THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory Body under an Act of Parliament)

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SUKHINOBHAVANTU

A Monthly Newsletter of Sustainability Standards Board

February, 2023 Volume 1

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
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MESSAGE FROM PRESIDENT

Sustainability is the talk of the day! While we say change is the only thing constant, Sustainability is the sole thing which is perpetual. Sustainability; without a trace of disbelief has touched all walks of life and for the profession of CMAs, it is not an exception. The Finance and regulatory regime is also highly influenced and impacted by Sustainability. Aspects like ESG, Social Stock Exchange, Social Audit, Environmental Audit etc. are gaining more and more importance. The yester-generation believed in People-Planet-Profit concept which has now shifted to Planet-People- Profit. This speaks about the evolving scope of Sustainability in the modern mercantile world. To move with the pace of the financial and regulatory environment, our institute is also committed to bring in Standards on Sustainability. It is worth mentioning here that Sustainability will remain as a distant dream if it is not viewed through the lens of costing. Keeping all these aspects in mind, our institute has formed "Sustainability Standards Board" which will play a crucial role in developing standards. In its maiden meeting held on January 18,2023 it was decided to have a mass awareness drive and the board felt the need of having a newsletter on Sustainability which will cover all the recent developments. I compliment the members of the Board led by CMA K Ch A V S N Murthy for the action oriented deliberations. Further I sincerely appeal to every member of our institute to be True Ambassadors of Sustainability which is crucial in the pursuit of Nation Building.

CMA Vijender Sharma
February 20, 2023

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MESSAGE FROM VICE PRESIDENT

Sustainability is development that meets the needs of the present without compromising the ability of future generations. Businesses, financial institutions, and regulatory bodies have realized the significance of addressing ESG risks and capitalizing on the underlying opportunities to adopt sustainability. ESG issues continue to grow in relevance, from employee health & safety to climate change. The impact is many fold in current times. Investor groups and corporates are increasingly collaborating to address such issues and drive sustainability. The Institute of Cost Accountants of India being the only recognised statutory professional organisation and licensing body in India specialising exclusively in Cost and Management Accountancy understands it. "BEHIND EVERY SUCCESSFUL BUSINESS DECISION, THERE IS A CMA". This befitting slogan by CMA is well grounded even in sustainability, as between the paradigm shift in the focus of business sector from profits to sustainability and the possibility of substantial increase in activities towards social and environmental causes, the potential role that can be played by CMAs is vast and are crucial. I congratulate my council colleagues and the members of SSB, especially the Chairman, SSB, CMA K Ch A V S N Murthy for this wonderful newsletter on sustainability. I am certain that our members would benefit from this endeavour.

CMA Rakesh Bhalla
February 20, 2023

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MESSAGE FROM CHAIRMAN, SSB

Living in a green world is not only a right but also a responsibility. However environmental threats today are impending in the global level. There is unfortunately no direct correlation between environmental issues and environmental impacts. Over Population, Food shortage climatic changes environmental hazards, water scarcity, plastics, agricultural pollution and the list is endless. Carbon footprints is the price we are paying for economic development. The degradation as a matter of fact has gone beyond control. The entire globe is in an enquiry process to safeguard the environment and the civic citizens have the primary responsibility. When they have the primary responsibility, how to create awareness among them is an uphill task. One of the feasible solution which is adopted across the globe is to give that responsibility to professionals of various walks.

As the famous saying goes -" Small drops of water makes the mighty ocean" our institute is also taking a small step in achieving this mammoth objective and that is precisely the reason why Sustainability Standards Board is formed. I thank my President and other colleagues in the council for the trust they have reposed on me to take up this challenging responsibility and to act as the Chairman of the Board. As luck would have it, I am fortunate to get the cream of professionals as a part of the board including select veterans who have devoted their entire life in addressing sustainability issues. I thank all the members of SSB and members who are wholeheartedly contributing in making a Sustainability Newsletter a reality, particularly my colleagues in the council CMA Chitharanjan Chattopadhyay. I feel empowered and comforted by the presence of CMA. A.Sekar and Dr. Ranjith Krishnan. I thank them for their enormous efforts and contribution for making the newsletter a reality. Aptly we are giving the title of this newsletter as "Sukhinobhavantu". I wish and pray that the newsletter will have a 'Chiranjeevi existence' and lead the mankind on Sustainability.

CMA K Ch A V S N Murthy
February 20, 2023

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SUSTAINABILITY – A GLOBAL OUTLOOK

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2.GRI in Japan

GRI reporting is very much prevalent in Japan and a research by KPMG in October 2022 revealed that 87% of the top 100 companies in Japan use the GRI Standards, with 75% undertaking external assurance of their reports. GRI and International Development Centre of Japan have entered into a new sustainability partnership to raise the quality of their sustainability reporting and the full suite of the GRI Standards can now be accessed in Japanese language. The content index is a key requirement for GRI sustainability reports because it enables stakeholders and users to easily access relevant information. At the global level, GRI delivers an English-language Content Index Service, however, this is the first time the offering is being provided in a local language. This initiative is expected to substantially unlock the sustainability potential of the Japanese market.

3. Boeing's Sustainable Flight Demonstrator Project

The Boeing Company is embarking on a Sustainable Flight Demonstrator Project, which seeks to cater to a potential new generation of single-aisle airlines. It has been reported that over a period of seven years, NASA will invest $425 million, while the Boeing Company and its partners will contribute the remainder of the agreement funding, estimated at about $725 million. As part of the agreement, the agency also will contribute technical expertise and facilities. Single-aisle aircraft are the workhorse of many airline fleets, and because of their heavy usage, they account for nearly half of worldwide aviation emissions. NASA plans to complete testing for the project by the late 2020s, so that technologies and designs demonstrated by the project can inform industry decisions about the next generation of single-aisle aircraft that could enter into service in the 2030s. The design of the aircraft in the form of extra-long thin wings is sought to be made such that it is much more fuel efficient than the presently designed aircraft and consequently expected to burn less fuel.

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SUSTAINABILITY – INDIAN CONTEXT

1.Provisions in Companies Act, 2013 with ESG focus

ESG disclosures allow companies to identify potential transition risks, carry out a self-assessment of its ability to sustain in the future, and undertake necessary steps to adapt to the emerging as well as likely future changes. In case companies are not conscious of this exercise, they not only stand the risk of losing profit-making capacity, but also their market reputation, capable of causing a long-term dent in their sustainability. Viewed proactively, ESG disclosures help companies in identifying certain opportunities for innovation that might yield high results in the future. They also help companies in reassuring their stakeholders about their values and respect towards responsible business. In fact, Companies Act, 2013 is a stakeholder model of governance mandating companies to address stakeholder concerns. For example, Section 166(2) of the Companies Act states that 'a director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of the environment.' Another instance is Section 134(m) which mandates companies to include a report by their Board of Directors on conservation of energy, along with annual financial statement. This requirement is further detailed under Rule 8(3)(A) of the Companies (Accounts) Rules, 2014, which mandates the board to provide information regarding conservation of energy.

2. ESG – An opportunity enhancer

It is estimated that the jobs in the ESG industry has grown by 468% over the last 3 years from April 2019 to April 2022 and in the last one year (April 2021 to April 2022) it has grown by 154%. A number of reasons have been attributed to this trend as ESG awareness is recognised as the need of the hour. There is a global expectation towards companies that they conduct their business in an environmentally and socially responsible manner, which has compelled the current trend towards increased focus on non-financial reporting and performance. Also given India's commitments towards climate change at the COP-26 at Glasgow in terms of sourcing 50% of energy requirements from renewable energy sources, achieving a 40% decrease in carbon intensity by 2030 compared to 2005 levels and most importantly achieving net-zero by 2070. India is on the fast track, with numerous significant government programs to boost the economy while combating climate change, including the Clean Air Mission, the National Electric Mobility Mission Plan, the National Solar Mission, and the Indian Cooling Action Plan, to name some. Needless to mention that this scenario unfolds a new wave of opportunities for CMA's.

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ARTICLE

ESG Reporting- A Low Hanging Fruit for CMAs

Dr. Ranjith Krishnan and S. Badri Narayanan

This article attempts to provide overview of ESG reporting landscape in India while evaluating the best practices which may be simulated by the organizations and highlights the critical role which professionals are expected to play in the sustainability reporting domain. Some welcome opportunities for CMAs are also discussed towards the end of the article.

Genesis

ESG stands for Environmental, Social, and Governance ("**ESG**")[1]. ESG norms expect companies to be socially responsible businesses and align its wealth creation activities with the interests of the diverse group of stakeholders.

September 2015, was a landmark year for moving robustly towards ESG norms as all the United Nations Member States adopted Sustainable Development Goals ("**SDGs**") as a universal call to action to end poverty, protect the planet and ensure all the people enjoy peace and prosperity by the year 2030. The 17 SDGs and 169 associated targets came into force with effect from 1st January, 2016. The SDGs recognize that development must balance social, economic and environmental sustainability.

ESG/Sustainability Reporting and Recent Trends

As per the definition of the Global Reporting Initiative ("**GRI**")[1], "*Sustainability reporting is an organization's practice of reporting*

[1] *GRI 2016 – GRI 101: Foundation*

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SUSTAINABILITY MUSING !

Natural disasters are a clear example of people living in conflict with the environment. Disasters cause human, social, economic and environmental losses and, sometimes, even threaten geopolitical stability, as in many less developed countries. Even when damage is local it is also a global concern. The losses from natural disasters are often widespread to various countries as we have seen in the European flood during 2002. It is evident to conceptualise a new methodology for prevention of natural disasters that could mitigate the strategies within the cycle of sustainable development.

According to the U.S. Geological Survey residents of southeast Turkey and the war-torn northern Syria were awakened at 4:17 a.m. Monday (local time) by a 7.8 magnitude earthquake. The epicentre of the earthquake was 11.1 miles (17.9 km) deep under the Turkish city of Nurdağı in the Gaziantep province near the junction of the Anatolia, Arabia and Africa tectonic plates. Actually, Turkey and Greece are situated in a very "active" seismic zone owing to complex movements between several tectonic plates. Earthquakes on the North Anatolian fault are caused by the northward motion of the Arabian plate against the Eurasian plate, squeezing the small Turkish microplate westwards.

More than 17,500 people have died so far in the 7.8-magnitude earthquake that struck Turkey and Syria on Monday, and the toll is expected to rise as rescuers comb the rubble for survivors.

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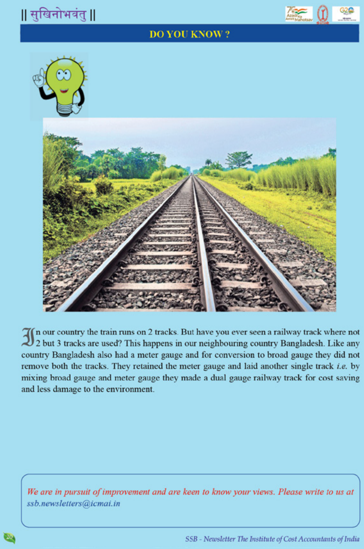

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DO YOU KNOW ?

In our country the train runs on 2 tracks. But have you ever seen a railway track where not 2 but 3 tracks are used? This happens in our neighbouring country Bangladesh. Like any country Bangladesh also had a meter gauge and for conversion to broad gauge they did not remove both the tracks. They retained the meter gauge and laid another single track *i.e.* by mixing broad gauge and meter gauge they made a dual gauge railway track for cost saving and less damage to the environment.

We are in pursuit of improvement and are keen to know your views. Please write to us at ssb.newsletters@icmai.in

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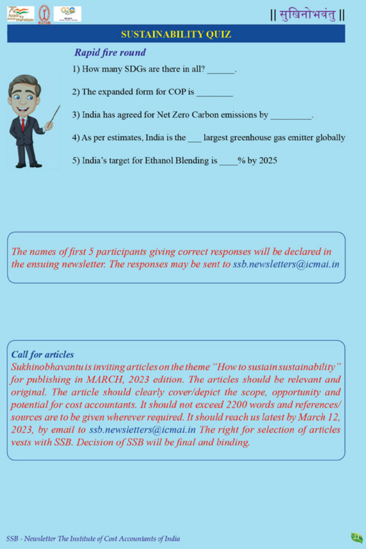

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SUSTAINABILITY QUIZ

Rapid fire round

1) How many SDGs are there in all? ______.

2) The expanded form for COP is ________

3) India has agreed for Net Zero Carbon emissions by _________.

4) As per estimates, India is the ___ largest greenhouse gas emitter globally

5) India's target for Ethanol Blending is ____% by 2025

The names of first 5 participants giving correct responses will be declared in the ensuing newsletter. The responses may be sent to ssb.newsletters@icmai.in

Call for articles

Sukhinobhavantu is inviting articles on the theme "How to sustain sustainability" for publishing in MARCH, 2023 edition. The articles should be relevant and original. The article should clearly cover/depict the scope, opportunity and potential for cost accountants. It should not exceed 2200 words and references/ sources are to be given wherever required. It should reach us latest by March 12, 2023, by email to ssb.newsletters@icmai.in The right for selection of articles vests with SSB. Decision of SSB will be final and binding.

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G20 PRESIDENTSHIP –

TAKING RESPONSIBILITY IS THE BIGGEST FREEDOM!

India has assumed the G20 presidency for a year and is expected to preside over 200 meetings that aim to channelize and secure global economic growth and prosperity during this time. The G20 is a strategic multilateral platform connecting the world's major developed and emerging economies.The G20 members together represent 85% of global GDP, 75% of international trade and two-thirds of the world's population. Because of its size and strategic importance, the G20 has a crucial role in setting the path for the future of global economic growth. Having raised the pitch on India's global prominence as G20 President, and its power to shape the global narrative, the Indian Government will have to shoulder greater leadership and responsibility, accompanied by a greater spotlight on its ability to translate its global dreams into the domestic landscape as well. Though the presidency does not come with any formal power, the significant 'influence' can allow India to turn the discussion in the directions it prefers and which is in the interest of the world at large. In other words, this is an opportunity for India to emerge as a leader to solve some of the most pressing issues facing humanity today. India's G20 presidency comes at a time when it aspires to become a 5-trillion-dollar economy and a truly digital democracy. India's presidency would bring the opportunity to focus on those international issues that are not only relevant to the country's development trajectory, but also achievable through consensus.

As emerging markets and India have increased their economic weight within G20, it will result in enhancement of footprints in different geographies, and opening up of untapped markets. CMAs being the decision makers help in capacity building. Through cost efficiency, competitive pricing, CMAs will have a bigger role in the global manufacturing and service market and boost strategic capability of the Indian *vis-a-vis* Global economy.

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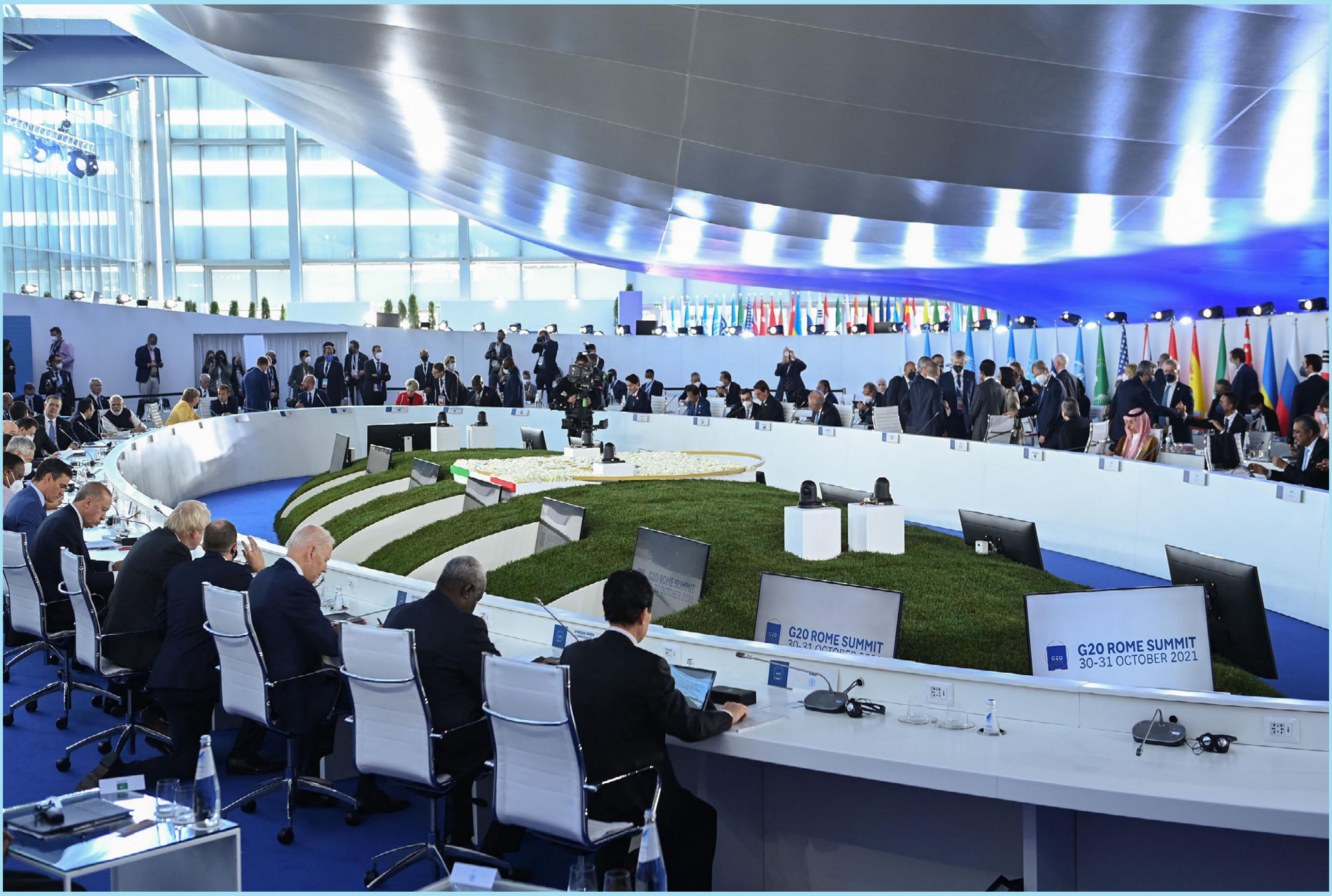
4. India assumes G20 Presidency



December 1, 2022 is a red-letter day as India assumed the G20 Presidency from Indonesia. India regards getting the G20 Presidentship as a recognition for the work it has done and cherishes taking the leadership role and regards the responsibility as the greatest freedom.

"India's G20 Presidency will work to promote this universal sense of one-ness. Hence our theme - 'One Earth, One Family, One Future'" – PM Narendra Modi.

Development Working Group (DWG) meetings aims to discuss developmental issues in Developing Countries (DC), Least Developed Countries (LD) and Island Countries (Small Island Developing States/SIDS). The DWG is a platform for G20 member countries to come together and prioritize multilateralism, share solutions that promote growth, remap development plans and achieve the Sustainable Development Goal's targets (SDG). The G20 possesses the knowledge, expertise, financial resources required to reverse trajectories that have gone off track. The DWG held in the 3rd G20 at Bali between August 10-12, 2022, concluded with the discussion and finalization of key G20 agreements.

1.Provisions in Companies Act, 2013 with ESG focus

ESG disclosures allow companies to identify potential transition risks, carry out a self-assessment of its ability to sustain in the future, and undertake necessary steps to adapt to the emerging as well as likely future changes. In case companies are not conscious of this exercise, they not only stand the risk of losing profit-making capacity, but also their market reputation, capable of causing a long-term dent in their sustainability. Viewed proactively, ESG disclosures help companies in identifying certain opportunities for innovation that might yield high results in the future. They also help companies in reassuring their stakeholders about their values and respect towards responsible business. In fact, Companies Act, 2013 is a stakeholder model of governance mandating companies to address stakeholder concerns. For example, Section 166(2) of the Companies Act states that 'a director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of the environment.' Another instance is Section 134(m) which mandates companies to include a report by their Board of Directors on conservation of energy, along with annual financial statement. This requirement is further detailed under Rule 8(3)(A) of the Companies (Accounts) Rules, 2014, which mandates the board to provide information regarding conservation of energy.

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3. *Amrit Kaal* – references to sustainability in Union Budget 2023-24

Four opportunities have been identified as focus areas in our journey to India @ 100 namely Economic Empowerment of Women, PM Vikaas, Tourism and Green Growth. Regarding Green Growth, the Hon'ble Finance Minister in her budget speech said "We are implementing many programmes for green fuel, green energy, green farming, green mobility, green buildings, and green equipment, and policies for efficient use of energy across various economic sectors. These green growth efforts help in reducing carbon intensity of the economy and provides for largescale green job opportunities." She added that Green Growth is also one of the 7 priorities, each of which complement the other and act as the 'Saptarishi' guiding us through the Amrit Kaal. The Union Budget also referred to the recently launched National Green Hydrogen Mission, with an outlay of ₹19,700 crores, which will facilitate transition of the economy to low carbon intensity, reduce dependence on fossil fuel imports, and make the country assume technology and market leadership in this sunrise sector.

4. Green Bonds and RBI

The RBI will issue Sovereign Green Bonds worth ₹16,000 crore, in two tranches of ₹ 8,000 crore each, in the current financial year on January 25 and February 9, 2023

5.Information Database on Municipal Bonds

SEBI has launched an information database on municipal bonds. As part of efforts to develop the bond markets, an outreach programme on municipal bonds and municipal finance was organised by SEBI in the national capital on January 20 and 21. Representatives from various stakeholders, including the Ministry of Housing and Urban Affairs, municipal corporations, stock exchanges, credit rating agencies, merchant bankers and debenture trustees, participated in the programme in which the SEBI Chairperson Madhabi Puri Buch emphasised the potential of municipal bonds in infrastructure development and nation building.

6. Additional Data points in the Business Responsibility and Sustainability Reporting

How BRSR incorporates NGRBC's nine principles

Principle	Description	Essential indicators		Leadership indicators		New indicators added (as % of total indicators)
		Old indicators (part of BRR)	New indicators	Old indicators (part of BRR)	New indicators	
Principle 1	Businesses should conduct and govern themselves with integrity, and in a manner that is ethical, transparent and accountable	2	5	0	2	78%
Principle 2	Businesses should provide goods and services in a manner that is sustainable and safe	2	2	2	3	56%
Principle 3	Businesses should respect and promote the well-being of all employees, including those in their value chains	2	14	0	6	91%
Principle 4	Businesses should respect the interests of and be responsive to all its stakeholders	2	0	0	3	60%
Principle 5	Businesses should respect and promote human rights	1	9	2	3	80%
Principle 6	Businesses should respect and make efforts to protect and restore the environment	2	13	1	8	88%
Principle 7	Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent	2	1	0	1	50%
Principle 8	Businesses should promote inclusive growth and equitable development	3	2	2	5	58%
Principle 9	Businesses should engage with and provide value to their consumers in a responsible manner	4	3	1	4	58%

Source: CRISIL ESG Sustainability Yearbook 2022

ARTICLE

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As per the definition of the Global Reporting Initiative ("**GRI**")[1], "*Sustainability reporting is an organization's practice of reporting*

[1] *GRI 2016 – GRI 101: Foundation*

publicly on its economic, environmental, and/or social impacts, and hence its contributions – positive or negative – towards the goal of sustainable development". It is an overview of a company's economic, environmental, and social impacts, caused by its everyday activities.

Sustainability Reporting is also known as Triple Bottom Line Reporting/ ESG Reporting/ CSR Reporting. The Triple Bottom Line Reporting focuses on 3 Ps, *i.e.* People, Profits and Planet and makes a company realize is social and ecological accountability, whereas ESG Reporting which involves integration of ESG factors in decision making and CSR Reporting which is used to inform stakeholders how a company has addressed or is addressing stakeholders' CSR concerns and incorporating them into the company's strategic decision-making processes.

As per Carrot and Sticks report[2], 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 most widely used framework in the world is the GRI Sustainability Reporting Standards having 93% of the world's largest 250 corporations report on their sustainability performance through GRI. It is followed by Integrated Reporting Framework of International Integrated Reporting Council ("**IIRC**").

As per the 2021 Report[3] "**Reporting matters – Maintaining ambition amidst disruption**" by WBCSD, reporting and accountability are more important than ever as businesses strengthen their sustainability commitments. As per the Report, Materiality assessment is one of the important content element in Sustainability reports followed by Labour practices, Climate change, biodiversity and land use.

As per a recent KPMG India report titled 'Accelerating the change: ESG reporting 2.0'

- Currently, 79% of the N100 Companies publish a standalone ESG report in the form of a Sustainability Report, Integrated Report or Annual Integrated Report.
- 54% of the companies have opted for third-party assurance, out of which, 89% opt for Limited Level of assurance and 76% use the ISAE3000 assurance standards.
- 56% of the N100 Companies include ESG parameters under the purview of their Board level committee.
- 81% of the N100 Companies have identified top ESG focus areas using a comprehensive materiality assessment.
- 69% of the N100 Companies have established targets linked to environment parameters such as waste, water, and energy management.
- 65% of the N100 Companies have now established targets linked to social parameters such as diversity, inclusion, employee well-being and development.
- 53% of the N100 Companies report on their carbon reduction targets, out of which, 36% report on carbon intensity

[2] *https://www.carrotsandsticks.net/*
[3] *Reporting matters – Maintaining ambition amidst disruption, WBCSD 2021 Report. <https://www.wbcsd.org/contentwbc/download/13155/193072/1>*

targets and 64% report on absolute carbon targets.

Global Reporting Framework

There are multiple frameworks which have been established over a period of time with respect to Sustainability Reporting. Due to lack of uniformity amongst frameworks, companies often resort to combination of frameworks. Following are some of the globally well recognized Sustainability Reporting Frameworks:

The Global Reporting Initiative ("GRI"): GRI is the most widely used framework. The framework was established in 1997 however was recently updated to include human rights practices, governance, and society responsibilities. GRI reporting increases company accountability and provides transparency surrounding their sustainability 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.

United Nations SDGs: As explained earlier, these are broader level sustainable goals provided within the framework at the country and society level.

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.

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"): IIRC, formed in August 2010, is a global coalition of regulators, investors, companies, standard setters, the accounting profession, academia and NGOs. The integrated report, was brought in 2013, revised in 2020. It highlights the synergies between six capitals (natural, manufactured, intellectual, human, financial, social and relationship) for short, medium and long term value creation.

An integrated report benefits all stakeholders interested in an organisation's ability to create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers. In June 2021, the IIRC merged with SASB to form the Value Reporting Foundation ("**VRF**").

World Economic Forum Core and Expanded Metrics: Published in September 2020, in the World Economic Forum report "*Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation*". It represents universal and harmonised set of metrics and contains a set of 21 Core and 34 Expanded metrics under the four Pillars of: Principles of governance, Planet, People and Prosperity.

Recently, International Sustainability Standard Board ("**ISSB**") has been constituted wherein Climate Disclosures Standards

Board, International Financial Reporting Standards ("**IFRS**") foundation, TCFD, VRF and WEF are participating. Hence, we can see that the globe is moving towards harmonized ESG Reporting standards.

The business case of ESG/Sustainability Reporting is multifaceted. It enables increased access to capital, reduces financial risks, results in increased value creation, provides access to markets thereby increasing market share, attracts and retains talent and demonstrates leadership.

ESG Reporting in India

The evolution of ESG Reporting in India can be witnessed from the following timeline:

2009	Ministry of Corporate Affairs ("MCA") issued guidelines on Corporate Social Responsibility ("CSR")
2011	MCA releases NVG which provides framework for a Business Responsibility Report ("BRR") to demonstrate compliance with 9 principles forming NVG.
2012	Securities and Exchange Board of India ("SEBI") mandates top 100 listed companies (by market capitalization) to include BRR in their Annual Reports ("SEBI BRR")
2016	SEBI extends BRR applicability to the top 500 listed companies by market capitalization
2019	MCA updates and revises NVGs by issuing National Guidelines on Responsible Business Conduct ("NGRBC")
2019	SEBI BRR extended to top 1000 listed companies by market capitalization
2020	MCA Committee gave its Report to review the existing BRR framework
2020	SEBI issued a consultation paper on the new reporting format Business Responsibility and Sustainability Reporting ("BRSR") in line with MCA recommendations.
2021	SEBI notified BRSR to take effect from the Financial Year 2022-2023, after which it will be mandatory for the top 1000 listed companies by market capitalisation

As per a press release in May 2022, SEBI has constituted an advisory committee on ESG matters. The terms of reference of the committee include: (i) enhancements in BRSR, (ii) developing approach, indicators and disclosures for ESG ratings; and (iii) enhancing disclosures and other norms for ESG investing.

Structure of BRSR

The BRSR/ESG model proposed by SEBI is in line with international standards such as GRI, TCFD and SASB. BRSR is an interoperable framework and allows cross referencing to GRI/SASB framework. BRSR is structured into Section A, Section B and Section C.

Section A: General Disclosures - This section is mandatory and focuses on the basic set of information at the company level such as, scale, size, sector, products, employee strength, CSR activities, etc. Further it covers overview of the entity's material responsible business conduct issues including identification of risks and opportunities from climate change and social matters, their rationale for identifying the risk or opportunity, approaches to adapt or mitigate those risks and financial implications of the risk or opportunity

Section B: Management and Process - This section pertains to organization's structure, policies, and the processes in place to adopt NGRBC principles and core elements. It includes information related to governance, leadership, and oversight and incorporates a statement by the director responsible for the business responsibility report which highlights ESG related risks, targets, and milestones.

Section C: Principle-wise performance - The section requires the organisation to disclose how they perform with respect to each of the nine Principles and Core Elements of the NGRBCs. There are two categories of disclosures:

- Essential (mandatory) - The bare minimum the organisation has to do in terms of responsible business conduct
- Leadership (voluntary) - The voluntary things taken up by the organisation that are beyond the basic essential things.

BRSR seeks to obtain information from organizations relating to:

E-factors *viz.*

- greenhouse gas emissions;
- consumption of non-renewable resources;
- waste management;
- extended producer responsibility;
- local sourcing; and
- engagement with local stakeholders;

S factors *viz.*

- the health and safety of employees;
- human rights;
- diversity in the workforce; and
- gender sensitivity; and

G factors *viz.*

- anti-corruption and anti-bribery policies; and
- a robust corporate governance structure.

Making the above information required by BRSR public will itself serve as a best practise and be in lines with the principles of NGRBC.

Best Practices for Sustainability Reporting:

New York Stock Exchange has come out with "*ESG Guidance: Best Practices for Sustainability Reporting*"[4] representing set of voluntary guidelines which may help in alignment and improvement of sustainability reporting by organizations:

Step 1: Identifying the right approach:

Before a company can begin to think about reporting on its ESG performance, it needs to determine which ESG issues are relevant to it and how these issues fit into its overall business strategy. Some companies conduct a formal assessment of these issues, either by external discussions with shareholders and

4 *https://www.nyse.com/esg-guidance*

other stakeholders, or internally by looking at ESG issues already on the board's agenda or included in the company's business plan or risk management program.

Step 2: Identifying stakeholders and evaluating the state of engagement:

Deciding who company's stakeholders are is an important step in developing and implementing an ESG strategy. As per the GRI Standards, "*Stakeholders are … entities or individuals that can reasonably be expected to be significantly affected by the reporting organization's activities, products, or services; or whose actions can reasonably be expected to affect the ability of the organization to implement its strategies or achieve its objectives*". Stakeholders may include employees, suppliers, regulators, civil society organizations, communities etc.

Identifying the company's key stakeholders allows the company to make informed decisions about what to report and where to report it, allowing to present information in a way that is most relevant to each audience.

Step 3: Assessing Materiality

It is important to decide how organization defines materiality when reviewing the issues that are relevant for its ESG program. Some focus solely on issues that are deemed to be financially material. Others also consider the impacts that company has on society and the environment. Additionally, the term "double materiality" is used to describe the idea that companies consider both the ESG issues that impact company as well as company's impact on society/the environment.

Step 4: Establishing Governance

Governance includes the oversight structures and processes that set company objectives, measure progress and evaluate results. Strong governance of ESG issues and ESG reporting is key to the efficacy of ESG programs and credibility of ESG reporting

Examples of good practices in ESG governance include:

- Describing governance framework, e.g. Board oversight of relevant ESG issues
- Allocating to one or more committees of the Board clear responsibility for oversight of important ESG issues
- Having a robust process in place to identify ESG risks faced by the company
- Putting in place internal controls to measure, monitor, and internally verify ESG-related performance as well as disclosure controls
- Building a data collection process that's of sufficient quality for external review assurance

Step 5: Integrating ESG into business strategy

Below the board level, responsibility for design, implementation and monitoring of the company's ESG strategy should be clearly allocated by senior management. Depending on the nature of the strategy and the identified ESG focus areas, responsibility may be spread across various divisions in the company

Step 6: Communicating the ESG Reporting

Having identified the company's stakeholders, determined the key ESG issues, and established governance and operational practices, organization should be ready to begin its reporting process. ESG reporting is the company's opportunity to tell its story.

To effectively articulate the company's story, it should consider setting out:

- The core issues that company is focused on
- How and why the company has chosen those specific issues
- The measurements and KPIs that you're using to view progress on these key issues
- Any targets your company has in place in relation to those issues and what processes are in place to track and measure progress against those targets, as well as what governance structures and processes are in place to ensure oversight of ESG issues

Companies that provide these disclosures are likely to be more convincing than those that produce a long list of ESG metrics that appear unconnected to the company and how it operates.

Step 7: Reporting Framework and Standards:

High-quality reporting relies on the disclosure of accurate, balanced and comparable information that provides genuine insights

Many companies choose to align their sustainability reporting with one or more ESG frameworks. Companies have to figure out what would yield the most meaningful and useful disclosure for the company and its key stakeholders. This analysis requires understanding:

- The nuances between different disclosure frameworks/standards
- Which frameworks / standards best enable the company to tell its story to different stakeholders
- Which rankings and ratings matter to the people that matter to the company

Aligning company's disclosures with one or more frameworks or standards should be a deliberate decision - and based on your materiality assessment above as well as stakeholder feedback.

Let us Wrap-up

In lines with the caption of ICAI (Cost) "Behind every successful Business Decision there is a CMA", the profession of CMAs have a pivotal role in ESG. CMAs are inherently conscious of the impact of business decisions on various stakeholders and are sensitive to their needs. They should make the corporate management more aware and beware of social and environmental issues, suggest a holistic approach towards implementing ESG goals effectively, ensuring that the reporting is on place and thereby making sustainable development a reality and the world a better place to live for all. The opportunity in ESG for a CMAs is *"low hanging fruit"* and is upto them to them to explore and expand in this arena. CMA should endeavour value addition to their clients by advising cost effective sustainability practices and reporting. There may be scope in assurance engagement to verify authenticity of sustainability reports for which CMAs should be geared-up and ready to take up the assignments. This will earmark CMAs as a significant drop in the mighty ESG ocean.

SUSTAINABILITY MUSING !

Natural disasters are a clear example of people living in conflict with the environment. Disasters cause human, social, economic and environmental losses and, sometimes, even threaten geopolitical stability, as in many less developed countries. Even when damage is local it is also a global concern. The losses from natural disasters are often widespread to various countries as we have seen in the European flood during 2002. It is evident to conceptualise a new methodology for prevention of natural disasters that could mitigate the strategies within the cycle of sustainable development.

According to the U.S. Geological Survey residents of southeast Turkey and the war-torn northern Syria were awakened at 4:17 a.m. Monday (local time) by a 7.8 magnitude earthquake. The epicentre of the earthquake was 11.1 miles (17.9 km) deep under the Turkish city of Nurdağı in the Gaziantep province near the junction of the Anatolia, Arabia and Africa tectonic plates. Actually, Turkey and Greece are situated in a very "active" seismic zone owing to complex movements between several tectonic plates. Earthquakes on the North Anatolian fault are caused by the northward motion of the Arabian plate against the Eurasian plate, squeezing the small Turkish microplate westwards.

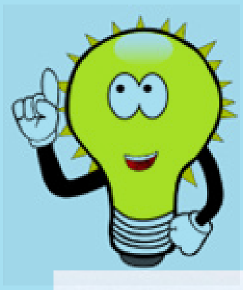
More than 17,500 people have died so far in the 7.8-magnitude earthquake that struck Turkey and Syria on Monday, and the toll is expected to rise as rescuers comb the rubble for survivors.

Fitch Ratings said, economic losses are hard to estimate as the situation is evolving, but they appear likely to exceed" $2 billion and could reach $4 billion "or more". "According to official estimates, 6,000 to 7,000 buildings collapsed on Monday. The local people are up to the opinion that however strong, earthquake could not have caused this much damage if all buildings were up to standard," Experts also say that Old structures and substandard construction practices may have contributed to the devastating number of casualties from a violent earthquake in Turkey and Syria. In addition to substantive loss of life and infrastructure damage, the earthquake is likely to have caused a series of environmental effects, such as ruptured ground surfaces, liquefied soil, and landslides. These effects may render many areas unsafe to rebuild. Urban transformation projects are a kind of tool for applying strategic planning principles developed regarding sustainability phenomena at a city or a regional or a country. While the relationship between urban transformation and earthquake is largely underlined in the Turkish case, sustainability considerations are often side-lined while construction to save time and money. But the industry needs to understand that incorporating sustainability into earthquake engineering design is beneficial for social, environmental economic arena.

Sustainability as we all know is all about meeting the demands of today without compromising the needs of future generations. Sustainability considerations range from using recyclable materials which cause less waste and pollution to constructions that are able to recover from natural disasters. Resilience which is a sustainable concept, needs to be introduced in the engineering or construction in such a way that can cause least foundational damage. As already mentioned the financial impact of this seismic event in turkey is enormous. It is evident that avoiding unnecessary construction is the key to reduce the carbon emissions associated with infrastructure. And a damage to infrastructure due to the disruption caused by seismic event can have a cascading effect on mankind, economy and earth. Seismic sustainability (also called Seismic fitness) stands for ability of buildings or civil engineering structures to perform their basic operational functions with seismic risk limited to acceptable level.

It is high time that we understand that development and resilience should be in harmony so that infrastructure development do not override seismic sustainability. Seismic resilience should not be compromised. We need to think about climate change issues and sustainability factors while taking up urbanisation or development

DO YOU KNOW ?



In our country the train runs on 2 tracks. But have you ever seen a railway track where not 2 but 3 tracks are used? This happens in our neighbouring country Bangladesh. Like any country Bangladesh also had a meter gauge and for conversion to broad gauge they did not remove both the tracks. They retained the meter gauge and laid another single track *i.e.* by mixing broad gauge and meter gauge they made a dual gauge railway track for cost saving and less damage to the environment.

We are in pursuit of improvement and are keen to know your views. Please write to us at ssb.newsletters@icmai.in

SUSTAINABILITY QUIZ

Rapid fire round

1) How many SDGs are there in all? ______.

2) The expanded form for COP is ________

3) India has agreed for Net Zero Carbon emissions by _________.

4) As per estimates, India is the ___ largest greenhouse gas emitter globally

5) India's target for Ethanol Blending is ____% by 2025

The names of first 5 participants giving correct responses will be declared in the ensuing newsletter. The responses may be sent to ssb.newsletters@icmai.in

Call for articles

Sukhinobhavantu is inviting articles on the theme "How to sustain sustainability" for publishing in MARCH, 2023 edition. The articles should be relevant and original. The article should clearly cover/depict the scope, opportunity and potential for cost accountants. It should not exceed 2200 words and references/ sources are to be given wherever required. It should reach us latest by March 12, 2023, by email to ssb.newsletters@icmai.in The right for selection of articles vests with SSB. Decision of SSB will be final and binding.

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Broad scope and objectives of SSB -

- Develop a comprehensive Cost and Management Accounting framework for implementing sustainable strategies to measure and monitor progress towards achieving Sustainable Development Goals (SDGs)
- Develop Sustainability Standards, Sustainability Performance Metrics and KPIs to monitor the impact of sustainability initiatives
- Develop guidelines for measuring and reporting information in 'Business Responsibility & Sustainability Reporting (BRSR)'
- Conduct a comprehensive Sustainability Cost-Benefit analysis to determine the financial impact of sustainability initiatives
- Develop effective Sustainability Reporting mechanism and disclosure practices to communicate sustainability performance to stakeholders
- Encourage sustainability-oriented decision making by incorporating sustainability considerations into financial reporting and analysis
- Establish a Sustainability Risk Management framework to assess and mitigate risks related to sustainability
- Promote sustainability awareness and education through training programs for various stakeholders
- Foster a culture of sustainability by integrating sustainability values and practices into all aspects of an organization
- Evaluate and continuously improve sustainability initiatives through regular performance reviews and benchmarking against industry standards

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