



18 Emerging Areas: Sustainable Development Goals (SDG) & Environment, Social and Governance (ESG) Assurance

PART 1- SDG & ESG

QNO SDG.100	Global trends in sustainable reporting TITANIUM CNO -- SDG.060	New Course -- (SM23)
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What are the global trends in sustainable reporting?

Answer **Mandatory Reporting Entities:** Mandatory reporting requirements are associated with the public sector, government-run companies, large corporations, multi-national conglomerates, and listed companies.

Sector-Specific Provisions: Sector-specific and thematic reporting provisions are becoming more common.

GRI Usage & Popularity: The Global Reporting Initiative (GRI) is used by 93% of the world's largest 250 corporations for sustainability reporting. GRI is utilized in over 100 countries for sustainability reporting. The GRI is based in Amsterdam with operational hubs in Brazil, China, Colombia, India, South Africa, and the US. GRI Standards are developed with multi-stakeholder contributions and are rooted in the public interest.

Different Reporting Frameworks

Global Reporting Initiative (GRI): GRI helps organizations report on economic, environmental, and social impacts, addressing all stakeholders.

Carbon Disclosure Project (CDP): CDP captures environmental performance data related to emissions, water, forests, and supply chain, addressing investors, buyers, and stakeholders.

International Integrated Reporting Framework (IIRC): IIRC has principles and elements for companies to produce integrated reports, covering overview, governance, business model, risks, strategy, and outlook.

QNO SDG.200	6 C's of Integrated reporting TITANIUM CNO -- SDG.080	New Course -- (SM23)
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What are the 6 C's of Integrated reporting?

Answer **There are 6 Cs of Integrated Reporting -- also known as 6 capitals:**

- Financial Capital:**
Available funds to the organization obtained through financing like debt, equity, or grants, or generated from operations or investments.
- Manufactured Capital:**
Human-created equipment and tools used in the production of goods or services, including infrastructure like roads, ports, and water treatment plants.
- Natural Capital:**
Inputs to production and services. Impacted by an organization's activities. Includes water, land, minerals, forests, and ecosystem health.
- Human Capital:**
Skills, experience, alignment with the organization's values, understanding of strategy, and motivation to innovate and improve.
- Social Capital:**
Institutions and relationships enhancing well-being. Includes common values, trust with stakeholders, and an organization's social license to operate.
- Intellectual Capital:**

Determines an organization's competitive advantage linked to R&D, innovation, and external relationships.

The Asia Pacific region leads in sustainability data presentation in annual reports, with 60% of companies reporting in 2022. Integrated reporting is prominent in the Middle East.

QNO SDG.250	Identification of Capitals in Integrated Reporting TITANIUM CNO -- SDG.080	New Course -- (SM23)
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Trustworthy Industries Limited (a listed company) has already been preparing and disclosing its sustainability report based upon internationally accepted reporting framework of "Integrated Reporting" on a voluntary basis even some years before BRSR reporting became mandatory. Even after BRSR reporting became mandatory, it is cross-referencing disclosures made under such reporting to disclosures sought under BRSR. The key thrust of "Integrated Reporting" is how company creates value over short, medium and long term.

Following further information is provided in respect of the above company: -

(i) It has increased the number of customers using digital customer mobile app of the company from 2 lac users to 4 lac users. There is 100% increase in digital collection. It has benefitted customers of the company and resulted in use of digital methods for business operations of the company.

(ii) It has increased the number of beneficiaries under its flagship CSR programmes from previous 10000 to 75000. It has provided value for communities and provided sustainable livelihood to them.

Discussing above information, identify which of the capitals of "Integrated Reporting" are being referred to at (i) and (ii) respectively?

Answer Identification of Capitals in Integrated Reporting

- Digital Advancement:**
 - (i) Increased use of the company's digital mobile app and a 100% rise in digital collection.
 - Investment in innovation and deriving business benefits from digitization.
- Capital: Intellectual Capital**
- Community Engagement:**
 - (ii) Growth in beneficiaries under the flagship CSR programs, providing value and sustainable livelihood to communities.
 - Strengthening relationships within and between communities and stakeholders.
- Capital: Social and Relationship Capital.**

QNO SDG.275	Applicability of BRSR TITANIUM CNO -- SDG.120	New Course -- (SM23)
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What type of companies are required to mandatorily furnish the Business Responsibility and Sustainability Report (BRSR) as per the SEBI circular with effect from FY 2022-23?

Answer Reporting under BRSR is mandatory from financial year 2022-23. However, disclosure was voluntary in financial year 2021-22. SEBI has currently started with the top 1,000 listed companies. But very soon, remaining listed companies would also need to comply with the provisions of BRSR.

QNO SDG.300	Nine principles of BRSR TITANIUM CNO -- SDG.160	New Course -- (SM23)
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What are the nine principles of BRSR? How are the nine principles of BRSR linked with the 17 UN Sustainable Development Goals?

Note: (Explain Nine Principles, I don't expect all principles in one question in exams, they may target individual principle and to remember linking with 17 UN SDGs as given in ICAI table is impossible so

leave it)

- **ESG Components of BRSR:**
 - Categorized into Environment, Social, Governance.
 - Interlinked principles.
 - Environmental protection linked to stakeholder engagement and inclusive growth.
- Principle 1 – Ethics, Transparency and Accountability: Ensure business decisions are transparent and accessible.**
- **Transparency and Disclosures:**
 - Develop ethical policies, procedures, and practices.
 - Share information on these practices with stakeholders.
 - Ensure transparent disclosures during adverse effects.
- **Engagement and Accountability:**
 - Encourage value chain entities to adopt these principles.
 - Address external entities violating the BRSRs.
- Principle 2 – Safe and Sustainable Goals and Service: Ensure operations result in a better life for consumers.**
- **Resource Optimization and Education:**
 - Minimize resource usage in product design.
 - Educate consumers about their rights.
- **Sustainable Practices:**
 - Implement sustainable consumption, reduce, reuse, and recycle.
- Principle 3 – Promote well-being of all employees: Address dignity, health, well-being of employees.**
- **Legal Compliance and Respect:**
 - Ensure regulatory compliance for employees.
 - Respect employee dignity and freedom of associations.
- **Safety and Well-being:**
 - Prevent child and involuntary labour.
 - Maintain work-life balance.
 - Ensure timely wage payments.
- **Living Standards and Development:**
 - Wages should meet living standards.
 - Create a safe, hygienic work environment.
 - Focus on skill and career development.
 - Ensure a harassment-free workplace.
- Principle 4 – Respect for stakeholders' interests and responsiveness: Engage with stakeholders transparently.**
- **Transparent Communication and Inclusion:**
 - Transparently communicate impacts to stakeholders.
 - Determine operational context and identify stakeholders.
- **Equitable Sharing:**
 - Share benefits equitably with stakeholders.
- Principle 5 – Respect and promote human rights: Address human rights in business operations.**
- **Legal Understanding and Integration:**
 - Understand human rights from various legal perspectives.
 - Integrate human rights into policies.
- **Rights of Stakeholders:**
 - Respect rights of all stakeholders and groups.
- Principle 6 – Protection and restoration of Environment: Emphasize environmental responsibility.**
- **Holistic Impact and Resource Optimization:**
 - Address environmental impacts holistically.
 - Optimize use of natural resources.
- **Performance Monitoring and Best Practices:**
 - Monitor performance against environmental metrics.
 - Compare activities with best industry practices.

- **Climate Change and Performance Improvement:**
 - Contribute to climate change resilience.
 - Improve environmental performance.
- Principle 7 – Influence on Public and Regulatory Policy: Influence policy within a governing framework.**
- **Policy Contribution and Advocacy:**
 - Contribute holistically to policy formulation.
 - Utilize collective associations for policy advocacy
- **Fair Practices:**
 - Advocate for fair competition and prevent rights abuses.
- Principle 8 – Promote Inclusive Growth and equitable development: Collaborate for better livelihood and assist marginalized communities.**
- **Impact Assessment and Mitigation:**
 - Address social, cultural, economic impacts of business.
 - Track and mitigate adverse impacts.
- **Community Benefits and Intellectual Property:**
 - Create products that benefit marginalized communities.
 - Avoid business-induced displacement; provide fair compensation.
 - Respect intellectual property and share benefits equitably.
- **CSR and Local Priorities:**
 - Align CSR activities with local/regional priorities.
- Principle 9 – Provide value to consumers responsibly: Offer products and services responsibly for profits.**
- **Impact Reduction and Fair Practices:**
 - Reduce negative impacts on consumers and environment.
 - Ensure fair competition and freedom of choice.
 - Disclose adverse impacts transparently.
- **Data Privacy and Responsible Usage:**
 - Maintain customer data privacy.
 - Inform customers about responsible product use.
- **Transparency and Access:**
 - Avoid misleading advertising.
 - Provide a transparent grievance redressal system.
 - Ensure non-discriminatory access to essential goods/services.

QNO SDG.400	Methodology of providing assurance in BRSR TITANIUM CNO -- SDG.180	New Course -- (SM23)
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What is the methodology of providing assurance in BRSR?

Answer **Methodology to provide assurance on BRSR**

- Preliminary Review of ESG report, parameters
- On-site Assessment / Verification of ESG Report
- Issuance of Assessment Report and Assessment Statement
- Review of the responses and clarifications on the findings
- Submission of findings of the onsite assessment and document review
- Preparation of Assessment / Verification report including final results of Assessment/ Recommendation:

QNO SDG.500	Auditor's role on ESG aspects TITANIUM CNO -- SDG.220	New Course -- (SM23)
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What is the auditor's role on ESG aspects in an audit of financial statements of the Company?

Answer

- **Auditor's Objective & Stakeholder Expectations:** The auditor seeks assurance that financial statements are free from material misstatement, enabling them to report if the statements are fairly presented according to the financial reporting framework. Investors seek information on how climate risks were addressed in the audit. Auditors face pressure for transparency but must adhere to auditing standards.
- **Understanding Climate Risks:** In understanding an entity, the auditor considers climate-related risks, especially in sectors like banks, insurance, energy, transportation, and agriculture.
- **Auditor's Report Significance & Emphasis on Disclosures:** The auditor's report communicates about the audit, the auditor's responsibilities, and significant matters addressed. The emphasis of matter paragraph draws attention to relevant disclosures. The auditor checks if the entity disclosed climate-related information as per the financial reporting framework.
- **Consistency & Other Information:** The auditor ensures consistency in information disclosed in financial statements and other public communications. This is mandated by ISA 720 and SA 720.
- **Momentum and Uniformity**
- Sustainability reporting gains momentum globally with demands from stakeholders and efforts toward a uniform set of standards.
- Uniformity is hindered by a lack of a common language.
- **Trends and Demand in Reporting**
- Reporting of sustainability information is a growing global trend, increasing the demand for its independent assurance.
- Entities seek to enhance the integrity of their sustainability reporting.
- The demand for assurance on "sustainability branded" reporting rises.
- **Assurance Professionals' Role**
- Auditors must understand the current landscape and monitor developments.
- There's an urgent need for accepted global sustainability/ ESG assurance standards.

QNO SDG.800	Benefits of sustainable Reporting TITANIUM CNO -- Unique	New Course -- (SM23)
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You have recently joined a listed company after qualifying CA final exams through campus placement programme conducted by CMI&B at ICAI. Although the company you have joined in is not amongst top 1000 listed companies in the country, it wants to include "Sustainability reporting" in accordance with Global Reporting Initiative framework (GRI) in its annual report on voluntary basis. "Sustainability reporting" seems to be new buzzword for corporate circles and you are assigned responsibility for collating all the information required for such reporting.

In above context, dwell upon what is your understanding of "Sustainability reporting"? Can you list some of its expected benefits?

Answer Sustainability reporting is an organization's practice of reporting publicly on its economic, environmental, and social impacts, and hence its contributions – positive or negative – towards the goal of sustainable development.

Sustainability reporting refers to the information that companies provide about their performance to the outside world on a regular basis in a structured way. It is the comprehensive mechanism of measuring and disclosing sustainability data with performance indicators and management disclosures.

Expected Benefits: It can help stakeholders to understand organizations performance vis a vis sustainability and impacts. The reporting process emphasizes the link between financial and non-financial performance.

Social reporting can help entities to focus on long-term value creation by addressing environmental, social and governance (ESG) issues. Since investors are increasingly recognising that environmental and social issues provide both risks and opportunities in respect of their investments and are seeking disclosures on environmental and social performance of businesses, they can use ESG performance of companies to make investment decisions.

Investing in social and environmental issues will not only improve own business continuity of companies but also put them in a better position with their B2B (Business to Business) customers as well as enable them to acquire new ones.

