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Editorial

Net zero commitments signify a plan to minimise greenhouse gas emissions to the lowest feasible level and to balance out any residual emissions through verified carbon removal methods, like afforestation. Transitioning to a net-zero world is one of the greatest challenges of the recent times. As climate-related commitments have become a focus for many stakeholders, many governments and entities around the world are setting their net-zero targets. Therefore, questions have been asked about how they impact financial reporting under Accounting Standards, specifically, if and when they result in the recognition of a liability. Considering that, recently, the IFRS Interpretations Committee has discussed climate-related commitments based on a specific scenario and published an agenda decision in IAS 37 *Provisions, Contingent Liabilities and Contingent Assets.* This edition of Accounting and Auditing Update (AAU) discusses this topic and highlights the need for companies to carefully evaluate their net-zero commitments to determine the appropriate financial reporting actions based on the example discussed in the agenda decision.

The recent corporate failures throughout the world have highlighted the benefits of clarifying and enhancing the role of auditors in responding to fraud and suspected fraud as a means of enhancing public trust in financial reporting. There has been increased scrutiny throughout the financial reporting system with greater emphasis on auditor's role. With fraud being the focus, the International Auditing and Assurance Standards Board (IAASB) has initiated revisions to the existing ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statement,* through an Exposure Draft (ED). The proposals aim to clarify the auditor's responsibilities about fraud in the financial statement audits, strengthen audit procedures and enhance auditor's report on this matter. The article on this topic provides an overview of the proposals in the exposure draft.

There have been some regulatory developments during the month. Recently, the Reserve Bank of India (RBI) relaxed the overseas investment rules for offshore funds. The Securities and Exchange Board of India (SEBI) revised the timelines for annual disclosures by Social Enterprise (SE) on Social Stock Exchange (SSE) for FY 2023-24. Further, SEBI has mandated audio-visual presentation of disclosures made in public issue offer documents. Our regulatory updates articles cover these and other important regulatory developments.

We would be delighted to receive feedback/suggestions from you on the topics we should cover in the forthcoming editions of AAU.

Sai Venkateshwaran
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KPMG in India

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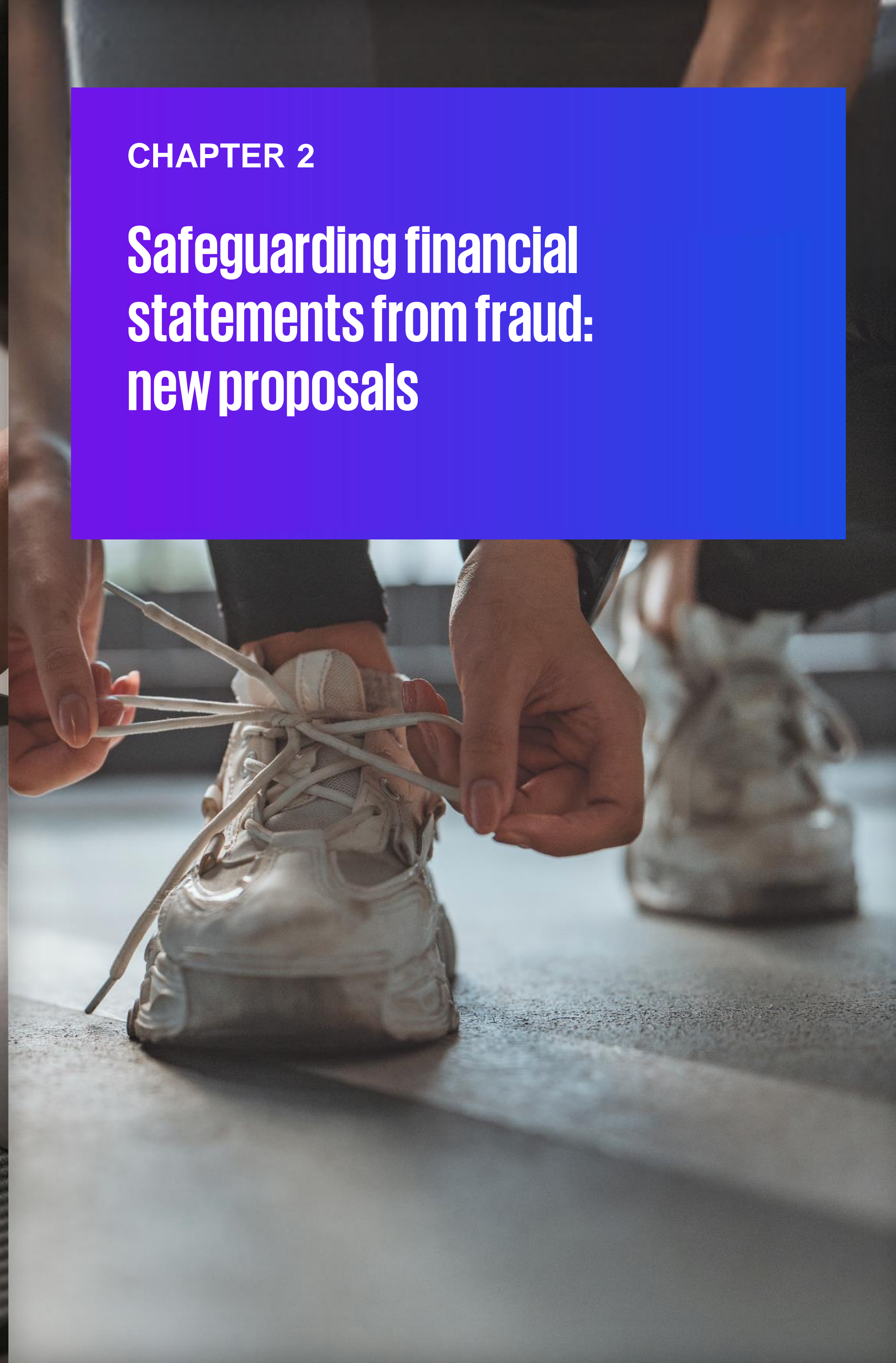
CHAPTER 1
Net zero commitments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CHAPTER 1

Net zero commitments

This article aims to:

Emphasise the principles that should be met for recognising a provision when a company commits to a net-zero target.

Background

When a company pledges to achieve net-zero emissions, such as by the year 2050, it typically signifies a plan to minimise greenhouse gas emissions to the lowest feasible level and to balance out any residual emissions through verified carbon removal methods, like afforestation. Net-zero goals generally encompass emissions across the entire value chain, known as Scope 1, 2, and 3 emissions according to the GHG Protocol[1], although some commitments may only cover direct operational emissions (Scope 1 and 2).

In addition to net-zero, companies may set various related targets:

- **Carbon neutral:** Often an interim milestone towards net-zero, focusing on the acquisition and retirement of carbon offsets.
- **Carbon negative:** A pledge to eliminate more carbon than the company emits annually.
- **Climate positive:** An ambition to go beyond carbon-negative by addressing total emissions across the full value chain, akin to net-zero.

Stakeholders, including users of financial statements, regulators, and the public, are increasingly inquiring about the implications of net-zero commitments on financial reporting, particularly regarding the potential triggering of liabilities. It is crucial for companies to present a cohesive narrative across various reports and forums, encompassing their financial statements, to ensure transparency in their journey towards net-zero.

Recently, the IFRS Interpretations Committee has discussed climate-related commitments based on a specific scenario and published an agenda decision in IAS 37, *Provisions, Contingent Liabilities and Contingent Assets.*

This article highlights the need for companies to carefully evaluate their net-zero commitments to determine the appropriate financial reporting actions. In this article, we will summarise the agenda decision with help of an example.

1. Greenhouse gas emissions are categorized into three groups or 'scopes' by the most widely used international accounting standard, the Greenhouse Gas (GHG) Protocol. Scope 1 is direct emissions, scope 2 covers energy purchases, and scope 3 includes all other indirect emissions in a company's value chain, such as transportation and waste disposal. Scope 3 emissions are critical, as they often represent the majority of organizations' carbon emissions.

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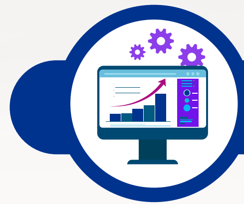


Liability recognition

Merely establishing a net-zero target does not inherently result in a liability. Companies must scrutinise the specifics of their net-zero pledges and the strategies for their implementation. According to IAS 37, there are explicit criteria to determine the existence of a liability at the reporting date and whether it should be recognised in the financial statements. Future operating losses cannot be accounted for as liabilities; therefore, a company's commitment must result in a current obligation due to a past occurrence (such as 'environmental impact') to necessitate recognition in the financial statements.

Example

In 2020, a household product manufacturer publicly committed to:

a. Gradually reducing its annual greenhouse gas emissions by at least 60 per cent from current levels by 20X9.

b. Offsetting its remaining annual emissions from 20X9 onwards by purchasing and retiring carbon credits from the carbon market.

To support these commitments, the entity undertook the following actions:

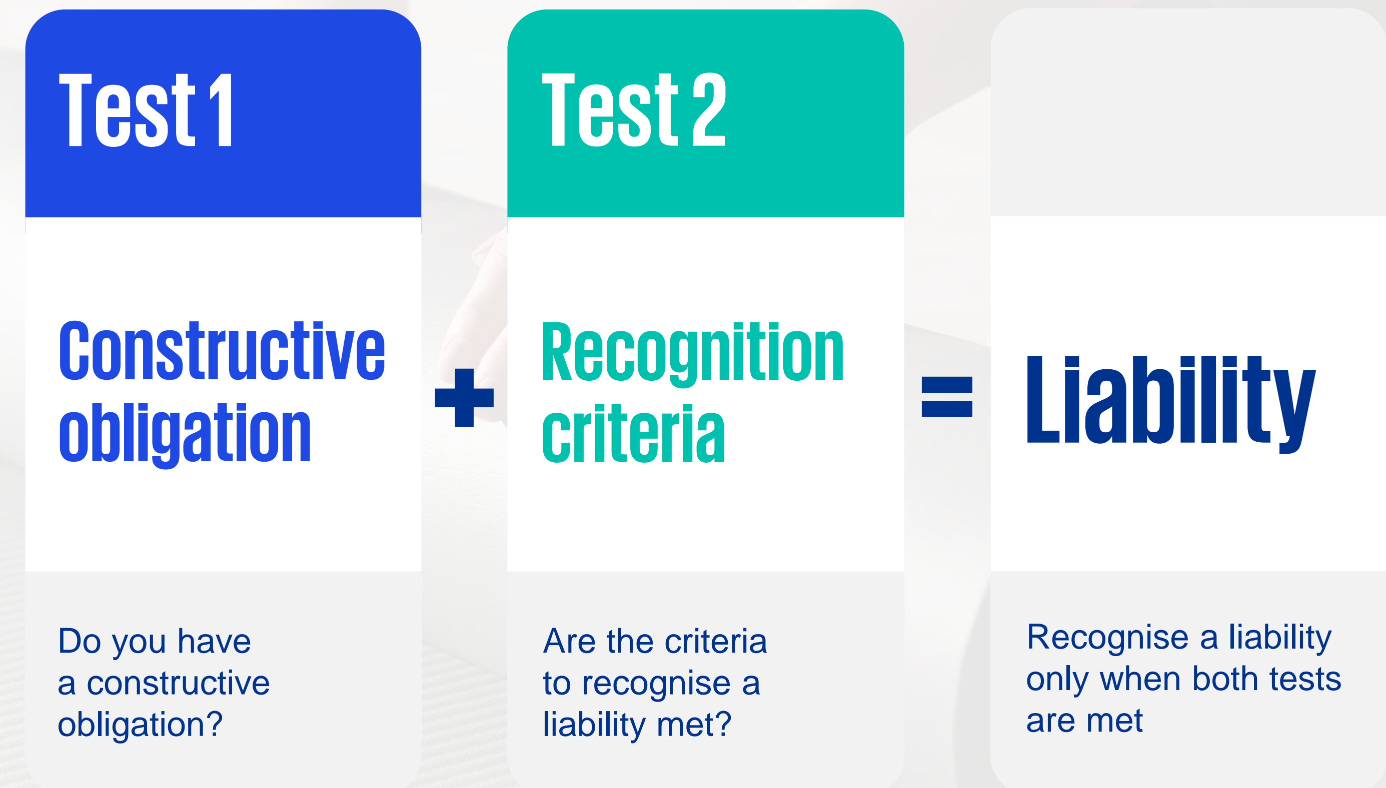
a. Released a transition plan detailing the gradual modification of its manufacturing processes from 20X1 to 20X9 to achieve the targeted emission reduction.

b. The modifications include:

- Investing in more energy-efficient processes
- Sourcing energy from renewable providers
- Substituting petroleum-based ingredients and packaging materials with alternatives that have a lower carbon footprint.

In addition to the transition plan, the entity has taken multiple public actions to reinforce its dedication to fulfilling these commitments.

The IFRS Interpretations Committee has identified two critical criteria (two tests) that must be satisfied for a liability to be recognised. The determination of whether these conditions have been met may involve substantial judgement, taking into account the unique facts and circumstances of each case.



Source: KPMG IFRG Limited's Talk book on Net-zero commitments, April 2024

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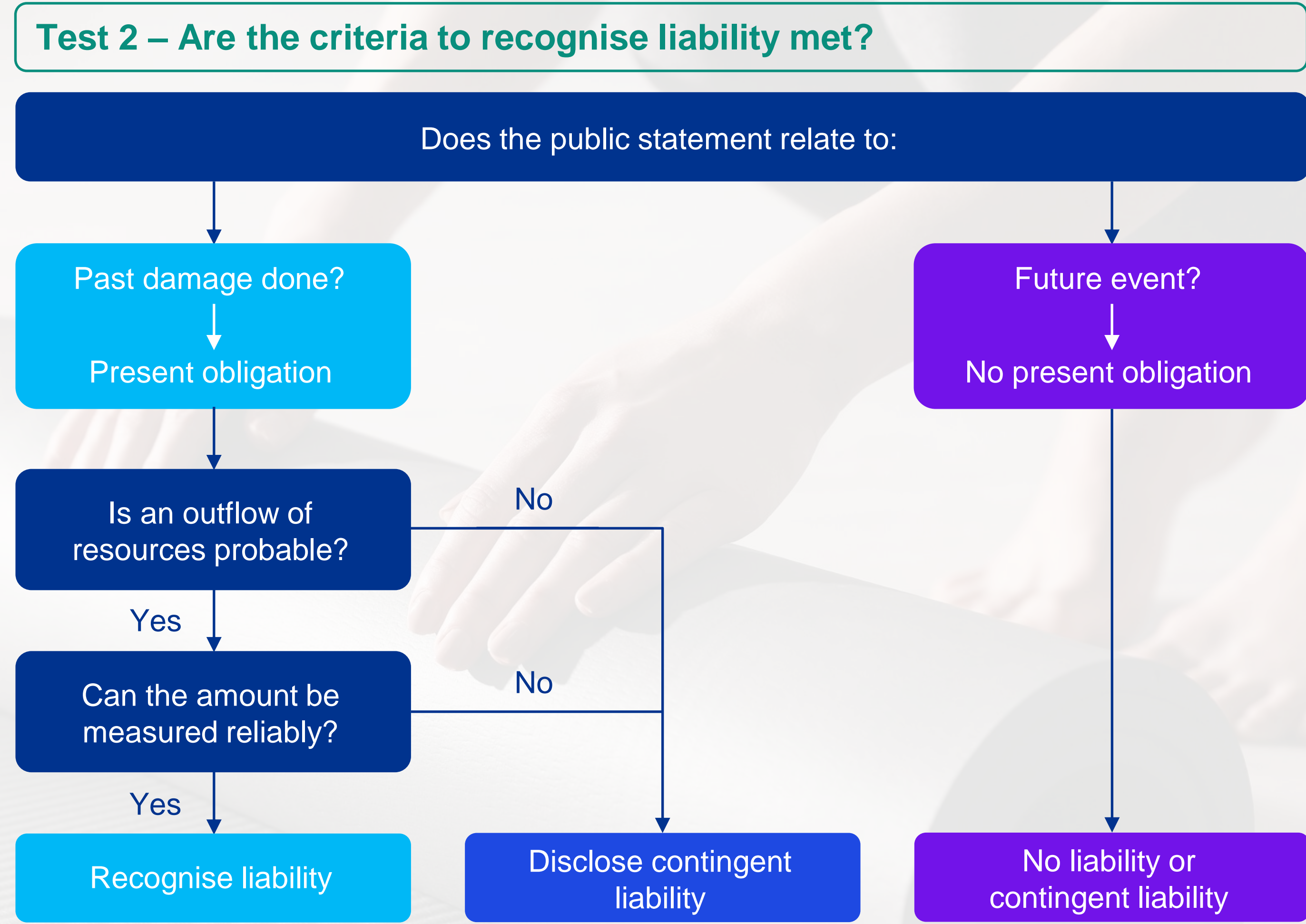
Source: KPMG IFRG Limited's Talk book on Net-zero commitments, April 2024

Constructive obligation – public statement

The Committee noted that the establishment of a constructive obligation through a company's commitment to reduce or offset emissions creates a valid expectation on the specifics of the commitment and the surrounding circumstances, including any public actions affirming the company's intent to fulfil the commitment. Management must exercise judgement at each reporting date, considering all pertinent facts and circumstances at that time. As these may evolve from one reporting date to another, so might the conclusion regarding the existence of a constructive obligation. In the absence of such an obligation, no provision is recognised. Conversely, if a constructive obligation is present, the next step is to evaluate if it meets the criteria for provision recognition.



Source: KPMG IFRG Limited's Talk book on Net-zero commitments, April 2024

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An entity should recognise a provision when:

a. It has a present obligation (legal or constructive) as a result of a past event;

b. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

c. A reliable estimate can be made of the amount of the obligation.

Present obligation as a result of a past event

The Committee emphasises two core principles:

1. The mere enactment of a law or the publication of a policy or statement does not, in itself, create a present legal or constructive obligation for an entity. An entity has a present legal or constructive obligation only upon the occurrence of the event to which the law, policy, or statement pertains.
2. Provisions are not recognised for future operational costs that an entity may incur.

By applying these principles to the example mentioned above, the committee analysed that if the commitment described in the fact pattern creates a constructive obligation for the entity:

a. When the entity announced its commitments in 20X0, it did not create a present obligation as a result of a past event. Neither the declaration of a commitment nor actions that demonstrate the entity's intention to fulfil that commitment constitute events that lead to a present obligation. The events that would create such an obligation are those to which the commitment pertains, and these events have not yet occurred at the time of the commitment's declaration. The expenses that the entity will incur to reduce its annual greenhouse gas emissions and to offset emissions in 20X9 and beyond are future operational costs-the obligations for these costs do not exist independently of the entity's future actions.

b. At any given date, the entity does not have a present obligation to reduce emissions beyond that date, as the costs associated with operating at reduced emissions in the future are future operational costs. The entity will eventually incur liabilities for resources it acquires to conduct future operations, such as new plant or equipment, but only upon entering into an exchange transaction for those resources.

c. The entity will only have a present obligation to offset greenhouse gases once it has emitted them as per its commitment. This obligation will arise only if and when the entity emits greenhouse gases in 20X9 and subsequent years.

Probable outflow of resources

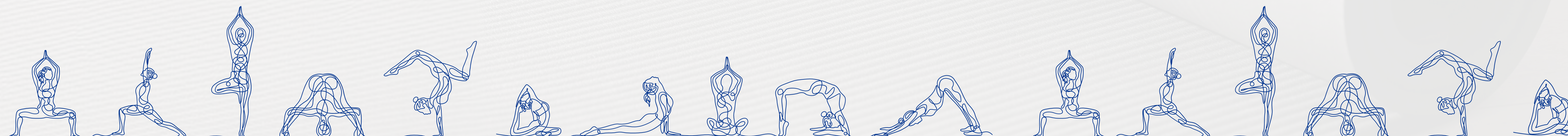
The Committee determined that if the commitments outlined in the scenario do create a constructive obligation for the entity, the following would apply:

a. Settling the constructive obligation to reduce the entity's annual greenhouse gas emissions would not necessitate an outflow of resources embodying economic benefits. While the entity will incur costs to modify its manufacturing methods, it will receive resources in exchange—such as property, plant, equipment, energy, product ingredients, or packaging materials—which it can utilise to produce and sell products profitably.

b. Settling the constructive obligation to offset the entity's remaining annual greenhouse gas emissions will require an outflow of resources embodying economic benefits, as the entity will need to purchase and retire carbon credits without receiving any economic resources in return.

Reliable estimate

The Committee concluded that in the fact pattern described, it is likely that the entity would be able to make a reliable estimate of the amount of a constructive obligation that satisfies the other recognition criteria.



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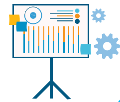
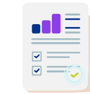


Conclusion

The Committee determined that:

1. The creation of a constructive obligation from the entity's declaration of its greenhouse gas reduction and offset commitments is dependent upon the facts of the declaration and the circumstances surrounding it.
2. Should such a declaration result in a constructive obligation, the following applies:
   a. Upon making the declaration in 20X0, the entity does not recognise a provision, as the constructive obligation does not constitute a present obligation stemming from a past event.
   b. Between 20X0 and 20X9, no provision is recognised because a present obligation due to a past event does not exist until the entity emits the greenhouse gases it has committed to offset.
   c. As the entity emits greenhouse gases in 20X9 and the years that follow, it incurs a present obligation to offset these past emissions. If the obligation remains unsettled and can be reliably estimated, the entity is then required to recognise a provision.



Disclosure requirements

Investors and regulators expect a company's financial statements, management discussion and analysis (MD&A) and sustainability-related disclosures to provide a coherent, connected and integrated picture. To achieve this, companies need to provide enhanced disclosures on the impact of net-zero commitments in their reporting.

- **Specific disclosures in the financial statements:** Once companies have assessed the financial reporting impacts of the individual actions in their net-zero plan, they need to consider the disclosures required by the specific IFRS standards. In some cases, a disclosure may be required even though there is no current-period financial statement impact.
- **Overarching disclosures in the financial statements:** Companies also need to consider the requirements of IAS 1, *Presentation of Financial Statements*. This includes disclosing additional information that is necessary for investors to understand the impact of net-zero commitments on the company's financial position and performance, and information that could influence their decisions.
- **Other disclosures outside the financial statements:** If a planned action does not impact the company's financial position and performance at the reporting date and is not subject to the specific or overarching disclosures – e.g. a commitment to offset emissions after 2030 by purchasing carbon credits – then the company may explain that there is 'no financial reporting impact' as part of the net-zero disclosures outside the financial statements. Disclosing 'no impact' may be specifically required by some sustainability reporting frameworks.

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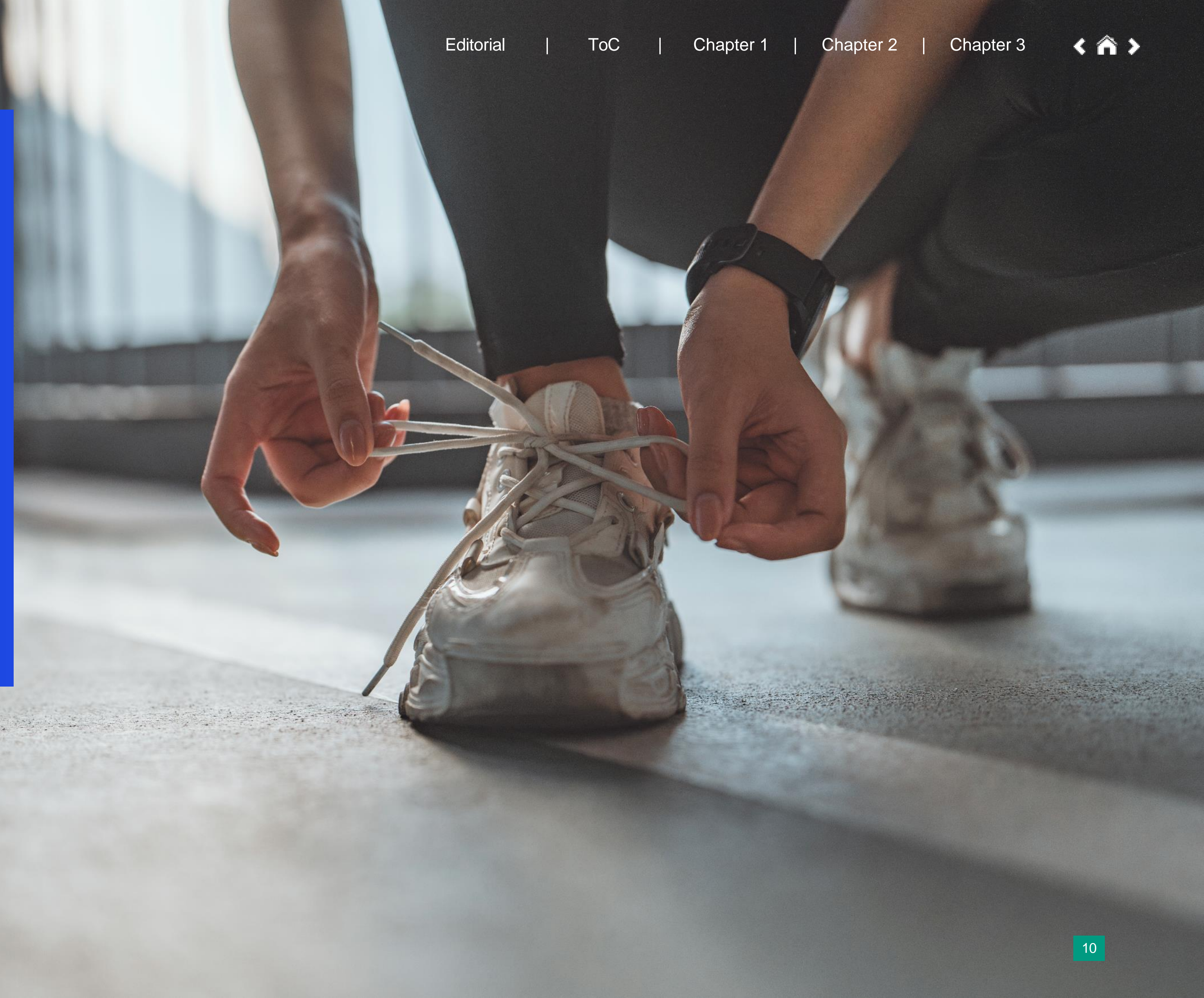
CHAPTER 2

Safeguarding financial statements from fraud: new proposals

This article aims to:

- Highlight changes proposed to ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statement.*
- Key Impact on responsibilities of management and Those Charged with Governance (TCWG).



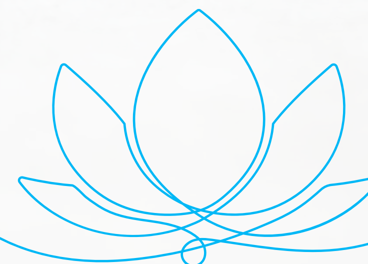
The recent surge in global corporate scandals has thrust the issue of fraud into the spotlight, raising stakeholder concerns about the auditor's role in detecting fraud during financial statement audits. Recognising the need for clarity, the International Auditing and Assurance Standards Board (IAASB) has initiated revisions to the existing ISA 240 through an Exposure Draft (ED). This decision, informed by extensive outreach, aims to provide clarity regarding the auditor's response to fraud or suspected fraud uncovered during audits, thereby strengthening or elucidating the auditor's responsibilities in relation to fraud in financial statement audits.

The IAASB's outreach has highlighted seven key proposed amendments to ISA 240 that are poised to enhance consistency in practice and influence auditor behaviour.

These proposed changes include:

- Clarity and emphasise on the auditor’s responsibilities
- Applying a fraud lens on risk identification and assessment
- Robust work effort requirements if fraud is identified
- Reinforcing the exercise of professional skepticism through the audit
- Transparency on key audit maters related to fraud in the auditor’s report
- Ongoing communications throughout the audit with management and TCWG about matters related to fraud
- Enhancing audit documentation requirements

This article aims to provide a comprehensive overview of these proposals, shedding light on their potential impact on the auditing landscape.



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Clarify and emphasise on the auditor’s responsibilities

The ED sets out a clear and affirmative description of the auditor’s responsibilities relating to fraud in an audit. Previously, ISA 240 merged the discussion of the audit's inherent limitations relating to fraud of an audit of financial statements with the auditor’s responsibilities, leading to confusion about the auditor's exact duties. Therefore, the two concepts i.e. inherent limitations of an audit and auditor’s responsibilities related to a fraud in an audit have been decoupled.

The ED introduces a new statement that the inherent limitations do not diminish the auditor’s responsibility to plan and perform the audit to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud.

The IAASB's revisions do not intend to broaden the auditor's fraud-related roles within a financial statement audit. The descriptions of the audit's inherent limitations and the auditor's fraud-related duties remain aligned with the current ISA 240.

A novel aspect introduced in the exposure draft is the auditor's responsibilities concerning non-material fraud and suspected non-material fraud. The guidance addresses the context and consequences of the fraud, clarifying that a misstatement from fraud, while not 'quantitatively material,' might still be 'qualitatively material,' especially if initiated by entity management or for specific reasons (e.g. to manage key performance metrics).

Professional skepticism

The ED underscores the criticality of professional skepticism throughout the audit, particularly in relation to fraud detection. To this end, it introduces new and strengthened requirements and application material within the standard.

The ED mandates auditors to maintain vigilance for any indications of fraud or suspected fraud during all audit stages. It emphasises the importance of this alertness, especially during the concluding phases of the audit, where time constraints could potentially hinder the proper exercise of professional skepticism. This new requirement aims to ensure that auditors consistently apply a high level of scrutiny, even under the pressure of impending deadlines.

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Ongoing nature of communications with management and TCWG

The IAASB has recognised the need for more robust communication with Those Charged With Governance (TCWG) regarding fraud considerations in the current landscape. The existing protocols for such communications during the audit may not be explicitly mandated. Consequently, the ED is designed to fortify interactions with TCWG and management on fraud-related matters throughout the audit process. It introduces a new comprehensive requirement in the standard to engage with management and TCWG on fraud-related issues at suitable intervals during the audit engagement. This enhancement aims to ensure that discussions on fraud are integral and ongoing throughout the audit engagement.

Risk identification and assessment

IAASB has added additional guidance regarding applying a fraud lens on risk identification and assessment.

The IAASB has introduced additional guidance to apply a more focused approach towards fraud within the risk identification and assessment process. This enhancement calls for a more rigorous and thorough application of the auditor's risk assessment procedures specifically related to fraud, ensuring that the process is not just compliant, but robust in its execution. This guidance aims to sharpen the auditor's ability to pinpoint and evaluate the risks of material misstatement due to fraud, thereby reinforcing the overall audit quality.

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Fraud or suspected fraud

The IAASB has proposed a new requirement to enhance clarity regarding the auditor's actions when encountering fraud or suspected fraud during an audit. This proposal emphasises the necessity for auditors to gain a comprehensive understanding of the fraud or suspected fraud they uncover. Depending on the specific facts and circumstances of the audit engagement, as well as the nature of the fraud, auditors may consider several actions, including:

- Involve an auditor's expert, such as a professional with forensic skills, to provide specialised insight. An individual with forensic skills may assist in planning and performing audit procedures as it relates to the specific audit area where the fraud or suspected fraud was identified
- Inspect whistleblower reports to gather additional information that may shed light on the fraud.
- Conducting further inquiries with:
  - The entity's in-house legal team or external legal advisors to understand the legal implications.
  - Members of the internal audit function, if such a function exists, to leverage their insights on internal controls and processes.

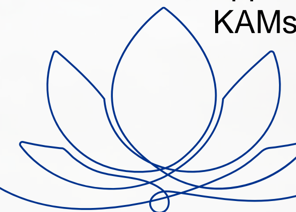
Transparency on fraud-related responsibilities and procedures in the auditor's report

The IAASB has recognised that the auditor's report may not sufficiently convey the auditor's responsibilities and procedures related to fraud. As a result, it proposes consequential amendments to ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements,* which focusses on forming an opinion and reporting on financial statements, to better articulate the auditor's fraud-related duties in the auditor's report. The proposed enhancements to ISA 700 include detailing the auditor's obligation to inform TCWG about identified fraud, suspected fraud, or other relevant fraud-related matters, as per the auditor's judgement.

Furthermore, the ED underscores the significance of communicating Key Audit Matters (KAMs) associated with fraud. It introduces a new paragraph that applies a 'fraud lens' to filter specific considerations such as:

- Identified and assessed risks of material misstatement due to fraud
- The identification of fraud or suspected fraud
- The identification of significant deficiencies in internal control pertinent to fraud prevention and detection.

To encourage more reporting of KAMs related to fraud, the IAASB has included additional application guidance and is advocating against the use of generic, boilerplate language in KAMs concerning fraud in the auditor's report.



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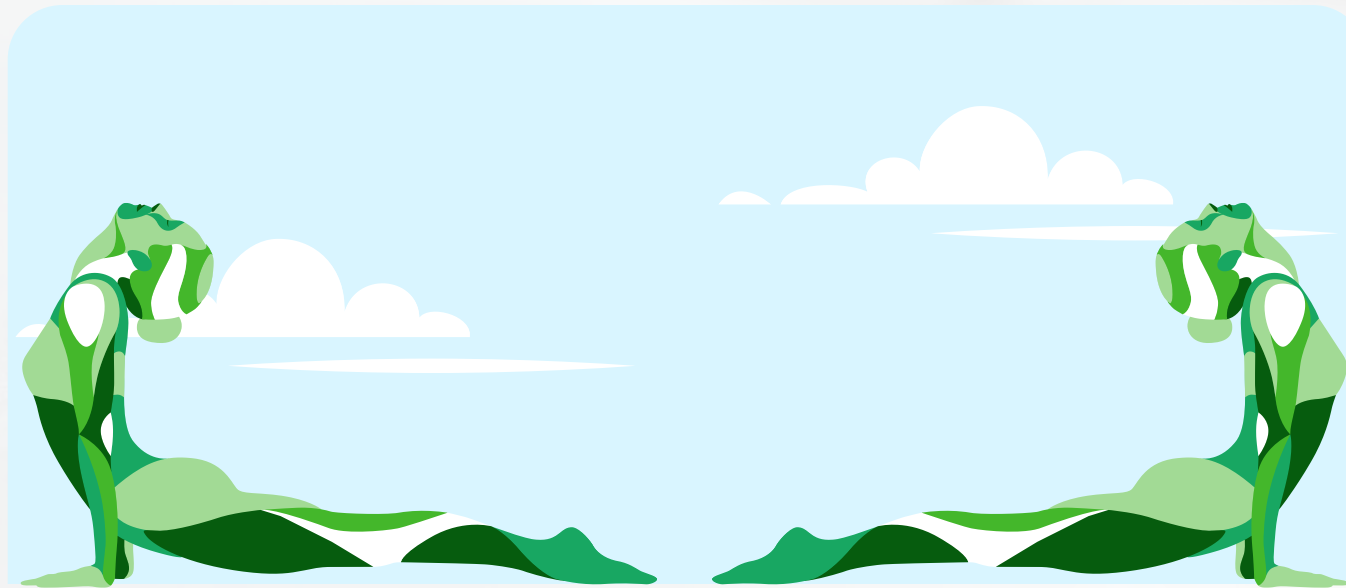
Documentation

The IAASB is committed to enhancing the clarity of the auditor's documentation requirements, ensuring that the auditor's efforts and work are thoroughly recorded. A new requirement has been introduced, mandating auditors to document the outcomes of procedures carried out to mitigate the risk of management's override of controls, the significant professional judgements made, and the conclusions drawn. Similar documentation mandates have been established for identified frauds and suspected fraud, aiming to provide a clear and comprehensive record of the auditor's findings and rationale.



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Key impact on responsibilities of management and TCWG

The proposed amendments to ISA 240 introduce more stringent requirements for auditors, which will also have implications on an entity's management, as they have the primary responsibility for fraud prevention and detection with those charged with governance. It is crucial that management, under the oversight of governance, emphasises robust fraud prevention measures to minimise the potential for fraudulent activities and implements strong deterrence strategies to discourage fraud by highlighting the likelihood of detection and subsequent consequences. This collaborative effort between auditors, management, and TCWG is essential to create a fortified front against fraud.

Fraud risk identification and assessment

The IAASB's proposed revisions to ISA 240 include enhanced requirements for a more robust, explicit, and specific fraud risk identification and assessment. Auditors are now expected to incorporate specific fraud considerations while gaining an understanding of the entity and its environment, the financial reporting framework, and the internal control system components. Consequently, management is anticipated to implement more precise controls around fraud, encompassing areas such as the control environment, risk assessment processes, monitoring of internal controls, information systems, communication, and control activities.

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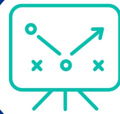

Understanding environment, framework and controls

The exposure draft also specifies focus areas for the auditor's understanding related to the entity's environment, financial reporting framework, and internal control system, as per ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement.* These focus areas include:

- The entity's corporate culture
- Key performance indicators
- Employee performance measures and incentive compensation policies
- The entity's risk assessment process
- Specific control activities designed to prevent and detect fraud
- Other relevant information, such as insights gained from procedures performed in accordance with ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information,* or knowledge obtained throughout the audit.

In light of these focus areas, management's risk assessment process is expected to be comprehensive, incorporating the aforementioned elements to facilitate the auditor's understanding and enhance the audit's effectiveness in fraud detection.

Qualitative misstatements

Management should take note that the ED delineates specific instances where misstatements resulting from fraud, though not quantitatively material, may still hold qualitative materiality based on the identity of the fraudster and their motivations.

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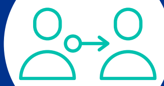


Two-way communication

The ED also stresses the importance of robust two-way communication between management or TCWG and the auditor, which aids in identifying risks of material misstatements due to fraud. It further clarifies that the effectiveness of TCWG's oversight is influenced by their objectivity, including independence from management, and their familiarity with the controls management has established to prevent or detect fraud. This enhanced communication is vital for a comprehensive understanding and effective management of fraud risks.

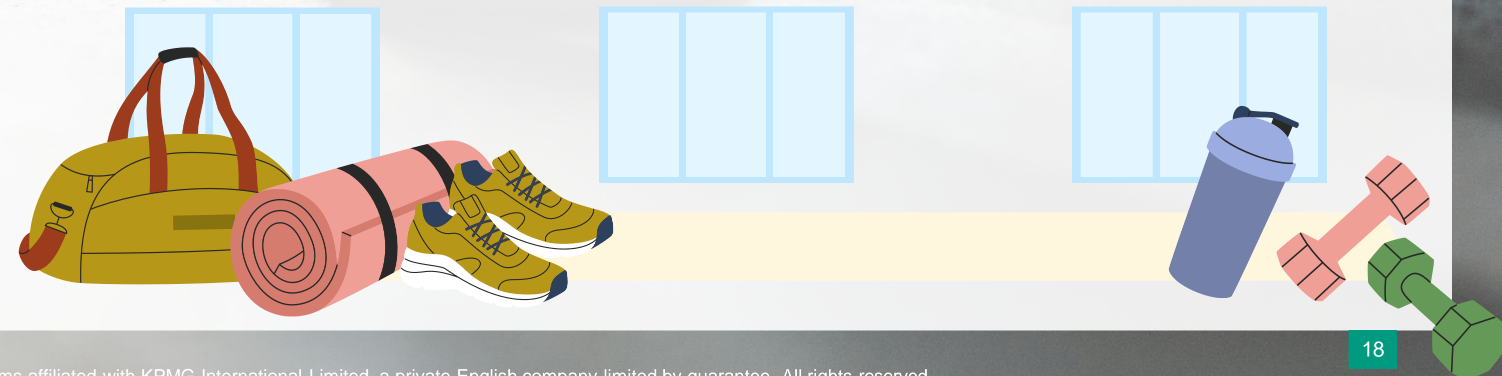
Other Considerations

Written Representation

The ED strengthens the requirement for obtaining written confirmations from management and, where appropriate, TCWG. These confirmations should state whether they have adequately fulfilled their responsibilities regarding the design, implementation, and maintenance of internal controls aimed at preventing or detecting fraud.

Use of Automated Tools

The ED offers guidance on the auditor's use of automated tools and techniques. These tools and techniques can be employed to carry out audit procedures that are related to the identification and assessment of risks of material misstatement due to fraud.



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Next steps

The ED is designed to ensure that auditors have a thorough understanding of the fraud, enabling them to respond effectively and maintain the integrity of the audit process. This initiative is part of the IAASB's broader efforts to ensure that standards are explicit and detailed, promoting transparency and accountability in the auditing process.

The comment period to this ED ended on 5 June 2024 and IAASB is expected to start the deliberation on the comments from September 2024. The standard is expected to be released in first half of 2025.

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CHAPTER 3

Regulatory updates

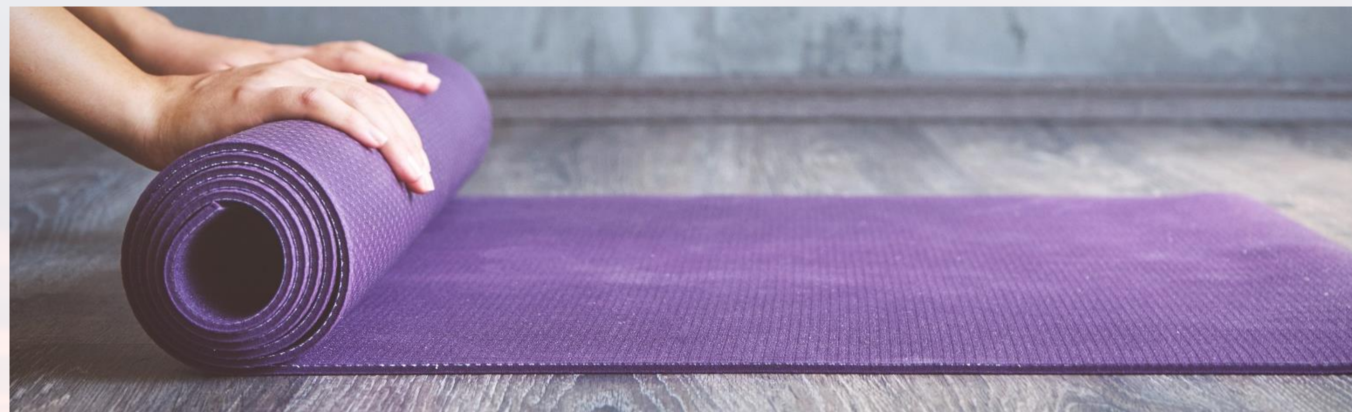
Relaxation in overseas investment by Indian investors

With an aim to address the diversity in the regulatory framework that governs investment funds across various jurisdictions, on 7 June 2024, the Reserve Bank of India (RBI) amended the Foreign Exchange Management (Overseas Investment) Directions, 2022 (the directions). The amendments to the directions (amendments) provide clarity with regard to the following key points pertaining to Overseas Portfolio Investments (OPIs).

I. **Form of investment:** Prior to the amendments, the directions permitted Indian investors to invest only in units issued by overseas funds. The amendment now permits Indian investors to invest in units or any other instrument (by whatever name called) issued by an overseas investment fund.

II. **Investment regulator:** Prior to the amendments, the directions permitted investment in funds that were directly regulated by the financial sector regulator of the host country. The amendment has additionally permitted investment in funds whose activities are regulated by a financial sector regulator of the host country through a fund manager.

(Source: RBI circular no. RBI/2024-25/41 dated 7 June 2024)



Timelines for disclosures by Social Enterprise (SE)

A Social Stock Exchange (SSE) is a segment of the stock exchange that provides a platform to Social Enterprises (SEs) to raise funds from the public. SEs are entities that get listed on the SSE. In September 2022, the Securities and Exchange Board of India (SEBI), had issued a detailed framework prescribing the minimum requirements for an entity to be registered as a SE on the SSE, which *inter alia* include the timeline and details of annual disclosures by a Non-Profit Organisation (NPO) and the requirements and timeline of an Annual Impact Report (AIR)[1].

SEBI, through a circular dated 27 May 2024, revised the disclosure timelines laid down in the framework for the annual disclosures required to be made by an NPO and an AIR.

The amended timelines are given below:

Disclosure requirement applicable to NPOs registered as an SSE: As per the Listing Regulations, an NPO registered on the SSE is required to provide annual disclosures to the SSE on matters specified by SEBI by 31 October 2024 for FY 2023-24 *(earlier 60 days from the end of the financial year).*

Submission of AIR: The Listing Regulations require an SE, which is registered with or has raised funds through an SSE, to submit an AIR to the SSE in the format specified by SEBI. The revised timeline for submission is 31 October 2024 for FY 2023-24 *(earlier 90 days from the end of the financial year).*

(Source: SEBI circular no. SEBI/HO/CFD/PoD-1/P/CIR/2024/0059 dated 27 May 2024)

1. These requirements are also dealt with by Regulation 91C and 91E of the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015.

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Mandatory audio-visual presentation of disclosures made in public issue offer documents

In order to enable investors to better comprehend the important aspects of an offer document, SEBI issued a circular on 24 May 2024, introducing Audio-Visual (AV) representation of salient disclosures made by companies in their (draft) offer documents for public issues.

Some of the key considerations of the prescribed AV format are listed below:

Content

- The content of the AV should comply with the specified provisions[2] of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations).
- It should be in bilingual format (English and Hindi) with the duration of each bilingual version of the AV being approximately 10 minutes. The duration of the AV should be equitably distributed to cover material disclosures[3] made under various sections of the Draft Red Herring Prospectus (DRHP) and Red Herring Prospects (RHP).
- The content of the AV should be factual, non-repetitive, non-promotional and should not mislead in any manner.

Availability

The AV should be prepared and placed in the public domain for all main board public issues.

Responsibility

The issuer and all the lead managers are responsible for the content and information made available in the AV.

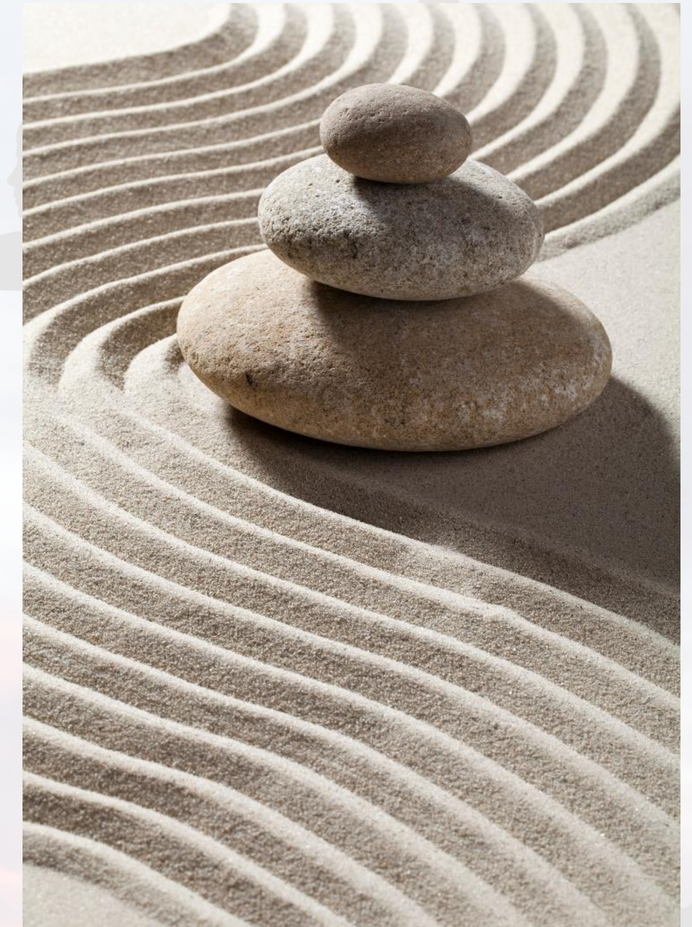
Where and when to disclose

- The AV should be uploaded on the following websites:
  - Website of the issuer and their digital/social media platform
  - Website of Association of Investment Bankers of India (AIBI) and their digital/social media platform
  - Website of stock exchanges
  - Website of lead managers.
- AV should also be accessible through a QR code.
- AV should be uploaded within 5 working days of filing the DRHP with SEBI.

Applicability: The provisions of this circular shall be made applicable to all DRHP filed with SEBI-

- On a voluntary basis on or after 1 July 2024
- On a mandatory basis from 1 October 2024.

(Source: SEBI circular no. SEBI/HO/CFD/CFD-TPD-1/P/CIR/2024/55 dated 24 May 2024)



2. Provisions regarding ‘Public communications and publicity materials’ prescribed under Schedule IX of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.
3. Material disclosures include disclosures about the company, risk factors, capital structure, objects of the offer, business of the issuer, promoters, management, summary of financial information, litigations, material developments and terms of the offer, etc.

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Self Regulatory Organisations for Social Impact Assessors

As per the ICDR Regulations, a Social Impact Assessor means an individual registered with a Self-Regulatory Organization (SROs) under the Institute of Chartered Accountants of India or such other agency, as may be specified by SEBI.

On 27 May 2024, SEBI has specified that in addition to the SROs registered with ICAI, following agencies would be specified as self-regulatory organisations for social impact assessors in the context of Social Stock Exchange:

- ICMAI Social Auditors Organisation (ICMAI SAO) under the Institute of Cost Accountants of India
- ICSI Institute of Social Auditors (ICSI ISA) under the Institute of Cost Accountants of India.

(Source: SEBI circular no. SEBI/HO/CFD/PoD-1/P/CIR/2024/0060 dated 27 May 2024)

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First Notes

SEBI proposes amendments to BRSR Core assurance and value chain requirements

Regulation 34(f) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) requires top 1,000 listed entities in India to file the Business Responsibility and Sustainability Reporting (BRSR) as part of their annual report from Financial Year 2022-23. Subsequently, SEBI introduced specific requirements for the top 1,000 listed entities to include a set of Key Performance Indicators/metrics relating to the nine ESG attributes as part of the respective entity's BRSR Core. Further, SEBI prescribed reporting requirements relating to company's value chain, on a comply-or-explain basis from FY 2024-25. In addition to these reporting requirements, SEBI required reporting entities to obtain reasonable assurance in relation to BRSR Core (starting with the top 150 listed entities in India from FY 2023-24) and limited assurance on a comply-or-explain basis in relation the value chain disclosures from FY 2025-26.

In this regard, on 22 May 2024, SEBI issued a consultation paper to propose changes to the requirements of BRSR and BRSR Core under the Listing Regulations to facilitate ease of doing business.

This issue of First Notes provides an overview of the recent proposals issued by SEBI relating to BRSR Core.

To access the First Notes, please click here

Voices on Reporting - Annual updates publication

The KPMG in India's Voices on Reporting – Annual updates publication (for the year ended 31 March 2024)provides a summary of key financial reporting, Environment, Social and Governance (ESG) and regulatory updates from the Securities and Exchange Board of India (SEBI), the Ministry of Corporate Affairs (MCA), the Reserve Bank of India (RBI), the Institute of Chartered Accountants of India (ICAI), the National Financial Reporting Authority (NFRA) and the Insurance Regulatory and Development Authority of India (IRDAI).

To access the publication, please click here

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