

**B S R & Co. LLP**  
Chartered Accountants

# Corporate reporting insights

**August 2023**

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## SEBI issued FAQ on assurance of BRSR Core

On 14 June 2023, the Securities Exchange Board of India (SEBI) amended the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) to introduce the Business Responsibility and Sustainability Reporting (BRSR) Core for prescribed listed companies and their value chain. BRSR Core is applicable from FY 2023-24 to the top 1,000 listed entities (by market capitalisation).

On 12 July 2023, SEBI issued a circular prescribing the BRSR Core framework for disclosures and assurance along with BRSR Core disclosures for value chain for the top 1000 listed entities in a phased manner. The circular requires the listed entity to ensure that there is no conflict of interest with the assurance providers appointed for assuring the BRSR Core. In this regard, the circular states that potential conflict of interest could arise if an assurance provider or any of its associates sell its products or provide any non-audit/non-assurance related service including consulting services, to the listed entity or its group entities.

On 8 August 2023, SEBI issued certain Frequently Asked Questions (FAQs) relating to BRSR Core in order to provide further clarifications.

The key takeaways from the FAQs are provided below:

- **Qualification of assurance provider:** The assurance of the BRSR Core is profession agnostic and need not necessarily be undertaken by a Chartered Accountant. However, the board of the listed entity should ensure that the assurance provider has the necessary expertise for undertaking reasonable assurance in the area of sustainability.
- **Restriction on assurance provider:** The FAQs provides that:
  - The internal auditor of the listed entity or its group entities cannot be appointed as the assurance provider
  - The statutory auditor of the listed entity would be eligible to be appointed as the assurance provider.

- **Permissible activities/services:** Activities that are in the nature of audit/assurance such as providing third-party certifications, tax audit, system audit and tax filing, etc. could be undertaken by an assurance provider for the BRSR Core for the listed entity or its group entities. In such cases, the listed entity should ensure that the prescribed activities do not pose any conflict of interest or compromise the independence of the assurance provider.
- **Non-permissible activities/services:** The assurance provider would be ineligible to provide assurance on BRSR Core if such an assurance provider sells its products or offers any non-audit or non-assurance services to a listed entity or its group entities, irrespective of whether the nature of the product/service is financial or non-financial.

Further, the following activities cannot be undertaken by the assurance provider for the BRSR Core for the listed entity or its group entities:

- a. Risk management
- b. Project management

- c. Management and consulting services
- d. Investment advisory services
- e. Investment banking services
- f. Design and implementation of information systems
- g. Rendering of outsourced financial services
- h. Actuarial services
- i. Accounting and book-keeping services.

The above list is an indicative and not an exhaustive list.





## SEBI updates

- **Meaning of the term ‘group’:** The term ‘group’ means the holding company, subsidiaries, associates and joint ventures of the listed entity.
- **Meaning of the term ‘associate’ of an assurance provider:** If the assurance provider is:
  - A firm or a corporate entity:** Associate would include any of its partners, its parent, subsidiaries, associates, and any entity in which the assurance provider, its parent or partner has significant influence or control.
  - A Chartered Accountant firm:** Associates would also include all entities in the network firm/network entity of which the assurance provider is a part of.
  - An individual:** Associate would include any immediate relative (as defined in the Companies Act, 2013 (2013 Act)) of the person, and any entity in which such individual/s has significant influence or control.



## ICAI update

- **Assurance standards:** As the circular does not mandate or recommend any specific assurance standard, the assurance provider could use any of the below mentioned assurance standards on sustainability/non-financial reporting such as:
  - International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* or
  - Standard on Sustainability Assurance Engagements (SSAE) 3000, *Assurance Engagements on Sustainability Information* or Standard on Assurance Engagements (SAE) 3410, *Assurance Engagements on Greenhouse Gas Statements* issued by the Institute of Chartered Accountants of India (ICAI).

Additionally, the assurance provider should disclose the assurance standard that has been relied upon.

(Source: SEBI FAQs ‘Frequently Asked Questions (FAQs) on the Business Responsibility and Sustainability Report (BRSR) Core’ issued on 8 August 2023)



## International updates





## FAQs for registration as an ESG Rating Provider (ERP)

In July 2023, SEBI amended the SEBI (Credit Rating Agencies) Regulations, 1999 (CRA Regulations), thereby introducing Chapter IVA on ERPs. These regulations would be applicable to a person which is engaged in, or proposes to engage in, the business of issuing ESG ratings.

On 9 August 2023, SEBI issued certain FAQs on registration of an ERP. Some of the important topics discussed in the FAQs are as below:

- **Eligibility criteria:** Regulation 28E of the CRA Regulations prescribes the following eligibility criteria for an applicant desirous of registering as an ERP:
  - a. Should be a company incorporated under the 2013 Act
  - b. Should have a net worth<sup>1</sup> as stated in the CRA Regulations
  - c. Should specify ESG rating activity as the main object in its Memorandum of

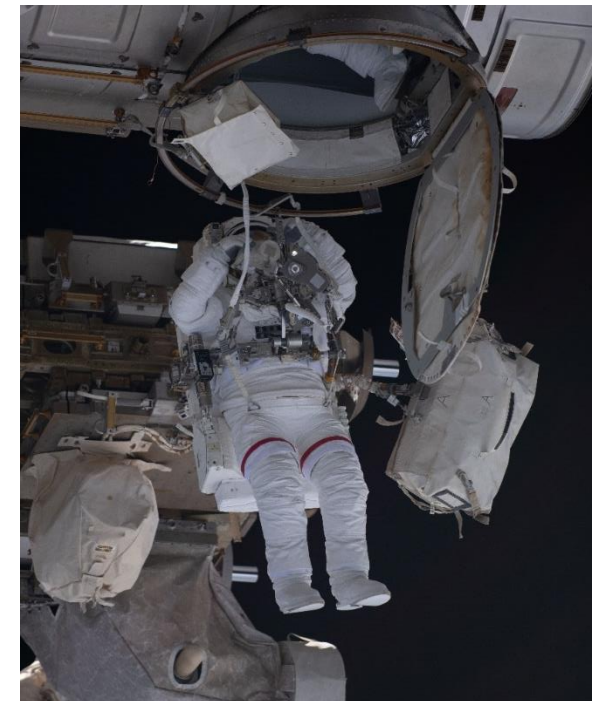
Association (MOA)

- d. Should not be a credit rating agency or any other intermediary registered with SEBI
- e. Should have necessary infrastructure including adequate office space, technology, equipment and manpower, to enable it to provide ESG rating services. Further, the applicant and its promoter(s) should be fit and proper person(s) as per Schedule II of the SEBI (Intermediaries) Regulations, 2008.
- f. Should be a subsidiary of an intermediary registered with SEBI or of an ERP incorporated in a Financial Action Task Force (FATF) member jurisdiction and recognised under their respective law having a minimum experience of five years in ESG rating of securities or companies. It should be noted that this

requirement is not applicable for a Category II ESG rating provider applicant.

- **SEBI registration:** Any person intending to undertake business as an ERP should make an application to SEBI for grant of a certificate. This provision will be applicable to a person acting as an ERP on date of the regulations coming into force. The Fourth Schedule to the CRA Regulations lays down the criteria for applicability of the CRA Regulations for an ERP functioning in India.
- **Application requirements for registration:** Regulation 28D of the CRA Regulations lays down the provisions for making application for grant of registration certificate. The application should be made to SEBI in the format along with the documents as prescribed in the Fifth Schedule of the CRA Regulations. This should be accompanied

with the non-refundable fees to be paid as stipulated in the Sixth Schedule of the CRA Regulations. The hardcopy of the application should be addressed to 'Chief General Manager, Department of Debt and Hybrid Securities, SEBI' and the soft copy should be sent via email to [erp@sebi.gov.in](mailto:erp@sebi.gov.in).



1. For registration under Category I - The applicant should maintain a minimum liquid net worth of rupees five crores at all times. Provided that at the time of making the application, the applicant should have a minimum liquid net worth of the higher of:

- INR10 crore, or
- Addition of INR5 crore and the target on cumulative cash losses until breakeven, as provided by the applicant under these regulations.

Provided further that the liquid net worth can be drawn down in terms of the business plan submitted at the time of application for certificate, subject to compliance with these regulations.

For registration under Category II - The applicant should maintain minimum liquid net worth of rupees ten lakh at all times. Provided that at the time of making the application, the applicant should have a minimum liquid net worth of the higher of:

- INR25 lakhs, or
- Addition of INR10 lakhs and the target on cumulative cash losses until breakeven, as provided by the applicant under these regulations.

Provided further that the liquid net worth can be drawn down in terms of the business plan submitted at the time of application for certificate, subject to compliance with these regulations



## SEBI updates



## ICAI update



## International updates

- **Categories of ERPs seeking registration:**  
An application for the grant of a certificate to act as an ERP could be made in any one of the following categories, namely:
  - a. Category I or
  - b. Category II
- **Difference between Category I and Category II:** The regulatory requirements and certain eligibility criteria specified in the CRA Regulations are different for an ERP under Category I and Category II are different as given below:



Particulars	Category I ERP	Category II ERP
Nature of activity	Can undertake certification of green debt securities	Cannot undertake certification of green debt securities.
Office infrastructure	Mandatory to have necessary infrastructure including adequate office space, technology, equipment and manpower.	This requirement is not mandatory provided it conducts its operations remotely subject to a declaration by it to this effect
SEBI registration or from FATF jurisdiction	Should be a subsidiary of an intermediary registered with the SEBI or of an ERP incorporated in a FATF member jurisdiction and recognised under their respective law having a minimum experience of five years in ESG rating of securities or companies	Not applicable
Promoter requirement	a. Promoter should be a person regulated by specified financial sector regulators or a foreign ERP or body corporate with continuous net worth of minimum INR100 crore.	Not applicable



## SEBI updates



## ICAI update



## International updates

Particulars	Category I ERP	Category II ERP
	b. Promoter should maintain a minimum shareholding of 26 per cent in the ERP for a minimum period of five years from the date of grant of registration	
Net worth requirement	Minimum liquid net worth of INR5 crore at all times	Minimum liquid net worth of INR10 lakh at all times.
Experience	The applicant should have at least four employees specialised across the specified areas, at all times	The applicant should have at least two employees specialised across the specified areas, at all times

- Failure to meet the targets specified in the business plan or failure to meet any of the registration conditions:** Regulation 28H of the CRA Regulations prescribes the conditions of grant of a certificate of registration. Further, ERPs should meet the targets declared at the time of its application to the SEBI within the specified time. In case of any contravention, the ERP would be liable for one or more actions specified in the SEBI Act, 1992 or Regulations including the action stipulated under Chapter V of the SEBI (Intermediaries) Regulations, 2008.

- Change in control of ERPs:** In case any change in control of the ERP is proposed, prior approval of SEBI should be obtained for continuing to act as such after the change. This prior approval would be valid for a period of six months from the date of such approval within which the applicant should file application for fresh registration pursuant to change in control. The master circular<sup>2</sup> issued on 12 July 2023 prescribes the requirements for making the application for obtaining a prior approval. The said circular also lays down the requirements for seeking

approval for a proposed change in control of an ERP wherein there is a scheme(s) of arrangement which needs to be sanctioned by the National Company Law Tribunal (NCLT) in terms of the provisions of the 2013 Act.

(Source: SEBI FAQs' FAQs - Registration as an ESG Rating Provider (ERP)' issued on 9 August 2023)



2. Master circular no. SEBI/HO/DDHS/POD2/P/CIR/2023/121 dated 12 July 2023



## Timeline for listing of specified securities in public issue

SEBI, through a circular issued on 9 August 2023, has revised the timeline for listing of specified securities in a public issue. As per the circular, the time taken for listing of specified securities has been reduced to three working days (**T+3 days**)<sup>3</sup> as against the existing requirement of six working days (T+6 days). Additionally, the timelines for various activities involved in the public issue process have also been revised and stipulated in the annexure to the circular.

The timelines for submission of application, allotment of securities, unblocking of application monies and listing should be prominent in the pre-issue, issue opening and issue closing advertisements issued by the issuer for public issues in terms of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations).

The provisions of this circular should be applicable as follows:

- On voluntary basis for public issues opening on or after 1 September 2023, and

- Mandatory for public issues opening on or after 1 December 2023.

(Sources: [SEBI circular no. SEBI/HO/CFD/TPD1/CIR/P/2023/140 dated 9 August 2023](#))



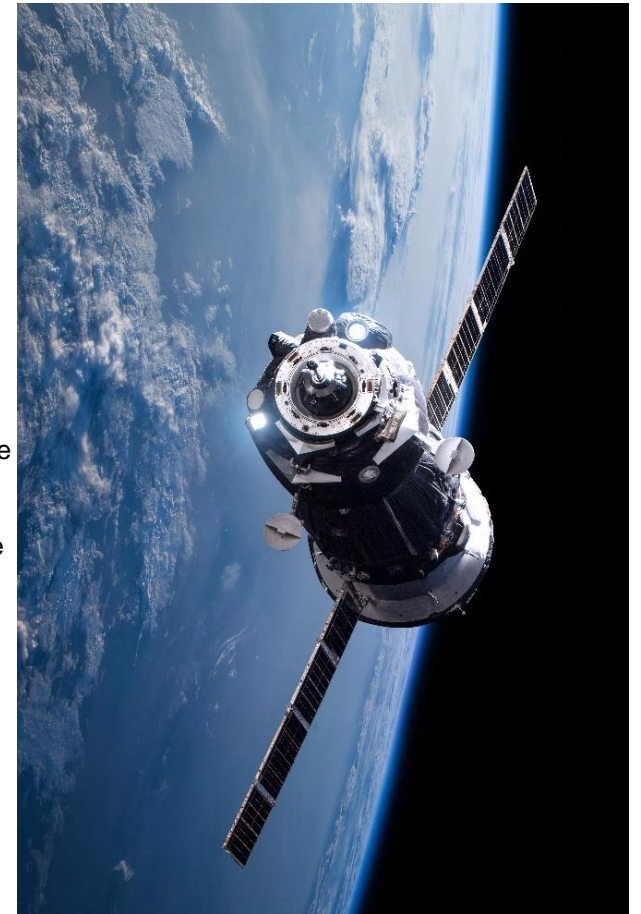
## Stricter norms for delisting non-convertible debt securities

SEBI, through its notification dated 23 August 2023, has amended the Listing Regulations by inserting Chapter VI A on “Framework for Voluntary Delisting of Non-convertible debt securities or non-convertible redeemable preference shares and obligations of the listed entity on such delisting”.

The framework contains detailed procedures pertaining to, *inter-alia*, applicability of Chapter VI A, in-principle approval of the stock exchanges for the proposed delisting, obligations of the listed entity in case of the proposed delisting, notice of delisting, approval from the holders and no objection letter from the debenture trustee, circumstances of delisting proposal that will be considered to have deemed to be failed, final application procedure for proposed listing, delisting from some stock exchanges and compliance monitoring by the stock exchanges.

This amendment is effective from 23 August 2023.

(Sources: [SEBI notification no. SEBI/LAD-NRO/GN/2023/149 dated 23 August 2023](#))



3. 'T' being issue closing date



## Clarification related to documents issued by ICAI

The ICAI has issued various Guidance Notes on accounting and auditing matters. Members have raised request to seek clarification regarding the level of authority attached to the various documents issued by the ICAI and the degree of compliance required in respect thereof.

Consequently, on 19 August 2023, ICAI issued a clarification stating that the accounting and auditing standards issued by ICAI have to be

**mandatorily** complied with to ensure that financial statements are prepared in accordance with generally accepted accounting standards and that auditors carry out their audits in accordance with the generally accepted auditing practices.

However, the guidance notes issued by ICAI are recommendatory in nature and are issued to assist professional accountants in implementing

the Engagement Standards and the Standards on Quality Control issued under the authority of the Council. A professional accountant who does not consider and apply the guidance included in a relevant Guidance Note should perform alternate procedures. Additionally, the professional accountant is required to document the rationale in performing the alternate procedures. Similarly, auditors need to consider

providing a disclosure in the audit report in cases where the guidance note has not been followed.

[\(Source: Clarification issued by ICAI on 19 August 2023\)](#)







## IASB issued amendments to IAS 21, *The Effects of Changes in Foreign Exchange Rates*

As per IAS 21, a company uses a spot exchange rate when translating a foreign currency transaction. A spot exchange rate is the exchange rate for immediate delivery. In rare cases, it is possible that one currency cannot be exchanged into another. The present provisions of IAS 21 specify the exchange rate to be used in reporting foreign currency transactions when exchangeability between two currencies is temporarily lacking. However, the standard does not cover situations when the lack of exchangeability is not temporary.

In this regard, on 15 August 2023, the International Accounting Standards Board (IASB) issued amendments to IAS 21 which would require companies to provide more useful information in their financial statements when a currency cannot be exchanged into another currency. The amendments address the concerns about diversity in accounting practice due to lack of exchangeability between currencies.

The key takeaways from the amendment are as follows:

**a. Assessing exchangeability and the need to estimate a spot rate:** A company assesses whether a currency is

exchangeable into another currency at a measurement date and for a specified purpose. Accordingly, when a currency is not exchangeable, a company needs to estimate a spot rate for that purpose.

- b. Estimating the spot exchange rate when the currency is not exchangeable:** A company's objective when estimating a spot rate is only that it reflects the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. For this purpose, a company could use:
- An observable exchange rate without adjustment if that rate meets the estimation objective, or
  - Another estimation technique wherein the company uses an observable rate and adjusts that rate as necessary to meet the estimation objective.
- c. Disclosure requirements:** The amendment requires a company to provide new disclosures that will help users to assess the impact of using an estimated exchange rate on the financial statements.

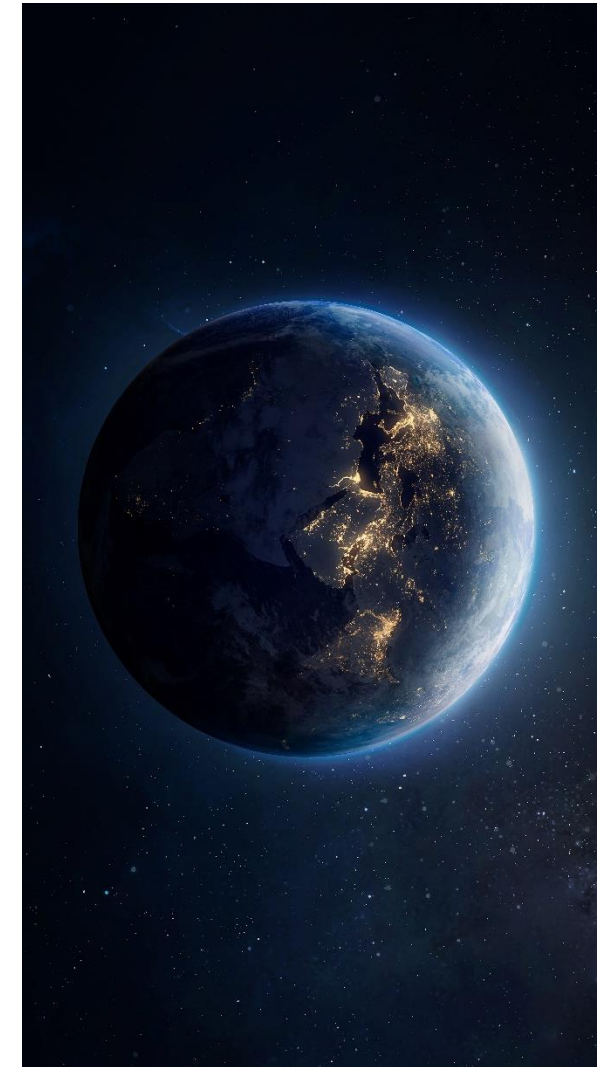
The disclosures could include the following:

- The nature and financial impacts of the currency not being exchangeable
- The spot exchange rate used
- The estimation process
- Risks to the company because the currency is not exchangeable.

It is important to note that a company need not duplicate information that it has provided elsewhere in its financial statements.

- d. Effective date:** The amendment is effective for annual reporting periods beginning on or after 1 January 2025.

(Source: IASB news article 'IASB sets out accounting requirements for when a currency is not exchangeable' dated 15 August 2023)





## Adoption of the European Sustainability Reporting Standards (ESRS)

On 31 July 2023, the European Commission adopted the first set of 12 European Sustainability Reporting Standards (ESRS) for use by all entities subject to the Corporate Sustainability Reporting Directive (CSRD)<sup>4</sup>. The ESRSs are aligned with the reporting areas used in Task Force on Climate-Related Financial Disclosures' (TCFD) recommendation. Also, many disclosure requirements are similar to or based on the recommendations and the standards developed by Global Reporting Initiative (GRI).

The 12 ESRSs published are bifurcated as follows:

- **Two cross-cutting standards:** These standards explain the fundamental concepts from the CSRD.

They provide general reporting concepts and include overarching disclosure requirements including multiple datapoints.

These standards lay down the principles of disclosure, presentation structure and establish transition options, including phasing-in. The standards are:

Standard	Description
ESRS 1	General requirements
ESRS 2	General disclosures

- **Ten topic specific ESRS:** These standards lay down the disclosure requirements on environmental, social and governance topics. They establish metrics and explain how to disclose related targets for each topic. The standards are:

Standard	Description
ESRS E1 – ESRS E5	Environmental
ESRS S1 – ESRS S4	Social
ESRS G1	Governance

Based on the 12 ESRSs, companies are required to provide information on:

- Their governance and strategy to address material sustainability topics
- The impacts, risks and opportunities arising from those topics and
- Quantitative metrics and targets.

Companies are expected to provide granular disclosures about their policies, action plans and targets across all material topics. The ESRS would be applicable in a phasEd manner and would be applicable for financial years starting on or after 1 January 2024.

(Source: News article issued by European Commission dated 31 July 2023)



<sup>4</sup> The CSRD amends the Non-Financial Reporting Directive (NFRD) and will substantially increase reporting requirements on the companies falling within its scope in its efforts to expand the sustainability information for users.



## Accounting standard update on accounting for joint venture formations by FASB

Previously, US Generally Accepted Accounting Principles (US GAAP) did not provide specific authoritative guidance on how a joint venture should initially recognise and measure the assets received and liabilities assumed at its formation in its separate financial statements.

Consequently, there was diversity in practice, with some joint ventures recognising and initially measuring contributions received at the carrying amounts of the venturer who contributed those net assets, and others recognising and initially measuring at fair value.

Subsequently, on 23 August 2023, the Financial Accounting Standards Board (FASB) issued an Accounting Standard Update (ASU) stating that a newly formed joint venture should initially measure its assets and liabilities at fair value (with exceptions to fair value measurement that are consistent with the business combinations guidance).

Further, the following key adaptations should be applied by a newly formed joint venture from the business combinations guidance:

- A joint venture is the formation of a new entity without an accounting acquirer
- A joint venture measures its identifiable net

assets and goodwill, if any, at the formation date

- Initial measurement of a joint venture's total net assets is equal to the fair value of 100 percent of the joint venture's equity
- A joint venture provides relevant disclosures.

**Effective date:** The amendments in this Update are effective prospectively for all joint venture formations with a formation date on or after 1 January 2025. Additionally, a joint venture that was formed before 1 January 2025 may elect to apply the amendments retrospectively if it has sufficient information. Early adoption is permitted in any interim or annual period in which financial statements have not yet been issued (or made available for issuance), either prospectively or retrospectively.

(Source: [FASB ASU no. 2023-05 Business Combinations – Joint Venture Formations \(Sub-topic 805-60\) dated 23 August 2023](#))





## FASB issues a new chapter on recognition and derecognition

A Conceptual Framework is a body of interrelated objectives and fundamental concepts which establishes concepts that FASB would consider in developing standards of financial accounting and reporting.

On 30 August 2023, the FASB issued a new chapter of its Conceptual Framework related to the recognition and derecognition of an item in financial statements. The new chapter provides recognition and derecognition criteria and guidance on when an item should be incorporated into and removed from financial statements. It further lays down the following three criteria which should be considered while

recognising an item in the financial statements:

- **Definitions:** An item must meet the definition of an element in Chapter 4, *Elements of Financial Statements*, of the concepts statement to be recognised in financial statements. Recognising an item that does not meet the definition of an element would be inconsistent with the fundamental qualitative characteristic of faithful representation by misrepresenting a reporting entity's
  - a. Resources,
  - b. Claims to those resources, or
  - c. Changes in those resources and claims during the period
- **Measurability:** An item must be measurable with a relevant measurement attribute to be recognised in financial statements. A relevant measurement attribute for an item being considered for recognition cannot be determined in isolation. Relevance should be evaluated in the context of the objective of general purpose financial reporting.

- **Faithful representation:** Faithful representation is a fundamental qualitative characteristic. Financial information that is faithfully represented must be complete, neutral, and free from error. To achieve the objective of general purpose financial reporting, an item recognised in financial statements must be depicted and measured with faithful representation.

Additionally, the new chapter sets forth the concept of derecognition of a reporting entity that should occur when an item no longer meets any one of the recognition criteria.

(Source: FASB media advisory dated 30 August 2023)





**Website:** [bsr-co.in](https://bsr-co.in)

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BSR & Co LLP-14 Floor, Central B Wing & North C Wing, Nesco IT Park 4, Nesco Center, Western Express Highway, Mumbai-400063

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