than financial and operational.

Companies' sustainability-related disclosures generally aim to meet multiple stakeholders needs (eg, shareholders, government, suppliers, employees and customers) on core sustainability themes.

In the Indian context, the sustainability reporting is primarily based upon and revolves around the principles enshrined in the National Guidelines on Responsible Business Conduct ("NGRBC") which was

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[4] UNIDO < https://www.unido.org/our-focus/advancing-economic-competitiveness/competitive-trade-capacities-and-corporate-responsibility/corporate-social-responsibility-market-integration/what-csr#:~:text=Corporate%20Social%20Responsibility%20is%20a,and%20interactions%20with%20their%20stakeholders.>, accessed on 18.04.2022

[5] Noam Noked, 'The Corporate Social Responsibility Report and Effective Stakeholder Engagement', 2013 < https://corpgov.law.harvard.edu/2013/12/28/the-corporate-social-responsibility-report-and-effective-stakeholder-engagement>

[6] Sara Bernow, Jonathan Godsall, Bryce Klempner, and Charlotte Merten, 'The value-based sustainability reporting that investors want', 2019 < https://www.mckinsey.com/business-functions/sustainability/our-insights/more-than-values-the-value-based-sustainability-reporting-that-investors-want> Accessed on 18.04.2022

a revision of National Voluntary Guidelines ("NVG") pursuant to adoption of Sustainable Development Goals by the United Nations.

SEBI had notified Business Responsibility Report ("BRR") in order to enable disclosures in line with NVGs. BRR was further revised and named as Business Responsibility and Sustainability Report ("BRSR") based on changes brought in by NGRBC. As per BRSR format[7] notified by Securities and Exchange Board of India ("SEBI"), matters to be disclosed are structured into:

Section A: General Disclosures - The section covers the general information and basic details of the organisation such as, scale, size, sector, products, employee strength, CSR activities, etc. It also covers the organisation's activity near the environmentally fragile and sensitive areas, protected zones, socially critical areas such as water deficient.

Section B: Management and Process - This section covers the commitment of the organisation to the business responsibility by seeking the information related to the governance system, policies, procedures, and processes they have in place to address their responsibilities in line with the NGRBC principles. This provides an insight into the managerial infrastructure the organisation has to drive business responsibly.

Section C: Principle-wise performance - The section requires the organisation to disclose how they perform with respect to each of the nine Principles and Core Elements of the NGRBCs. The organisation will have to demonstrate objectively how they will meet the commitment to responsible business conduct. The information required in the section can be provided as two categories depending on the extent of the organisation's ambition towards sustainability as essential and leadership. They can report as either of the two.

Essential - The bare minimum the organisation has to do in terms of responsible business conduct

Leadership - The voluntary things taken up by the organisation that are beyond the basic essential things.

Q.4. What is the business case for Sustainability Reporting?

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[7] SEBI, 'BUSINESS RESPONSIBILITY & SUSTAINABILITY REPORTING FORMAT', < https://www.sebi.gov.in/sebi_data/commondocs/may-2021/>

A.4 As per "Report of the Committee on Business Responsibility Reporting" issued by Ministry of Corporate Affairs dated August 2020[8], the increase in Sustainability Reporting has been driven by three factors:

1. pressure from stakeholder groups on companies to disclose information, especially on the negative impact of their operations;
2. heightened governmental regulation on these issues to protect rights of citizens and the environment; and most importantly,
3. market demand which has required companies (suppliers/manufacturers/producers) that are part of Global Value Chains, and/or are partners of MNCs which have committed globally to demonstrate their sustainability performance through the use of Voluntary Sustainability Standards, Certifications, etc.

The reasons why increased sustainability reporting can benefit businesses are summarised as follows[9]:

Increased access to capital: Indications are there that investors are increasingly recognising that environmental and social issues provide both risks and opportunities in respect of their investments and are seeking disclosures on environmental and social performance of businesses. Many of the leading global reporting frameworks, some of which have been described later – Global Reporting Initiative, Integrated Reporting, CDP (formerly the Carbon Disclosure Project), Sustainability Accounting Standards Board – have significant investor involvement in their formulation and investors are some of the biggest consumers of this data. Further, a number of indices have been created to cater to the needs of investors – Dow Jones Sustainability Index, MSCI ESG Index etc. Additionally, several asset management companies have launched ESG (Environmental, Social and Governance) funds which use the

[8] MCA, 'Report of the Committee on Business Responsibility Reporting' May 2020 < https://www.mca.gov.in/Ministry/pdf/BRR_11082020.pdf> Accessed on 18.04.2022

[9] Deloitte, 'Business Responsibility and Sustainability Report' May 2021 < https://www2.deloitte.com/content/dam/Deloitte/in/Documents/finance/in-fa-PoV-BRSR-noexp.pdf> Accessed on 18.04.2022

ESG performance of a company to make investment decisions. This is reflected in the various green financial products and instruments (equity, loans, bonds) that have evolved, and the growing size of their market.

Reduced financial risks: There have also been instances of investor activism that are driving business responsibility. For example, there have been demands for disclosures on carbon emissions from energy companies which are also facing litigation for causing and perpetuating global warming; hedge funds have been holding directors responsible for improving pollution disclosures; state-owned sovereign wealth funds have been withdrawing from coal-based power companies.

Increased value creation: There are a number of global studies that show that companies that embed ESG into core business practices outperform their peers. This is true for India as well where, over a 12-year period, the MSCI India ESG Leaders index consistently outperformed the broader market as represented by MSCI India IMI index, and even the difference of outperformance has increased. Thus, all indications suggest that better ESG performance, accompanied by better disclosure, results in increased value creation to shareholders.

Access to markets and increased market share: A number of companies have begun to recognise that investing in social and environmental issues will not only improve their own business continuity but also put them in a better position with their B2B (Business to Business) customers as well as enable them to acquire new ones. While this was initially true for Indian companies who were part of global supply chains, it is increasingly true for Indian customers as well.

Attracting and retaining talent: Employees are increasingly preferring companies that demonstrate responsible behaviour and a purpose. In order to attract and retain human talent and satisfy consumer expectations, companies have begun to embed sustainability practices into their businesses. Disclosing these practices and results through sustainability reports therefore helps these initiatives.

Demonstrating leadership: At the World Economic Forum in January 2020, CEOs of 140 of the world's largest companies expressed support for aligning on a core set of metrics and disclosures in their annual reports on the non-financial aspects of business performance, such as greenhouse gas emissions and strategies, diversity, employee health and well-being, and other factors that are generally framed as Environmental, Social and Governance (ESG) topics.[10]

Apart from the above, it also drives internal innovation, expands audiences, builds brand loyalty, reduce production cost etc.

Q.5. List down the stakeholders who are contributing to the Sustainability Reporting Agenda

A.5 Multiple stakeholders are contributing to the Sustainability Reporting Agenda.

Stakeholder as per National Guidelines on Responsible Business Conduct ("NGRBC")[11] include Individual or group concerned or interested with or impacted by the activities of the businesses and vice-versa, now or in the future.

Typically, stakeholders of a business include, but is not limited to, its investors/shareholders, regulators, customers, employees (and their families), communities, value chain members and other business partners, civil society actors, and media.

Stakeholders who are contributing to the Sustainability Reporting Agenda can be summarised as follows:

Investors/Shareholders: Investors/Shareholders play a role in advancing sustainability reporting by incorporating environmental, social and governance considerations into decisions on investment and divestment, etc; requesting disclosures on sustainability issues and on the management of material issues and; allocating resources to companies that demonstrate positive sustainability impacts.

Government / Regulators: Government advances sustainability reporting through legal and policy interventions. For example, BRSR

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[10] World Economic Forum < https://www.weforum.org/press/2020/01/measuring-stakeholder-capitalism-world-s-largest-companies-support-developing-core-set-of-universal-esg-disclosures/> Accessed on 18.04.2022

[11] MCA, ' National Guidelines on Responsible Business Conduct' 2019 < https://www.mca.gov.in/Ministry/pdf/NationalGuildeline_15032019.pdf> Accessed on 18.04.2022

Reporting mandated by SEBI from April 2022 is a massive step to mandate sustainability reporting in India.

Customers: Customers define the market demand for businesses and hence through their behavioural decision making by opting for product/services of businesses who are responsible on the sustainability front, businesses are forced to recognize the requirement for sustainable practices.

Employees: Retention of talent is one of key drivers for sustainability reporting. Hence, employees of an organization play a crucial role in defining and influencing the sustainability practise adoption.

Communities: Business cannot exist in silo. They have to be responsible to the communities they interact with and operate within. Hence, the communities play a significant role in requiring businesses to carry out CSR activities for the benefit of the stakeholders.

Civil Society: NGO's and other social organizations create societal pressure on the business to be responsible. They even assist businesses in carrying out CSR activities.

Media: The power of media is well known. It is a double edged sword. Media activism and investigative journalism have triggered massive push towards responsible business practices.

Q.6. What are the recent global trends in Sustainability Reporting?

A.6 With the emergence of importance of sustainability reporting, multiple frameworks have been developed to suit sector or company specific reporting requirement. The United Nations Sustainable Development Goals ("UNSDG") is a key driver to most of the sustainability reporting frameworks.

1.1 Frameworks and Instruments

As per Carrot and Sticks report (https://www.carrotsandsticks.net/), out of 84 major economies by GDP, there are 614 sustainability reporting instruments, of which 350 are mandatory, and the rest 264 are voluntary. There has been a considerable increase in the number of such frameworks since 2006, when there were only 65. The mandatory reporting requirements are mostly associated with the public sector or government-run companies, large corporations, multi-national business conglomerates, and listed companies in the stock exchanges. Furthermore, sector-specific and thematic reporting provisions are also becoming more common.

The major providers of sustainability reporting instruments that are used across different countries are:

- Global Reporting Initiative ("GRI")'s Sustainability Reporting Standards
- International Federation of Accountants ("IFAC")'s ISAE 3000
- The Organisation for Economic Co-operation and Development ("OECD") Guidelines for Multinational Enterprises
- The United Nations Global Compact (the Communication on Progress)
- The International Organization for Standardization (ISO 26000, International Standard for social responsibility)

The most widely used framework in the world is the Global Reporting Initiative (GRI) Sustainability Reporting Standards having 93% of the world's largest 250 corporations report on their sustainability performance through GRI. It is used in over 100 countries to report sustainability. This independent international organization, is based in Amsterdam, the Netherlands, and has operational hubs in Brazil, China, Colombia, India, South Africa, and the United States. The GRI Sustainability Reporting Standards are developed with true multi-stakeholder contributions, and rooted in the public interest.

1.2 Reporting

Investors all around the globe demand a clear picture of how organizations create value and what the company board is doing to preserve it. It is important that we adapt and respond quickly to these new demands and drive change towards a society that is more environmentally and socially responsible. Recent years have witnessed a spread of voluntary frameworks and growing governmental mandates prescribing varied and differential rules for ESG disclosure.

As a market-driven approach, sustainability reporting has gained momentum over the past few decades. The most widely used framework in the world is the Global Reporting Initiative (GRI)

Sustainability Reporting Standards followed by Integrated Reporting Framework of International Integrated Reporting Council (IIRC).

As per the 2021 Report "Reporting matters – Maintaining ambition amidst disruption" by WBCSD[12], reporting and accountability are more important than ever as businesses strengthen their sustainability commitments. The Report presents a focus on the role that corporate reporting plays in shaping and communicating the contribution of businesses in addressing unprecedented challenges in climate change, nature loss, and inequality.

The Report identifies trends in sustainability reporting over time since 2018, based on the 104 member companies included in both the 2018 and 2021 review cycles. It is found that –

- 76% of members have improved their Overall score
- 30% of members have improved their Materiality score
- 11% average improvement in the Overall score
- 11% average improvement in the Principles score
- 11% average improvement in the Content score
- 11% average improvement in the Experience score.

Materiality assessment is one of the important content element in Sustainability reports. Most companies undertake materiality assessment that considers stakeholder inputs. The report finds a clear majority (96%) of members reviewed undertaking materiality assessment. Further, most members (80%) disclose an overview of the process and often publish a matrix of results within the report similar to what we have seen since 2018.(2018: 82%).

"Labor practices decent work" continues to be the category that is most commonly prioritized by members across all geographies (87%).

Climate change related topics have gained prominence, with 83% of reports now prioritizing an issue in this category compared to 60% in 2018

[12] Reporting matters – Maintaining ambition amidst disruption, WBCSD 2021 Report. <https://www.wbcsd.org/contentwbc/download/13155/193072/1> Accessed on 18.04.2022

Topics related to biodiversity and land use ("Ecosystem services") have also gained prominence, with (36%) of reports now prioritizing a topic in this category, roughly double the 18% of reports found in 2018.

A snapshot of trends in percentage of companies with priority material issues is shown in table below:

Percentage of companies by priority material issues

2021	2018	Material Issue Topic	2021	2018	Material Issue Topic
87%	74%	Labour practices decent work	55%	56%	Society
83%	60%	Climate change	46%	40%	Renewable resource use
73%	49%	Product responsibility	45%	35%	Supply chain practices
72%	66%	Governance	37%	27%	Waste and effluents
70%	67%	Economic	36%	18%	Ecosystem services
64%	49%	Human Rights	20%	20%	Non-renewable resource use

1.3 Climate change and carbon emissions in the reports

Highlights of Task Force on Climate-related Financial Disclosures 2021[13] Status Report are stated as under:

- Disclosure increased more between 2019 and 2020 than in any previous year assessed, consistent with global momentum around climate-related reporting. However, progress is still needed, with only 50% of companies reviewed disclosing in alignment with at least three recommended disclosures
- Companies remain more likely to disclose information on their climate-related risks and opportunities than on any other

[13] Task Force on Climate-related Financial Disclosures 2021 Status Report <https://assets.bbhub.io/company/sites/60/2022/03/GPP_TCFD_Status_Report_2021_Book_v17.pdf> Accessed on 18.04.2022

recommended disclosure, with over half of the companies reviewed including such information in their 2020 reports.

- Disclosure of the resilience of companies' strategies under different climate-related scenarios, although still the least reported recommended disclosure, encouragingly increased from 5% of companies in 2018 to 13% in 2020
- Although the Task Force recommends disclosure of governance regardless of materiality, the Governance recommendation remains the least disclosed recommendation with the two Governance recommended disclosures the second and third least disclosed.
- Materials and buildings companies now lead on disclosure. The average level of disclosure across the 11 recommended disclosures for fiscal year 2020 was 38% for materials and buildings companies.
- The insurance industry significantly increased its average level of disclosure by 11 percentage points between 2019 and 2020, and now leads all groups by at least 15 percentage points in disclosure of risk management processes.

1.4 U.N Sustainable Development Goals and Reporting

Most of the nations have made regulatory framework and guidelines to meet the 17 sustainable goals (each of these having specific goals and total to 169) set by the United Nations for 2030.

As per WBCSD 2021 Report[14], the vast majority (90%) of members reference specific SDG's in their report. About a third (35%) of members prioritize 5-8 Goals, with a relatively small number (10%) referencing 12 or more Goals.

The most commonly referenced Goals were 13: Climate Action (85%), 12: Sustainable Cities and Communities (73%) and 8: Decent Work and Economic Growth (67%).

Goals 1: No Poverty (23%), 14: Life Under Water (23%) and 2: Zero Hunger (30%) were the least likely to be prioritized

[14] ibid

1.5 Human Rights and Reporting

Past two years have seen many dramatic instances which drew attention of businesses to cater to protection of human rights including but not limited to the reverse migration of labours caused due to COVID 19 induced lockdowns, displacement of people due to war etc.

The Guiding Principles on Business and Human Rights from the UN establish the responsibility of businesses to respect human rights, avoid infringing them, and remedy any negative human rights impacts they are involved with.

Q.7. What is the present status of Sustainability Reporting in India?

A.7 Timeline for Sustainability Reporting Framework in India is as under:

2009	Ministry of Corporate Affairs ("MCA") issued guidelines on Corporate Social Responsibility ("CSR")
2011	MCA releases NVG which provides framework for a Business Responsibility Report ("BRR") to demonstrate compliance with 9 principles forming NVG.
2012	Securities and Exchange Board of India ("SEBI") mandates top 100 listed companies (by market capitalization) to include BRR in their Annual Reports ("SEBI BRR")
2016	SEBI extends BRR applicability to the top 500 listed companies by market capitalization
2019	MCA updates and revises NVGs by issuing National Guidelines on Responsible Business Conduct ("NGRBC")
2019	SEBI BRR extended to top 1000 listed companies by market capitalization
2020	MCA Committee gave its Report to review the existing BRR framework and to formulate a user-friendly, single and comprehensive reporting framework to measure non-financial parameters and

	a new reporting was recommended to be applied in a phased manner.
2020	SEBI issued a consultation paper on the new reporting format Business Responsibility and Sustainability Reporting ("BRSR") in line with MCA recommendations.
2021	SEBI notified BRSR to take effect from the Financial Year 2022-2023, after which it will be mandatory for the top 1000 listed companies by market capitalisation

The Indian regulatory era in ESG can be said to have commenced in the year 2009 with the guidelines issued by the MCA on CSR. Subsequently, in 2011, MCA released NVGs providing framework for BRR. This was expected to provide guidance to businesses on what constitutes responsible business conduct. Consequent to the same, SEBI had mandated BRR to be included in Annual Reports for listed top 100 listed entities (increased to 500 and 1000 subsequently) by market capitalization. In 2015, in order to align the NVGs with the SDGs, the process of revision of NVGs was started. After, revision and updation, the new principles, called the NGRBC were issued. Like NVGs, the NGRBC were designed to enable businesses to move beyond the requirements of regulatory compliance.

The primary rationale for the update was to capture key national and international developments in the sustainable development agenda and business responsibility field that have occurred since the release of the NVGs.

Simultaneous to the adoption of the more refined NGRBC vis-a-vis NVGs, the MCA had constituted a Committee on Business Responsibility Reporting ("Committee") to review the existing BRR framework and the Committee published its report on 11 August 2020 ("Report") recommending compliance to revamped formats in a phased manner beginning 2021-22.

Key changes recommended by the Committee are as follows:

- **Thrust on 'Sustainability'**: The Report recommends that the format should undergo a name change and be referred to as the

BRSR to highlight the importance of integrating sustainability principles in traditional business as part of good governance.

- **BRSR Lite**: In order to nudge unlisted companies, MSMEs and new entrants towards voluntary disclosures, the Report provides a pared down Lite version of the regular BRSR format.
- **Guidance Notes to Aid Disclosures**: To promote quality disclosures, the Report provides detailed guidance notes on the BRSR and the BRSR Lite.
- **E-filing and MCA21 Integration**: To tackle lack of digital integration, the Report proposes that the BRSR formats be filed electronically and be integrated with filings made by companies on the MCA21 portal.
- **Addressing Inadequate Disclosures**: The Report states that an analysis of the disclosures made by companies in the SEBI-BRRs highlights the disparity in the quality of disclosures between companies. It seeks to remedy this to some extent by providing a mix of quantitative and qualitative data-based questions in the BRSRs.
- **Enhanced Coverage**: The Report proposes that the BRSRs be extended to certain other companies and businesses (for example: unlisted companies, LLPs etc) which meet specified thresholds in a staggered manner.

SEBI has, on 18 August 2020, released a consultation paper seeking stakeholder comments on the adoption of the BRSR format proposed by the Committee. On May 10, 2021, the SEBI issued a circular implementing new sustainability-related reporting requirements for the top 1,000 listed companies by market capitalization. New disclosure will be made in the format of the BRSR, which is a notable departure from SEBI's existing BRR and a significant step toward bringing sustainability reporting up to existing financial reporting standards.

The new BRSR format is based on the nine principles of the NGRBCs, which are intended to define responsible business conduct for Indian companies. The NGRBCs Guidelines are in turn driven by leading international standards and practices explained above.

The new reporting requirements promote transparent, standardized disclosures on ESG parameters among listed companies in India. This approach will help companies demonstrate sustainability objectives and increasing the ability of investors to make informed ESG-related decisions. BRSR reporting will be voluntary for FY 2021-22 and mandatory from FY 2022-23 for the top 1,000 listed companies by market capitalization.

In the BRSR format, considerable emphasis is laid on metrics that can be quantified, thus enabling comparison. Certain disclosures related to customers and community have been made granular with emphasis on measurable key performance indicators across the nine principles enshrined in the NGRBCs.

The BRSR is divided in three parts: general disclosures (mandatory to report), management and process disclosures (mandatory to report) and principle wise performance disclosures. The last category i.e. principle-wise reporting is further divided into essential indicators (mandatory) and leadership indicators (voluntary).

Further, cross references to other internationally accepted reporting frameworks (such as the GRI, SASB etc) being followed by the reporting entity are accepted and encouraged. Additionally, SEBI expressly allows the reporting entity to identify non-applicable parameters and provide a reason for its non-relevance.

The ESG model proposed by SEBI is in line with international standards such as GRI, TCFD and SASB. BRSR is a notable departure from the existing BRR format as it lays considerable emphasis on quantifiable data as opposed to qualitative data.

Q.8. Why should a business integrate Sustainable Development Goals (SDGs) with Sustainability Reporting?

A.8 The global order is facing a daunting task this decade in its transition towards a sustainable future. Companies play an important role by synchronising their strategies with the SDGs.[15]

Investors are increasingly tilting towards allocation of capital towards sustainable business. Companies failing to align their strategy with

[15] 6 Ways Business Can Align with Sustainable Development Goals < https://perspectives.se.com/blog-stream/6-ways-business-can-align-with-sustainable-development-goals>

SDGs are likely to experience severe stakeholder scrutiny, risk losing access to capital, may find themselves mismanaging risks and lagging behind peers in disclosure.[16]

As per **Business reporting on the SDGs: Integrating the SDGs into Corporate Reporting: A Practical Guide developed by GRI and United Nations Global Compact**[17], business cannot thrive in a world of poverty, inequality, unrest and environmental stress, and so it has a vital interest in ensuring that the 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs or Global Goals) are delivered. By upholding recognized standards and principles on human rights, labour, the environment and anti-corruption, business makes an essential contribution to the SDGs.

The Guide also states that going beyond regular communication to stakeholders, effective corporate reporting is key to building trust and aligning investment through transparency and accountability. In addition to informing external stakeholders – including investors – corporate sustainability reporting is a powerful stimulus for internal conversation and decision-making with regard to contributing to the SDGs at all levels within a company.

Reporting, however, is neither the start nor the end of a company's sustainability strategy and implementation – it's a strategic tool that:

- engages stakeholders
- supports sustainable decision-making processes at all levels within a company
- shapes business strategy

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16 GRESB, '6 Ways business can align with SDGs and make an impact' <https://gresb.com/nl-en/6-ways-business-can-align-with-sdgs-and-make-an-impact> Accessed on 18.04.2022

17 GRI, 'Integrating the SDGs into corporate reporting: A practical guide' <https://www.globalreporting.org/public-policy-partnerships/sustainable-development/integrating-sdgs-into-sustainability-reporting/> Accessed on 18.04.2022

- guides innovation and drives better performance and value creation
- attracts investments

Endorsed by all 193 United Nations Member States in 2015, the 2030 Agenda and its Sustainable Development Goals focus global efforts and attention on 17 pressing issues. The private sector plays a critical role in providing solutions that can contribute to solving these challenges, while also generating new business opportunities.

The SDGs are anticipated to generate at least US$12 trillion worth of market opportunities by 2030 . By identifying and mitigating risks to people and the environment and by providing new products and services that support sustainable development, businesses can reap benefits for themselves and for the markets they depend upon.

The SDGs are becoming increasingly important also for investors, as they are 'an articulation of the world's most pressing environmental, social and economic issues and, as such, act as a definitive list of the material ESG (environmental, social and governance) perspectives that should be taken into account as part of an investor's fiduciary duty. There is a strong business case for investing in opportunities aligned with the SDGs, including helping investors secure stable returns, better represent the values of their clients and offer sustainable financial products that differentiate them in the marketplace.

Q.9. How can one assess the Sustainability Reporting Maturity of an entity?

A.9 Sustainability Reporting Standards Board of the Institute of Chartered Accountants of India has developed "Sustainable Reporting Maturity Model Version 1"[18] for scoring of the Business Responsibility and Sustainability Reporting ("BRSR"). It is based on BRSR Reporting formats issued by the Committee on Business Responsibility Reporting of the Ministry of Corporate Affairs ("MCA"). BRSR Scoring mechanism comprises of total 300 scores, by completing the scores of all three sections and nine principles of the BRSR.

[18] https://resource.cdn.icai.org/69633srsb55592.pdf

It offers the possibility for each corporate complying with BRSR to individually assess its position vis a vis various sustainability reporting maturity levels and achieve its vision of sustainable business.

Level 1, Level 2, Level 3 and Level 4 of Sustainability Maturity of corporates have been defined based on the total range of scores obtained by a corporate in a financial year as per the BRSR scoring mechanism. Leadership Indicators have been given prominence by allocating a score of 75 for encouraging companies to target achievement of the same.

The Comprehensive and Lite Scoring Mechanism is as under:

Level	**Level 1**	**Level 2**	**Level 3**	**Level 4**
Stage	**Formative Stage**	**Emerging Stage**	**Established Stage**	**Leading by Example**
BRSR Score (% of grand total score)	Up to 25%	>25% and upto 50%	>50% and up to 75%	>75%
Explanations	Organisations are at the initial level of reporting & are in the process of identifying the need and responsibility of BRSR.	Organisations realize the value of BRSR and responds to it by setting up robust mechanism for reporting, etc.	Organisations have established formal functions/ policies/ systems for BRSR.	Organisations strive for more than compliance and work towards being a market leader.
	Try to establish policies/ systems for data collection and disclosures.	Functions/ policies/ systems for such reporting is still to be formalized/ focused	Involved in compliance functions, etc., and focus increasing on qualitative aspects.	Strategically differentiating by enhancing disclosures vis a vis innovative methods/ techniques employed.
		Organisation		

		is working towards establishing/ enhancing internal controls, data collection and disclosures.		

Business can use the above model to identify, measure and analyse as to where they stand in the sustainability reporting.

Q.10. Does Sustainability Reporting need a Governance perspective?

A.10 Sustainability Reporting is required to be established within the context of a company's governance structures.

The 2018 Ceres report "Disclose What Matters"[19] reveals that corporate sustainability disclosures are increasingly common – but not necessarily meaningful. As per the report 86% of S&P 500 companies issued a sustainability report, and more than 70 percent of large global companies disclose data using the Global Reporting Initiative (GRI) standards. However, the report finds that the explanation of how companies sustainability and business strategies connect is generally mediocre.

Investors and other stakeholders want to understand how management is held accountable for improving sustainability performance. Oversight and accountability from the Board are generally considered as the most important sustainability issue in investment analysis and decision-making of financial analysts.

The Report identifies the following sustainability indicators as those that appear to be particularly relevant to the global investor community:

Disclosure Standards: By mapping their disclosures to widely-used, market-tested sustainability disclosure standards, firms can

[19] Ceres, 'Disclose What Matters: Bridging the Gap Between Investor Needs and Company Disclosures on Sustainability' https://www.ceres.org/sites/default/files/reports/2018-08/Ceres_DiscloseWhatMatters_Final.pdf Accessed on 18.04.2022

produce information that is consistent from year to year and that investors can use for peer comparisons.

Board oversight of sustainability. corporate boards are bound by fiduciary duty to shareholders to oversee and manage strategic issues, including sustainability, where material. By disclosing details of the role of their boards in sustainability, companies demonstrate the extent to which they consider relevant sustainability issues to be business priorities.

Materiality assessment. a robust materiality assessment allows companies to identify and prioritize issues, including sustainability risks and opportunities. By disclosing the details of their materiality assessments processes and how they use the results, companies demonstrate the extent to which they consider sustainability issues to be key to their business, as well as how these issues integrate with business strategy

Stakeholder engagement. an inclusive stakeholder engagement process allows firms to approach their materiality assessment in a holistic manner. additionally, by disclosing a robust stakeholder engagement effort, companies demonstrate the extent to which they systematically pay attention to the concerns of outside constituencies, including investors, on issues that can affect the business. this systematic attention can be an important characteristic of proactive risk management.

External assurance. external assurance demonstrates that sustainability disclosures are obtained using rigorous and reliable systems. By externally assuring their sustainability disclosures, companies can increase the confidence that users have in the information presented in a sustainability report.

Hence, governance is at the heart of sustainability reporting and only good corporate governance philosophy can further the case of relevant and improved sustainability reporting.

Further, a new research by Oxford Analytica[20] has made following recommendations:

[20] June 2021 , 'The future of sustainability reporting standards' <http://oxan.to/esgreport> Accessed on 22.06.2022

a) Don't wait for sustainability reporting to be mandated: Companies can initiate with identifying applicable metrics relevant to their sector, strategy and stakeholders.

b) Put environmental, social and governance and sustainability reporting on the board's agenda: Board's are required to understand the relevance of sustainability reporting vis a vis access to capital and stakeholder relationship while appreciating the international and regulatory developments.

c) Prioritize building trust in sustainability reporting: The sustainability reporting should have robust processes and controls with a supporting audit trail. Companies should be prepared and encouraging to seek limited assurance of their reporting.

d) Integrate the finance function: There should be a clear link between financial and non-financial information.

e) Contribute to the process of setting standards

World Business Council for Sustainable Development ("WBSCD") has published a report in 2019[21] wherein it has dealt with the aspects of governance perspective in sustainability reporting. According to the Report, the Task Force on Climate-related Financial Disclosures (TCFD) has addressed the importance of governance in their disclosure recommendations, where they urge companies to describe the board's oversight of climate related risks as well as management's role in assessing and managing these risks and opportunities. It further states that one of the most prevalent and useful framework has been presented by e United Nations Environmental Protection Financial Initiative ("UNEP FI"). This report argues that companies still tend to compartmentalize sustainability within governance structures and processes and in some cases just outright ignore ESG issues. The UNEP FI framework guides companies on how to improve their sustainability governance and internal oversight by ultimately embedding sustainability into the processes and mechanisms of corporate

[21] WBSCD, 2019 "The state of corporate governance in the era of sustainability risk and opportunities, https://docs.wbcsd.org/2019/03/WBCSD-The_state_of_corporate_governance_in_the_era_of_sustainability_risks_and_opportunities.pdf> accessed on 22.06.2022

governance. It is the responsibility of the directors to determine whether the board's discussion, oversight and control over ESG issues and opportunities are robust enough. A company must first determine its own approach for managing and overseeing sustainability within their organization. This could be through a singular board-level committee or through a business function that is solely focused on sustainability implementation. UNEP FI argues that the most successful governance mechanism that will enable a strong sustainability strategy is through its "integrated governance" model – where a mature governance structure would not have any specific committee dedicated to CSR/ sustainability or ESG, but rather have sustainability successfully integrated throughout all boardlevel committees and throughout all business functions including accounting, finance, strategy and operations.

Q.11. What do you mean by "Sustainability Report"?

A.11 Sustainability Report is the outcome of Sustainability Reporting. Sustainability reporting is the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organizational performance towards the goal of sustainable development. 'Sustainability reporting' is a broad term considered synonymous with others used to describe reporting on economic, environmental, and social impacts (e.g., triple bottom line, corporate responsibility reporting, etc.)[22] This report is a document containing a set of sustainability disclosures from an organization for a period of time.[23] The purpose of the Report is to provide stakeholders with enough information so that they can determine if the company is aligning its business in line with SDGs and thus contributing to sustainable development. The report enables management to engage better with its stakeholders.

[22] Sustainability Reporting Guidelines, GRI < https://www.mas-business.com/docs/G3.1-Guidelines-Incl-Technical-Protocol.pdf> Accessed on 18.04.2022

[23] Sara Bernow, Jonathan Godsall, Bryce Klempner, and Charlotte Merten, 'The value-based sustainability reporting that investors want', 2019 < https://www.mckinsey.com/business-functions/sustainability/our-insights/more-than-values-the-value-based-sustainability-reporting-that-investors-want> Accessed on 18.04.2022

Companies should ensure that report is transparent, credible and material. Companies should be transparent about its sustainability practices and disclose methodology used for measuring its sustainability metrics.

Q.12. A Sustainability Report provides many benefits. What are they?

A.12 Benefits of Sustainability Report can be summarized as follows[24]:

- Emphasizes the link between financial and non-financial performance;
- Increases understanding of risks and opportunities;
- Influences long-term management strategy, policy and business plans;
- Streamlines processes, reducing costs and improving efficiency;
- Benchmarks and assesses sustainability performance with respect to laws, norms, codes, performance standards and voluntary initiatives;
- Helps companies avoid publicized environmental, social and governance failures;
- Enables the comparison of performance internally and between organizations and sectors.
- Mitigating negative environmental, social and governance impacts, improving reputation and brand loyalty;
- Enabling external stakeholders to understand the organization's true value, along with tangible and intangible assets;
- Demonstrating how the organization influences and is influenced by expectations about sustainable development.

Q.13. The sustainability reports are generally based on some guiding principles. What are they? Which guiding principles are followed in India?

A.13 For Guiding Principles on Sustainability Report, reference may be made to the Ten Guiding Principles of UN Global Compact which are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental

[24] https://ecovadis.com/glossary/sustainability-reporting/ Accessed on 18.04.2022

Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Further, following are the guiding principles of Integrated Reporting[25]:

1. **Strategic focus and future orientation**: An integrated report should provide insight into strategic objectives, and how those

[25] Integrated Reporting, January 2021 p7 < https://www.integratedreporting.org/wp-content/uploads/2021/01/InternationalIntegratedReportingFramework.pdf> Accessed on 18.04.2022

objectives relate to (i) the organization's ability to create and sustain value over time and (ii) the resources and relationships on which the organization depends.

2. **Connectivity of information**: An integrated report shows the connections between the different components of the organization's business model, external factors that affect the organization, and the various resources and relationships on which the organization and its overall performance depend.

3. **Stakeholder relationships**: An integrated report provides insight into the organization's relationships with its key stakeholders and how and to what extent the organization understands, takes into account and responds to their needs.

4. **Materiality**: An integrated report should disclose information about all matters that affect the organisations ability to create value over the short, medium and long term.

5. **Conciseness**: An integrated report should be concise

6. **Reliability and completeness**: An integrated report should provide reliable and complete information that is material without error.

7. **Consistency and comparability**: An integrated report should provide information that is consistent over time and enables comparison with other organisations.

Indian Context

MCA had constituted a Committee on Business Responsibility Reporting ('Committee') for finalising BRR formats for listed and unlisted companies, based on the framework of the NGRBCs. The BRSR recommended by the Committee is structured around disclosures on the nine principles laid down by the NGRBCs accompanied with a guidance note to enable the companies to interpret the scope of disclosures under each principle. The disclosure requirement under each of the nine principles is also divided into 2 sections: Essential (mandatory) and leadership (voluntary).

The nine (9) principles are as under:

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

Principle 2: Businesses should provide goods and service in a manner that is sustainable and safe.

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

Principle 4: Businesses should respect the interests of and be responsive to all its stakeholders.

Principle 5: Businesses should respect and promote human rights.

Principle 6: Businesses should respect and make efforts to protect and restore the environment.

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

Principle 8: Businesses should promote inclusive growth and equitable development.

Principle 9: Businesses should engage with and provide value to their consumers in a responsible manner.

These are more or less in sync with the SDGs.

Q.14. Which ones are the globally well-recognised Sustainability Reporting frameworks?

A.14 There are multiple frameworks which have been established at different points in time with respect to Sustainability Reporting. Since no particular framework can be applied for every company, companies often resort to combination of frameworks. Some of the globally well recognized Sustainability Reporting Frameworks are as follows:

The Global Reporting Initiative ("GRI"): The GRI is the most widely used framework. The framework was established in 1997 however was recently updated to include human rights practices, governance, and society responsibilities. GRI reporting increases company accountability and provides transparency surrounding their sustainability goals, efforts, and outcomes. The GRI reporting framework consists of universal standards and topic standards that organizations can use to prepare and report information that showcases significant sustainability impacts.

United Nations SDGs: With an aim to achieve Sustainable development by 2030, United Nations member states established SDG in 2015. There are broader level sustainable goals provided within the framework at the country and society level. They set out a framework of 17 Goals with 169 targets to tackle the world's most pressing social, economic, and environmental challenges in the lead up to 2030.

Task Force on Climate-related Financial Disclosures ("TCFD"): G20 Financial Stability Board established TCFD to develop a framework that will enable entities to assess climate risk and take necessary counter actions. TCFD aims to establish transparent ESG metrics to enable world economies prepare better for climate change.

The Sustainability Accounting Standards Board ("SASB"): SASB has published ESG standards in 2018 explaining underlying financial metrics and their implementation. SASB ESG framework enables analysing of financial performance based on the ESG practices followed by an entity.

Morgan Stanley Capital International ("MSCI"): ESG framework by Morgan Stanley specifically, for its private use, to identify ESG risk in the investment decisions. ESG risks are determined through a scoring system covering data points across industry sectors and rating range from CCC (laggard) to AAA (leader).

Integrated Reporting by IIRC ("IR")[26]: The International Integrated Reporting Council ("IIRC"), formed in August 2010, is a global coalition of regulators, investors, companies, standard setters, the accounting profession, academia and NGOs. The primary purpose of an integrated report, which was brought in 2013, revised in 2020, is to explain to providers of financial capital how an organisation creates, preserves or erodes value over time. It therefore contains relevant information, both financial and other. An integrated report benefits all stakeholders interested in an organisation's ability to

[26] Integrated Reporting, January 2021 p5 < https://www.integratedreporting.org/wp-content/uploads/2021/01/InternationalIntegratedReportingFramework.pdf> Accessed on 18.04.2022

create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers. In June 2021, the IIRC merged with SASB to form the Value Reporting Foundation ("VRF").

Additionally, the IFRS Foundation Trustees announced the creation of a new standard-setting board—the International Sustainability Standards Board ("ISSB")—to help meet the demand calling for high quality, transparent, reliable and comparable reporting by companies on climate and other environmental, social and governance ("ESG") matters. The intention is for the ISSB to deliver a comprehensive global baseline of sustainability-related disclosure standards that provide investors and other capital market participants with information about companies' sustainability-related risks and opportunities to help them make informed decisions.27

ISSB has published the Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (General Requirements Exposure Draft) which sets out the overall requirements for an entity to disclose sustainability-related financial information about all its significant sustainability-related risks and opportunities, to provide the market with a complete set of sustainability-related financial disclosures.[28]

Further, ISSB has published the Exposure Draft IFRS S2 Climate-related Disclosures ("Climate Exposure Draft") builds upon the recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD") and incorporates industry-based disclosure requirements derived from SASB Standards.

Additionally, the European Commission adopted a legislative proposal for a Corporate Sustainability Reporting Directive ("CSRD") which would require companies within its scope to report in compliance with European sustainability reporting standards adopted by the European Commission as delegated acts. Under the proposed CSRD, EFRAG would be the technical advisor to the EC

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[27] IFRS Website, <https://www.ifrs.org/groups/international-sustainability-standards-board/> accessed on 23.06.2022

[28] Exposure Draft, < https://www.ifrs.org/projects/work-plan/general-sustainability-related-disclosures/exposure-draft-and-comment-letters/> Accessed on 23.06.2022

developing draft EU Sustainability Reporting Standards ("ESRS") and conducting impact analyses, using proper due process, public oversight and transparency, and the expertise of relevant stakeholders. As a consequence, the PTF-NFRS was established in September 2020, is now called the Project Task Force on European sustainability reporting standards ("PTF-ESRS"). The PTF-ESRS has been invited to start elaborating standards in project mode in view of passing responsibility to the EFRAG sustainability reporting bodies as soon as they have been established following the planned governance reforms.

PTF-ESRS handed over its Draft ESRS for public consultation.The Draft ESRS of the PTF-ESRS and its appendices are published as a series of six documents: (i) the complete first set of draft standards, the appendices and cover note and (ii) four separate documents dividing the ESRS by topics including the drafts standards. The draft standards are tabulated herein for reference[29]:

Sl. No	Standard	Particulars
1.	ESRS 1	General Principles
2.	ESRS 2	General, strategy, governance and materiality assessment disclosure requirements.
3.	ESRS E1	Climate Change
4.	ESRS E2	Pollution
5.	ESRS E3	Water and marine resources
6.	ESRS E4	Biodiversity and ecosystems
7.	ESRS E5	Resource Use and circular economy
8.	ESRS S1	Own Workforce
9.	ESRS S2	Workers in the value chain
10.	ESRS S3	Affected Communities
11.	ESRS S4	Consumers and end – users
12.	ESRS G1	Governance, risk management and internal control
13.	ESRS G2	Business conduct

[29] ERAG Website, Exposure Drafts < https://www.efrag.org/lab3> accessed on 24.06.2022

Q.15. How to assess materiality matrices and embed the same in Sustainability Framework ?

A.15 Generally, the process for conducting a materiality assessment includes the following steps:

- Identify key issues, categorize issues relevant stakeholder groups, and business drivers
- Engage with internal and external stakeholders to obtain their views and priorities.
- Map and prioritize the issues
- Align the issues with management and business vision
- Develop the strategy
- Set goals and targets-use industry benchmarks as much as possible

Phase 1: Identify key issues, relevant stakeholder groups, and business drivers

In this phase, the company develops a long list of issues. This could be culled from a variety of sources including its last materiality matrix, issues listed in sustainability reporting frameworks (e.g. GRI, SASB), peer company sustainability reports and from stakeholder engagement.

The variety of issues that could be classified under sustainability (which range from greenhouse gas emissions to gender diversity of employees) can make it daunting for a company to address and manage all of them. Using a standard process for conducting a materiality assessment, a company can identify and prioritize the issues that are most material to its business and most relevant to its stakeholders. The issues that appear on a companies' materiality matrix are all expected to be managed at some level; the mapping and prioritization exercise can help a company identify where it needs to focus and with whom it could partner. By regularly repeating the process, companies can also uncover 'fast moving' issues, or issues that stakeholder groups may increasingly care about; enabling companies to proactively identify and get in front of a material issue, and develop collaborative relationships with stakeholders to work on solutions.

Stakeholder groups are identified based on the credibility and relevance of their work on material ESG issues. It is considered best practice to speak to a holistic set of stakeholders who can provide expertise on the issues identified. Companies should not avoid critical non-governmental organizations (NGOs) in the process.

Finally, the company identifies the relevant business drivers it wishes to weigh its material ESG issues against such as risk reduction, customer satisfaction, revenue enhancement, and employee retention.

Phase 2: Engage with internal and external stakeholders to obtain their views and priorities

The process then moves to the data collection stage, during which key management and business leaders are asked to weigh a list of issues by their relative importance. For example, if Aerated Water manufacture leaders were asked to assess the issue of water scarcity, they would need to ask themselves "How might the issue of water scarcity impact our ability to [drive revenue/reduce risks/enhance employee retention]?" Answers help the assessment team understand the relative importance of an issue such as water scarcity in driving business success.

External stakeholders can also be asked to prioritize issues based on relative importance. For example, an environmental NGO might say that water scarcity is the most important issue for a company manufacturing aerated water, whereas a human rights NGO might say it is labor rights in the supply chain. Soliciting stakeholder feedback is a crucial part of a materiality assessment. It helps to get third-party perspective and adds credibility to the process. A company will generally publicize that it consulted experts in the field and used that engagement to guide its process.

Phase 3: Mapping and Prioritization

In this step, all of the data collected from internal and external stakeholders is put into a model or framework (generally with a quantitative ranking component) and transformed into a quantitative score that can be used to map and prioritize issues. It is important to note, that while it is useful to make the mapping process quantitative and 'scientific', it is a process that is more 'art' than 'science'. Meaning, while it is helpful to rely only on the quantitative output, many companies will take a look at the initial outputs and then realign issues accordingly.

Phase 4: Alignment with key management and strategy development

Once the final matrix is determined, it is presented to key executives and managers for review. From there, final changes to the matrix can be made. The company then embarks on the strategy development process, outlining how it will work on the identified material issues, and developing metrics to track impact. It generally will return to the key stakeholder groups to present and discuss the matrix. In general, companies revisit their materiality matrix every two years.

Phase 5 : Set goals and targets-use industry benchmarks as much as possible

In this final phase , the strategy for achievement is worked out through setting up of achievable goals and targets in various functions and at various levels of the organizations. Such goals and targets needs serious recognition from the management and adequate champions in the workforce to actualize achieving the same. While setting up such goals and standards a careful review of peer group achievements make the process truly meaningful.

Phase 6: Reporting on Progress

Most leading companies publish annual sustainability reports to report on progress. These reports generally refer back to the materiality matrix and the sustainability strategy and provide an update on key metrics and targets. Most reports also include narrative on targets missed, or goals not achieved, and they usually feature testimonials from stakeholders on collaborations they've pursued with the companies. Many companies use GRI as their reporting framework, and will state that their report is written in accordance to GRI standards, or will go a step further and have their report GRI-verified. Other companies will also have certain elements of their data (mainly environmental data) audited by accounting firms, similar to financial statements.

Source : Adapted from NYU- Center for Sustainable Business

Q.16. How does a Sustainability Report differ from an Integrated Report?

A.16 As per Value Reporting Foundation[30], framers of Integrated Reporting, generally, sustainability reports cater to a broad stakeholder base and communicate organizational impacts on the economy, the environment and society.

By contrast, an integrated report explains to providers of financial capital how the organization creates value over the short, medium and long term. Notably, the integrated reporting movement was founded on the premise that traditional financial reporting, with its disproportionate emphasis on historical financial statement performance, provided an incomplete picture of the organization's ability to create and preserve longer term value. Integrated reporting, therefore, extends the scope of the core investor document beyond financial capital to also reflect the influence of human, intellectual, manufactured, social and relationship, and natural capital. Some information normally found in a sustainability report may very well migrate into the integrated report, but only to the extent that it materially relates to value creation over time.

The main differences between the two report forms, in terms of purpose, audience and scope are as summarized below.

	Integrated Report	Sustainability Report
Purpose	Explain to providers of financial capital how value is created over time	Communicate the entity's broader social and environmental impacts, strategies and goals
Audience	Providers of financial capital and others interested in the organization's ability to create value	Multi-stakeholder

[30] Value Reporting Foundation https://www.integratedreporting.org/faqs/ Accessed on 18.04.2022

Scope	• Organizational overview and external environment • Governance • Business model • Risks and opportunities • Strategy and resource allocation • Performance • Outlook • Basis of preparation and presentation	• Economic • Environmental • Social, including labour practices, human rights and broader societal influences • Governance

Q.17. What is the role of Chartered Accountants in preparation of Sustainability Reports?

A.17 **"Accounting for Sustainability: From sustainability to business resilience"**[31] highlights the important role accountants can, and must, play in embracing sustainability challenges. It also provides guidance on how to ensure that the organisations that accountants serve are resilient, by linking these challenges to a broader business agenda and strategy.

The International Federation of Accountants ("IFAC") suggests eight practical ways for accountants to make a difference and fulfil their role as business partners as under:

1. Identify and connect key trends and impacts to the organisation's strategy, business model and performance.
2. Integrate significant natural and social capital issues into decision-making processes.

[31] IFAC, 'Accounting for Sustainability. From Sustainability to Business Resilience' <https://www.ifac.org/knowledge-gateway/preparing-future-ready-professionals/publications/accounting-sustainability-sustainability-business-resilience>

3. Assess the benefits of tackling environmental and social issues (eg cost reduction; revenue generation).
4. Organise internal systems and processes to ensure what matters is measured and managed.
5. Link the strategy and resources to the creation of value for stakeholders.
6. Drive efficiency by reducing waste and controlling costs.
7. Provide credibility to the information and data produce through effective oversight and governance.
8. Communicate clearly to ensure transparency.

Further, accountants can guide the organisations they are associated with towards sustainable business practices in the following ways:

- Identify the environmental and social trends that will impact on the company's ability to create value over time.
- Explain the impact of sustainability issues in robust business terms, including how and when they could affect the business.
- Develop KPIs that support strategic and sustainable goals.
- Apply management accounting tools and techniques, such as scenario planning of natural resource availability, lifecycle costing, and carbon foot-printing, to help integrate sustainability matters into the decision-making process.

Source: https://www.ifac.org/knowledge-gateway/preparing-future-ready-professionals/publications/accounting-sustainability-sustainability-business-resilience

Q.18. What are the steps involved in preparation of Sustainability Report?

A.18 Generally, following steps are involved in preparation of Sustainability Report[32]:

[32] Five Steps to Good Sustainability Reporting by BSR <https://www.millicom.com/media/4318/bsr-five-steps-good-sustainability-reporting.pdf> Accessed on 18.04.2022

A. **Setting priorities and developing strategy**: This is the initial step and includes setting of and review of materiality parameters, setting strategy, goals etc. and identifying benchmarks set by peers.

B. **Building of the Structure and Data Gathering**: This involves identifying key audience for the Report, identifying the standards and framework to be relied upon, assessing of the gaps against such framework, developing strategic priorities, triggering of Reporting Governance.

C. **Develop and Revise Content**: This involves collating data, drafting the report or revising earlier report structure based on new developments, referencing of collated information as per identified standards, and obtaining final approvals as per established system of governance.

D. **Finalization and Communication**: This involves finalization of the Report for internal and external communication.

E. **Review**: This involves reviewing of the reporting process to identify bottlenecks, if any. This aids in learning from challenges faced in reporting and improve the reporting process. Further, it is required to develop strategic approach for the future.

Q.19. Which Governments have mandated preparation of Sustainability Reports?

A.19 **United Kingdom**: In the UK, quoted companies are mandated to provide a report disclosing annual greenhouse gas emissions, diversity, and human rights under the Companies Act 2006 (Strategic and Director's Report) Regulations, 2013[33]. Companies with a premium listing of equity shares in the UK also need to report on how they apply the main principles of the Corporate Governance Code, 2012[34].

European Union: The European Commission ("EC") Directive on Disclosure of Non-Financial and Diversity Information (2013)[35] is

33 https://www.legislation.gov.uk/ukdsi/2013/9780111540169

34 Financial Reporting Council, 2012 "UK Corporate Governance Code" < https://www.frc.org.uk/getattachment/e322c20a-1181-4ac8-a3d3-1fcfbcea7914/UK-Corporate-Governance-Code-(September-2012).pdf>

35 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014L0095

considered a major reporting instrument of the EU. It requires certain large companies and public-interest companies to disclose material environmental, social, and employee-related matters. Further, in the EU, the mandatory practice of sustainability reporting for certain companies is regulated by the Non-Financial Reporting Directive ("NFRD"), recently revised and renamed Corporate Sustainability Reporting Directive ("CSRD")[36]. An increasing number of organizations are providing frameworks for sustainability reporting and are issuing standards or similar initiatives to guide companies in this exercise.

United States: According to the Regulation issued by the US Securities and Exchange Commission ("SEC"), all listed companies should disclose their environmental compliance expenses. Another sustainability reporting instrument by the New York Stock Exchange ("NYSE") mandates that listed companies adopt and disclose a code of business conduct and ethics[37].

China: China has 7 regulations revolving around mandatory disclosure on sustainability matters. The Environmental Information Disclosure Act, 2008 statutorily stipulates corporations to disclose environmental information. Annual resource utilization, pollution levels, waste generation, disposal method, and some other aspects may be disclosed voluntarily to gain more rights to grants and public support.

India: has introduced new environment, social, and governance ("ESG") reporting requirements for the top 1,000 listed companies in the country by market capitalization. The Securities and Exchange Board of India ("SEBI") stipulates that the disclosure must be made through a new format, namely the Business Responsibility and Sustainability Report ("BRSR"). BRSR reporting was made voluntary for FY 2021-22 but is mandatory from FY 2022-23.

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[36] https://ec.europa.eu/info/publications/210421-sustainable-finance-communication_en#csrd

[37] Section 303A.10 of the NYSE Listed Company Manual, <https://nyse.wolterskluwer.cloud/listed-company-manual> accessed on 24.06.2022

Q.20. What is Assurance of Sustainability Report?

A.20 As per frequently asked questions on external assurance of sustainability reporting developed by AICPA and GRI[38],

"*AICPA's use of the term 'assurance': Assurance on sustainability information is a process whereby an independent practitioner performs procedures, obtains evidence, and after obtaining reasonable or limited assurance about the information, expresses a conclusion, or an opinion, designed to enhance the degree of confidence of decision-makers using that information.*

GRI's use of the term 'external assurance': "Activities designed to result in published conclusions on the quality of the report and the information (whether it be qualitative or quantitative) contained within it. External assurance can also refer to activities designed to result in published conclusions about systems or processes (e.g., the application of GRI's Materiality principle or the stakeholder engagement process). This is different from activities designed to assess or validate the quality or level of performance of an organization, such as issuing performance certifications or compliance assessments." (adapted from GRI 102: General Disclosures 2016)."

Assurance is the process of obtaining an opinion on the reliability of information disclosed or the context of information presented based on an independent review carried out by a third party. In other words, assurance is an evaluation method that uses a specified set of principles and standards to assess the quality of an organisation's subject matter and the underlying systems, processes and competencies that underpin its performance. Assurance includes the communication of the results of this evaluation to give the subject matter credibility for its users. Auditing, verification and validation are some of the tools and processes by which assurance is obtained

Assurance helps to enhance the confidence of the stakeholders in the accuracy and reliability of the reported information and provides the intended users with useful data for decision making. Further, assurance helps in:

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[38] 2020 FAQ, Question 1
<https://us.aicpa.org/content/dam/aicpa/interestareas/businessindustryandgovernment/resources/sustainability/downloadabledocuments/sustainability-faqs.pdf>

- Increased recognition, trust and credibility
- Reduced risk, identification and tapping the opportunities and increased value
- Stakeholder engagement - to ensure addressing their concerns
- Improved stakeholder communication Robust data gathering and processes
- Improved top-level engagement
- Enhanced Quality of Disclosures – Accuracy, Balance, Clarity, Completeness, Comparability, Reliability, Materiality, Sustainability Context, Stakeholder Inclusiveness
- Improved Decision Making by Stakeholders – Customers, Investors and Analysts, ESG/Sustainability themed indices (For example - Dow Jones Sustainability Index, proposed BRSR Index), Governments
- Improved Performance - Better inputs for management decision-making, Opportunities to align with best practices, "Pressure to perform"
- Improved internal monitoring, control and reporting systems

An illustrative list of areas in which sustainability assurance is provided is as under:

- Energy Consumption
- GHG Emissions
- Other Emissions
- Waste Generation and Disposal
- Water consumption and withdrawal
- Human Rights
- Labour Standards

An organization that carries out an assurance process on its sustainability information/report by an independent agency or professional demonstrates greater commitment to sustainability. According to a recent Governance and Accountability Institute Research Report 2020 , around 90% of the public companies in the Standard & Poor's 500 Index published their sustainability reports in

2019. Out of these companies, almost one third have obtained some kind of assurance on their sustainability reports.

Source: ICAI Background Material on BRSR and https://www.ga-institute.com/research-reports/flash-reports/2020-sp-500-flash-report.html

Q.21. Do entities get their sustainability reports assured or verified? Why is there demand for independent Assurance on Sustainability Reports?

A.21 Assurance and verification may be used interchangeably when it comes to sustainability reporting. Entities are increasingly using external agencies to carry out assurance to lend credibility to their reporting.

The importance of having independent assurance that reports against international standards is key to building trust with stakeholders and the investment community. This allows us to verify whether or not we can rely on the information provided by the company and also any assurances given by the company themselves.

Reporting organisations turn to External Assurance to validate that the disclosures made in their sustainability report are true and reliable. As such, External Assurance allows organizations to drive continuous improvement by strengthening their relations with stakeholders and implementing the necessary measures and recommendations suggested by the independent assurance provider who conducted the assurance. Today, sustainability reporting alone, is more often than not, not sufficient to make an organization appear credible in the eyes of its stakeholders, especially in certain industries with high stakeholder and regulatory pressures. Obtaining External Assurance should be a priority for organizations who want to enhance recognition and invest in trusting relations as well as confidently communicate their achievements. The purpose of External Assurance goes beyond a statement from a third party that the contents of a report are true based on certain principles; it enhances confidence about the integrity of information and of underlying operational processes and improves the quality of an organization's decision-making process.[39]

As per frequently asked questions on external assurance of sustainability reporting developed by AICPA and GRI[40], some organizations determine that the reporting of sustainability information may not be enough, and decision-makers desire further confidence in its reliability. Assurance can increase the confidence of decision-makers in the accuracy and reliability of the reported information. It can also support organizations in:

a) signalling to their stakeholders the importance the organization places on sustainability reporting,

b) strengthening internal controls and reporting systems relating to sustainability reporting,

c) raising awareness of the importance of sustainability information at Board and C-suite level, and

d) driving better decision-making based on higher quality sustainability information.

A Report[41] released by International Federation of Accountants ("IFAC"), American Institute of CPAs ("AICPA") and the Chartered Institute of Management Accountants ("CIMA") highlights sustainability reporting and sustainability assurance trends of large public entities across the globe. It found that of the entities sampled globally, a majority (91 per cent) reported some level of sustainability information; however, only 51 per cent of those entities obtained some level of assurance over it. Investors and other stakeholders have expressed concerns surrounding their confidence in sustainability information. Similar to assurance over financial information, independent assurance over sustainability information

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39 < https://sustainabilityknowledgegroup.com/external-assurance-of-sustainability-reports-investing-on-transparency/>

40 2020 FAQ, Question 2 <https://us.aicpa.org/content/dam/aicpa/interestareas/businessindustryandgovernment/resources/sustainability/downloadabledocuments/sustainability-faqs.pdf>

41 June 2021, "The State of Play in Sustainability Assurance", < https://www.ifac.org/system/files/publications/files/IFAC-Benchmarking-Global-Practice-Sustainability-Assurance.pdf>

can help mitigate these concerns. Hence, the need for assurance is magnified.

Q.22. Who all can provide Assurance of Sustainability Reports?

A.22 Assurance is carried out by a range of different providers which could be both external and internal.

External providers include:

- Audit professional
- Corporate social responsibility (CSR) specialist /consultants
- Civil society organisation
- Opinion leaders/advisory panel.

Internally assurance may be provided under:

- Functional areas
- Risk assessment/internal audit
- Board level.

Organizations providing assurance-related services on sustainability information include:

1. **Accountancy firms:** Such firms have their own systems, controls and audit/assurance procedures (including for climate change/GHG data)
2. **Engineering firms:** Such firms generally offer technical certifications and engineering expertise applying a multi-disciplinary approach. The experts understand complex processes and undertake risk-based analysis.
3. **Environment Consulting Firms/Sustainability services firms:** Such firms focus and expertise on sustainability related issues. Often, they have experience with stakeholder matters.

As per report issued by ICAEW[42], accountants in business will be increasingly involved in collecting, checking and interpreting information relating to environmental and social impacts. This is likely to affect those employed in a mainstream reporting role or in

[42] <https://www.icaew.com/-/media/corporate/files/technical/sustainability/sustainability-the-role-of-accountants-2004.ashx?la=en> Accessed on 27.06.2022

internal audit. Assurance relating to information on sustainability issues is an area where professionally qualified accountants need to demonstrate that they are well equipped for the task. Providing assurance on social and environmental reporting is a role in which the accountancy profession has much to offer in coordinating a multi-disciplinary approach and establishing and clarifying the principles for working with other experts.

As per report of IFAC[43], sustainability information is increasingly being coordinated under the stewardship of CFOs and accountants to ensure that sustainability information is connected to financial information, and that sustainability strategies and actions are aligned across the organization from the governance (board) level to the operating level. Identifying and enabling a company's contribution to sustainability involves identifying the most significant areas or the "sweet spots" and evaluating the most cost-effective options and the best choices to achieve sustainability. This involves providing decision insights and context through measurement and numbers which is the accountant's sweet spot. Accountants are central to enabling finance, assessing business cases, and managing the balance sheet to deliver adequate investment toward the best initiatives at the same time as ensuring financial resilience during a transition to a sustainable business

Q.23. What are various standards/guidelines available for Assurance of Sustainability Report of an entity?

A.23 There are various national and international standards and frameworks used by assurance service providers for assuring non-financial/sustainability disclosures. The two key assurance standards that are widely used for providing assurance of sustainability information are:

- Assurance Engagements Other than Audits or Reviews of Historical Financial Information – ISAE300011
- AccountAbility 1000 Assurance Standard (AA1000AS)

[43] IFAC, "The Role of Accountants in Mainstreaming Sustainability in Business" < https://www.ifac.org/knowledge-gateway/preparing-future-ready-professionals/discussion/role-accountants-mainstreaming-sustainability-business> Accessed on 27.06.2022

The AA1000 Series of Standards are founded on the principles of:

- Inclusivity – People should have a say in the decisions that impact them
- Materiality – Decision makers should identify and be clear about the sustainability topics that matter
- Responsiveness – Organisations should act transparently on material sustainability topics and their related impacts
- Impact – Organisations should monitor, measure and be accountable for how their actions affect their broader ecosystems

There are two levels of AA1000AS (2008) assurance:

- A high level of assurance;
- A moderate level of assurance.

ISAE 3000, similarly to AA 1000AS, is the standard for assurance over non-financial information and it is issued by the International Federation of Accountants ("IFAC"). The standard consists of guidelines for the ethical behaviour, quality management and performance of an ISAE 3000 engagement. ISAE 3000 recognises two types of assurance engagement, the "reasonable assurance engagement" and "limited assurance engagement" to refer to the different nature, timing or extent of evidence-gathering procedures.

Under reasonable assurance[44], the practitioner designs and executes procedures to reduce the engagement risk (the risk that a conclusion is wrongly expressed on whether the subject matter is materially misstated) to an acceptably low level. The conclusion is reported in a positive form of expression such as "Based upon the procedures performed, in our opinion the [subject matter] is reasonably stated". Reasonable assurance is the highest level of assurance provided, similar to a statutory audit opinion.

For a limited assurance engagement, the practitioner's conclusion is based upon less evidence than for reasonable assurance but is sufficient to provide a negative form of expression within the report e.g. "Based upon the procedures performed, nothing came to our

44 <https://www.icaew.com/technical/financial-services/esg-assurance/assurance-opinions-on-esg-metrics-under-isae-3000-revised> Accessed on 27.06.2022

attention to indicate that the [subject matter] is materially misstated". This is achieved through performing fewer tests than those required for reasonable assurance, however the risk basis for planning the engagement and level of materiality remain the same across both limited and reasonable assurance.

Limited assurance engagements allow the practitioner to tackle subject matter which is less well defined and for which the control environment is less mature and robust. However, because there could be a range in level of comfort given under limited assurance, it is important that the practitioner:

a) Ensures there is a shared understanding of the scope of the work agreed with the responsible party and/or users;

b) Documents the scope of work at an appropriate level of detail; and

c) Sufficiently describe the work performed within the assurance report.

The International Auditing and Assurance Standards Board ("IAASB") has published *Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Extended External Reporting (EER) Assurance Engagements*[45]. The guidance responds to ten key stakeholder-identified challenges commonly encountered in applying International Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 (Revised)). The guidance promotes consistent high-quality application of ISAE 3000 (Revised) in extended external reporting assurance engagements to[46]:

a) strengthen the influence of such engagements on the quality of extended external reporting;

b) enhance trust in the resulting assurance reports; and

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45 <https://www.iaasb.org/publications/non-authoritative-guidance-applying-isae-3000-revised-extended-external-reporting-assurance> Accessed on 27.06.2022

46 <https://www.wbcsd.org/Programs/Redefining-Value/Making-stakeholder-capitalism-actionable/Assurance-Internal-Controls/Resources/Non-authoritative-guidance-on-applying-ISAE-3000-revised-to-sustainability-and-other-extended-external-reporting-assurance-engagements> Accessed on 27.06.2022

c) increase the credibility of extended external reports so that they can be trusted and relied upon by their intended users.

A1000AS is designed by sustainability professionals to focus on the quality of an organisation's reporting and performance, with emphasis on materiality, impact, stakeholders and strategy. On the other hand, ISAE 3000 for "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" is a standard for any assurance engagement focusing on procedures, terms of engagement and engagement performance.

Source: ICAI Background Material on BRSR and public domain

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