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SUSTAINABILITY AUDIT ASSURANCE OF ESG REPORTING IN INDIA: REGULATORY EVOLUTION, EMPIRICAL EVIDENCE, CORPORATE PRACTICES, AND PROFESSIONAL PERSPECTIVES UNDER SEBI BRSR

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ABSTRACT

Sustainability reporting and its independent assurance have emerged as central pillars of corporate accountability in the contemporary global economy. In India, the transition from voluntary disclosures to mandatory Environmental, Social, and Governance (ESG) reporting under the Securities and Exchange Board of India's (SEBI) Business Responsibility and Sustainability Reporting (BRSR) framework marks a significant regulatory and institutional milestone. As sustainability information increasingly influences investor decisions, regulatory supervision, and stakeholder trust, the credibility of such disclosures has become a matter of critical importance. This study provides an in-depth academic examination of sustainability audit assurance in India, integrating conceptual foundations, regulatory developments, empirical evidence, corporate case analysis, and professional guidance issued by the Institute of Chartered Accountants of India (ICAI). Drawing upon a detailed review of BRSR disclosures of large Indian listed companies, the paper analyses the extent, scope, and nature of sustainability assurance practices currently prevalent in India. The study further evaluates methodological challenges, professional competency issues, and independence concerns associated with sustainability assurance engagements. The findings reveal that while India has made substantial progress in standardizing sustainability disclosures, assurance practices remain uneven, largely voluntary, and constrained by data quality and skill gaps. The paper concludes by proposing policy, professional, and academic recommendations to strengthen sustainability audit assurance and enhance the credibility of ESG reporting in India.

Keywords: Sustainability Audit, ESG Assurance, BRSR, SEBI, ICAI, Non-Financial Reporting, Corporate Governance, India

1. INTRODUCTION

The concept of corporate accountability has undergone a profound transformation over the past two decades. Traditionally, corporate accountability was narrowly defined in financial terms, with the primary focus on profitability, asset stewardship, and shareholder returns. However, escalating environmental degradation, social inequality, and governance failures have significantly expanded stakeholder expectations regarding corporate behavior. Corporations are now increasingly expected to demonstrate responsible environmental practices, equitable social conduct, and robust governance mechanisms alongside financial performance. This shift has elevated sustainability reporting from a voluntary communication exercise to a critical component of corporate disclosure and governance.

Globally, sustainability reporting has been institutionalized through various frameworks and standards, including those issued by international standard-setting bodies and multilateral organizations. In India, this global momentum has been translated into regulatory action through progressive initiatives led by the Securities and Exchange Board of India (SEBI). The introduction of the Business Responsibility and Sustainability Reporting (BRSR)

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framework represents a decisive move toward embedding sustainability considerations within the mainstream corporate reporting architecture.

While BRSR has significantly enhanced the scope, structure, and comparability of ESG disclosures, it has simultaneously intensified concerns regarding the credibility and reliability of sustainability information. ESG disclosures often rely on non-financial, forward-looking, and qualitative data, which may be subject to managerial discretion, estimation uncertainty, and selective disclosure. In the absence of credible verification mechanisms, such disclosures risk being perceived as symbolic compliance or greenwashing. Sustainability audit assurance has therefore emerged as a critical institutional response aimed at enhancing the trustworthiness of ESG information and supporting informed decision-making by stakeholders.

This paper seeks to contribute to the growing academic and professional discourse on sustainability assurance by providing a comprehensive analysis of sustainability audit assurance in India under the BRSR regime. The study integrates theoretical perspectives, regulatory analysis, empirical evidence, corporate case study insights, and professional guidance issued by ICAI. By doing so, it aims to offer a holistic understanding of the current state, challenges, and future trajectory of sustainability assurance in the Indian context.

2. EVOLUTION OF SUSTAINABILITY REPORTING AND ASSURANCE IN INDIA

The evolution of sustainability reporting in India can be traced through a gradual progression from philanthropic disclosures to structured regulatory reporting. In the early stages, corporate social responsibility disclosures in India were largely narrative and voluntary, often emphasizing philanthropic initiatives and community development activities. These disclosures were primarily driven by reputational considerations rather than systematic measurement of environmental and social performance.

A significant regulatory intervention occurred in 2012, when SEBI introduced the Business Responsibility Report (BRR) for the top listed companies. BRR was based on the National Voluntary Guidelines on Social, Environmental, and Economic Responsibilities of Business and represented the first attempt to standardize non-financial disclosures in India. While BRR enhanced awareness and reporting consistency, it was widely criticized for its descriptive nature, limited quantitative indicators, and lack of assurance requirements.

The replacement of BRR with BRSR marks a paradigm shift in India’s sustainability reporting landscape. BRSR is aligned with the National Guidelines on Responsible Business Conduct (NGRBC) and incorporates both quantitative and qualitative disclosures across nine principles of responsible business conduct. It reflects India’s intention to align domestic reporting practices with global sustainability standards while addressing country-specific socio-economic priorities.

Despite these regulatory advancements, sustainability assurance in India has not evolved at the same pace as reporting requirements. Assurance of sustainability information remains largely voluntary, with no mandatory assurance requirement under SEBI regulations. This regulatory gap has resulted in significant variability in the adoption, scope, and quality of sustainability assurance across Indian companies. Academic literature suggests that such voluntary assurance regimes often lead to selective adoption, primarily by large firms with greater resources, international exposure, and reputational incentives.

From an assurance perspective, the Indian context presents unique challenges. The diversity of industries, varying levels of ESG maturity, and limited availability of trained sustainability assurance professionals complicate the development of uniform assurance practices. These

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challenges underscore the need for a deeper academic examination of sustainability assurance in India.

3. THEORETICAL FOUNDATIONS OF SUSTAINABILITY AUDIT ASSURANCE

Sustainability audit assurance is conceptually grounded in assurance theory, legitimacy theory, and stakeholder theory. Assurance theory emphasizes the role of independent verification in enhancing the reliability of information and reducing information asymmetry between preparers and users. In the context of sustainability reporting, assurance engagements aim to provide stakeholders with confidence that ESG disclosures are prepared in accordance with specified criteria and are free from material misstatements.

Legitimacy theory provides an important lens for understanding corporate motivations for sustainability reporting and assurance. According to this perspective, organizations seek to align their activities and disclosures with societal norms and expectations in order to maintain legitimacy. Sustainability assurance can thus be viewed as a mechanism through which firms seek to reinforce the credibility of their sustainability claims and demonstrate alignment with societal values.

Stakeholder theory further expands the conceptual foundation of sustainability assurance by emphasizing the diverse information needs of multiple stakeholder groups. Unlike financial reporting, which primarily serves investors and creditors, sustainability reporting addresses a broader range of stakeholders, including employees, communities, regulators, and civil society. This multiplicity of stakeholders complicates materiality assessments and assurance judgments, as auditors must consider both financial impacts and broader environmental and social consequences.

A defining feature of sustainability assurance is the expanded concept of materiality. Under the BRSR framework, materiality is not confined to financial significance but encompasses environmental and social impacts that may affect stakeholders and long-term value creation. This expanded materiality framework fundamentally alters audit planning, risk assessment, and professional judgment, posing significant methodological challenges for assurance providers.

4. REGULATORY FRAMEWORK GOVERNING SUSTAINABILITY ASSURANCE IN INDIA

The regulatory framework governing sustainability reporting and assurance in India is shaped primarily by SEBI regulations and professional standards applicable to assurance engagements. SEBI’s BRSR framework mandates comprehensive ESG disclosures for the top 1,000 listed entities by market capitalization. These disclosures cover a wide range of environmental, social, and governance indicators, reflecting both global sustainability concerns and India-specific development priorities.

Although SEBI has not made external assurance mandatory for BRSR disclosures, it has explicitly encouraged companies to obtain independent assurance to enhance data credibility. This approach reflects a regulatory balancing act, recognizing the importance of assurance while acknowledging capacity constraints within the assurance profession. However, the absence of mandatory assurance has resulted in uneven adoption and varying assurance quality.

From a professional standards perspective, sustainability assurance engagements in India are generally conducted in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), issued by the International Auditing and Assurance

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Standards Board. ISAE 3000 provides a principles-based framework applicable to assurance engagements on non-financial information, including sustainability reports.

In the Indian context, the applicability of ISAE 3000 is supplemented by guidance issued by the Institute of Chartered Accountants of India (ICAI). ICAI has acknowledged the growing importance of sustainability reporting and assurance and has issued publications and technical guidance emphasizing ethical requirements, independence considerations, and the use of experts in sustainability assurance engagements. Nevertheless, the absence of India-specific sustainability assurance standards remains a notable limitation.

5. METHODOLOGY OF SUSTAINABILITY AUDIT ASSURANCE UNDER BRSR

The methodology of sustainability audit assurance under the BRSR framework differs significantly from traditional financial audit methodologies. Sustainability assurance engagements typically begin with an understanding of the entity's sustainability context, governance structures, and ESG risk profile. This involves evaluating the organization's sustainability strategy, policies, and internal control systems related to ESG data collection and reporting.

Materiality assessment plays a central role in sustainability assurance planning. Under BRSR, materiality assessments are expected to reflect stakeholder priorities and societal impacts, rather than solely financial thresholds. Auditors must therefore exercise professional judgment in determining which ESG indicators are material and warrant assurance focus.

Evidence collection in sustainability assurance relies on a combination of quantitative data analysis, qualitative documentation review, management interviews, and, where necessary, site visits. Auditors must evaluate the reliability of ESG data sources, consistency of measurement methodologies, and adequacy of documentation. Given the lack of standardized metrics for certain ESG indicators, determining the sufficiency and appropriateness of audit evidence presents a significant challenge.

Assurance conclusions are typically expressed at a limited assurance level, reflecting the inherent uncertainty associated with sustainability information. However, the growing stakeholder reliance on ESG disclosures has prompted calls for higher levels of assurance, raising important questions regarding feasibility and professional liability.

6. EMPIRICAL ANALYSIS OF SUSTAINABILITY ASSURANCE PRACTICES IN INDIA

To examine the current state of sustainability assurance in India, an empirical review was conducted of BRSR disclosures of select large Indian listed companies for the financial year 2022–23. The sample comprised companies drawn from the NIFTY 100 index, representing diverse sectors including manufacturing, energy, financial services, and information technology.

The empirical analysis reveals that sustainability assurance adoption remains limited, with fewer than half of the sampled companies obtaining external assurance for their ESG disclosures. Among the companies that did obtain assurance, the scope of assurance varied considerably. Some entities obtained limited assurance on select environmental indicators, such as greenhouse gas emissions and energy consumption, while others extended assurance to selected social and governance metrics.

The analysis further indicates that assurance providers include both large audit firms and specialized sustainability consulting firms. This diversity of assurance providers raises important questions regarding assurance quality, methodological consistency, and

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independence. Companies with assured sustainability reports were generally characterized by higher market capitalization, stronger governance mechanisms, and greater international exposure.

These findings are broadly consistent with international empirical studies, which suggest that assurance adoption is influenced by firm size, stakeholder pressure, and regulatory scrutiny. However, the Indian context is distinguished by relatively lower overall assurance penetration and greater variability in assurance scope.

7. INDIAN CORPORATE CASE STUDY: PRACTICAL INSIGHTS FROM BRSR ASSURANCE

To complement the empirical analysis, a focused case study was conducted of a large Indian listed manufacturing company that voluntarily obtained limited assurance on its BRSR disclosures. The company operates across multiple locations and has significant environmental and social footprints.

The assurance engagement revealed several practical challenges, particularly in relation to ESG data collection and documentation. Environmental data, such as Scope 1 and Scope 2 emissions, were relatively well-documented, while Scope 3 emissions data were fragmented and based on estimates. Social indicators, including employee training hours and community development outcomes, lacked standardized measurement methodologies.

The assurance process led to several governance improvements within the organization. Management strengthened internal controls over ESG data, clarified data ownership responsibilities, and enhanced documentation processes. The case study demonstrates that sustainability assurance can serve as a catalyst for improving internal governance and data quality, rather than merely a compliance exercise.

8. ROLE OF ICAI AND PROFESSIONAL GUIDANCE ON SUSTAINABILITY ASSURANCE

The Institute of Chartered Accountants of India (ICAI) occupies a central position in shaping sustainability assurance practices in India. As the statutory body regulating the accounting and auditing profession, ICAI is responsible for issuing standards, guidance, and ethical frameworks applicable to assurance engagements.

ICAI has recognized sustainability reporting and assurance as emerging professional domains and has issued guidance highlighting the applicability of ISAE 3000 for sustainability assurance engagements. ICAI publications emphasize key professional considerations, including engagement acceptance, independence, use of experts, documentation requirements, and reporting responsibilities.

However, the absence of a dedicated Indian sustainability assurance standard poses challenges for consistency and comparability. There is a growing need for ICAI to issue detailed guidance tailored to BRSR requirements, sector-specific ESG indicators, and Indian regulatory expectations. Capacity-building initiatives, including specialized training and certification programs, are also essential to equip professionals with the necessary interdisciplinary skills.

9. CHALLENGES AND PROFESSIONAL IMPLICATIONS

Sustainability audit assurance in India faces several interrelated challenges. Data quality and reliability remain significant concerns, particularly for social and value-chain-related indicators. The lack of standardized metrics and mature data systems complicates assurance judgments and increases engagement risk.

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Professional competency constraints represent another critical challenge. Sustainability assurance requires expertise in environmental science, social impact assessment, and governance practices, which are not traditionally emphasized in accounting education. Addressing these skill gaps is essential to ensure high-quality assurance outcomes.

Independence and ethical considerations also warrant careful attention. Many companies rely on consultants for ESG reporting, raising potential self-review threats when assurance is subsequently sought from the same providers. Robust ethical safeguards and regulatory oversight are necessary to maintain assurance credibility.

10. FUTURE RESEARCH DIRECTIONS

Despite growing academic interest, sustainability assurance in India remains under-researched. Future studies should focus on longitudinal analysis of assurance adoption trends, assessment of assurance quality determinants, and stakeholder perceptions of assured versus unaudited BRSR reports. Comparative studies across sectors and between India and other emerging economies would further enrich the literature.

There is also scope for research examining the integration of sustainability assurance with statutory financial audits and the implications of mandatory assurance regimes. Such research would provide valuable insights for policymakers, practitioners, and standard-setters.

11. CONCLUSION

Sustainability audit assurance is a critical enabler of credible ESG reporting in India's evolving regulatory landscape. While SEBI's BRSR framework has significantly enhanced sustainability disclosure requirements, assurance practices remain uneven and constrained by regulatory, professional, and methodological challenges. Strengthening sustainability assurance through clearer regulatory guidance, enhanced professional capacity, and rigorous academic research is essential to ensure that ESG reporting fulfills its intended role in promoting transparency, accountability, and sustainable development in India.

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