

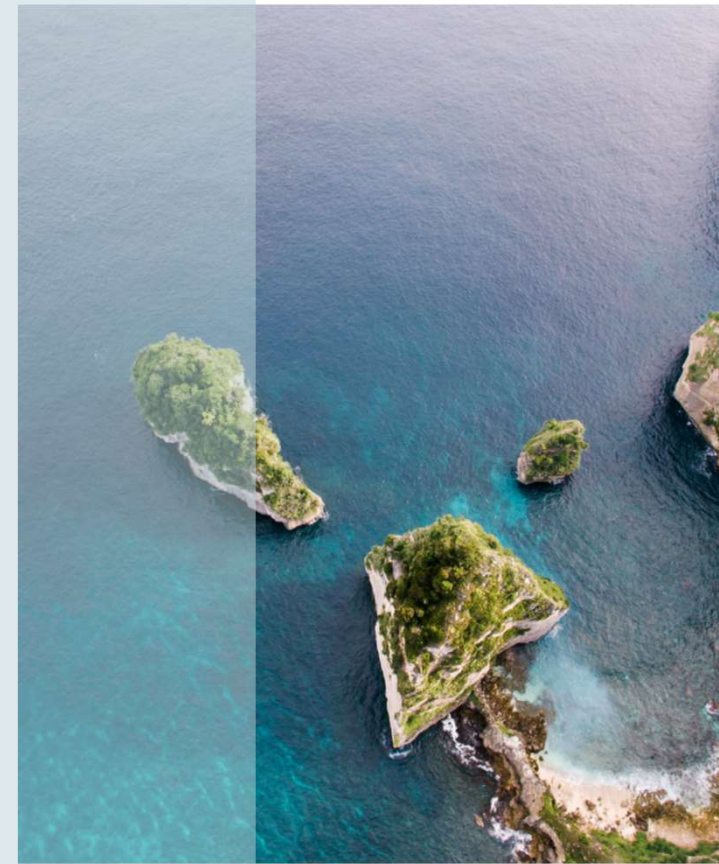
ESG and Social Audits: Opportunities for CAs

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- Reporting Standards
- Assurance Frameworks
- Opportunities for CAs



WHAT IS ESG?

WHAT IS ESG ?

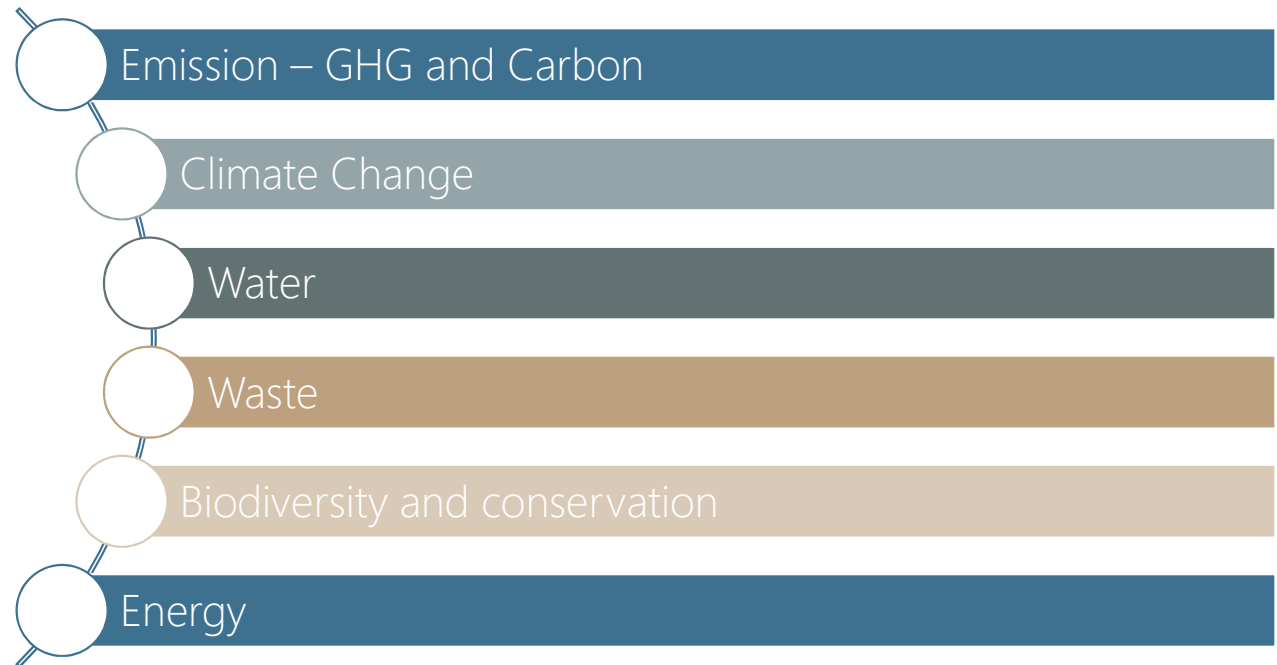


These pillars encompass various non-financial factors that are considered important for evaluating a company's sustainability and ethical impact.

The goal of ESG is to capture all the non-financial risks and opportunities inherent to a company's day to day activities.

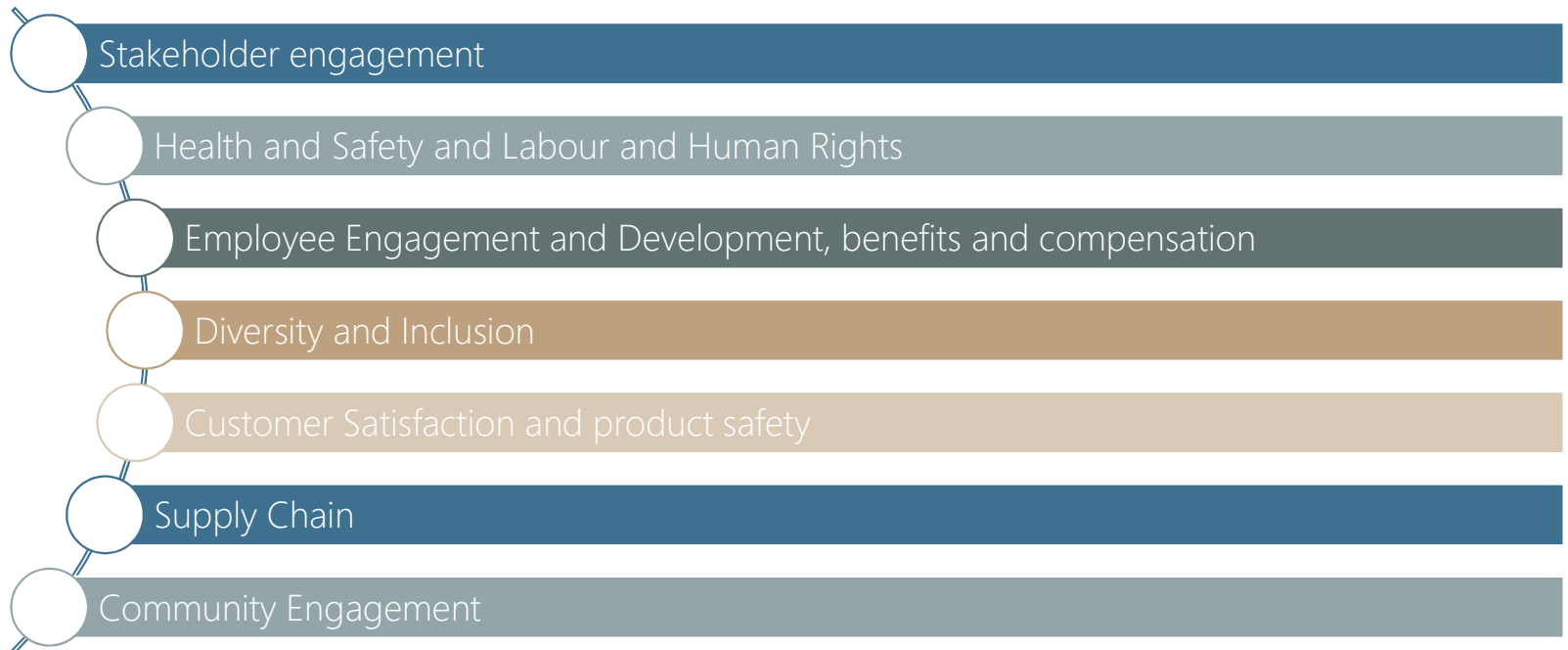
ENVIRONMENT

Environment factors, as part of the ESG framework, encompass a range of aspects related to a company's impact on the natural environment and its efforts to promote sustainability. These factors evaluate how a company's activities affect the ecosystem, climate change, resource usage, and other environmental considerations.



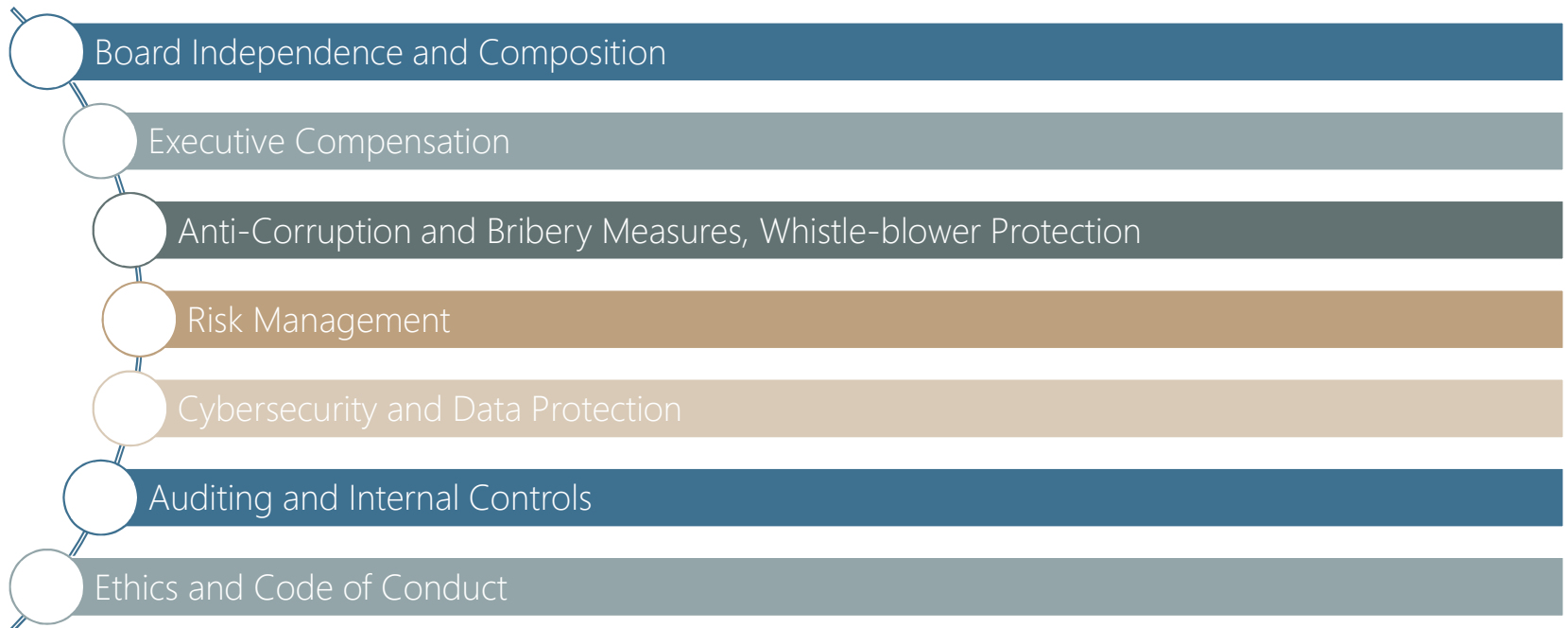
SOCIAL

Social aspects in the ESG framework focus on a company's impact on its employees, customers, suppliers, communities, and other stakeholders. These factors assess how a company manages its relationships, treats its workforce, supports its communities, and contributes to social well-being.

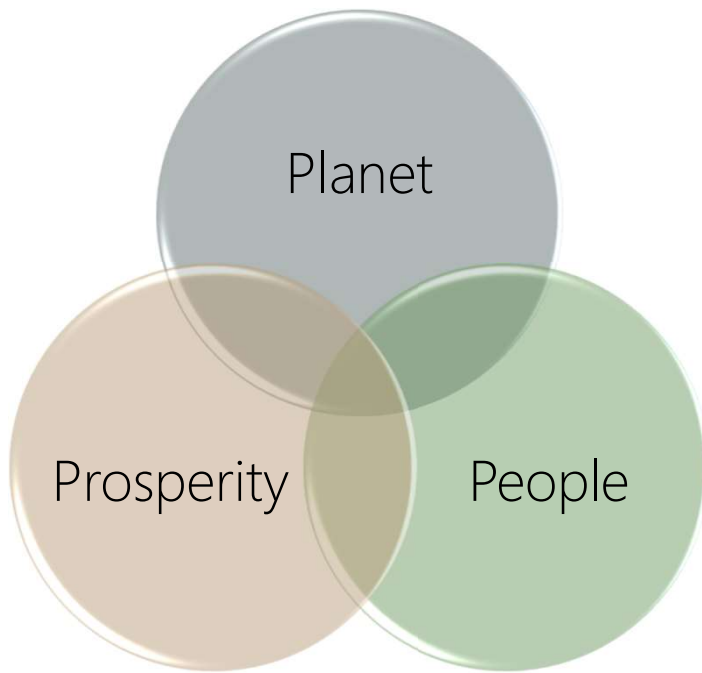


GOVERNANCE

Governance aspects in the ESG framework focus on evaluating the structure, processes, and policies that guide a company's decision-making, oversight, and accountability. It assesses how a company is governed and whether it adheres to principles of transparency, accountability, and ethical conduct.

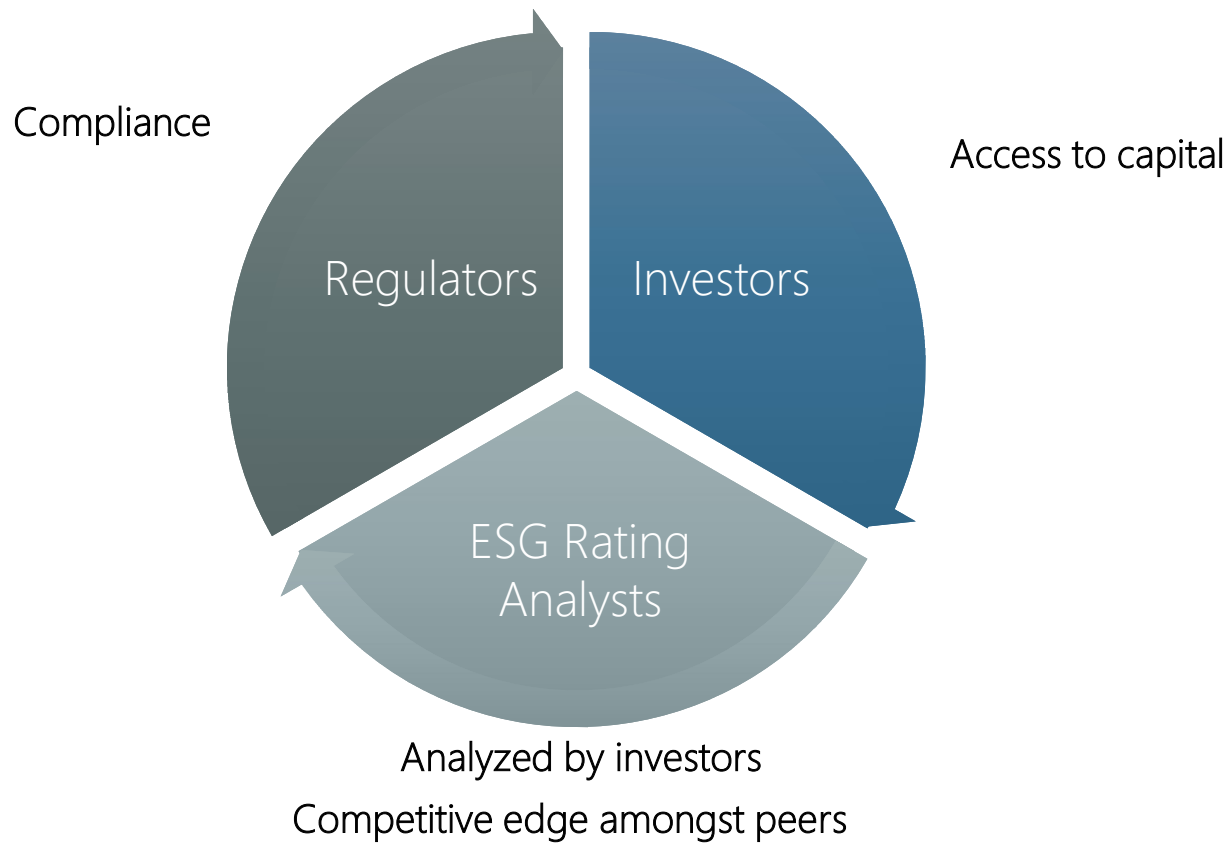


SUSTAINABILITY



Sustainability involves meeting current needs without compromising future generations. Its pillars are environmental protection (planet), social equity (people), and economic viability (profit). Balancing these aspects ensures long-term well-being by conserving resources, promoting fairness, and fostering lasting prosperity.

WHY SHOULD A COMPANY DISCLOSE ESG INFORMATION



GLOBAL EXPECTATIONS

- 
- Prescriptive beyond frameworks and data reporting
 - Meaningful disclosures on climate change
 - Clarity on future ESG risks and opportunities
 - A new focus on the 'S' and 'G' in ESG
 - An emphasis on materiality and meaningful assessment
 - Management fluency in ESG matters
 - Transparency, consistency and assurance

SOCIAL AUDITS

What is a Social Audit?

Social audit is an independent, objective and reliable examination of impact of a project / program / project-based activity of a social enterprise.

A social audit –

- Assesses whether the project / program / project-based activity is operating in accordance with the stated strategic intent and planning.
- Assesses the stated performance in terms of impacts/ outcomes.
- Suggests ways to improve the impact measurement and/ or performance by way of a management letter.

Parties Involved

Social Auditor

- Registered with self-regulatory organisation like ICAI
- Qualified certification program of the National Institute of Securities Market (NISM)

Responsible Party

- The Social Enterprise
- Responsible for the subject matter

Intended Users

- Person, persons or class of persons for whom the Social Audit Report is prepared.
- Responsible party can be one of the intended users.

REPORTING STANDARDS AND FRAMEWORKS, ESG RATINGS

WHERE THE MOMENTUM BEGAN

SUSTAINABLE DEVELOPMENT GOALS



INTERNATIONAL STANDARDS AND FRAMEWORKS

Particulars	Type	Themes	Number of Participants	Required for	Stakeholder audience
SEBI – Business Responsibility And Sustainability Report	Sustainability	Environment, Social and governance	1000	Listed companies in India	Regulatory
EU CSRD (ESRS): Eu Sustainability Reporting Standards	Sustainability	Sustainability and Environmental Reporting	50,000+	EU companies with 500+ employees and/or that are publicly traded	Regulators and other EU stakeholders
UNFSS: United Nations Forum On Sustainability Standards	Sustainability	ESG & Sustainability Reporting	500	Best for All industries	National and International bodies
IIRC: International Integrated Reporting Council	Integrated Sustainability	Finance, ESG, Sustainability	Approx. 5000	Number of Participants: Best for Investors	Regulatory bodies, Accountancy Firms











INTERNATIONAL STANDARDS AND FRAMEWORKS

Particulars	Type	Themes	Number of Participants	Required for	Stakeholder audience
TCFD: Task Force On Climate-related Financial Disclosures	Sustainability	ESG & Climate Financial Risk	~2,600+ supporting organizations	Best for Large Companies	Investors
ISSB (IFRS) International Sustainability Standard Board	Sustainability	General Sustainability Accounting, Risks & Opportunities	TBD	Best for Medium-to-Large Companies	Investors, CFOs, and Finance
CDP – Carbon Disclosure Project	Sustainability	Climate, Supply Chain, Forest, Water	9,600	Best for Medium-to-Large Companies	Investors, Supply Chain

INTERNATIONAL STANDARDS AND FRAMEWORKS

Particulars	Type	Themes	Number of Participants	Required for	Stakeholder audience
B CORP	Sustainability	Social Impact, Sustainability, & ESG	>4,000	Best for Small-to-Medium Companies	All
GRI : Global Reporting Initiative	Sustainability	General	~10,000	Best for Any Type of Organization	All
SASB (VALUE REPORTING FOUNDATION)	Sustainability	ESG Financial Risk	~800	Best for Large Companies	Investors
ISO 14001: ISO Guidance On Social Responsibility	Sustainability	ESG & Environmental Management Systems	450,000+	Best for Small and Large Companies	Investors, Regulators,

ESG RATINGS

Types of ESG rating agencies				
Rating Agency	Description	E, S or G?	Questionnaire?	Index
MSCI  Score = CCC to AAA	MSCI offers ESG ratings and research for investors and companies to assess the environmental, social, and governance performance of various entities.			Various ESG indices around screening, integration, & targets
S&P Global Ratings Score = 0 to 100	S&P Global provides ESG scores, rankings, and assessments for companies. Top responding companies to their Corporate Sustainability Assessment (CSA) are included in the DJSI.			Dow Jones Sustainability Index (DJSI) Multiple DJSI indices, e.g. Emerging Markets
ecovadis Score = 0 to 100 Medals: • Bronze = top 50% • Silver = top 25% • Gold = top 5% • Platinum = top 1%	EcoVadis provides a platform for assessing and benchmarking the sustainability practices of businesses, typically focused on the supply chain and involve a thorough evaluation of company policies and actions in key ESG areas.			Business Sustainability Index (BSI)
 Score = 0% to 100%	The GEI is an index developed by Bloomberg to benchmark companies on their performance on gender equality and inclusivity in the workplace. Companies are assessed on factors such as: gender balance, equal pay, family and inclusivity policies.			Bloomberg Gender Equality Index (GEI)



AUDIT/ ASSURANCE FRAMEWORKS

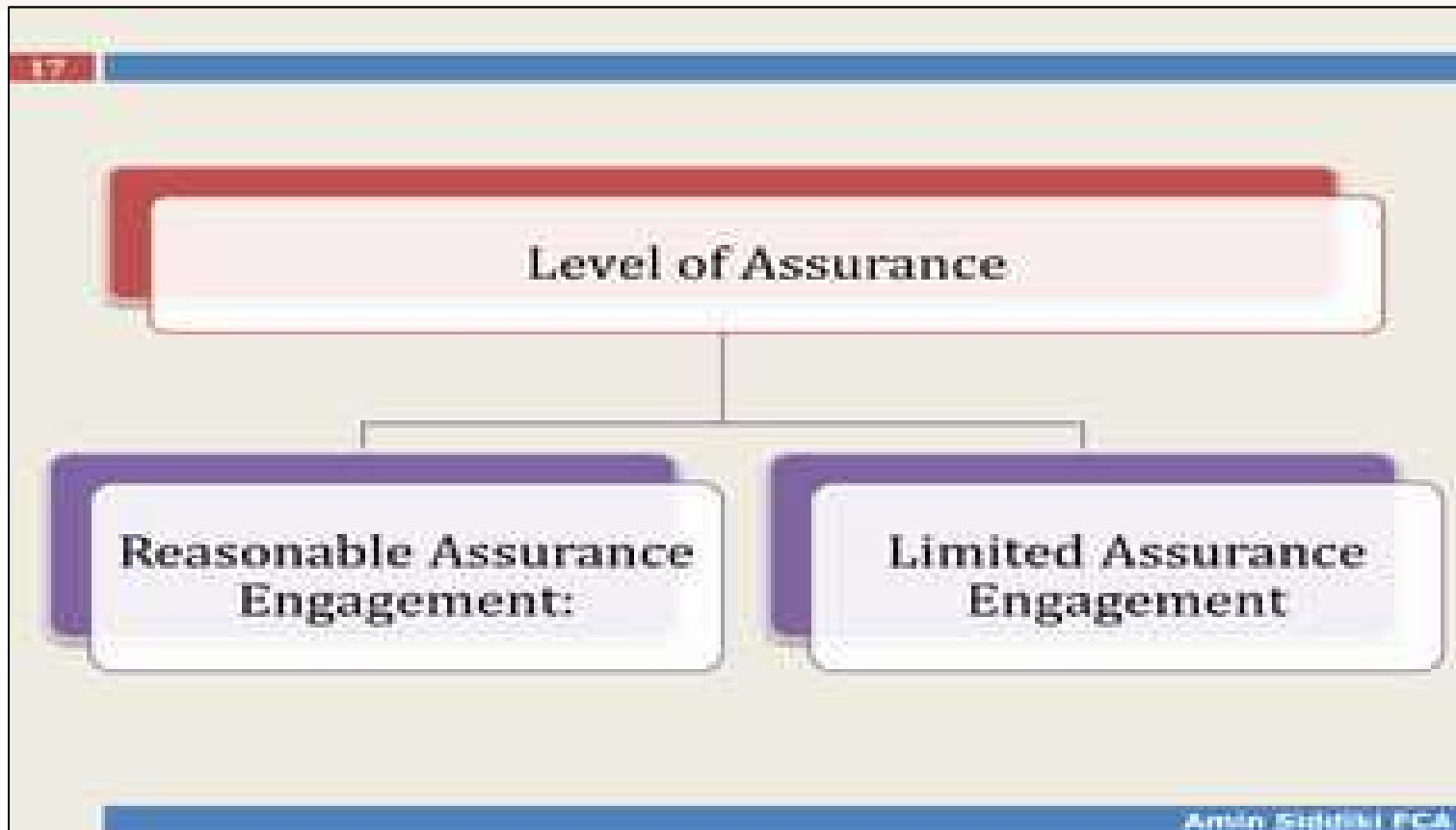
GLOBAL STANDARDS FOR ASSURANCE

- International Standard On Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other Than Audits Or Reviews Of Historical Financial Information
- International Standard On Assurance Engagements (ISAE) 3410, Assurance Engagements On Greenhouse Gas Statements
- International Standard On Sustainability Assurance 5000
- AA1000 Assurance Standard (AA1000AS v3)
- ISO Standards 14000 series

INDIAN STANDARDS FOR ASSURANCE

- Standard On Sustainability Assurance Engagements (SSAE) 3000: Assurance Engagements On Sustainability Information
- Standard On Assurance Engagements (SAE) 3410: Assurance Engagements On Greenhouse Gas Statements
- Sustainability Reporting Maturity Model (SRMM)- Version 1.0
- Sustainability Reporting Standard Board (SRSB) Of ICAI has issued Social Audit Standards (SAS) from SAS 100 To SAS 1600

TYPES OF ASSURANCE



ISAE 3000 – Limited Assurance

- This type of assurance is achieved when the **risk of a material mis-statement of the subject matter has been reduced through the collection of evidence**, but not to the low level required by reasonable assurance.
- To achieve this, the assurance provider may perform different or **fewer tests** than those required for reasonable assurance or may use **smaller sample sizes** for the tests performed.
- The assurance provider's conclusion provides comfort over whether the ***subject is plausible against the criteria***.

- Evidence gathering procedure limited to inspection, recalculations, establishing audit trail on sample basis, probing, trend analysis etc.

Conclusion for Limited Assurance

Limited assurance conclusions are framed in a **negative manner**. For example, **'Based on the testing performed, nothing has come to our attention to indicate that the management assertion on [subject matter] was not properly prepared'**.

ISAE 3000 – Reasonable Assurance

- This type of assurance is achieved when the ***risk of a material mis-statement of the subject matter has been reduced to a low level.***
 - To achieve this, the assurance provider must conduct ***extensive procedures.***
 - The assurance provider obtains sufficient evidence to confirm whether the subject ***conforms to the criteria.***
- Practitioner will understand the internal controls in place for preparation of subject matter including evaluation of both its design and actual implementation. This will include assessing the SOPs for data measurement, collation across the company, internal reviews and their outcomes/ corrective actions, IT tools used for data compilations etc.
 - Analysing the existing systems and preparedness of personnel involved to collect and collate data related to KPIs.
 - Involves exhaustive evidence gathering procedures.

Opinion for Reasonable Assurance

Reasonable assurance opinions are framed in a **positive manner**. For example, 'Based on the procedures performed, in our opinion, the management assertion on [subject matter] is properly prepared'.

ESG ASSURANCE AREAS

Water consumption
and withdrawal

Energy Consumption

Energy Purchased and
Produced

GHG emissions

Other emissions

Waste Generation and
Disposal

Total Workforce

New Employees &
Separations

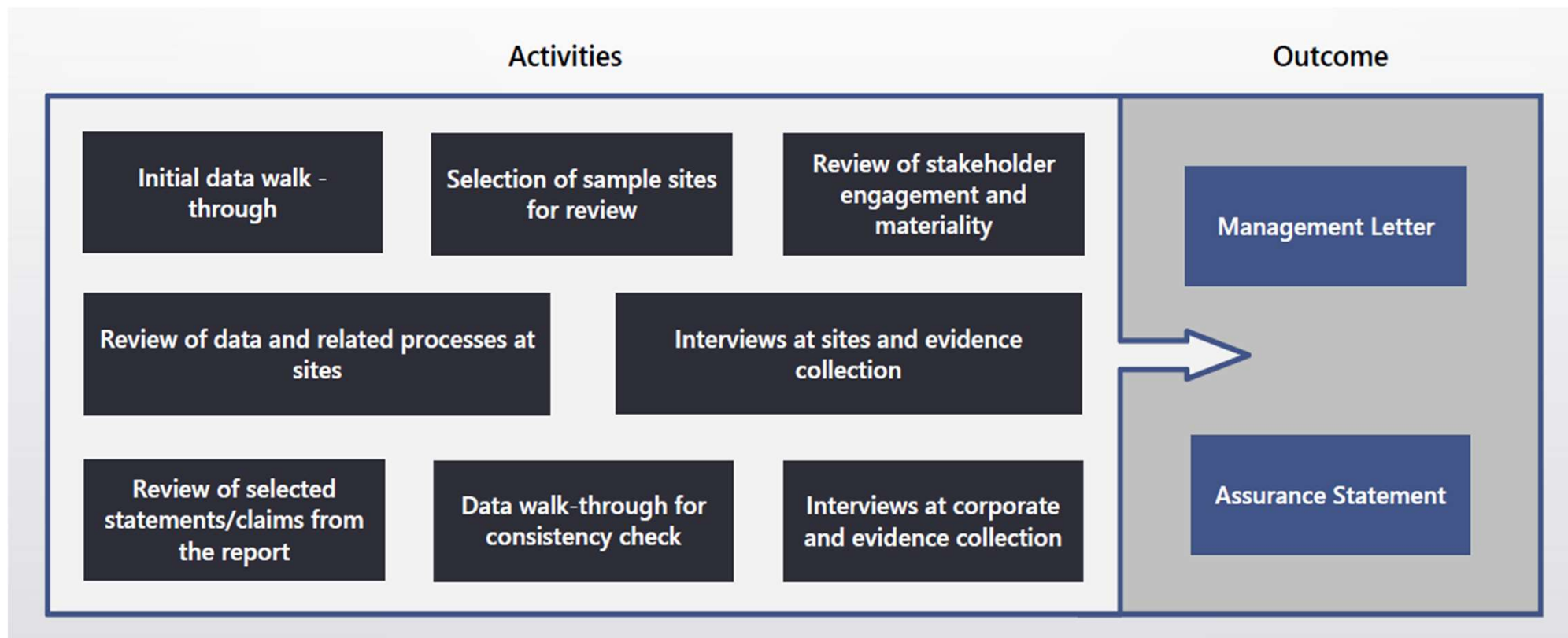
OHS


Trainings

CSR Impact

Materials


ASSURANCE PROCESS





ROLES OF A CA IN ESG

OPPORTUNITIES FOR CAs IN ESG



ADVISORY
ROLE

ASSURANCE
PROVIDER

ROLES OF A CA IN ESG : CORPORATE



DISCLOSURES AND REPORTS

Particulars	Advisory Role	Assurance Role
Business Responsibility and Sustainability Report <ul style="list-style-type: none"> Mandatory for top 1000 listed companies as of 31 March 24. Divided into Three Sections and Nine Principles Essential and Leadership indicators 	<ul style="list-style-type: none"> Limited role Support in preparation of report 	✓ BRSR Core indicators to be audited at present for top 150 listed companies
Sustainability Report and Integrated Report <ul style="list-style-type: none"> Disclosure of ESG performance of a Company Various standards and frameworks can be used 	<ul style="list-style-type: none"> Limited role Support in preparation of report 	✓ Assurance of Sustainability report and Integrated Report
<ul style="list-style-type: none"> TCFD Disclosures <ul style="list-style-type: none"> ✓ Disclosure on Governance, Strategy ,Risk Management and Targets and Metrics ✓ Climate Risk assessment <ul style="list-style-type: none"> •Physical Risk •Financial Risk 	Assessment of how the identified risks can impact Profit, Cost, Revenue, Assets and Liabilities	Not Mandatory Assurance of TCFD

GREEN BONDS / GREEN DEBT SECURITIES

Particulars	Advisory Role	Assurance Role
<p>GDS securities being in the nature of 'use of proceeds' bonds towards:</p> <ul style="list-style-type: none"> o Climate change adaptation o Circular economy o Water management o Solar projects o Transition Bonds 	<p>Advisory role Support in issuance of bonds etc.</p>	<p>Independent Third-Party Verifier is required for Issuance and monitoring</p> <ul style="list-style-type: none"> ✓ Pre-issue support – for reviewing/certifying the processes including project evaluation and selection criteria, project categories eligible for financing by GDS. ✓ Post-issue support – Post-issue management of the use of proceeds from GDS and verification of the internal tracking and impact reporting

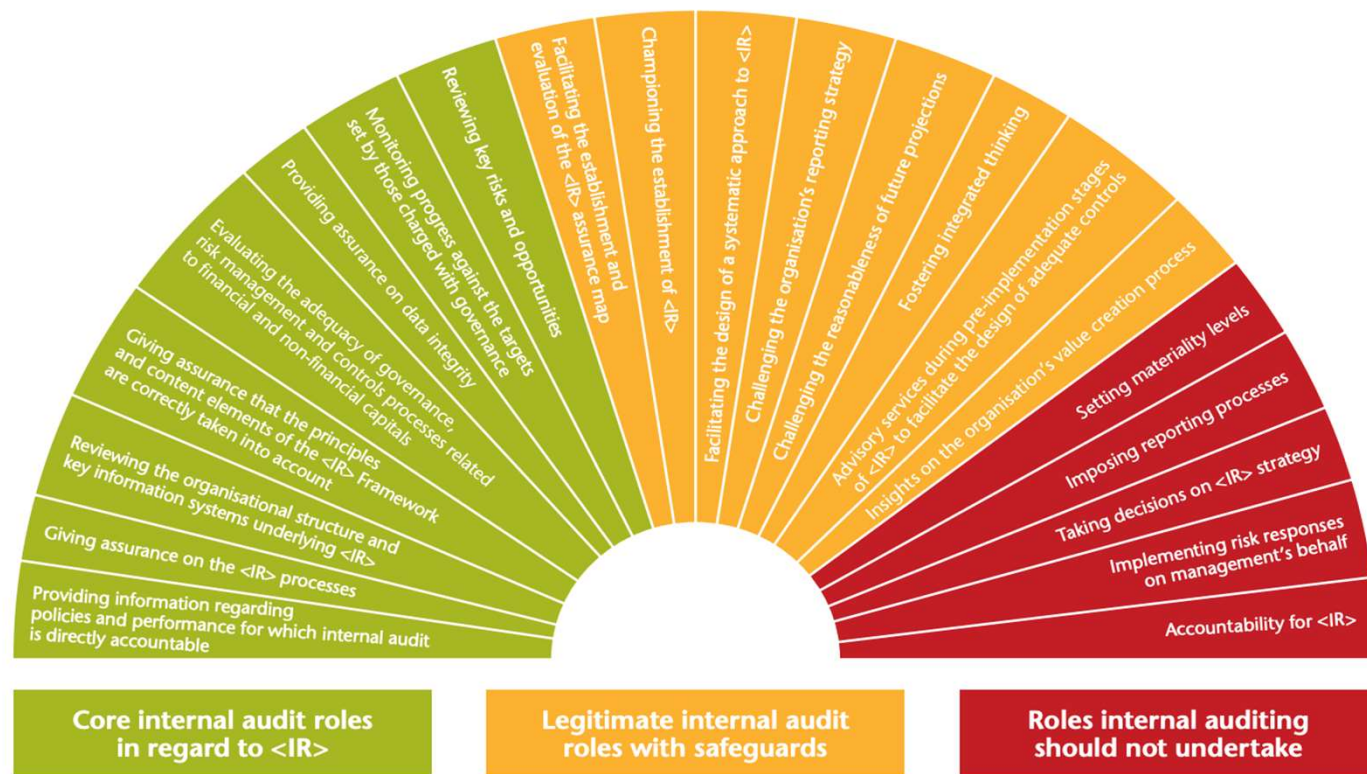
SOCIAL AUDITS

Particulars	Advisory Role	Assurance Role
<p>A social audit is a process of evaluating an organization's social and environmental impact.</p> <p>Social audits are conducted on a range of areas, including policies, laws, and the functioning of public agencies.</p>	None	<p>"Social Auditor" means an individual registered with a self-regulatory organization under the Institute of Chartered Accountants of India or such other agency, as may be specified by the Board, who has qualified a certification program conducted by National Institute of Securities Market and holds a valid certificate; (as per Gazette Notification of SEBI dated 25th July, 2022)</p>

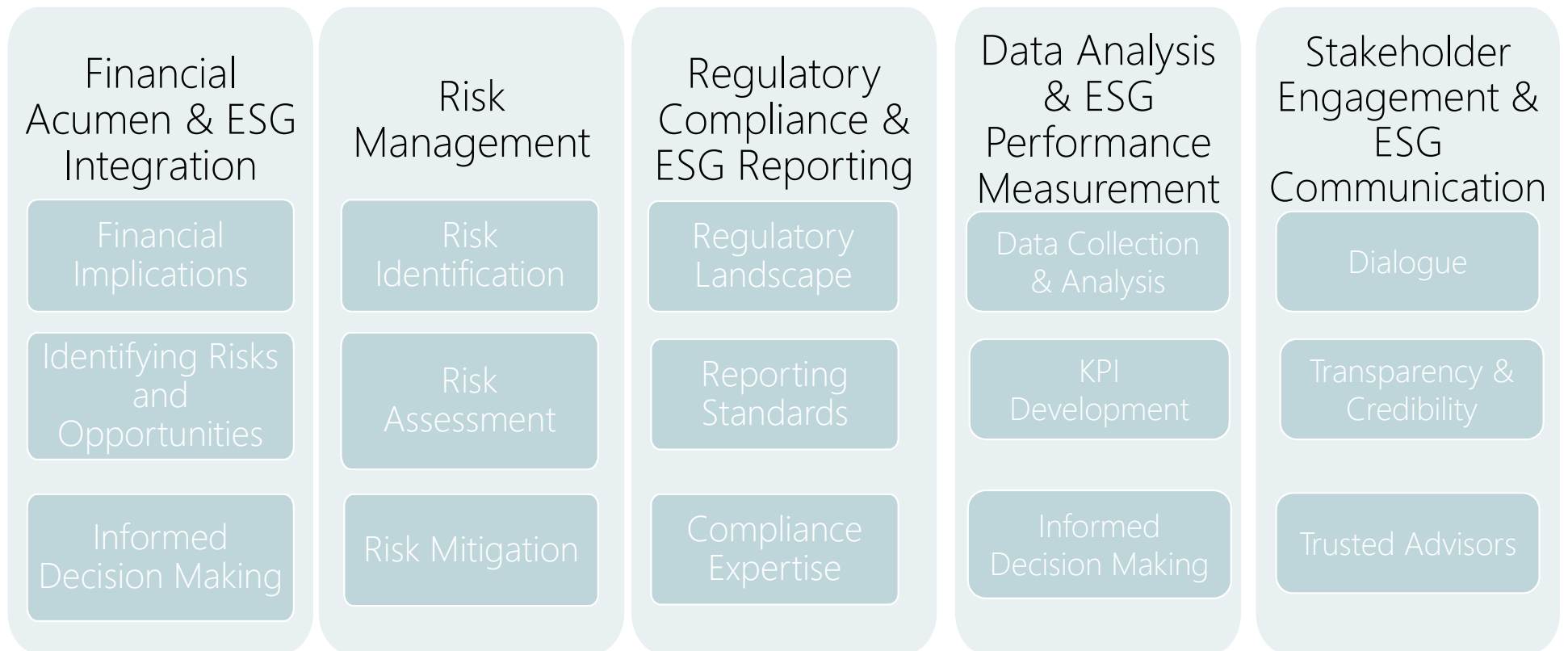
GHG CERTIFICATIONS AND ASSURANCE

Particulars	Advisory Role	Assurance Role
Green House Gases certifications	Limited – requires technical expertise	<ul style="list-style-type: none">- Cross Border Adjustment mechanism by European Union- Eco Vadis Assessment- DJSI Assessment- CDP assessment- Investor needs- GHG projects

INTERNAL AUDIT OF NON –FINANCIAL INFORMATION



WHY A CA CAN BE INSTRUMENTAL IN STEERING ESG?





THANK YOU

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