



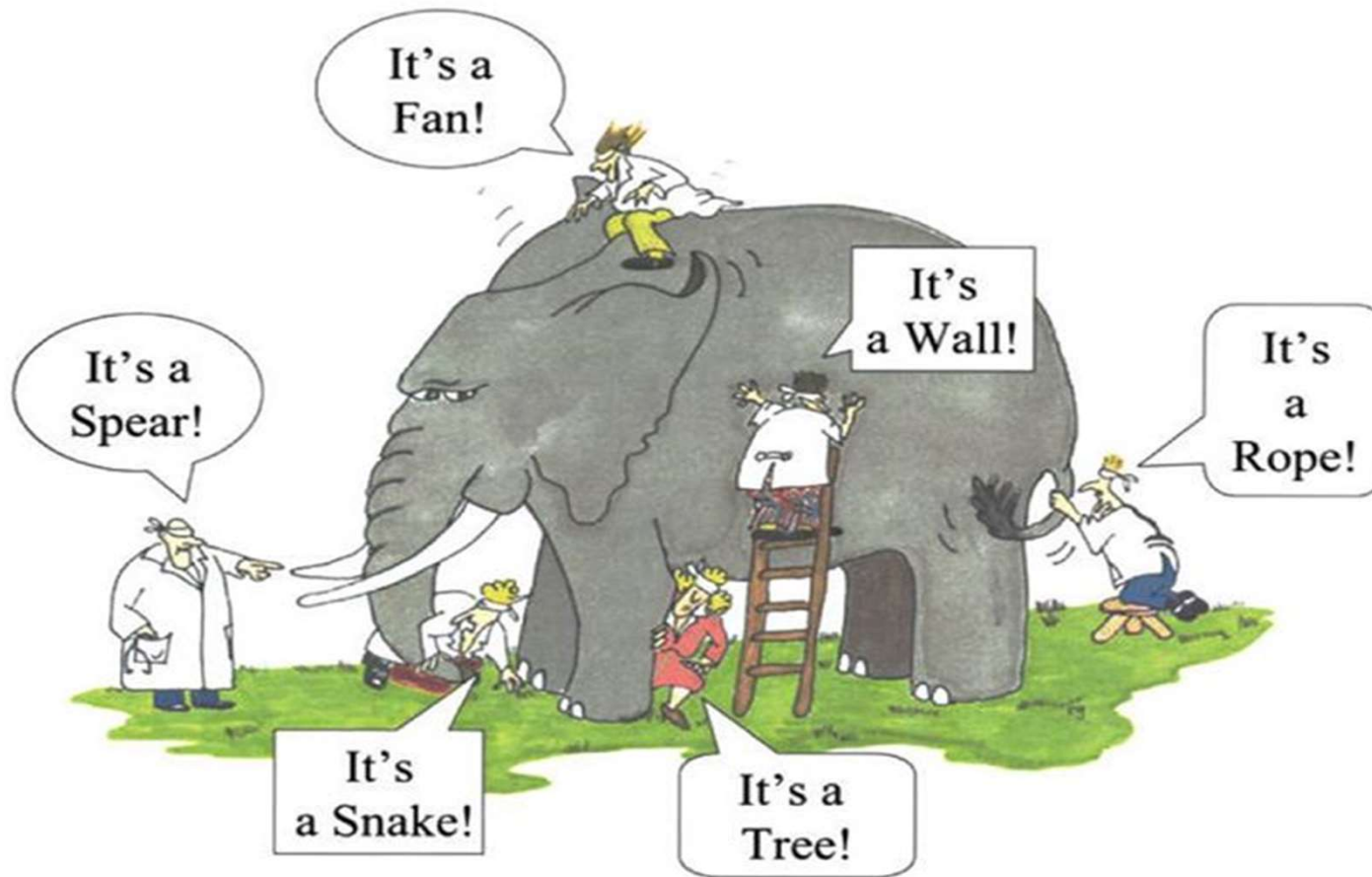
# Demystifying Sustainability

**CA Priti Paras Savla**

Central Council Member, The Institute of Chartered Accountants of India  
Chairperson, Sustainability Reporting Standards Board

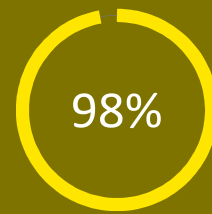


# Sustainability

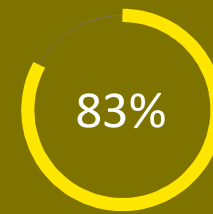


# Growing importance of Sustainability

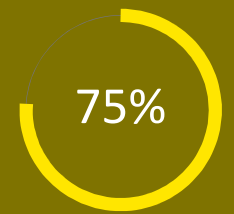
Sustainability is a concept which lays down that **responsible business practices** weren't just good for the **environment or society** but also for **business**.



of investors surveyed evaluate nonfinancial disclosures, either formally or informally



of investors surveyed consider formal frameworks to be necessary in assessing long-term value



of investors surveyed would find value in assurance of the robustness of an organization's planning for climate risks



# Benefits of integrating Sustainability in business



Achieving a sustainable economy



Living within environmental limits

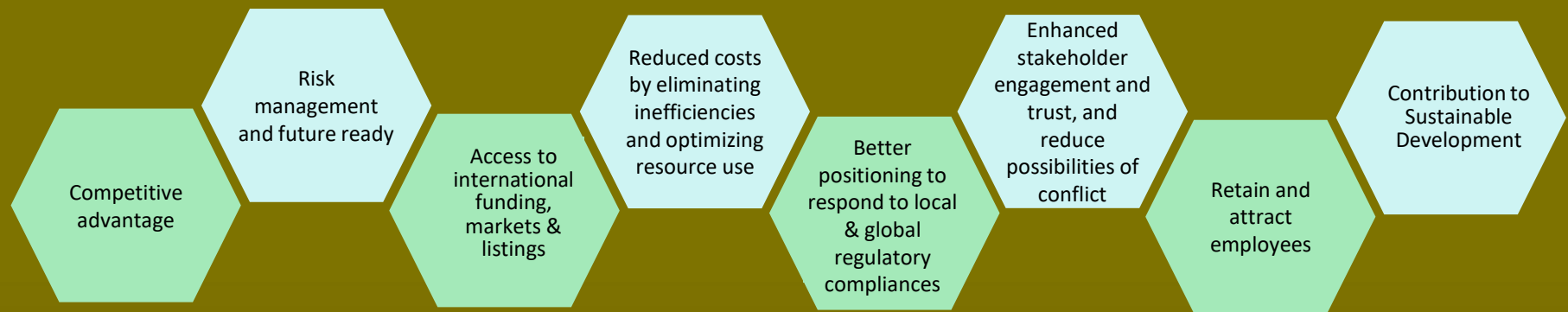


Ensuring a strong, healthy & just society



Promoting good governance

## Creating shared value and fostering innovation



## Achieving significant cost reduction

“Since 1994, Dow has invested nearly \$2 billion in improving resource efficiency and has saved \$9.8 billion from reduced energy and wastewater consumption in manufacturing. In 2013, GE had reduced greenhouse gas emissions by 32% and water use by 45% compared to 2004 and 2006 baselines, respectively, resulting in \$300 million in savings”

~Harvard Business Review

# Decoding Sustainability/ ESG



## Decoding 'E': *Environment*

- Refers to how an organisation operates within the physical, natural environment.
- Includes investors examining a company's **natural resource usage**, and the impact of its operations and **value chain** on the environment.

Climate Change  
Renewable Energy  
Water Stress  
Waste Management  
Sustainable Sourcing



## Decoding 'S': *Social*

- Refers to how businesses impact their stakeholders – **customers**, **employees** and the **communities** in which they operate.

Occupational Health & Safety  
Labour Relations  
Human Rights  
Employee Wellbeing  
Community Engagement



## Decoding 'G': *Governance*

- Includes **corporate governance** and **business integrity**.
- Corporate governance describes how the company governs itself with policies and controls to achieve **compliance** and **transparency**.
- Business integrity refers to **ethical business practices**.

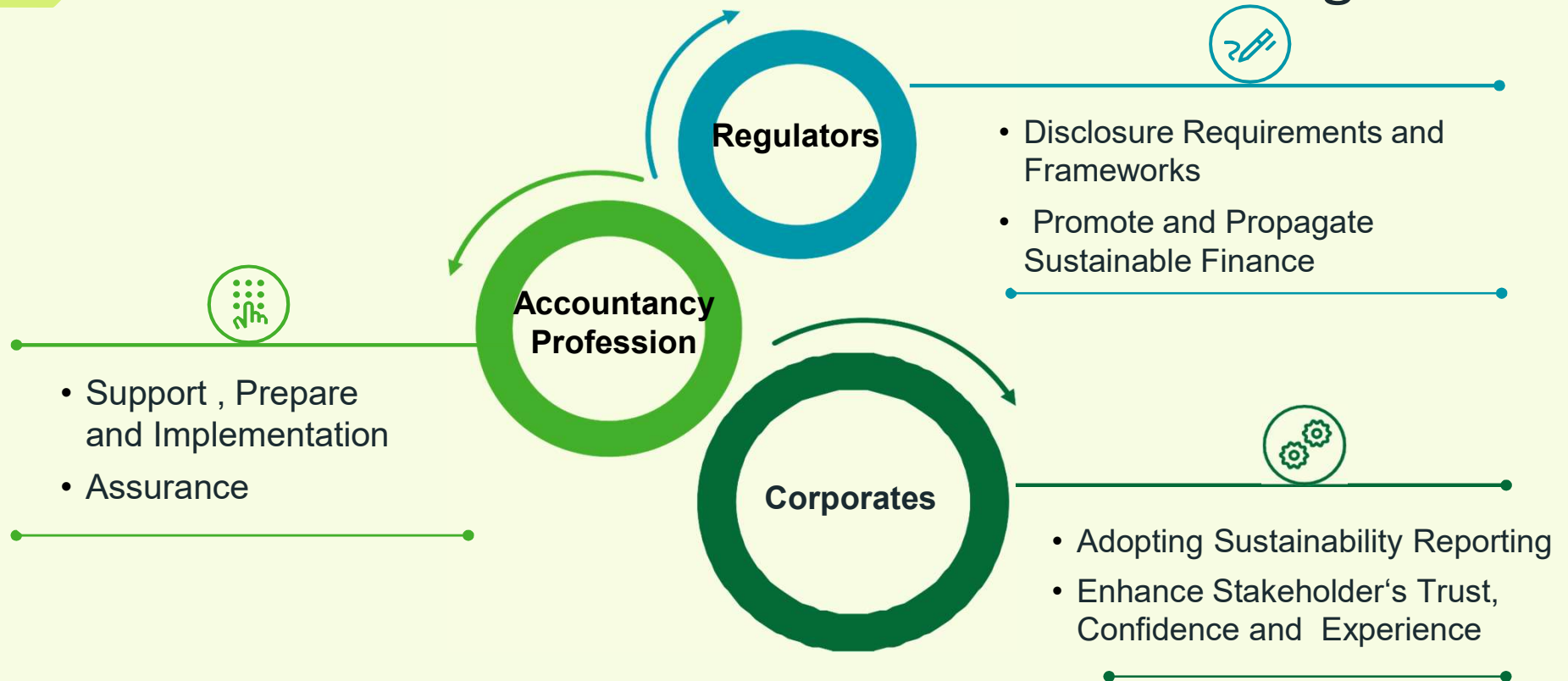
Anti-corruption and Anti-bribery  
Whistle Blower  
Business Ethics  
Board Diversity  
Ownership

## What does ESG mean for an Organisation?

Its commitment to



# SUSTAINABILITY REPORTING - Pillars OF change



# Changing regulatory landscape on ESG disclosure in India

- 
- 2012** **Business Responsibility Reporting (BRR)**
    - National Voluntary Guidelines (NVGs) drawn by the MCA;
    - Mandate was extended to top 100 listed companies by market cap

---

  - 2015** **Sustainability Report**
    - BSE signed pact with GRI to extent BRR from top 100 to top 500 listed companies:
    - Globally organizations are disclosing non-financial performance using different standards

---

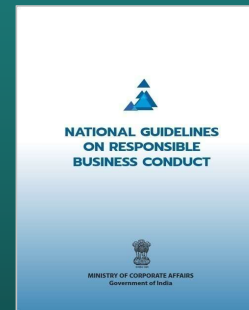
  - 2017** **Integrated Reporting <IR>**
    - SEBI issued circular advising top 500 listed companies to adopt IR on a voluntary basis from FY 2017-18
    - Globally organizations integrating non-financial aspects with the business strategy

---

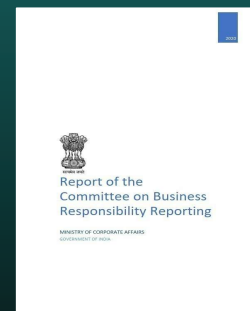
  - 2019** **BRR – increased coverage**
    - Applicability extended to include top 1000 listed companies as per SEBI's listing regulations

- 2020** **Business Responsibility & Sustainability Reporting**  
The Ministry of Corporate Affairs upgraded its National Voluntary Guidelines in the form of '**National Guidelines on Responsible Business Conduct**' (NGRBC) in 2018.

- Developed for the top 1000 companies listed in India
- May be extended to several unlisted companies that meet specified thresholds of turnover and/or paid-up capital.



- The adoption of Comprehensive BRSR would be mandatory for such companies.
- MCA appointed Committee has proposed revised BRR formats



## The Institute of Chartered Accountants of India (ICAI) - Sustainability Reporting Standards Board (SRSB)

- SRSB of ICAI has the mission to take appropriate measures to increase awareness and implement measures towards responsible business conduct.
- It has taken In the initiative of finalising BRSR formats for both listed and unlisted companies.

## Section 135 of Companies Act

Every company having net worth of INR 500 crore or more, or turnover of INR 1000 crore or more or a net profit of INR 5 crore or more, to:

- spend at least 2% of their average net profits made in the preceding three years on CSR
- set up a CSR Committee
- A report within the company's annual report on CSR activities

# Changing regulations in India

Shift towards non-financial disclosures

With Sustainability reporting gaining traction in India, SEBI defined Sustainability disclosures in a standardised manner for listed companies basis which Business Responsibility and Sustainability (BRSR) guidelines were issued

SEBI introduced **Business Responsibility Report (BRR)** in 2011

**BRR** was mandated for top listed companies

- 100 in 2012
- 500 in 2015
- 1,000 in 2019

Scope of BRR was expanded in 2020 to introduce **BRSR**

Applicable to the Top 1,000 listed companies from FY23

Principle	Essential Indicators	Leadership Indicators
Ethics	6	5
Sustainable life-cycle	6	6
Employees	10	7
Stakeholders	1	2
Human Rights	7	2
Environment	8	6
Public policy	2	2
Social development	6	2
Consumers	3	6

## ICAI's BRSR Scoring Methodology

Maturity stage	BRSR Score (% of Total Score)
Formative	Up to 25%
Emerging	> 25% and Up to 50%
Established	> 50% and Up to 75%
Leading	> 75%

**Maximum Score: 300**

- Essential | 225
- Leadership | 75

Principle

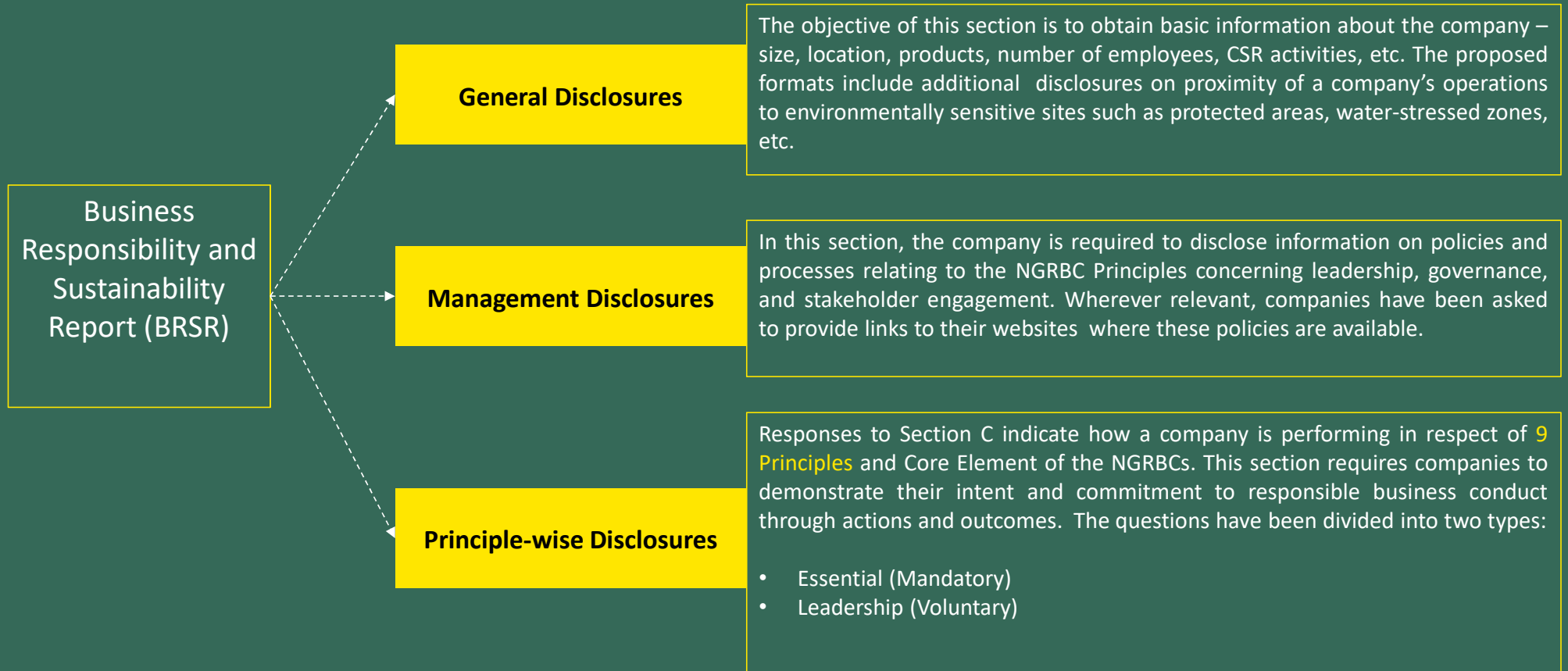
Indicators

Questions

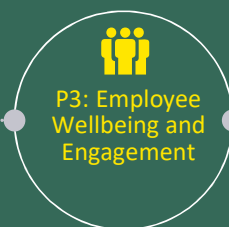
Disclosure



# Business Responsibility and Sustainability Report explained



# Snapshot of BRSR principles



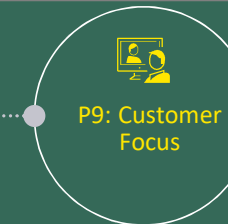
## ESG Implementation Program Management

- A 100% Compliant Company
- Robust Governance Framework

- Established framework for product stewardship
- Enhanced mechanisms for ensuring supply chain sustainability

- Healthy Environment
- Developed Workforce
- Safe Workplace
- Human Capital Development throughout Value chain

- Greater investor confidence
- Enhanced brand reputation & attractiveness



## ESG Implementation Program Management

- Enhanced Human Rights and Ethics policies and processes.
- Association with Global coalition (UNGC 10, IFC Performance Standards, etc.)

- Environmentally compliant company
- Carbon and water neutrality
- Established processes for waste & biodiversity management

- Robust public advocacy on global matters.

- Enhanced engagement with local communities
- Enhanced brand reputation & attractiveness

- Enhanced customer engagement and product information disclosure.
- SOPs/ policies for cyber security & data privacy for customers
- Sustainable product labelling

# Highlights of the BRSR

## 1 Impact Investing

With the primary objective to create awareness around sustainability, the new disclosure requirements will enable companies to connect with the stakeholders and promote impact investments

## 2 Benchmarking Global Reporting Standards

The listed companies while preparing sustainability reports, can now cross-reference such reporting with internationally accepted disclosure parameters as set out under GRI, SASB, TCFD, etc.

Furthermore, in case the data sought under BRSR format is already available under the annual report; the Regulatory Authority to avoid dual reporting, allows entities

to cross reference such disclosure data

## 3 Training and Awareness

New format lays emphasis on the importance of imparting adequate awareness and training sessions on aspects such as employee health & safety measures, anti-corruption issues and upskilling the workforce.

Accordingly, companies are required to disclose details of such training initiatives

## 4 Assessment Disclosures

With a key focus on environmental and social aspects, new format seeks disclosures w.r.t. any Environmental or Social Impact Assessments carried out by the listed entities in compliance with relevant laws.

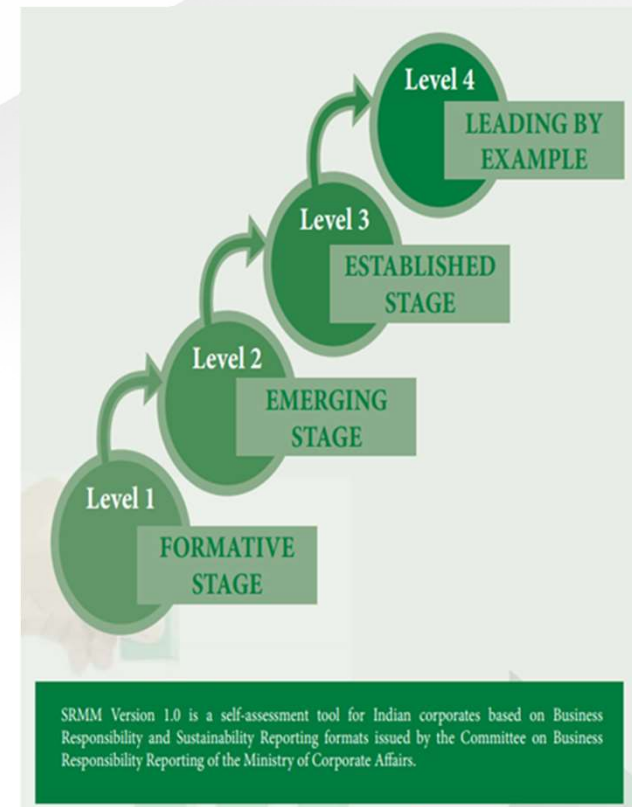
## 5 Essential and Leadership Indicators

Revised framework promotes adaptation of Key Performance Indicators (KPIs) model and although voluntary, the Regulatory Authority encourages listed companies to report on leadership indicators as well.



## Sustainability Reporting Maturity Model (SRMM) Version 2.0 – Developed by ICAI

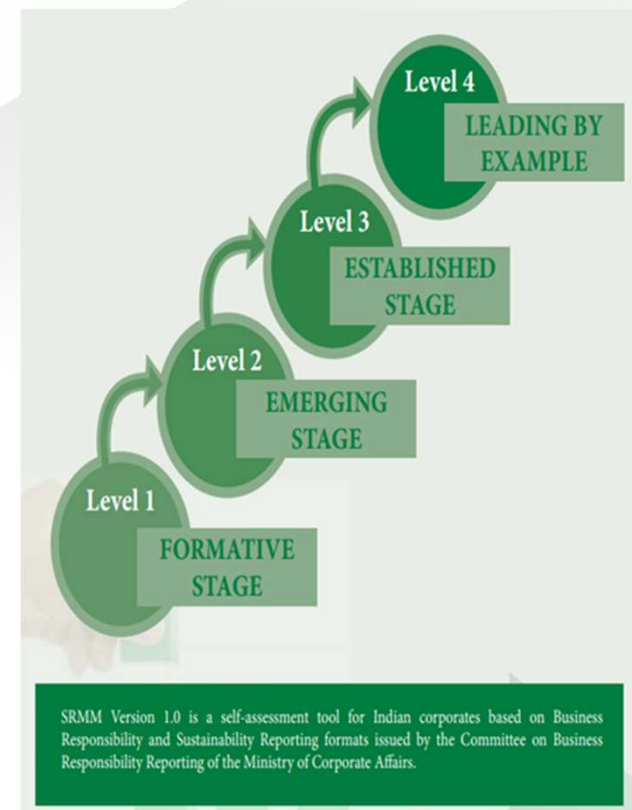
- First ever maturity model based on scoring of Business Responsibility and Sustainability Reporting (BRSR) formats.
- Level 1, Level 2 and Level 3 and Level 4 of Sustainability Maturity of corporates defined based on total range of scores as per BRSR scoring
- Innovative solution which offers possibility for each corporate complying with BRSR to individually assess its position vis a vis various sustainability reporting maturity levels
- Allow the rating agencies and assurance provider to compare sustainable nature of Indian companies with international companies.
- Corporates can self- evaluate their current level of maturity, identify areas where more focus is required, develop a road map for upgrading to a higher level of maturity.





## Sustainability Reporting Maturity Model (SRMM) Version 2.0

- I. SRMM V 2.0 is a more refined and comprehensive scoring mechanism based on SEBI Circular of May 2021
- II. SRMM V 2.0 further aligns the Indian Corporate Sustainability Reporting with International Standards
- III. Along with SRMM V 2.0, a SDG ,WEF and GRI mapping vis a vis BRSR has been annexed to enable appropriate scoring evaluation by Corporates to match International Standards.
- IV. SRMM V 2.0 enables top 1000 listed entities to identify areas of improvement in their mandatory BRSR Reporting and enable optimizing and growing on the maturity scale.



# Sustainability Reporting Maturity Model (SRMM)

<u>Level</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Level 4</u>
<b>Stage</b>	<b>Formative Stage</b>	<b>Emerging Stage</b>	<b>Established Stage</b>	<b>Leading by Example</b>
BRSR Score	Up to 75	76-150	151-225	226-300
Explanation	The organisations are at the initial level of reporting and are in the process of identifying the need and responsibility of BRSR.	The organisations realize the value of BRSR and responds to it by setting up robust mechanism for reporting, etc.	The organisations have established formal functions/policies/ systems for BRSR.	The organisations strive for more than compliance and work towards being a market leader.
	Try to establish policies/systems for data collection and disclosures.	The functions/ policies/systems for such reporting are still to be formalised/focussed. The organisation is working towards establishing/ enhancing internal controls, data collection and disclosures.	Involved in compliance functions, etc., and focus on qualitative aspects.	Strategically differentiating by enhancing disclosures vis a vis innovative methods/ techniques employed.



# SOCIAL STOCK EXCHANGE

Social Stock Exchange (SSE) is a platform which allows investors to buy shares in social enterprises vetted by an official exchange. SSE will function as a common platform where social enterprises can raise funds from the public.

**The Union Budget 2019 had proposed setting up of first of its kind SSE in India.**

SEBI's Working Group (WG) Report on SSE, released on June 01, 2020, had provided a form and content to the Hon'ble Finance Minister's vision. Recommendations outlined modalities for creating a SSE that will serve as a platform for fundraising and, also incorporate procedures by which social impact of NPOs and FPEs will be measured and reported.



**Union Budget  
2019-20**

“

I propose to initiate steps to create an electronic fund raising platform – a social stock exchange - under the regulatory ambit of SEBI for listing social enterprises and voluntary organizations working for social welfare so that they can raise capital as equity, debt or as units like a mutual fund.

”



# TECHNICAL GROUP ON social stock exchange

- ❖ SEBI had constituted **Technical Group (TG) on SSE on September 21, 2020**, and ICAI was given representation for developing framework for on boarding Non-Profit Organisations (NPOs) and For-Profit Social Enterprises (FPEs) on the SSE.
- ❖ **Technical Group has submitted its report in May 2021** and comments were sought from the public on the recommendations. SRSB has submitted comments on the same.
- ❖ SEBI had released **Framework for Social Stock Exchange (SSE) in September 2021**, wherein SSE will be separate segment of the existing stock exchanges to facilitate fund raising by social enterprises in the Securities Market.



Comments on the report submitted by the Technical Group on Social Stock Exchange

The Technical Group (TG) was constituted by SEBI on September 21, 2020 under the chairmanship of Dr. Harsh Kumar Bhanwala (ex-Chairman, NABARD). The Terms of Reference for the TG included developing framework for onboarding NPOs and FPEs on the SSE including defining for profit social investing/enterprises, prescribing disclosure requirements relating to financials, governance, operational performance and social impact. TG was also tasked to recommend on matters related to scope of work, eligibility criteria and regulation of social auditors

The TG has submitted its report and comments are sought from the public on the recommendations (at section 1.4 (a) to (k)) of the report in the following format:

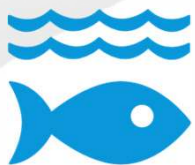
Name of entity / person :			
Contact Number & Email Address :			
Sr. No.	Recommendation in the report to which the comment pertains (section 1.4 (a) to (k))	Suggestion/ Comments	Rationale

The comments may be sent by email to Smt. Yogita Jadhav, GM at (yogitag@sebi.gov.in), Shri Abhishek Rozatkar (abhishekr@sebi.gov.in) and Shri Rajesh Kumar Meena (rajeshm@sebi.gov.in) or by post to the following address no later than June 20, 2021. While sending email, kindly mention the subject as "Comments on TG-SSE Report":

Smt. Yogita Jadhav,  
General Manager  
Corporation Finance Department, DL- I,  
Securities and Exchange Board of India  
SEBI Bhavan, Plot No. C4-A, "G" Block,  
Bandra Kurla Complex, Bandra (East),  
Mumbai -400 051

Mumbai

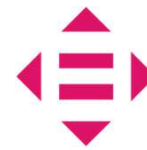
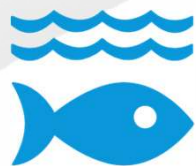
May 06, 2021





# SEBI Notification - SOCIAL STOCK EXCHANGE

- ✓ Vide Notification dated July 25, 2022, “**Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2022**”, has been issued in The Gazette of India regarding formation of **Social Stock Exchange**.
- ✓ “Social Stock Exchange” has been defined as “**A separate segment of a recognized stock exchange having nationwide trading terminals permitted to register Not for Profit Organizations and/ or list the securities issued by Not-for-Profit Organizations in accordance with provisions of these regulations.**”
- ✓ “Social Enterprise” means **either a Not for Profit Organization or a For Profit Social Enterprise that meets the eligibility criteria specified in this Chapter.**



# 16 thematic areas as notified by sebi

Eradicating hunger, poverty, malnutrition and inequality

Promoting health care including mental healthcare, sanitation and making available safe drinking water

Promoting education, employability and livelihoods

Promoting gender equality, empowerment of women and LGBTQIA+ communities

Ensuring environmental sustainability, addressing climate change including mitigation and adaptation, forest and wildlife conservation

Protection of national heritage, art and culture

Training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports

Supporting incubators of Social Enterprises

# 16 thematic areas as notified by sebi

Supporting other platforms that strengthen the non-profit ecosystem in fundraising and capacity building

Promoting livelihoods for rural and urban poor including enhancing income of small and marginal farmers and workers in the non-farm sector

Slum area development, affordable housing and other interventions to build sustainable and resilient cities

Disaster management, including relief, rehabilitation and reconstruction activities

Promotion of financial inclusion

Facilitating access to land and property assets for disadvantaged communities;

Bridging the digital divide in internet and mobile phone access, addressing issues of misinformation and data protection

Promoting welfare of migrants and displaced persons

# Fund raising by social enterprises

## Not for Profit Organization may raise funds on a Social Stock Exchange through:

- i. Issuance of **Zero Coupon Zero Principal Instruments** to institutional investors and/ or non-institutional investors in accordance with the applicable provisions of this Chapter;
- ii. **Donations through Mutual Fund schemes** as specified by the Board;
- iii. Any other means as specified by the Board from time to time.



## For Profit Social Enterprise may raise funds through:

- i. Issuance of equity shares on the main board, SME platform or innovators growth platform or equity shares issued to an Alternative Investment Fund including a Social Impact Fund;
- ii. Issuance of debt securities;
- iii. Any other means as specified by the Board from time to time



# FRAMEWORK FOR SOCIAL STOCK EXCHANGE

## Minimum Requirements to be met by NPOs for registration with SSE

Broad Parameter	Details
<b>Entity is registered as an NPO</b>	Entities must be registered in India as one of the below: A. A charitable trust registered under the public trust statue of the relevant state; B. A charitable trust registered under the Societies Registration Act, 1860 C. A charitable trust registered under the Indian Trusts Act, 1882 D. A company incorporated under section 8 of the Companies Act, 2013
<b>Ownership and control</b>	Disclose if NPO is owned and/or controlled by government or private
<b>Exemption under Income Tax Act</b>	Registration Certificate under section 12A/12AA/12AB to be valid for at least the next 12 months. Does not have a notice or ongoing scrutiny by Income Tax.
<b>Registration with Income Tax as an NPO</b>	Valid IT PAN
<b>Age of the NPO</b>	Minimum 3 years



# FRAMEWORK FOR SOCIAL STOCK EXCHANGE

## Minimum Requirements to be met by NPOs for registration with SSE

Broad Parameter	Details
<b>Deduction under Income Tax Act, 1960</b>	Entity to ensure whether tax deduction is available or not to investors. Valid 80G registration required under Income Tax Act, 1961.
<b>Eligible to be Social Enterprise</b>	As per requirements with Regulation 292E of ICDR Regulations
<b>Annual Spending in the past financial year</b>	Must be at least Rs. 50 lakhs
<b>Funding in the past financial year</b>	Must be at least Rs. 10 lakhs



# FRAMEWORK FOR SOCIAL STOCK EXCHANGE

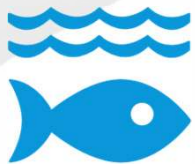
## Minimum Requirements to be met by NPOs for registration with SSE

Broad Parameter	Details
Primary Goals	Social Intent & Impact
Activity	Any one of 16 thematic areas targeting underserved or less privileged population or regions
Minimum qualifying %	67% of activities for target population based on Revenue/ Expenditure/ Customer Base
Ineligible	Corporate Foundations, Political & Religious organizations/activities, Professional or Trade associations, Infrastructure or housing Companies (except affordable housing)



# Institute of Social Auditors of India Self - Regulatory Organisation (SRO) for Social Stock Exchange

- ✓ **Institute of Social Auditors of India (ISAI)** - Self-Regulatory Organisation (SRO) for Social Stock Exchange to enrol and regulate Social Auditors (SAs), has been formed by ICAI, with the main objective of establishing itself as a leading institution for regulation and development of Social Auditors in an independent and transparent manner, sub-serving the public interest.
- ✓ The functions of SRO include -
  - Empanelment, registration of SAs
  - Laying down standards of professional conduct, suspension/ cancellation of membership of SAs
  - Framing the Social Audit Standard covering aspects such as scope, engagement acceptance, basic principles, audit procedures, assurance report, documentation etc.
  - Prescribing a separate Code of Conduct for SAs.







# Social Audit standards

- ✓ “Social Auditor” has been defined as **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.**
- ✓ ICAI had been entrusted with development of **Social Audit Standards** covering aspects such as scope, engagement acceptance, basic principles, audit procedures, assurance report, documentation etc.
- ✓ SRSB of ICAI has developed **Compendium of Social Audit Standards** consisting of Framework for the Social Audit Standards, Preface to the Social Audit Standards and Social Audit Standards (SAS) on all the **sixteen thematic areas** and sub-areas for taxonomic classification of social objectives covering various related areas of audit of social impact, for example, poverty, nutrition, climate change, etc.







# Social Audit Standards

Social Audit Standards	SDGs
<p><b>SAS 100:</b> Eradicating hunger, poverty, malnutrition and inequality</p>	<p><b>SDG 1 – No Poverty</b></p> <p><b>SDG 2 – Zero Hunger</b></p>  
<p><b>SAS 200:</b> Promoting health care including mental healthcare, sanitation and making available safe drinking water</p>	<p><b>SDG 3 – Good Health and Well-being</b></p> 
<p><b>SAS 300:</b> Promoting education, employability and livelihoods</p>	<p><b>SDG 4 – Quality Education</b></p> <p><b>SDG 8 – Decent Work and Economic Growth</b></p>  
<p><b>SAS 400:</b> Promoting gender equality, empowerment of women and LGBTQIA+ communities</p>	<p><b>SDG 5 – Gender Equality</b></p> 
<p><b>SAS 500:</b> Ensuring environmental sustainability, addressing climate change including mitigation and adaptation, forest and wildlife conservation</p>	<p><b>SDG 13 – Climate Action</b></p> <p><b>SDG 7 – Affordable and Clean Energy</b></p> <p><b>SDG 14 – Life Below Water</b></p>   

# Social Audit Standards

Social Audit Standards	SDGs	
<b>SAS 600:</b> Protection of national heritage, art and culture	<b>SDG 11</b> – Sustainable Cities and Communities	
<b>SAS 700:</b> Training to promote rural sports, nationally recognised sports, Paralympic sports and Olympic sports	<b>SDG 10</b> – Reduced Inequalities	
<b>SAS 800:</b> Supporting incubators of Social Enterprises	<b>SDG 9</b> – Industry, Innovation and Infrastructure	
<b>SAS 900:</b> Supporting other platforms that strengthen the non-profit ecosystem in fundraising and capacity building	<b>SDG 9</b> – Industry, Innovation and Infrastructure	
<b>SAS 1000:</b> Promoting livelihoods for rural and urban poor including enhancing income of small and marginal farmers and workers in the non-farm sector	<b>SDG 8</b> - Decent Work and Economic Growth <b>SDG 10</b> – Reduced Inequalities	 
<b>SAS 1100:</b> Slum area development, affordable housing and other interventions to build sustainable and resilient cities	<b>SDG 6</b> – Clean Water and Sanitation <b>SDG 15</b> – Life on Land	 

# Social Audit Standards

Social Audit Standards	SDGs	
<p><b>SAS 1200:</b> Disaster management, including relief, rehabilitation and reconstruction activities</p>	<p><b>SDG 11</b> - Sustainable Cities and Communities</p>	
<p><b>SAS 1300:</b> Promotion of financial inclusion</p>	<p><b>SDG 10</b> - Reduced Inequalities <b>SDG 17</b> – Partnerships for the Goals</p>	 
<p><b>SAS 1400:</b> Facilitating access to land and property assets for disadvantaged communities</p>	<p><b>SDG 10</b> - Reduced Inequalities</p>	
<p><b>SAS 1500:</b> Bridging the digital divide in internet and mobile phone access, addressing issues of misinformation and data protection</p>	<p><b>SDG 16</b> – Peace, Justice and Strong Institutions</p>	
<p><b>SAS 1600:</b> Promoting welfare of migrants and displaced persons</p>	<p><b>SDG 10</b> - Reduced Inequalities</p>	

THANK YOU

CA Priti Paras Savla

Central Council Member - ICAI

9321426883 | [priti@psaindia.net](mailto:priti@psaindia.net)