



Brief overview of Standard on Sustainability Assurance Engagements (SSAE) 3000

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Introduction

There is an evident shift from the concept of shareholder theory to the acceptance of stakeholder theory. Financial Statements are prepared for intended users to achieve the diverse objectives of relevant stakeholders. The stakeholder's consciousness and desirability for ESG reporting has increased manifold. There is an increase in stakeholder activism vis a vis reporting of non-financial sustainability related information. The Triple Bottom Line ("TBL") approach for preparation of financial statements, which is based on the three P's, namely, Profit, People, Planet, has taken prominence. The demand for qualitative and quantitative sustainable information reporting has led to adaptation of suitable reporting instruments by organizations based on their size, complexity and materiality analysis. Voluntary and mandatory reporting frameworks have been notified in various countries across the globe for streamlining and ensuring consistency of sustainability related reporting. Hence, the requirement for assurance of such reports has also gained significant traction. This article attempts to provide the readers with a brief snapshot of the reporting requirement and the existing and evolving assurance practices with a special emphasis on SSAE 3000 issued by the Institute of Chartered Accountants of India ("ICAI").

Global Reporting Instruments

As per Carrot and Sticks report, out of 84 major economies by GDP, there are 614 sustainability reporting instruments, of which 350 are mandatory, and the rest 264 are voluntary. The SDGs are a key driver to most of the sustainability reporting frameworks. Few of the prominent sustainability reporting frameworks are:

- **The Global Reporting Initiative ("GRI")**: The GRI is the most widely used framework. The framework was established in 1997. GRI reporting increases company accountability and provides transparency around ESG 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.
- **UN 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.
- **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. Recently, in July 2022, in a discussion paper, RBI had made certain recommendations to the regulated entities to strive to make climate-related disclosures aligned with recommendations of the TCFD, annually, and to follow a comply or explain approach.

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- **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.
- **Integrated Reporting by IIRC (“IR”)**: 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. It highlights the synergies between six capitals (natural, manufactured, intellectual, human, financial, social and relationship). In June 2021, the IIRC merged with SASB to form the Value Reporting Foundation (“VRF”).
- **World Economic Forum (“WEF”) Metrics**: WEF published a white paper in September 2020, representing harmonious and universal set of metrics containing 21 Core Metrics and 34 Expanded Metrics under four pillars of: (a) principle of governance, (b) planet, (c) people and (d) prosperity.

Recent Global Developments necessitating Assurance of Sustainability Reporting

While there are multiple reporting frameworks available, the credibility of reporting is enhanced significantly based on independent assurances of the same. Stakeholder activism and Regulatory push is resulting in an uptick in ESG Reporting by diverse strata of entities. Hence, assurance also becomes crucial to ensure transparency and prevention of greenwashing.

In May, 2021, when SEBI came out with BRSR, although obtaining assurance was not mandatory, it was included as part of leadership indicators across metrics, highlighting the significance of assurance as best corporate governance practice. The Sustainability Reporting Maturity Model (“SRMM”) V.1.0, published by ICAI, which enables an entity to assess its reporting maturity level, also provides significant weightage when the sustainability metrics are independently assured.

In March 2022, International Sustainability Standards Board (“ISSB”), which functions under IFRS, has issued for public comments:

- IFRS S1 – General requirements for disclosure of sustainability related financial information
- IFRS S2 – Climate-related Disclosures

ISSB standards are expected to be global baseline standards in the subject domain.

ICAI had issued SAE 3410 - Assurance Engagements on Greenhouse Gas Statements (“GHG Statement”). Greenhouse gases (“GHGs”) are defined as Carbon dioxide (CO₂) and any other gases required by the applicable criteria to be included in the GHG statement, such as: methane, nitrous oxide, sulphur hexafluoride, hydrofluorocarbons, perfluorocarbons and chlorofluorocarbons. GHG statement is a statement setting out constituent elements and quantifying an entity’s GHG emissions for a period. SAE 3410 applies to assurance procedures performed with respect to the GHG statement.

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In March 2023, the US SEC had proposed new rules for climate change disclosures. One of the key requirements introduced was regarding the independent assurance of Scope 1 and Scope 2 GHG emissions by companies. Additionally, under the Corporate Sustainability Reporting Directive (“CSRD”), companies in the scope of the Directive will be required to obtain mandatory assurance from financial year 2024 over their sustainability reporting. European Union has recently come out with proposal on Green Claims Directive to prevent greenwashing. With the above global and domestic developments, assurance of sustainability reporting becomes need of the hour. 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.

As there was no authoritative guidance with regard to assurance engagements on sustainability information in India, many practitioners in India were providing assurance of sustainability reporting under ISAE 3000, “Assurance Engagements Other than Audits or Reviews of Historical Financial Information” and AA1000 Assurance Standard (AA1000AS) issued by AccountAbility (a global consulting and standards firm). On 12 September 2022, Sustainability Reporting Standards Board (“SRSB”) of ICAI, released an Exposure Draft (“ED”) on Standard on Sustainability Assurance Engagements (SSAE) 3000, “Assurance Engagements on Sustainability Information”. In January 2023, SSAE 3000 was issued.

Brief Overview of SSAE 3000

SSAE 3000 deals with assurance engagements on an entity’s sustainable information. This standard should be read in conjunction with the “Framework for Assurance Engagements” issued by ICAI. It is an umbrella standard for all assurance engagement on sustainability information. In addition to SSAE 3000, there could be subject-matter-specific standards such as SSAE 3410, which assures GHG emission disclosures. SSAE deals with only attestation engagements and not direct engagements. Attestation engagement occurs when a party other than the practitioner measures or evaluates the underlying subject matter against the criteria.

Assurance Engagement, as per SSAE 3000 may be:

- Reasonable Assurance
- Limited Assurance

It is applicable on voluntary basis for assurance reports covering periods ending on 31st March, 2023 and mandatory basis for assurance reports covering period ending on or after 31st March, 2024.

SSAE 3000 states that the practitioner should have competence in assurance techniques and expertise in the underlying subject matter. The assurance practitioner can also use an external expert with competence, capabilities, and objectivity suited to practitioner’s purpose.

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Further, the assurance engagements conducted by a firm should have quality control processes in adherence with the Standard on Quality Control (SQC) 1.

All assurance engagements have at least three parties:

- a) The responsible party
- b) Practitioner
- c) Intended user

Assurance Report should be in a written format with all essential elements of the assurance report. SSAE 3000 sets out the framework for Engagement acceptance, Quality control, Planning and Performing the engagement, Execution, and Completion & Reporting. SSAE contains appendices which provide illustrative topics for underlying subject matter (tabulated below) and a brief illustration of reports.

TOPIC (UNDERLYING SUBJECT MATTER)	FORMS OF REPORTS
Climate, including GHG and other emissions	Integrated report
Labour/ Employee practices, such as diversity and equal opportunity and training and education	Sustainability report
Waste Management Practices	ESG Report
Human rights and community relations, such as local community engagement, impact assessments and development programs	BRSR (Comprehensive/ Lite Format)
Water and effluents, such as water consumption and water discharge	GHG Statement
Energy, such as type of energy and consumption	Management prepared statement/ report on any sustainability information/ data
Biodiversity, such as impacts on biodiversity or habitats protected and Restored	
Occupational Health and Safety	
Circularity Initiatives such as recycle, reuse	
Board diversity/ oversight	
Corporate Governance and Business Ethics	
Any other relevant underlying subject matter	

The illustrations of assurance reports includes a statement that the assurance is of identified sustainability information, as mentioned in reporting instrument (BRSR, GRI etc), which has to be summarized. Further, it states that the engagement was conducted by a multidisciplinary team including assurance practitioners, engineers and environmental scientists. Further, the criteria used for preparing the identified sustainability information is also to be summarized. There is an Exclusion section which lays down the aspects on which conclusion is not expressed. It is the management's responsibility, inter alia, selecting or establishing suitable criteria for preparing the Sustainability Information, preparation and presentation of the Identified Sustainability Information in accordance with the Criteria etc.

Expression of Conclusion is predominantly restricted as to whether the Identified Sustainability Information included in the reporting instrument is prepared, in all material respects, in accordance with the criteria. Further, if assurance practitioner/firm is using any other assurance standards for giving assurance other than SSAEs (e.g., AA1000 Assurance Standard issued by AccountAbility) appropriate reference should be drawn to the criteria and the assurance standard in the assurance report.

Conclusion

The policy proactiveness on the sustainability reporting front is evident from the directions being brought in by SEBI, RBI and various Ministries. In May 2021, RBI had set up a Sustainable Finance Group ("SFG") to combat financial risks associated with climate change. SEBI, in May 2022, has set up an advisory committee on ESG matters for enhancement of BRSR. SEBI in February 2023 has issued "Do's and Dont's relating to issuance of green debt securities" to avoid occurrences of greenwashing. The global proactiveness in the subject domain is evident from the regulatory measures and initiatives explained earlier. India has taken up presidency of G20 this year. The theme of India's G20 Presidency - "Vasudhaiva Kutumbakam" or "One Earth · One Family · One Future". Further, our nation has made ambitious commitments in COP26, followed by COP 27 and the onus is on the stakeholders to help achieve the nation's targets. Achievement of ESG goals can also be measured and communicated based on relevant and suitable reporting framework. Such measurability also requires verification through assurance practices. Recent surveys highlight that entities which exhibit good ESG practices provide better Return on Asset and Return on Equity as compared to others. Sustainability Reporting is not merely a tool but an aid in improving long term financial outcomes for the entities. Hence, assurance of such reporting will lead to long term value creation, transparency and objectivity.

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