

# THE SOCIAL AUDITOR



January 2024

YOUR INSIGHT JOURNAL



**ICMAI Social Auditors Organisation**

(A Section 8 Company promoted by The Institute of Cost Accountants of India)

## **Social Stock Exchange**

SEBI vide its notification dated 25th July, 2022 has made amendments in the SEBI (ICDR) Regulations, 2018, and SEBI (LODR) Regulations, 2015. Copies of these amendments are being circulated with this communique. These amendments have been made to provide Social Enterprises with additional avenues to raise funds through the Social Stock Exchange (SSE), which is a novel concept in India. It provides eligibility of organizations to raise funds through Social Stock Exchange, eligibility of entities to be classified as “Not for Profit Organization”, eligibility of entities to be classified as “For Profit” Social Enterprises, means through which Social Enterprises can raise funds, and obligations of Social Enterprises.

Furthermore, to strengthen the governance framework in these entities, & provide better confidence to such investors, SEBI has introduced the concept of Annual Impact Report by a Social Auditor. The purpose of this Social Audit is to ascertain the impact made by the Social Enterprise through its activities, intervention, programs or projects implemented during the reporting period. The annual impact report shall be audited by a Social Auditor.

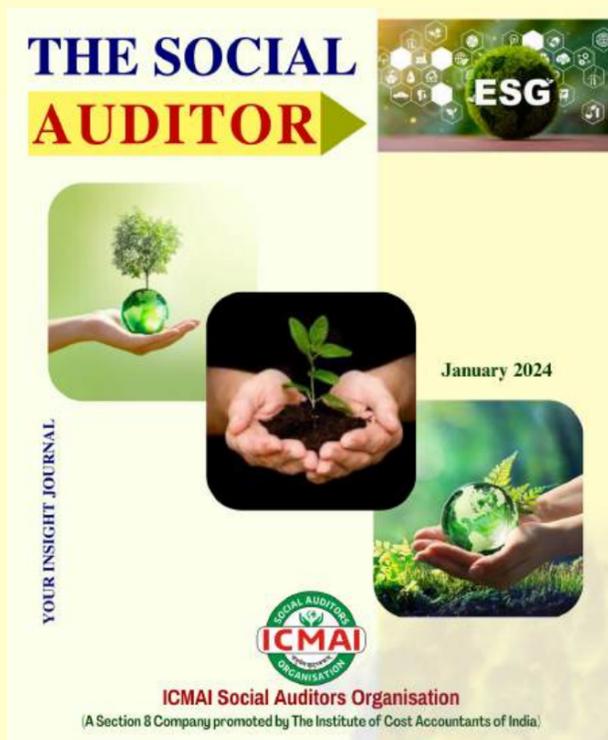
## **ICMAI Social Auditors Organisation (ICMAI SAO)**

To enroll & regulate the Social Auditors and also to prescribe the Social Audit Standards, the Institute of Cost Accountants of India, in compliance with SEBI Regulations, has incorporated a section 8 company titled ICMAI Social Auditors Organization. The ICMAI SAO will enroll eligible CMAs & others as Social Auditors and focus on their capacity building through continuous professional advancement with emphasis on adherence to the highest ethical standards and compliance with the Social Stock Exchange requirements.



**ICMAI Social Auditors Organisation**

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# JANUARY 2024

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# FROM THE CHAIRMAN'S DESK

**CMA Ashwinkumar G. Dalwadi**  
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India, as a nation, has always been progressive, in constant pursuit of achieving a better tomorrow for all its citizens. Since Independence, India ardently intended its growth spectrum to be inclusive so that the people even at the grass-roots level could be associated in the development process. The social sector, driven by non-governmental organisations (NGOs) and civil society organisations (CSOs), has been playing a vital role in this transformative journey by serving as a catalyst for inclusive development in all communities. This sector has been working tirelessly to uplift the marginalised and vulnerable communities of the country that often get left behind. NGOs have proven to be instrumental in addressing the diverse challenges faced by India from time to time and driving a positive social impact. NGOs operate across various sectors, including agriculture, gender, education, healthcare, and climate change, among others, and contribute to the overall well-being of the nation. India, with its vast population, varied cultures, and complex socio-economic landscape, greatly relies on NGOs to bridge gaps, uplift marginalised communities, and foster holistic development. Both social sector development and inclusive growth are synergetic in nature. Increasing expenditure on social sector would improve the conditions of the deprived and marginalised sections of society. By improving their income and equal access to employment and productive activities, the deprived sections would be empowered to become equal partners in the growth process. Social sector development would mitigate poverty, inequality, deprivation and diseases. This would promote the inclusiveness of development.

Social sectors comprise social and economic services. 'Social services' include education, art and culture, medical and public health, family welfare, water supply and sanitation, housing and urban development, welfare of the underprivileged classes, labour and employment, social security and welfare and other social services. On the other hand, 'economic services' relate to rural development and food storage and warehousing. All this social sector expenditure is geared towards the achievement of a broader objective of expanding social opportunities and improving the social indicators of education, health and nutritional standards of the general population. Social sector development focused on greater livelihood opportunities, modern amenities and services for decent living in rural areas as well as in urban areas, which would increase the opportunities for equal economic participation and thus promote inclusiveness. The social sector development approach of growth policy hinges on human development and human welfare and therefore exacerbates inclusive context of growth.

# FROM THE CEO'S DESK

**CMA (Dr.) S K Gupta**  
**Chief Executive Officer**  
**ICMAI Social Auditors Organisation**

The social sector in India has long been recognized as a crucial player in the nation's growth story, addressing some of the most pressing societal issues. As non-profit organizations, NGOs rely on a variety of sources for funding projects, operations, salaries, and other overhead costs. Fundraising efforts are important for the NGO's existence and success. Funding sources include membership dues; the sale of goods and services; private sector, for-profit companies; philanthropic foundations; grants from local, state, and federal agencies, as well as foreign governments; and private donations

The funding landscape in India remains rather enigmatic for non-profit organizations. The limitations of accessing first-hand information on giving behaviours often deter Indian non-profits from undertaking targeted outreach. The social sector in India is funded by a diverse range of stakeholders including the public sector, foreign funders, and domestic philanthropy. Retail givers, Indian corporations (via CSR), and family philanthropy (comprising UHNIs, HNIs, and affluent givers) are key cohorts shaping India's domestic philanthropy. Funders are recognizing that a robust ecosystem can enable better outcomes towards achieving development priorities.

There is a large shift in aspirations towards investing in ecosystem strengthening through innovation, research, and institution building. This includes capacity building of non-profits, collaborative platforms, specialized systems and processes, and insightful narratives that can influence social change. Funders are increasingly interested in supporting climate solutions and incorporating an environmental and climate lens into their existing portfolios to strengthen the narrative for adaptation and community resilience. Waste management, water treatment, and biodiversity conservation are areas within climate action that have garnered their attention. There is also greater acknowledgment from funders that to respond effectively to the climate crisis, it is crucial to support and listen to grassroots and community-based organizations.



## PROFESSIONAL DEVELOPMENT PROGRAMS



**ICMAI Social Auditors Organisation**

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## PROFESSIONAL DEVELOPMENT PROGRAMS

### JANUARY 2024

Date	Name of Program
04th January 2024	The Role of ESG in Risk Management
05th January 2024	ESG - Key Performance Indicators
13th January 2024	ESG Reporting Standards
18th January 2024	ESG Ratings
20th -21st January 2024	15th Online Batch Preparatory Course for Social Auditors Examination
23rd January 2024	Business Responsibility and Sustainability Reporting
27th January 2024	Waste Mapping - Contribution to ESG and circular economy
29th January 2024	Practical aspects of BRSR and International Standards on Assurance ISSA 5000
31st January 2024	Business Responsibility and Sustainability Reporting

### UPCOMING PROGRAM

Date	Name of Program
07th February 2024	The Five Ws of Sustainable Financing
10th February 2024	ESG Mutual Funds
11th February 2024	Green Supply Chain
17th-18th February 2024	16th Preparatory online batch
20th February 2024	ESG controversies and Greenwashing behavior of firms
24th February 2024	Critical Requirements for BRSR Disclosures - points to consider for preparing BRSR Disclosures



# Articles

# Role of Finance Professionals in emerging landscape of ESG

**Dr. S K Gupta**

Chief Executive Officer - ICAI Social Auditors Organisation

## The Perspective

With climate and sustainability slowly taking center stage, increasing attention is being paid to environmental, social and governance, or ESG, by all manner of stakeholders — investors, policymakers, regulators, corporates, and customers. A comprehensive ESG vision, when plugged into a corporate strategy has the potential to deliver immense financial and non-financial value to an organisation over the long term. ESG plays a pivotal role in ensuring the long-term sustainability of businesses as it encompasses all the non-financial aspects that either directly or indirectly impact the bottom line of the business. While a major part of ESG growth has been driven by the environmental component in response to climate change, stakeholders (shareholders, employees, customers, and regulatory bodies) expect organisations to take bold action on areas such as the environment, as well as social justice, equality, and inclusion.

## Understanding ESG

Environmental, Social, and Governance (ESG) criteria are increasingly important for finance professionals. ESG is a set of standards used to measure investments' sustainability and ethical impact, and it has become an integral part of modern finance. ESG stands for Environmental, Social, and Governance, and it assesses a company's performance in three areas:

- **Environmental** : This includes the company's impact on the natural environment, such as its greenhouse gas emissions, resource conservation efforts, and waste management practices.
- **Social** : This evaluates the company's relationships with its employees, customers, and the broader community, including issues such as diversity, equity, and human rights.
- **Governance** : This assesses the company's leadership, management, and general business practices, including transparency, accountability, and shareholder rights.

ESG considerations are becoming increasingly important to investors, asset managers, and other financial market participants to assess their investments' long-term sustainability and ethical impact. Some investors use ESG criteria to select investments that align with their values, while others use ESG data to identify and mitigate risk in their portfolios.

## Role of Finance Professionals in ESG

Stakeholders want greater transparency on how organizations are managing their ESG risks and opportunities and integrating them into their business strategy. By virtue of their role as strategic advisors and stewards of value and data, CPAs are uniquely positioned to help companies navigate the complexity of these issues and build resilience. CPAs are well-equipped to connect the strategic and financial pieces when it comes to quantifying and disclosing ESG risks and opportunities. Roles will range from business planning, governance, reporting and assurance, to risk assessment and analysis. Financial professional involvement will likely play a key role in the next phase of the environmental, social and governance (ESG) reporting process as the ESG landscape rapidly evolves, according to new research from Ernst & Young and the Financial Education & Research Foundation (FERF).

Finance professionals are critical to the ESG reporting process, by applying the same rigor used in financial reporting to ESG reporting, finance functions are enhancing governance and controls over the underlying data and calculations, allowing executives to rely on both financial and ESG information to inform strategy, achieve their goals and support the veracity of external disclosures. Finance can support ESG in three key areas:

- Finance teams supporting the ESG, and leadership teams should help provide an overview of where the information will be shared, the purpose of aggregating the information and the importance of documentation.
- From a reporting perspective, finance should start by documenting processes, definitions, assumptions, and estimations. It is important to understand how the data collection process differs by region and functions to drive consistency in data.
- Additionally, finance professionals can perform a second level review of the control documentation and data. There is a heightened sense of urgency for companies to build these processes, including within the finance function.

#### Some possible roles for finance professionals in ESG include:

- **Incorporating ESG considerations into investment analysis and decision-making** : Finance professionals may use ESG data and analysis to assess potential investments' sustainability and ethical impact and to make informed decisions about which investments to include in their portfolio.
- **Incorporating ESG considerations into financial planning and strategy** : As the CFO, you may ensure that ESG considerations are integrated into the organization's financial planning and strategy. This may involve collecting and analysing ESG data and using it to inform decision-making and strategy.
- **Assessing and managing risk** : Finance professionals may use ESG data to identify and assess potential risks in their portfolios and develop mitigation strategies. This may involve working closely with other departments, such as risk management or sustainability, to ensure that ESG risks are identified and managed effectively.
- **Communicating with clients and stakeholders about ESG** : Finance professionals may be responsible for explaining the importance of ESG to clients and stakeholders and for reporting on the organization's ESG performance.
- **Developing and implementing ESG policies** : A financial controller may be involved in developing and implementing policies and procedures related to ESG within the organization. This may involve working closely with other departments, such as sustainability or legal, to ensure that ESG policies are consistent with the organization's overall strategy and goals.
- **Guiding ESG reporting and disclosure** : You may be responsible for helping the organization comply with ESG reporting and disclosure requirements, such as those set by regulatory bodies or industry standards. This may involve working closely with other departments, such as finance or sustainability, to ensure that the organization's ESG performance is accurately and transparently reported

Companies that have embarked on an ESG journey, especially the bigger ones, have begun to understand that any shift they make in this field will have a direct impact on their business model and therefore finances, The finance function must deal with all the risks and opportunities that stem from an ESG strategy or pledge. Strong finance functions will have systems and processes in place for quarterly reporting, plus a baseline for annual reporting Finance teams must clearly define the format and frequency of reporting, the relationship between stakeholders and ESG metrics, The chosen reporting framework should define the metrics that will be reported, the frequency of reporting and the format of the reports. And because ESG reporting is an evolving field, it's important to implement a process for continuous improvement. That should include regular reviews of the reporting framework, as well as the data and metrics you are reporting.

They should also understand how to address materiality, how that may differ from the financial process and where there may be overlaps, For example, the Corporate Sustainability Reporting Directive (CSRD) requires double materiality, which considers both financial and outward materiality.

ESG roles, too, are moving from mere reporting and disclosure to actual transformation and creating impact, Companies are under pressure not just to set goals and targets but to achieve them. ESG experts have to lead initiatives and work closely with the company leadership - you need someone with both expertise and experience. Every business over the next 10 years is going to need people who understand environmental impact just like every organisation today has someone who understands technology. For the next 30 years, demand will outstrip supply.

## Article

### Conclusion

Given that finance works across functions and various business units, they are in a position to lead the organisation's ESG reporting and data management approach. They are ideally placed and have the experience to compile and track the information needed for both the ESG strategies as well as any reporting, regulatory and compliance filings. The finance function's responsibility goes far beyond just reporting, they also need to ensure that the strategy is supported by sufficient budgeting to implement the required initiatives and plans. ESG and finance teams have an opportunity to collaborate to build value and identify risks, as well as new business opportunities. The cornerstone of developing ESG strategies and reporting is a fundamental knowledge of business operations and finances. As accountants are trained to understand and think critically about these basic elements of the business, they can advise and lead the development and implementation of sustainability strategies that also boost the business financially and operationally. As ESG reporting continues to grow, professionals who possess these skills will become increasingly more valuable to companies. At its core, whilst ESG is a multidisciplinary approach, ultimately someone needs to 'own' it. In larger organisations, there is typically a sustainability or environmental, health and safety function or even a specific ESG team. But, regardless of who owns the solution, finance should be involved and collaborate across all areas of the company to drive greater success and value for the company.

# Optimizing Corporate Social Responsibility: The Case for Consolidating Profits at the Holding Company Level

**CA Rakesh Tayal**

*(Registered Valuers, Insolvency Professionals, Social Impact Assessor)*

Corporate Social responsibility (CSR) refers to a company's commitment to managing its business in an ethical and responsible way, considering the social, environmental, and economic impacts of its operations. It involves initiatives and actions taken voluntarily by businesses to contribute positively to society, the environment, and various stakeholders beyond legal requirements, aiming for sustainable development and creating shared value.

It has become integral to modern business practices due to its multifaceted benefits. Embracing CSR allows companies to cultivate a positive reputation and brand image, attracting both customers and top-tier talent while fostering loyalty among existing employees. Moreover, CSR mitigates risks, ensuring long-term sustainability by integrating ethical practices that resonate with stakeholders. It provides a competitive edge, differentiating businesses in the market and enhancing stakeholder relationships. Furthermore, CSR drives innovation and efficiency, leading to cost savings and improved operational performance. Importantly, it enables companies to make a tangible social impact by supporting sustainable development goals, while also meeting regulatory compliance and ethical standards. CSR aligns business success with societal progress, generating value for all involved stakeholders



Corporate Social Responsibility (CSR) initiatives are commonly associated with the individual performance and

CSR governed by - Companies Act, 2013

u/s 135

to spend atleast 2% of their average net profits on CSR

operations of a specific company, ensuring that resources are directed towards activities that align with its impact on society. This tailored approach addresses the unique circumstances of each subsidiary, a factor influencing lawmakers' preference for profit calculation at the individual entity level rather than at the holding company level. Despite this prevailing perspective, there is a growing advocacy for consolidating profits at the holding company level. This shift is seen as a mutually beneficial scenario for both the corporate sector and society at large. The following key points highlight the advantages of profit consolidation in promoting effective CSR and fostering economic growth:

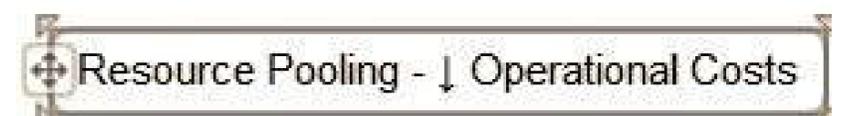
## 1. Resource Pooling for Impactful CSR:

Consolidating profits within a company serves as a strategic mechanism to efficiently pool and manage resources, yielding several advantages. By amalgamating earnings from diverse divisions or subsidiaries,



businesses gain a comprehensive financial overview that enables more informed decision-making. This practice streamlines investments, enabling the allocation of resources where they are most needed or can generate the highest returns. Economies of scale are harnessed, as shared resources and standardized processes become feasible, reducing operational costs.

Supporting subsidiaries facing financial challenges with contributions from profitable ones offers several benefits:



Article

- **Sustained Operations** : This support helps maintain the subsidiary's activities, preventing disruptions that could adversely impact the company's overall performance.
- **Preservation of Market Presence** : Supporting struggling subsidiaries helps preserve their market presence and customer relationships.
- **Synergy and Shared Resources** : Financial support from profitable subsidiaries allows for the sharing of resources, knowledge, and expertise.
- **Overall Organizational Stability** : It bolsters investor confidence and maintains a positive image, which is crucial for sustained growth and attracting potential investors or partners.
- **Employee Morale and Retention** : Supporting struggling subsidiaries demonstrates a commitment to employees' well-being across the organization.
- **Strategic Growth Opportunities** : By stabilizing struggling subsidiaries, profitable units may pave the way for future growth opportunities.
- **Risk Mitigation** : Addressing financial challenges in subsidiaries prevents potential systemic risks that could affect the entire company. By stabilizing weaker units, the company reduces the risk of financial contagion that could spread to other parts of the business.

Providing financial support from profitable subsidiaries to struggling ones fosters resilience, promotes collaboration, and ensures the overall health and stability of the organization, contributing to sustained growth and competitiveness overall and should be given priority over

Providing Financial Support from Profitable Subsidiaries to struggling ones fosters:

- Resilience
- Promotes Collaboration
- Ensures Overall Health
- Ensures Stability of Organization

the CSR allocation. This view is further supported as this will lead to ensuring continuity of employment and economic growth of the country.

2. Holistic Reporting and Transparency:

Consolidated CSR reporting benefits stakeholders by offering clarity, transparency, and a comprehensive view of a company's CSR efforts across divisions. It enables comparative analysis, aids in efficient resource allocation, and assists in assessing and managing CSR-related risks across the organization, ensuring informed decision-making and accountability.

Transparency at the holding company level significantly enhances accountability in numerous ways:

- **Clear Oversight**: Transparency allows stakeholders to understand the structure, operations, and relationships within the holding company and its subsidiaries.
- **Accountability for Actions**: Clear visibility into the subsidiaries' operations ensures that the holding company takes responsibility for the actions and impacts of its subsidiaries, fostering accountability.
- **Effective Governance**: It ensures that decisions made at the top are visible and align with ethical standards, promoting accountability among executives and board members.
- **Disclosure of Risks**: This disclosure ensures that stakeholders are informed about potential risks and encourages initiative-taking measures to manage and mitigate these risks.
- **Trust and Credibility**: It demonstrates a commitment to openness and integrity, enhancing the company's credibility and reputation.
- **Improved Reporting and Compliance**: It ensures that the company adheres to reporting standards, providing accurate and comprehensive information to regulatory bodies and stakeholders.

Transparency at the holding company level fosters accountability by enabling clear oversight, ensuring accountability for subsidiary actions, promoting effective governance, disclosing risks, building trust, and facilitating compliance with reporting standards, strengthening the company's credibility and accountability to stakeholders.

<i>Transparency at holding company level enables</i>
<i>1.Accountability</i>
<i>2.Promotes effective Governance</i>
<i>3.Discloses Risks</i>
<i>4.Strengthens Company's Credibility</i>

### 3. Economies of Scale in CSR Initiatives:

Economies of scale in CSR initiatives mean that larger companies can fulfill social responsibility projects more efficiently and cost-effectively by spreading the expenses across their size and resources, allowing for broader impact and optimized resource use.

Managing CSR centrally can lead to cost-effective implementation due to several reasons:

- **Streamlined Operations:** These streamlines operations, reduce duplication of efforts, and minimize administrative costs associated with managing separate initiatives.
- **Resource Optimization:** Centralized management enables better resource allocation and utilization. By consolidating resources, such as funds, personnel, and expertise, companies can avoid redundancy and efficiently allocate resources to initiatives that yield the most significant impact.
- **Bulk Purchasing and Negotiation Power:** Centralized CSR management enables bulk purchasing of materials or services required for CSR projects. This leverage in negotiation and procurement often results in lower costs, achieving economies of scale.
- **Standardized Processes and Reporting:** Standardizing processes and reporting mechanisms under centralized management reduces inefficiencies and the need for customized solutions in each division. It simplifies monitoring, evaluation, and reporting, reducing administrative expenses.
- **Enhanced Collaboration and Knowledge Sharing:** Sharing best practices, successful strategies, and lessons learned across divisions reduces trial-and-error costs and improves overall efficiency.

Centralizing CSR management enables streamlined operations, optimized resource allocation, cost savings through bulk purchasing, standardized processes, enhanced collaboration, consistent branding, and efficient risk management, leading to more cost-effective implementation of CSR initiatives across the organization.



### 4. Strategic Alignment with Corporate Goals

Aligning CSR efforts with the overarching corporate strategy is crucial because it::



- **Enhances Relevance :** Ensures that CSR initiatives directly support the company's mission, values, and long-term objectives, making them more relevant and impactful.
- **Strengthens Brand and Reputation :** Demonstrates a genuine commitment to societal and environmental issues, reinforcing the company's positive brand image and reputation among stakeholders.
- **Drives Innovation and Efficiency :** Integrates CSR into business strategies, fostering innovation in products, processes, and services while optimizing resource use, leading to increased efficiency.
- **Mitigates Risks and Uncertainties :** Helps in identifying and managing risks associated with societal or environmental concerns, reducing potential legal, financial, or reputational risks for the company.
- **Attracts Stakeholders :** Aligning CSR efforts attracts socially conscious consumers, investors, and employees who seek purpose-driven organizations, enhancing stakeholder engagement and loyalty.
- **Fosters Long-Term Sustainability :** Positions the company for long-term success by contributing to societal well-being, addressing global challenges, and ensuring sustainability in operations and growth.

### 5. Risk Mitigation and Long-Term Sustainability:

Consolidating profits within a company can contribute to risk mitigation in Corporate Social Responsibility (CSR) obligations by

Consolidating Profits leads to Risk Mitigation in CSR

## Article

providing a stable financial base. When profits from multiple subsidiaries or divisions are combined, it creates a more robust financial foundation, enabling the allocation of resources towards CSR initiatives. This stability helps absorb potential financial risks associated with fulfilling CSR obligations, ensuring consistent support for social and environmental commitments even during challenging economic periods. Moreover, a consolidated profit approach allows better planning and strategic investment in CSR, reducing the vulnerability of CSR projects to financial fluctuations and enhancing long-term sustainability efforts.

Consolidating profits positively impacts the long-term sustainability and resilience of a corporate group in several ways:

- **Sustainable Resource Allocation** : Consolidated profits allow for sustained investment in CSR initiatives, fostering long-term sustainability. This continual investment in social and environmental causes bolsters the company's reputation, stakeholder relationships, and resilience against market fluctuations.
- **Risk Mitigation** : By dedicating resources to CSR obligations, the company enhances its risk mitigation capabilities. Proactive CSR measures can address social and environmental risks, thereby safeguarding the company's operations and reputation over the long run.
- **Enhanced Reputation and Stakeholder Trust** : Commitment to CSR builds a positive brand image, fosters trust among stakeholders, and attracts socially conscious consumers, investors, and employees. This strengthened reputation can buffer the company during crises and market challenges.
- **Innovation and Adaptability** : Investments in CSR often foster innovation, encouraging the development of sustainable products, processes, and technologies. Such innovations can enhance the company's adaptability to changing market dynamics and regulatory environments, ensuring long-term viability.
- **Resilience Against Regulatory Changes** : As regulations increasingly emphasize CSR and sustainability, companies with robust CSR practices and a consolidated profit approach are better positioned to comply with evolving legal frameworks. This minimizes disruption from regulatory changes and potential fines.
- **Future-Proofing Business Operations** : CSR-focused strategies consider long-term impacts on the environment and society. Companies that align with sustainable practices are better positioned to anticipate and navigate future challenges, making them more resilient in the face of evolving societal expectations and global changes.



Consolidating profits to support CSR initiatives contributes significantly to a corporate group's long-term sustainability and resilience by integrating responsible practices into its core business strategy, thereby creating a more robust and adaptable business model.

### 6. Standardization of CSR Practices:

Standardizing CSR practices and metrics across subsidiaries offers several key benefits:

- **Consistency and Efficiency** : Standardization ensures uniformity in CSR practices, making it easier to implement and manage initiatives across diverse subsidiaries. This consistency streamlines processes, reduces duplication of efforts, and enhances operational efficiency.
- **Comparability and Benchmarking** : Uniform metrics enable better comparisons and benchmarking across subsidiaries. This facilitates performance evaluation, identification of best practices, and sharing successful approaches, fostering continuous improvement in CSR efforts.



- **Transparency and Reporting** : Standardized metrics improve transparency in reporting CSR activities. It enables clearer and more consistent communication of the company's social and environmental impacts to stakeholders, enhancing credibility and trust.
- **Risk Management and Compliance** : Standardization helps in identifying and managing CSR-related risks uniformly across subsidiaries. It ensures compliance with regulations, minimizes legal and reputational risks, and enhances the company's resilience against potential penalties or controversies.
- **Cost Savings** : By streamlining processes and leveraging economies of scale, standardization can lead to cost savings. It reduces the need for redundant systems or processes, optimizing resource allocation for CSR initiatives.
- **Alignment with Global Standards** : Adopting standardized CSR practices aligns the company's operations with international best practices and frameworks, fostering better integration into global markets and enhancing the company's reputation on a global scale.

Standardizing CSR practices and metrics across subsidiaries promotes consistency, comparability, transparency, risk management, cost savings, and alignment with global standards, strengthening the company's overall CSR effectiveness and impact.

A unified CSR approach aligns diverse subsidiaries with the holding company's values by ensuring consistency in goals, efficient resource usage, standardized measurement, enhanced stakeholder trust, and collaborative innovation, resulting in a cohesive and impactful CSR strategy.

### 7. Efficient Governance of CSR:

Centralizing CSR governance at the holding company level offers several advantages:

- **Consistency and Standardization** : Centralized governance ensures consistent CSR standards, policies, and practices across all subsidiaries. This uniformity aligns diverse operations with a cohesive CSR strategy, fostering clarity and compliance with common guidelines.
- **Streamlined Decision-Making** : Centralization allows for more efficient decision-making regarding CSR initiatives. It facilitates quicker responses to emerging social or environmental issues, enabling timely and unified actions across the corporate group.
- **Optimized Resource Allocation** : By overseeing CSR initiatives from a central standpoint, the holding company can effectively allocate resources based on overarching priorities. This ensures strategic investment and prevents duplication of efforts among subsidiaries.
- **Enhanced Reporting and Transparency** : Centralized governance facilitates standardized reporting mechanisms for CSR performance. This transparency ensures a comprehensive overview of the group's social and environmental impacts, improving accountability to stakeholders.

Centralizing CSR governance at the holding company level offers advantages such as ensuring consistency, streamlining decision-making, optimizing resource allocation, enhancing reporting and transparency, increasing accountability and oversight, scaling best practices efficiently, and consolidating stakeholder engagement efforts for a more unified and impactful CSR strategy.



### Consolidating Profits at Holding Level - Advantages

1. Resource pooling for Impactful CSR
2. Holistic Reporting & Transparency
3. Economies of Scale
4. Strategic alignment with goals
5. Risk Mitigation
6. Standardization of CSR Practices
7. Efficient Governance of CSR
8. Brand Reputation Management
9. Cross Subsidiary Collaboration
10. Integrated Reporting for CSR understanding

## Article

Streamlined decision-making processes play a vital role in ensuring consistent adherence to ethical standards within an organization by:

- **Clarity and Consistency:** A streamlined process provides clarity on ethical guidelines and standards. This clarity ensures that decision-makers understand and consistently apply ethical principles across various situations, fostering a culture of ethical behavior.
- **Efficiency in Ethical Assessments:** Streamlining decision-making involves integrating ethical considerations into the decision-making framework. This allows for efficient evaluation of ethical implications in various scenarios, ensuring that ethical standards are consistently upheld in every decision.
- **Alignment with Values:** Streamlined processes ensure decisions are aligned with the organization's core values and ethical principles. This alignment reinforces a commitment to ethical behavior throughout the organization, guiding actions and choices in line with established standards.
- **Rapid Response to Ethical Dilemmas:** A streamlined process facilitates swift responses to ethical dilemmas or challenges. Clear protocols enable timely resolution of ethical issues, preventing delays and ensuring that ethical standards are maintained even in complex situations.

Streamlined decision-making processes promote consistent adherence to ethical standards by embedding ethical considerations into every decision, aligning actions with organizational values, enabling rapid responses to ethical dilemmas, fostering accountability, ensuring transparent communication, and facilitating continuous improvement in ethical frameworks.

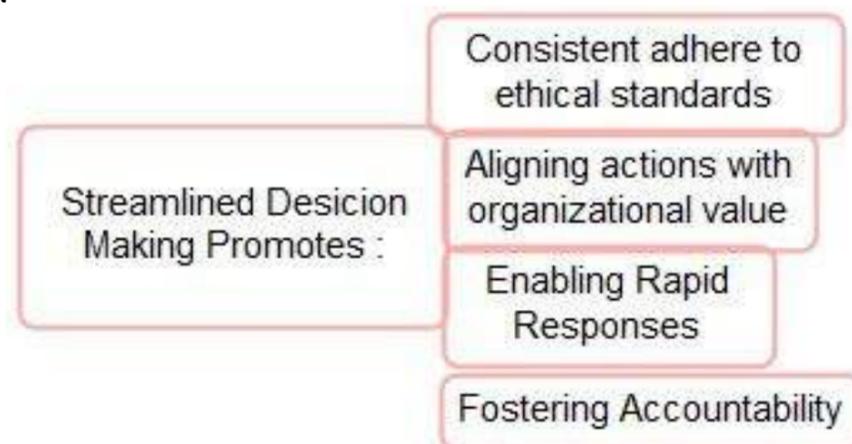
### 8. Brand Reputation Management:

Managing Corporate Social Responsibility (CSR) at the group level offers several ways to enhance brand reputation:

- **Consistent Message and Impact :** Coordinating CSR initiatives across subsidiaries ensures a unified and coherent approach. This consistency in messaging and impactful actions amplifies the brand's commitment to societal well-being, fostering a positive perception among stakeholders.
- **Leveraging Collective Impact :** Managing CSR at the group level allows pooling resources and expertise from various subsidiaries. This collective effort can lead to larger-scale projects, making a more substantial positive impact on communities, thereby enhancing the brand's reputation as a socially responsible entity.
- **Demonstrating Commitment :** A centralized approach highlights the company's commitment to CSR by showcasing a comprehensive and holistic strategy. This demonstration of commitment resonates positively with consumers, investors, employees, and communities, building trust and loyalty towards the brand.
- **Transparency and Reporting :** Managing CSR centrally enables standardized reporting and transparent communication of the company's social and environmental efforts. This transparency enhances credibility and trust, positively impacting brand reputation by highlighting genuine efforts towards societal betterment.

Managing CSR at the group level enhances brand reputation by ensuring a consistent message and impact, leveraging collective resources for larger-scale initiatives, demonstrating commitment, fostering transparency, gaining a competitive edge, and attracting stakeholders who align with the brand's ethical values.

An effectively managed Corporate Social Responsibility (CSR) strategy holds the power to significantly enhance overall corporate image and customer perception. A company's commitment to meaningful societal contributions through CSR initiatives builds a strong brand reputation, portraying it as a socially responsible entity dedicated to ethical practices and community welfare. This cultivated reputation fosters trust and loyalty among customers, who prefer brands demonstrating genuine care for societal issues. Additionally, it sets the company apart in the market, offering a competitive edge by attracting customers seeking ethical



and responsible businesses. Engaging customers in these initiatives also boosts their involvement and deepens their relationship with the company. Such a positive CSR reputation not only attracts new customers but also acts as a shield during crises, mitigating negative publicity by demonstrating the company's commitment to making a positive impact on society.

### 9. Cross-Subsidiary Collaboration :

- **Resource Optimization** : Collaborative efforts enable pooling of resources for efficient and impactful CSR initiatives.
- **Leveraging Expertise** : Subsidiaries' diverse expertise and knowledge combine for innovative and effective strategies.
- **Increased Impact** : Collective action enhances the reach and effectiveness of CSR initiatives, benefiting more communities.
- **Best Practice Exchange** : Sharing successful models fosters innovation and efficiency in CSR implementation.
- **Stronger Stakeholder Engagement** : Collaborative CSR showcases unity, fostering stronger relationships with stakeholders.
- **Enhanced Brand Image** : Joint efforts highlight a commitment to social responsibility, positively impacting brand reputation.
- **Risk Mitigation** : Collective action provides support and resilience in managing CSR-related risks across subsidiaries.

Shared learning experiences and collaborative innovation play pivotal roles in maximizing the overall impact of Corporate Social Responsibility (CSR) efforts within a corporate group. When subsidiaries exchange knowledge, insights, and lessons learned from their CSR initiatives, it fosters a culture of continuous learning and improvement. Collaborative innovation generates comprehensive and more effective solutions, drawing on collective expertise and creativity to address complex CSR issues. This synergy in shared learning and innovative ideas significantly amplifies the collective impact of CSR initiatives, driving positive change across diverse communities and causes supported by the corporate group.

### 10. Integrated Reporting for Stakeholder Understanding:

- **Comprehensive Insight** : Provides a holistic view of social, environmental, and governance practices.
- **Transparency and Accountability** : Demonstrates transparency and holds the company accountable for its actions.
- **Informed Decision-Making** : Allows stakeholders to make informed choices based on ethical, social, and environmental factors.
- **Alignment of Interests** : Presents a balanced view that aligns stakeholder values with company actions.
- **Risk Assessment** : Assists stakeholders in evaluating social, environmental, and governance risks.

Integrated CSR reporting offers a comprehensive view of the collective contributions of subsidiaries within a corporate group by:

- **Consolidating Information** : Integrated reporting consolidates CSR data and initiatives from various subsidiaries into a unified report. This aggregation allows stakeholders to understand the combined impact of all subsidiaries' efforts.
- **Highlighting Diverse Contributions** : It highlights the diverse contributions of subsidiaries across different geographies, industries, and initiatives. This comprehensive view acknowledges the unique value each subsidiary brings to the overall CSR strategy.
- **Identifying Synergies and Gaps** : By presenting a collective overview, integrated reporting helps identify synergies between subsidiaries' initiatives. It also highlights any gaps or disparities in contributions, enabling a more balanced and coordinated approach to CSR across the corporate group.
- **Quantifying Overall Impact** : Integrated reporting quantifies and qualifies the overall social, environmental, and governance impacts achieved collectively by the subsidiaries. This measurement helps stakeholders comprehend the combined positive effects of the group's CSR activities.
- **Benchmarking and Comparison** : It allows for benchmarking and comparison among subsidiaries, facilitating an evaluation of each unit's performance and contributions. This comparison fosters a healthy exchange of best practices and encourages improved performance.
- **Accountability and Transparency** : By illustrating the collective contributions, integrated reporting enhances accountability

and transparency. It provides a clear picture of each subsidiary's role in the group's CSR strategy, fostering greater accountability to stakeholders.

- **Strategic Planning and Resource Allocation :** A comprehensive view aids in strategic planning and resource allocation for future CSR initiatives. It helps in identifying successful approaches that can be scaled across subsidiaries while allocating resources more effectively based on combined impact assessment.

Integrated CSR reporting offers a consolidated, transparent, and comprehensive view of the collective contributions of subsidiaries. It enables stakeholders to understand, evaluate, and appreciate the combined efforts and impacts of various units within the corporate group towards achieving shared CSR goals.

#### *Disadvantages of CSR at Consolidated level*

1. Cost Implication
2. Diversion of Resources
3. Greenwashing Risks
4. Expectations & Criticism
5. Conflicts with Shareholder's Interest
6. Complexity in Measurement

To Summarize consolidating profits at the holding company

level for Corporate Social Responsibility (CSR) calculations holds various advantages. Firstly, it ensures a transparent and accurate portrayal of the overall financial health by aggregating profits from subsidiaries, offering stakeholders a comprehensive view. This consolidation streamlines CSR planning and resource allocation, enabling better decision-making in prioritizing social initiatives.

Furthermore, by aligning diverse business units and subsidiaries toward common CSR goals, a consolidated strategy promotes a shared sense of purpose, encouraging collaboration and innovation in tackling complex social issues. This integrated approach not only enhances the effectiveness of CSR initiatives but also magnifies their positive and lasting impact on communities and stakeholders.

It's essential to recognize the diversity in legal stances on Corporate Social Responsibility (CSR) obligations worldwide. In India, CSR is mandated at the individual entity level rather than the Holding

Before Implementation- comply with existing legal framework

company level. However, in practice, corporate conglomerates pool resources through group foundations to leverage the benefits of consolidating CSR expenditures. Granting legal acknowledgment to this approach could enable groups to support financially struggling subsidiaries, indirectly contributing to the overall economy. Considering the advantages and pragmatic considerations, there's merit in exploring the possibility of providing companies with the option to choose between CSR spending at the consolidated level or the individual entity level, ensuring alignment with the overarching objectives of CSR.

# Technology's Transformative Role in Advancing the ESG Agenda: A Sustainable Future

**Ms. Priya Gupta**

*(Founder Sarvpriye Foundation)*

In recent years, the Environmental, Social, and Governance (ESG) agenda has gained unprecedented traction as businesses and investors recognize the imperative to integrate sustainability and ethical practices into their operations. At the forefront of this transformation is technology, which has played a pivotal role in driving ESG considerations across various sectors. This article explores the profound impact of technology on ESG, focusing on data analytics and reporting, renewable energy technologies, smart buildings, digital governance platforms, diversity analytics, and employee well-being services.

One of the cornerstones of technology's influence on ESG is the advent of advanced data analytics tools and reporting platforms. These tools empower organizations to collect, analyze, and report on their ESG performance comprehensively. By leveraging large volumes of data related to environmental impact, social responsibility, and governance practices, companies can identify areas for improvement, set realistic targets, and monitor progress over time. This transparency fosters accountability and facilitates a more informed decision-making process, aligning organizations with sustainable practices.

Furthermore, digital reporting platforms have streamlined the reporting process, making it more transparent and standardized. This enables businesses to communicate their ESG initiatives effectively to stakeholders, creating a culture of trust and accountability. The use of technology in data analytics and reporting is pivotal in shaping a sustainable future, where organizations are committed to continuous improvement and transparency.

The adoption of renewable energy technologies has been a game-changer in the pursuit of environmental sustainability goals. Technologies such as solar panels, wind turbines, and energy storage systems have enabled businesses to reduce their carbon footprint significantly. By transitioning towards sustainable energy sources, companies contribute to the broader objective of mitigating climate change and promoting a cleaner, more sustainable planet.

Renewable energy technologies not only align with environmental sustainability goals but also present economic advantages. Businesses investing in these technologies often experience long-term cost savings and resilience against fluctuating energy prices. The integration of renewable energy solutions showcases how technology can be a catalyst for positive change in environmental practices.

The implementation of smart building solutions and energy management systems represents another facet of technology's impact on ESG. These technologies enable organizations to optimize resource consumption, reduce energy waste, and minimize their overall environmental impact. Smart buildings leverage sensors and automation to enhance energy efficiency, creating a more sustainable infrastructure.

Energy management systems allow businesses to monitor and control energy consumption actively. By leveraging real-time data, organizations can identify inefficiencies, implement targeted improvements, and contribute to broader sustainability objectives. The use of technology in smart buildings and energy management exemplifies the synergy between innovation and environmental responsibility.

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Governance is a crucial pillar of the ESG framework, emphasizing transparency, accountability, and adherence to regulatory requirements. Technology has played a vital role in enhancing governance practices through the implementation of digital governance platforms and tools. These solutions streamline governance processes, improve oversight, and ensure compliance with regulatory standards.

Digital governance platforms provide a centralized and secure environment for managing governance-related tasks. From board communications to risk management, these tools enhance efficiency and transparency within organizations. Additionally, technology has facilitated the implementation of robust cybersecurity measures, safeguarding sensitive data and ensuring the integrity of governance practices.

In the realm of social responsibility, technology has been instrumental in promoting diversity and inclusion within organizations. AI-powered recruitment tools and diversity analytics platforms help businesses improve their hiring practices by identifying and addressing diversity gaps. These technologies mitigate biases in the recruitment process, creating more inclusive work environments.

Diversity analytics platforms leverage data to track and analyze diversity metrics, enabling organizations to make data-driven decisions. By fostering diversity and inclusion, businesses contribute to social responsibility, creating workplaces that are more representative and supportive of diverse talent. The use of technology in addressing social responsibility challenges reflects a commitment to fostering equitable and inclusive corporate cultures.

Technology has also made significant strides in promoting social responsibility through employee well-being and mental health support services. Digital platforms and tools enable organizations to implement comprehensive well-being programs, offering resources and support for employees' mental health. As employee welfare becomes a focal point of corporate responsibility, technology serves as a facilitator in creating healthier and more supportive work environments.

By leveraging technology, businesses can provide employees with access to mental health resources, counseling services, and wellness programs. This not only enhances the overall well-being of the workforce but also aligns with the broader social responsibility goals of organizations. The use of technology in promoting employee well-being underscores the interconnectedness of social responsibility and sustainable business practices.

# ESG : A step ahead of Corporate Social Responsibility (CSR)

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Cost Accountant | Company Secretary

## Synopsis

The ESG analyses a company's success in environmental matters quantitatively and is directed to the board of management, whereas in the CSR, environmental matters are qualitatively presented and studied. ESG is used to determine how well companies follow their sustainability and corporate responsibility goals. This article dwells upon, ESG as a method for firms to make sure that their actions have positive impact on the environment, employees, consumers and public.

## ESG Evolution

Corporate Social Responsibility (CSR) refers to Sustainability strategies businesses employ to ensure that the company is carried out ethically. In contrast, Environmental, Social and Governance (ESG) are criteria used to measure a company's overall sustainability.

ESG factors are typically used by investors to assess the risks and opportunities associated with a particular investment, while CSR is a more holistic concept that encompasses all aspects of a company's social and environmental impact's social and environmental impact.

The movement from CSR to ESG reframes responsible business practices from a reputation building exercise to creating opportunities for business success including financial reward, long-term adaptation, market differentiation and others.

CSR is a business commitment that contributes to Corporate Social Sustainability, Corporate Social sustainability works with employees, their families, local communities, and society at large to improve human-life quality, the environment, and the economy in the long-term.

## Table 1-CSR & ESG Key Differences

Corporate Social Responsibility (CSR)	Environmental Social Governance (ESG)
Broader, more vague scope & reporting	Specific scope & reporting.
Focus on accountability	Focus on tracking and measuring.
Generally qualitative	Generally quantitative
Projects are relatively individualized	Trend towards a more unified approach.
Stakeholder-based approach	Risk and/or performance-based approach

Source: The Value Reporting Foundation

While Table 1 highlights some key differences between CSR and ESG but it is important to note that the two concepts are not in conflict: both seek to set goals for and report on how businesses and organisations are responding to different dimensions of societal well-being and sustainability.

## Environmental, Social and Governance ESG

ESG originates from the financial world and dates to the 1970's, when a small group of investors were interested in the environmental and social practices of the companies in which they were investing (G. The concept of ESG It has been argued that the ESG has been amplified by two institutions. Firstly, by United Nations (2006), that invented the concept of the Principles for Responsible Investment (PRI). PRI is still regarded as a main block in the ESG ideology. Secondly, collaboration

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between the United Nations Environmental Program (UNEP) and the Coalition from Environmentally Responsible Economics (CERES) co-formed a Global Reporting Initial (GRI), which was established in 2001. The main goal was to create a framework where environmental performance reporting and the third generation (G3) of the GRI principles were used.

The GRI principles covers six categories: environmental, human rights, labour practices and decent work, society, product responsibility and economic. Today ESG is highly connected to the company's economic performance. This is because the firm's response towards environmental issues and labour conditions can have impact on its financial output. Politicians and government officials have for years put pressure on the companies to improve their social and environmental approaches; it has generated improvements in both areas in the business world.

ESG a management tool for companies ESG tool is widely used by management in consulting firms and investors, who wish to better evaluate and understand the company's CSR performance. Fundamentally, it evaluates the business environmental, social, and corporate governance practices and combines them to overall performance practices. Cap it all, it is used as a part of a decision-making tool for managers and investors. Moreover, companies confront constant pressure from shareholders and other stakeholder groups to outperform in the field of social responsibility.

**Table 2- ESG common ESG scoring factors are listed.**

Environmental (E)	Social (S)	Governance (G)
Energy consumption	Human rights	Quality of Management
Climate change (Carbon footprint)	Community engagement	Conflicts of interest
Waste Production	Health and safety	Executive compensation
Natural resource preservation	Stakeholder relations	Transparency and disclosure
Animal welfare	Employee relations	Shareholder rights

Environmental Performance E, in ESG stands for environmental performance. It indicates the company's effort to reduce the consumption and emissions. It does not only focus on the consumption and emissions, but it also covers the company's actions to reduce climate change, energy, and water use. Company can improve their environmental performance in many ways.

Social Performance S, in ESG stands social performance (Table 2). It indicates the company's social responsibility, how relationships and international labour standards, community relations, human rights, health and safety, gender equality and diversity and product safety are considered in the company's strategy. Relationship and international labour standards can be measured quantitatively by inspecting that the wages are in line with the industrial level.

Human rights in a social performance policy are regarded as one of the most important pillars. Though, a company cannot be held responsible for every organisation that it cooperates with, but specific attention to suppliers, which operate in questionable areas should be addressed.

Health and safety H&S (Table 2) play a significant role when evaluating the employees' work surroundings. Company can measure its H&S by monitoring and reporting the workplace accidents, compensation claims, health and safety concern and policies around personal protective equipment. Gender equity and diversity improves the firm's governance.

To improve the overall score in S – segment, company should do fundamental screening of their supply base, follow the international labour rules, and follow good practice in health and safety matters.

Corporate Governance G, in ESG stands for the Corporate Governance (table 2). It indicates the rights and responsibilities of the company's management. Its main function is to describe how a company strives to eliminate the possible corruption, bribery

and how it fosters the independence of the board and protects its shareholders.

ESG reporting is not equal when inspecting the size of the companies. It is argued that large companies receive higher ratings in ESG due to their enhanced reporting activities.

SWOT analysis of ESG SWOT analysis is a good tool for company to evaluate the possibilities and the opportunities when implementing ESG in its business. In below a SWOT analysis of ESG is conducted and represented.

**Table 3 SWOT analysis ESG**

<p><b>Strength</b></p> <ul style="list-style-type: none"> <li>• Develops the reporting methods.</li> <li>• Transparency</li> <li>• Easy to understand.</li> <li>• Easy to present to management board</li> </ul>
<p><b>Weakness</b></p> <ul style="list-style-type: none"> <li>• Motivation for reporting</li> <li>• Reporting bias and data accuracy</li> <li>• Quantify the intangible.</li> <li>• Difficulties to understand and miscomprehend.</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Improving the understanding of the current position</li> <li>• Increasing interest among investors</li> <li>• Increasing transparency</li> <li>• Helping in recruitment</li> <li>• NGO (Non-Governmental Organization)</li> </ul>
<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Legislation changes</li> <li>• Financial commitment</li> </ul>

In the above table (table 3.) SWOT analysis of EGS is presented. When a company has decided to conduct the environmental reporting by using the ESG tool instead of CSR, they are encouraged to weight the following aspects. Applying ESG can have several benefits for the company. It can further develop the company's reporting system, making it more transparent to different internal stakeholders. This is because the data used in the reporting comes in many forms: independent, self-reported and audited.

ESG can at its best bring opportunities to company. It can help company to better understand their current position in the market and attract talented workforce (Alva, 2021). Overall, it can have a positive impact on the different stakeholders: consumers, employees, shareholders, and NGO's (Non-Governmental Organization).

ESG also has an impact on the employees. To shareholders, ESG is identified to limit the investment risks and improve long-term returns. Responsibility in investments is no longer treated as a "nice to have" strategy but more like a sound financial strategy.

The main purpose of ESG is to evaluate if the firm really puts sustainability and environmental practices above the profit making. However, the ESG is still a financially dominated management tool, and it cannot be ignored.

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It is argued that to implement ESG, can generate positive impact on five different areas:

- top-line growth,
- cost reductions,
- regulatory and legal interventions,
- increase productivity,
- investment, and asset optimization

Top-Line growth can be achieved by focusing on creating good and reliable sustainability practices, including good human resource practices. Well managed practices empower the customer relationship and improves the community and governance relations.

**Cost reductions (more refined way Cost optimisation)** can be reached with good planning of environmental awareness regarding energy, water, and waste management. Good practice in energy management, reduces overall energy use especially in the use of non-renewable energy as main source. Good waste management should follow the waste hierarchy where the goal is to prevent any waste to be formed.

Regulatory and legal interventions on the other hand can be achieved with good and open communication with regulators which can at its best gain competitive advantage by gaining subsidies from the governments. Moreover, highly motivated, and satisfied employees can strengthen the firm's total productivity level and should therefore not be treated as indifferent.

Increasing the company's awareness in environmental issues has positive impact on the shareholders and investments. Companies can build their environmental framework based on the ESG management tool, is that they can. The ESG provides all the essential framework tools for helping a firm to build its environmental program.

### **What similarities and differences are there between these two management tools?**

It goes without saying that both policies are highly related to each other. However, they both have their differences and special characteristics. Both management tools aim to adopt a set of policies and practices that have a positive impact on the world.. The main shift has been from the outward analysis into a more dynamic approach for both external and internal stakeholders.

The main differences between ESG and CSR is that ESG focuses on the quantitative, whereas CSR emphasises the qualitative side of environmental policy. Pivotal subject, which CSR focusses on, is corporate sustainability, which emphasises that the products and services a company produces are manufactured in environmentally and sustainable ways. In ESG this part is stressed in Environmental performance.

Whilst in CSR, firms not only have a liability towards its shareholder base but has in fact responsibilities towards other stakeholders such as: consumers, communities, and employees. In the ESG, this liability overlaps in both social and governance performance.

Corporate citizenship highlights the company's responsibilities towards the society Company applying corporate citizenship successfully sets standards to others of responsibility and ethical issues. In the ESG, corporate citizenship is tangled around the whole concept and companies are making it as centrepiece of their strategy.

Business ethics focuses on the broad concept of stakeholders, whereas the CSR focusses merely on the organizations obligations towards the society. These obligations are met via sustainability, consumer protection and corporate governance. On the other hand, the CSR is bound to laws and regulations set by the society.

Business ethics in ESG refer to the degree of risk management, which is related to bribery, corruption, money laundering and

defrauding. Additionally, business ethics covers the political involvement and lobbying. Both policies aim to make decisions based on ethically acknowledged ways. In the ESG ethical issues are more clearly presented, whereas in the CSR, they are more embedded into the decision-making process.

### Conclusion

Companies play a significant role in shaping our world. Therefore, it is evident that the costs and benefits of environmental integration into business which yet has been unfilled is large. Applying the ESG and or the CSR management tool, business managers can improve their understanding of the environmental and sustainable issues. We can conclude that without the CSR the ESG would not exist. **The greatest difference between these two policies is that the CSR aims to make business accountable whilst the ESG strives to make it measurable.** As presented in tables 1 and 3, we can conclude, that there are differences between these two management tools. Perhaps, one of the biggest differences between these two, is that the CSR is well-established and owns large theoretical background.

Foregoing discussions lead to a clear inference that ESG, is certainly a step ahead of Corporate Social Responsibility and ESG encompasses objectives of CSR initiatives.

# Delhi Metro: from lifeline to triple bottom line

**Mr. Amlan Shome**

Energy & Net-Zero | Clean-Tech | Sustainable Supply Chain | ESG Integration |  
Climate Communications | B2B Sales & Strategy

## 1. 'How much are you emitting' or rather say 'how much are you reducing'?

Delhi Metro commuters are now informed in real-time about the average reduction in carbon dioxide (CO<sub>2</sub>) emissions resulting from their metro journeys. The Delhi Metro Rail Corporation (DMRC) launched an innovative program last year, 'CarbonLite Metro Travel,' to educate passengers on their significant role in lowering carbon emissions by opting for metro trains instead of conventional road vehicles.

Aligned with the Indian government's environmental mission, 'Lifestyle for Environment' (LiFE), this initiative aims to inspire passengers to choose eco-friendly transportation, contributing to a cleaner and more sustainable environment. In support of India's target to achieve net-zero emissions by 2070, the initiative emphasizes the crucial role each citizen plays in addressing climate change through their transportation choices.

Supported by thorough research conducted by The Energy and Resources Institute (TERI) in Delhi, the initiative emphasizes that opting for metro travel over road vehicles leads to a substantial reduction of 32.38 grams of CO<sub>2</sub> emissions per kilometer. Prominent display of statistics related to CO<sub>2</sub> emissions reduction on both paper and mobile QR code-based tickets ensures widespread awareness of the positive impact of choosing sustainable public transport.

QR-based metro tickets proudly announce, "Congratulations! You are saving around xxxx gm CO<sub>2</sub>," based on the passenger's average travel distance, providing tangible evidence of their contribution to a greener future. These CO<sub>2</sub> savings are displayed and accumulated in the user's DMRC mobile app for all their metro journeys, enhancing their sense of environmental responsibility.

DMRC stands out as possibly the world's first metro service to introduce such a feature in its tickets, solidifying its reputation as a leader in sustainability within the global transportation landscape.

## 2. "Yay, your wallet has been credited with carbon credits!"

Delhi Metro achieved a significant global milestone by becoming the first metro or railway project worldwide to be recognized by the United Nations under the Clean Development Mechanism (CDM) for its pioneering Regenerative Braking Project in 2007.

Over a span of six years (2012-18), the Delhi Metro Rail Corporation (DMRC) has earned ₹19.5 crore from the sale of the 3.55 million carbon credits by investing in clean development mechanism projects. Total revenue generation from CDM and Gold Standard projects since inception has been ₹29.05 crore.

The Delhi Metro has registered four of its projects with United Nations Framework Convention on Climate Change (UNFCC). These are:



- Regenerative braking,
- Modal Shift,
- MRTS Program of Activities and
- Solar Project

The regenerative braking project, DMRC's inaugural CDM initiative, contributed ₹9.55 crore in earnings. Under this, the braking action of metro trains transformed into a power generation process. Three-phase traction motors, acting as generators during braking, produced electrical energy that fed back into the Overhead Electricity (OHE) lines. This regenerated energy was then utilized by other accelerating trains on the same service line, resulting in a remarkable 30% reduction in overall electricity consumption within the system.



Another key CDM project focused on modal shift since the inception of Delhi Metro operations. It emphasized that the carbon footprint associated with metro travel is considerably lower than equivalent journeys performed by alternative modes of transport.

Additionally, DMRC engaged in a solar project and a Program of Activities (PoA). Under PoA, DMRC offered CDM consultancy services to other metro systems in India since 2015, enabling them to earn carbon credits. Metro systems in Gujarat, Mumbai, Chennai, and others have already registered their projects under Delhi Metro's PoA initiative.

In 2014, Delhi Metro achieved recognition from the prestigious 'Gold Standard Foundation' in Switzerland, a globally accepted certification standard for carbon mitigation projects. The Metro successfully registered four projects with the Gold Standard Foundation.

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# “Standardization in ESG Rating in India: A New Dawn”

**Mr. Sunny Revankar**

**Understanding ESG and Sustainability**

Environmental, Social, and Governance (ESG) ratings have long played a role in the Indian market, but inconsistencies in methodology and data disclosure created challenges for investors and companies alike. The recent regulations from SEBI (Securities and Exchange Board of India) aim to address these concerns and usher in a new era of standardization for ESG ratings in India.

Prior to these regulations, each rating agency employed its own unique methodology and calculation structure, making it difficult to compare ratings across different providers. This lack of consistency cast doubt on the credibility of individual ratings, leaving investors unsure of which rating to trust. Furthermore, data inconsistencies added another layer of complexity. Companies disclosed ESG data according to their preferences, with some using varying terms for the same metrics (e.g., water withdrawal, cumulative water withdrawal or Operational water withdrawal). This hindered effective peer benchmarking and made it difficult to assess a company's true sustainability performance.

SEBI's Business Responsibility and Sustainability Reporting (BRSR) regulations mark a significant shift towards standardization. Companies are now mandated to disclose data in a standardized format, eliminating confusion and facilitating meaningful comparisons. Additionally, the BRSR Core framework requires independent assurance of critical data points, further enhancing the reliability of reported information. This move constitutes a masterstroke by SEBI, establishing a strong foundation for accurate and trustworthy ESG assessments.

Previously, comparing Indian companies to their international counterparts in terms of ESG performance was problematic due to differing disclosure requirements and data points. This meant that an Indian company with robust sustainability practices might receive a lower rating simply because it wasn't disclosing all the data required by global standards. SEBI's regulations address this disparity by mandating a separate "Core ESG Rating" for Indian companies based on the BRSR format. This ensures a level playing field for domestic companies and allows for fairer, more meaningful comparisons within the Indian market. While rating agencies are required to follow this standardized approach, they retain the flexibility to offer additional "Standard ESG Ratings" based on global benchmarks, catering to investors seeking a broader perspective.

In conclusion, SEBI's new regulations represent a transformative step towards standardization and transparency in ESG ratings for Indian companies. By establishing a common data format, requiring independent data assurance, and introducing a dedicated "Core ESG Rating," these regulations pave the way for a more robust and reliable ESG ecosystem in India. This benefits not only investors seeking informed investment decisions but also companies striving to showcase their commitment to sustainability practices and attract responsible capital. As India's economy continues to grow, standardized ESG ratings will play a crucial role in driving sustainable development and responsible business practices across the nation.

# OTHER READINGS



**ICMAI Social Auditors Organisation**

(A Section 8 Company promoted by The Institute of Cost Accountants of India)



# Social Audit Tool Handbook

*Using the Social  
Audit to Assess the  
Social Performance  
of Microfinance  
Institutions*

**April 2008**

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# The Social Audit Tool

## WHAT IS THE SOCIAL AUDIT TOOL?

Most MFIs have a social mission. Social missions can take a variety of forms and include, for example: extending financial services to under-served areas or to persons previously excluded from the formal banking sector, supporting micro and small enterprises, promoting corporate social responsibility, protecting the environment, contributing to gender equity, reducing poverty or vulnerability among the poor, bringing marginal groups into mainstream society, or facilitating job creation.

The SAT is a practical tool designed to enable MFIs to assess whether they are fulfilling their social mission and to determine how they can improve social mission fulfillment over time. The SAT achieves this purpose through the transparent disclosure of social performance to stakeholders in a way that both increases the MFI's social accountability to its stakeholders and that provides useful information for improving the effectiveness of internal processes aligning organizational performance with social mission.

## WHAT IS SOCIAL AUDITING?

The precise definition of social auditing varies depending on the person or organization. Common to these different definitions, however, is the basic concept that social auditing is a process by which an organization accounts for its social performance to its stakeholders and seeks to improve its future social performance. (See Box 1 for alternative definitions of social auditing.)

## CHARACTERISTICS OF THE SOCIAL AUDIT

The social audit is similar to the financial audit, but whereas the former is directed towards the recording, processing, summarizing, and reporting of financial data, the latter is directed towards the recording, processing, summarizing, and reporting of social data. The two differ further in that stakeholder engagement is much more integral to the social audit. A principal purpose of the social audit is to determine how its diverse stakeholders (e.g., management, board of directors, staff, customers, suppliers, community members, policymakers, etc.) view the organization's social performance.

Although the content and scope of the social audit can vary, it possesses (at least) six common characteristics: it is multi-perspective, it facilitates comparisons to norms

## Box 1 | Alternative Definitions of Social Auditing

*SEEP Social Performance Glossary*: "An examination of the records, statements, internal processes, and procedures of an organization related to its social performance. It is undertaken with a view to providing assurance as to the quality and meaningfulness of the organization's claimed social performance." ([www.seepnetwork.org/content/library/detail/4728](http://www.seepnetwork.org/content/library/detail/4728))

*The Social Economy Network*: "Social Auditing is a process which enables organizations and agencies to assess and demonstrate their social, community and environmental benefits and limitations. It is a way to measure the extent to which an organization lives up to the shared values and objectives it has committed itself to promote." ([www.socialeconomynetwork.org/](http://www.socialeconomynetwork.org/))

*The New Economics Foundation*: "Social auditing is the process whereby an organization can account for its social performance, report on and improve that performance. It assesses the social impact and ethical behavior of an organization in relation to its aims and those of its stakeholders." ([www.neweconomics.org/gen/](http://www.neweconomics.org/gen/))

*Social Enterprise Partnership*: "Social Auditing is a method for organizations to plan, manage and measure non-financial activities and to monitor both the internal and external consequences of the organization's social and commercial operations." ([www.sepgb.co.uk/](http://www.sepgb.co.uk/))

*InterPraxis*: "Social Accounting and Auditing is a way of measuring and reporting on an organization's social and ethical performance. An organization which takes on an audit is transparent and makes itself accountable to its stakeholders." ([www.interpraxis.com/](http://www.interpraxis.com/))

*Social Audit Network*: "Social Accounting and Audit is a process to create a flexible framework which enables the organization to account fully for its social, environmental and economic impact, to report on its performance, and to provide the information essential for planning future action and improving performance." ([www.socialauditnetwork.org.uk/](http://www.socialauditnetwork.org.uk/))

and benchmarks, it is comprehensive, it aims to integrate (or embed) SPA in organizational processes, it strives for credibility, and it is transparent (see Box 2.)

### USES OF THE SOCIAL AUDIT

The social audit has a number of potential uses. These uses include the following.

1. It monitors social and ethical impact and performance of the organization and its impact on stakeholders.
2. It determines how well the organization is living up to the mission and values it espouses.
3. It provides a basis for shaping management strategy in a socially responsible and accountable way and to identify opportunities and potential problems before they arise.
4. It facilitates organizational learning on how to improve social performance.
5. It facilitates the strategic management of organizations, including concern for their influence and social impact on organizations and communities.
6. It informs the community, public, other organizations and institutions about the allocation of their resources invested in the organization.
7. It increases the organization's accountability to the groups it serves and on which it depends.

### BENEFITS OF THE SOCIAL AUDIT

The social audit produces a number of potential benefits derived from its various uses. These benefits include the following.

## Other Readings

1. It enhances organizational reputation. By demonstrating its social performance and its commitment to social objectives, the organization enhances its reputation among and gains political capital with stakeholders.
2. It alerts the board and management to stakeholder trends. Stakeholder trends present both opportunities and threats that must be addressed to enhance social (and financial) performance while avoiding brand damaging public relations crises.
3. It affects positive organizational change. Information on social performance allows management to take constructive action to improve it.
4. It increases accountability. The social audit entails more than simply assessing social performance. It entails as well a process for reporting on social performance to stakeholders and responding to their concerns. Much as the financial audit is a means to hold the organization accountable to its shareholders, the social audit is also a means to hold the organization accountable to its shareholders.
5. It assists in re-orienting and re-focusing priorities. Information on social performance is useful to help the organization manage any tension between financial and social objectives or alternatively tensions between competing social objectives.
6. It provides increased confidence in social areas. Social auditing offers a road map on how to move forward productively on social issues and for addressing/managing stakeholder concerns.
7. It improves financial performance. Social and financial objectives are not necessarily in tension but are frequently mutually supportive. The social audit process and the resulting social information develop the organization's capacity to manage diverse stakeholder needs and identify threats and

### Box 2 | Characteristics of the Social Audit

*Multi-perspective:* The social audit aims to reflect the views of all the stakeholders involved with or affected by the organization.

*Comparative:* The social audit provides a means whereby the organization can compare its own performance year to year and against appropriate external norms or benchmarks (and potentially also provide for comparisons to be made between organizations doing similar work and reporting in similar fashion).

*Comprehensive:* The social audit aims to report on all material aspects of the organization's social performance.

*Integrated:* The social audit aims to produce social accounts on a regular basis such that the concept and practice become embedded in the culture of the organization.

*Credible:* The social audit ensures that the social accounts are audited by a qualified social auditor (or assurance provider) independent from management and with no vested interests in the outcome of the audit.

*Transparent:* The social audit ensures that the audited accounts are disclosed to stakeholders and the wider community in the interests of transparency and accountability.

opportunities, while equipping the organization with the information to identify and tap into the synergies between financial and social considerations.

8. It permits stakeholders to have a say in the organization and its policies and behaviors.
9. It allows the organization to report on its achievements based on verified evidence rather than on anecdotes and unsubstantiated claims.

## THE SAT METHODOLOGY

The SAT uses two separate but mutually supportive approaches: process auditing and social accounting.

### Process Auditing

The SAT uses a process auditing approach to assess social performance in reference to the MFI's stated social mission. The process audit answers the following question: To what degree do the internal processes (or systems) promote fulfillment, or lack of fulfillment, of the MFI's stated social mission?

The process auditing approach used by the SAT involves an in-depth assessment of six internal processes considered critical to determining the MFI's social performance:

1. Mission statement and management leadership
2. Strategic planning
3. Customer service
4. Monitoring systems
5. Recruitment and training
6. Incentive systems

These six internal processes are common to all MFIs, thereby making possible comparisons across MFIs and to established standards or benchmarks. The above six internal processes do not constitute an exhaustive list of internal processes. Rather it was necessary to limit the scope of the social audit in order to keep it cost-effective, and the above six internal processes were judged to be the most important in terms of their impact on social performance.

In addition to the six internal processes, the SAT also assesses the MFI's performance in relation to its Corporate Social Responsibility (CSR). CSR is the predominant framework for understanding and assessing social performance in the mainstream financial sector. For the most part, social performance assessment in microfinance has focused on assessing actual social performance (impact) and, short of that, on assessing indicators (or proxies) for impact. CSR has played a very small role so far in this discussion.

The decision to use a process auditing approach stems from the methodological difficulty, high cost, and interpretation difficulties (e.g., What does it mean if client social outcomes are improving at one MFI in one country but worsening at another MFI in another country?) of measuring actual social outcomes. The assumption underlying the process audit is that the soundness of internal processes is a reasonably reliable proxy for actual social performance. Stated in other words, assessment

### Box 3 | Rationale for Including the Six Internal Processes and CSR in the SAT

*Mission, Communication and Management Leadership:* The mission statement is an explicit expression of the MFI's purpose and values. MFIs with an explicit and clear mission statement will tend to be more effective in fulfilling their social mission. Not only should the MFI's mission be stated explicitly and clearly, it should also be communicated clearly and consistently reinforced down the hierarchical ladder. A mission statement that is not communicated or reinforced will exert little to no influence on organizational culture or performance. Management is primarily responsible for the clear articulation, communication, and reinforcement of the MFI's social mission. Active, committed, and consistent management leadership is necessary to transform social mission from mere words into institutional action.

*Strategic Planning:* Strategic planning is a process that includes, among other things, establishing organizational priorities, setting performance goals, establishing action plans, and devising criteria to assess fulfillment of performance goals. The strategic plan specifies the objectives the MFI will pursue during the coming year or years and the activities associated with those objectives. Notwithstanding an MFI's rhetorical commitment to its social mission, the inclusion, or non-inclusion, of social considerations in strategic planning is one of the clearest signals of the relative importance the MFI attaches to its social mission.

*Customer Service:* Customer service is defined as the set of activities related to the assessment and serving of customer needs and the quality of actual service delivery. Regardless of an MFI's social mission, its social impact will be greater, all else equal, the better the quality of its customer service. Of particular interest is the extent to which the MFI attempts to reach its target market; assess customers' needs and wants; the extent to which this information is incorporated in the design of its products, services, and organizational policies; and the emphasis the MFI places on customer service quality.

*Monitoring Systems:* Monitoring tells the MFI whether it is on the right track with regards to its social mission and social objectives. In this context, monitoring does not mean a one-off activity, but it implies an ongoing process. It entails the routine collection of information for the purpose of comparing performance to organizational mission and objectives. It may (and usually does) imply integration into some kind of MIS. It may also include systematic or periodic market research or other types of client assessment activities including, for example, periodic customer satisfaction surveys or focus group discussions, exit surveys, market studies, or other methods of formal client feedback.

*Recruitment and Training:* Recruitment and training (including new hire training and on-going training) offer the MFI excellent opportunities to communicate and reinforce the social mission to management and staff. Recruitment includes both hiring and promotion. Generally, the hiring and promotion process affords the MFI the opportunity to screen for candidates who possess the personal outlook, values, and skills consistent with the MFI's social mission, and it sends messages to other management and staff about organizational priorities. The MFI's commitment to its social mission is also reflected in the type of training it offers staff. New hire training is important not only for developing the desired skill set but also for inculcating the desired values and attitudes. Ongoing training plays an equally important role in reinforcing the desired values and associated behaviors, and in correcting noted deviations.

*Incentive System:* The incentive system influences attitudes, values, and behavior within the MFI. It is axiomatic that people respond to incentives, such as a performance bonus system. An incentive system that rewards management and staff for attitudes and behaviors consistent with social mission will prove powerful in promoting it. In contrast, an incentive system that ignores social performance is much less likely to produce attitudes and behaviors consistent with social mission. It may even produce behaviors and outcomes contrary to social mission. For example, an incentive system that disproportionately rewards portfolio growth may encourage loan officers to abandon poorer borrowers, who constitute the MFI's primary target market, to move up-market where they can make bigger loans.

*Corporate Social Responsibility:* Generally, CSR refers to a company's obligation to be accountable to all of its stakeholders in all its operations and activities with the aim of achieving sustainable development not only in the economical dimension but also in the social and environmental dimensions. (Sustainable development refers to meeting today's needs without compromising the ability of future generations to meet their needs as well.)

of internal processes allows social auditors to estimate with a high degree of reliability the likelihood that the MFI fulfills its social mission now and over the long-term.

The decision to incorporate CSR principles into the SAT reflects two considerations: (1) internal and external forces over time are expected to push the microfinance sector to align its approach to social performance with triple bottom line (TBL) approaches in the mainstream financial sector where CSR (and specifically the GRI) is the dominant TBL framework and (2) CSR captures important dimensions of social performance that are important in understanding an MFI's overall social impact. (Box 3 provides a brief rationale for including each of these six internal processes and CSR in the social audit. The Discussion Guide found below offers a more in-depth rationale for each.)

#### Social Accounting

In addition to the process audit, the SAT includes a review and evaluation of the MFI's social accounts. Social accounts consist of any information related to the MFI's social performance. The process of reviewing and evaluating social accounts is referred to as social accounting.

To the extent the MFI has produced social accounts (e.g., collected or monitored certain social indicators; carried out or sponsored impact assessments, poverty assessments, or other evaluations; conducted client exit or satisfaction research; etc.), the auditors will evaluate the credibility and materiality of the social accounts and describe their implications for the MFI's overall social performance in the final social audit report.

#### Purposes, Method, and Approach of the SAT

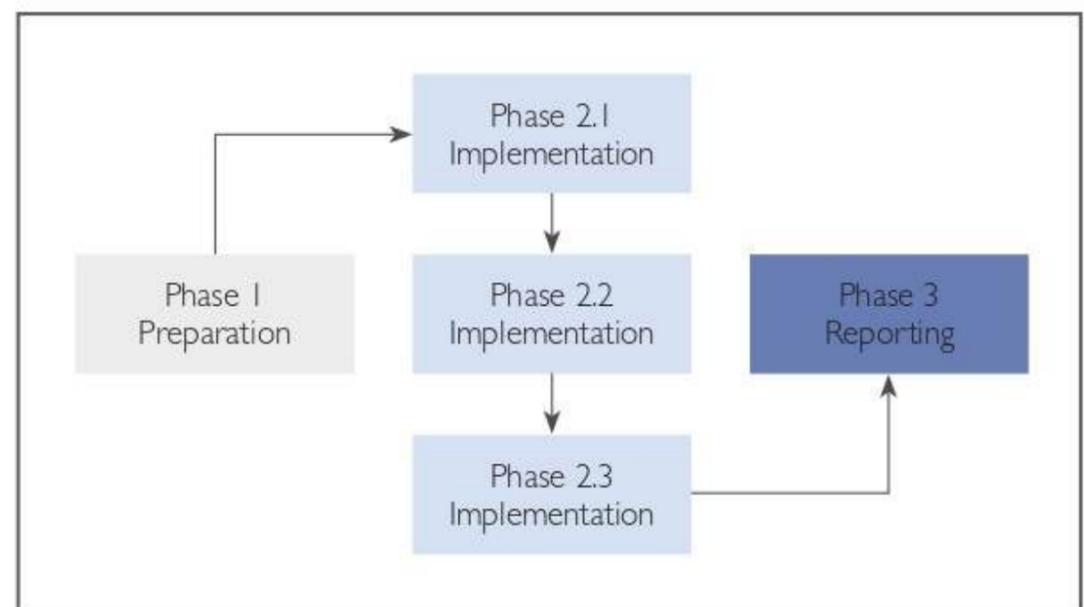
Taking all of the above into account, Box 4 summarizes the purpose, method, and approach of the SAT.

### Box 4 | Purpose, Method, and Approach of the SAT

*End Purpose:* Improve the social performance of microfinance institutions.

*Method:* The transparent disclosure of the MFI's social performance to its stakeholders that (1) is based on diverse stakeholders' perspectives, (2) increases the MFI's social accountability to its stakeholders, and (3) provides useful information regarding operational or policy options for aligning social performance with institutional mission.

*Approach:* Assesses the degree to which key internal processes promote fulfillment of the MFI's social mission, and assesses the credibility and materiality of an MFI's social accounts and their implications for the MFI's social performance.



**Figure 1. Three Phases of SAT Implementation**

## IMPLEMENTING THE SAT

The SAT has three distinct phases: Preparation Phase, Implementation Phase, and Reporting Phase (see Figure 1).

### Preparation Phase

Prior to conducting the social audit, the social auditor will request the subject MFI to submit all information related to the MFI's social accounts. These include both internal and external documents in its possession. The auditor should also search for relevant public access documents. Information sought at this stage includes:

- mission statement, vision statement, values statement, and description of strategic objectives
- annual reports or equivalent documents
- marketing, impact, or social performance assessment activities undertaken along with any reports resulting from those activities
- products and services offered, along with related terms, conditions, and policies
- description of management information systems (MIS)
- human resource policies
- CSR policy
- codes of conduct

Much of the above information can be found in a few internal documents, such as the Operations Manual, Human Resource Manual, MIS Manual, or Strategic Plan. The social auditor will next review this information and make note of items that require clarification or follow-up during the social audit, including information gaps and surprising or notable items.

### Implementation Phase

The Implementation Phase takes place in the field and has three parts. The first part consists of in-depth, semi-structured interviews with management

## Box 5 | The Social Audit Panel

The social audit panel consists of approximately 5-8 stakeholders drawn from the ranks of the Board of Directors, senior management, field management, field staff, and other stakeholders specifically identified by the MFI. The panel is convened and led by a Panel Chair, usually the Managing Director, a member of the Board, or the Executive Director. Panel members might include, for example, the Managing Director, other Board member, the Executive Director, selected members of the senior management team, Regional Managers, and selected field staff.

In preparation for the panel meeting, the social auditor submits a draft social audit report to each panel member for review. The draft report includes (1) a description of all activities undertaken during the social audit, including a full list of persons consulted; (2) a description of social accounts examined together with an opinion of their credibility and materiality; (3) a summary of key audit findings; and (4) recommendations for addressing issues identified.

The panel meeting is expected to last from 2-3 hours. Its purpose is to review and discuss the draft report and determine next steps. The social audit panel is intended to provide a forum in which diverse perspectives representing different stakeholder groups can be brought into the open for joint consideration. The discussion will highlight areas of agreement and disagreement among stakeholders (and with findings in the draft report) and work toward developing a consensus for resolving disagreements and moving forward. Decisions resulting from this process are (presumably) granted greater legitimacy and support that would they be if they were handed down from above. It is the Panel Chair's responsibility to ensure that the discussion is open and that all participants contribute actively to it.

In particular, the following are expected outcomes from the social audit panel meeting:

- Identify key audit findings.
- Identify issues to be addressed from among audit findings.
- Prioritize issues to be addressed.
- Determine an action plan and timeline to address prioritized items.
- Suggest revisions to the social audit report and timeline for submitting the final report. (A member of the social audit team is assigned to take detailed minutes of the panel proceedings. The minutes form the basis for the revised report.)

(HQ and field), staff (HQ and field), Board members, and other stakeholders as appropriate. Some of the interviews may need to be conducted via phone or other means depending on the intended interviewee's availability.

The second part of the Implementation Phase consists of reviewing existing social accounts and the social accounting system with relevant members of the MFI management team and staff. Issues considered during this review include the sources of the social accounts, the methodology used to create them, and their content. Assessment of these issues allows the social auditor to make an informed judgment as to the credibility and materiality of the social accounts and their implications for the MFI's social performance.

In the third part of the Implementation Phase, the social audit team prepares a draft final report that it presents to a meeting of the social audit panel at the conclusion of the social audit (see Box 5). During this meeting, the social audit panel is given the opportunity to comment on and discuss the draft report. The meeting is also intended to give the social audit panel the opportunity to discuss the implications of the report for operations, policies, products, etc. and measures for addressing them.

## Other Readings

The social auditor is expected to play an active role in helping members of the panel highlight, prioritize, and plan measures to address issues identified in the social audit.

### Reporting Phase

At the conclusion of panel meeting, the social auditor prepares the final audit report. In addition to the items 1-4 listed in Box 5, the final audit report will include a summary of the panel meeting discussion and resulting action plans. On completion, the auditor sends the final report and action plan to the Panel Chair for final approval. (The Panel Chair may decide to send the report to other panel members for final review and comment.)

### THE SOCIAL AUDITOR

The social auditor is responsible for carrying out the social audit, either alone or with other social auditors as part of a social audit team. See Box 6 for a description of the characteristics of a social auditor.

Persons possessing the above characteristics may be internal or external to the MFI. Internally, the MFI could create a social auditor position or a social audit unit or add social auditing to the existing responsibilities of the internal auditor or internal audit unit. External options could include a microfinance network offering social audits to member MFIs, using a team of trained social auditors as one of the services to network members; or hiring an independent social auditor that contracts with MFIs.

The SAT Handbook does not recommend one alternative over another. The end objectives are the widespread adoption and use of the social audit, whichever method or combination of methods is used.

### Box 6 | Characteristics of the Social Auditor

**Unbiased and Independent:** The social auditor should have no stake in the outcome of the audit and should be totally independent of management.

**Expertise in Social Auditing:** The social auditor should be someone who specializes in conducting social audits with the appropriate training and experience.

**Inquisitiveness Coupled with a Healthy Skepticism:** Social auditing is more art than science. It requires someone unwilling to accept things at face value and capable of digging down deeper to uncover what lies below the surface.

**Ability to Understand Programs in their Wider Social Context:** Social performance must be understood within the context of a diverse stakeholders and a diverse set of perceptions, values, objectives, etc. An effective social auditor must be both willing and able to consider a variety of sources and perspectives to paint a more comprehensive portrait of social performance.

### Content of the Discussion Guide

The remainder of the SAT Handbook is a Discussion Guide offered to help users prepare for and implement the SAT. The Discussion Guide provides suggestions for gathering the information necessary to assess the six internal processes and the MFI's corporate social responsibility. The Discuss Guide is divided into seven sections, one each for the six internal processes and one for CSR. Each section includes an in-depth rationale for including the item in the SAT and a discussion guide table.

*By engaging in discussions with multiple stakeholders at multiple levels, the social auditor will be able to piece together an accurate picture of what is happening in the MFI and the prospects that the MFI will fulfill its social mission.*

# Discussion Guide for Conducting a Social Audit

The first column of each discussion guide table identifies the information that the social auditor wants to request from the respondent. The second column frames the request as a question. There is any number of ways to frame the questions, the questions found in column two are therefore offered as examples only. Column three provides a brief rationale for the information sought, and it provides additional suggestions for getting at the information. Of course, the issues and questions included in the Discussion Guide are intended as a guide only; the social auditor is free to add to or subtract from them as he or she sees fit.

It is expected that before conducting any interviews, the social auditor thoroughly review the documents submitted during the Preparation Phase. These documents will aid in guiding the discussions in terms of, for example, which questions to ask and where to probe for further information. The social auditor is further expected to refer to the information in these documents as necessary during the interview and to use the information therein as a check for the information given by interview respondents.

The reader will note that many of issues covered in the Discussion Guide ask for the respondent's subjective perceptions of conditions, policies, behaviors, etc. at the MFI. Such subjective perceptions are to be viewed skeptically. This does not mean that the social auditor should disbelieve them, but rather that the social auditor should seek confirmatory information from other sources. The social auditor arrives at "truth" in the social audit through the process of triangulation. By engaging in discussions with multiple stakeholders at multiple levels, the social auditor will be able to piece together a reasonably accurate picture of what is happening in the MFI and the prospects that the MFI will fulfill its social mission both at present and over the long-term.

## Probing Questions

The third column in the Discussion Guide table refers frequently to the need to probe further to uncover information. In this light, it is essential that the social auditor develop and practice the art of the probing question. Probing questions are, in essence, follow-up questions that ask for additional information, request the person expand on what he or she has said, or ask the person to go deeper.

Using probing questions can be helpful in increasing understanding, since most people need to be encouraged to go beyond what they have said to help someone

understand their deeper feelings, and opinions. In all cases, the social auditor should probe to get the respondent to provide specific examples of policies, actions, statements, etc. that demonstrate the point he or she is trying to make.

There are three broad types of probing questions:

1. Rational probes request reasons using short questions such as “why,” “how,” “when,” “who,” or “how often.”
2. Clarifier probes are used to qualify or expand on information provided in a previous response using questions such as “what was the result,” “who else was involved,” “what happened next,” “how did others respond,” and so forth.
3. Verifying probes check on the honesty/veracity of a statement using questions such as “do you have documents to back this up,” “would others agree with you,” “who else would know about this,” and so forth.

When trying to dig deeper, there are a number of probing techniques one can use, as summarized in Box 7.

#### Social Audit Participants

The social auditor will want to interview, at a minimum, the Executive Director of the MFI, all other members of the senior management team (e.g. Operations Manager, Finance Manager, Human Resource Manager, and MIS Manager), administrative support staff to the Executive Director and senior management team, selected Board members, selected Regional Managers, and selected field staff. The social auditor may also interview other stakeholders, such as clients (either individually or in groups), donors, or investors, as deemed appropriate. Certain persons may not be available in country during the social audit (Board members, for example, may reside in separate countries), in which case it will be appropriate to conduct phone interviews.

The Discussion Guide does not specify which questions should be asked of which persons. Rather it is expected that most questions will be asked of a number of interviewees at different organizational levels. The questions may have to be adjusted to reflect the position, background, and level of knowledge of the interviewee, but there are few questions, if any, that are targeted to a single respondent. It is up to the auditor’s discretion to match the questions to the respondent, and it is likely that this will be different for each social audit.

#### MISSION STATEMENT AND MANAGEMENT LEADERSHIP

##### Rationale

The mission statement is an explicit expression of the MFI’s purpose and values. MFIs with an explicit and clear mission statement will tend to be more effective in fulfilling their social mission. Not only should the MFI’s mission be stated explicitly and clearly, it should be communicated clearly and consistently

## Box 7 | Examples of Probing Techniques

*Clarification:* When respondents are vague or have not given enough information, seek to further understand them by asking for clarification. For example:

- What exactly did you mean by [XXX]?
- What, specifically, will you do next week?
- Could you tell me more about [XXX]?

*Purpose:* Sometimes respondents say things where their purpose is not clear. Ask them to justify the statement, or dig for underlying causes. For example:

- Why did you say that?
- What were you thinking about when you said [XXX]?

*Relevance:* If respondents are going off topic, check whether their responses are relevant to the main purpose of inquiry. For example:

- Is that relevant to the main question?
- How is this related to what I asked?

*Completeness and accuracy:* Sometimes people make genuine errors, or they withhold, intentionally or otherwise, pertinent information. Check whether the respondent is giving a full and accurate account by probing for more detail and checking it against other information. For example:

- Is that all? Is there anything you have left out?
- How do you know that is true?
- How does that compare with what you said before?

*Repetition:* One of the most effective ways of getting more detail is simply by asking the same question again, either using the same words as before or by rephrasing the question. For example:

- What happened next? ...And what followed after that?

Another method is to repeat what the respondent said (a so-called “echo question”), perhaps with emphasis on the area where more detail is wanted. For example:

- You say the incentive system has been ineffective?

*Examples:* When respondents talk about something vaguely, it often helps to ask for specific examples. For example:

- Sorry, I do not understand. Could you help by giving an example?
- Could you give me an example of when you did [XXX]?
- Tell me more about a time when you \_\_\_\_.

*Extension:* When respondents have not provide enough information about something, ask them to say more. For example:

- Could you tell me more about that, please?
- And what happened after that?

*Evaluation:* To discover both how judgmental respondents are and how they evaluate, use evaluative questions. For example:

- How good would you say it is?
- How do you know it is worthless?
- What are the pros and cons of this situation?

*Emotional:* To assess how respondents feel about something or to otherwise assess emotional state, ask them directly how they feel. For example:

- And how did you feel about that?

reinforced down the hierarchical ladder. A mission statement that is not communicated or reinforced will exert little to no influence on organizational culture or performance.

Management is primarily responsible for the clear articulation, communication, and reinforcement of the MFI's social mission. Active, committed, and consistent management leadership is necessary to transform social mission from mere words into institutional action. A large body of empirical research on organizational change shows that senior management is perhaps the single most important determinant of institutional culture. The relevant research findings make it plain that management is primarily responsible for (1) communicating a clear and consistent message, (2) defining clearly what this means in terms of behavior by organizational members, (3) linking these behaviors to specific outcomes, (4) prioritizing critical areas for change, and (5) connecting rhetoric to practice by behaving visibly in a manner consistent with organizational mission.

The USAID social audit tool uses the MFI's own social mission as the criterion against which to assess its social performance. Given this, a critical first step in the social audit is to arrive at a clear and distinct description of the social mission that can be used as a performance baseline. This can be more complicated than it appears.

To begin with, the MFI may or may not have a specific social mission. Often the MFI will have only a general mission statement from which a social mission can be inferred. In some cases, however, a social mission may not be inferred from the general mission statement. For example, the mission statement may say something generic like "To provide high-quality and sustainable financial services." Or the social mission might be so broad or utopian that it does not lend itself to operationalization. An example of the former might be "To improve the economic and social well-being of society," whereas an (admittedly extreme) example of the latter might be "To create a world in which everybody can live in peace and harmony."

In addition to a Mission Statement, MFIs may also have a formal Vision Statement and/or Values Statement. In these cases, the Vision and Value Statements can offer a better understanding of the MFI's social mission. Vision and Value Statements can also often yield standards that can be put into practice against which to compare organizational performance.

In any case, it is up to the social auditor to determine specific social mission of the MFI. (If the MFI does not have a social mission, it is not a candidate for a social audit.) A formal mission statement—even if it is clear, distinct, and operationalizable—will not provide the level of understanding necessary to conduct the social audit. Thus, a first task in the social audit is to meet with senior management to clarify or determine the MFI's social mission, vision, and values. In subsequent interviews with MFI other managers, directors and, staff, the auditor will assess how effective management has been in communicating and reinforcing the social mission and the degree to which staff understand and have internalized it.

### Discussion Guide for Mission Statement and Management Leadership

Objective	Sample Questions	Justification and Suggestions
Determine the level of awareness and support for the social mission.	Please recite or paraphrase the mission social mission.	Shows how effectively the social mission has been communicated.
	What does the social mission mean to you?	Can compare responses to see if there exists common understanding of what the mission statement means.
	Do you agree with the social mission?	Shows level of acceptance of mission, vision, or value statement. The respondent is likely to express agreement. Follow-up with probing questions to try to determine the respondent's true feelings and perceptions.
	How is the social mission applied in practice?	If the social mission has operational force, the respondent should be able to cite specific examples of how it is applied in practice.
Determine the extent to which senior management and Board members have exerted leadership in the area of social performance.	How is management communicating and reinforcing the social mission?	The social mission will have operational force to the extent management effectively communicates and reinforces it. The respondent should discuss not only what, but also how, when, and to whom.
	How does senior management behave in a manner consistent with the social mission?	<p>The effectiveness of management's communication and reinforcement of the social mission depends to a large degree on the extent to which staff perceives management's behavior to be consistent with it.</p> <p>This can be ascertained, for example, by asking respondents directly whether and how senior management behaves consistently with the social mission. Other evidence can be found in how senior managers treat staff and clients, what they do or say in informal settings, the manner and extent to which they interact with staff and are open to feedback, the manner in which they communicate important messages to staff, the extent to which policy changes and announcements reflect sympathy or understanding of target clients, etc.</p> <p>It may require persistent probing to get past respondents' understandable hesitation to giving honest opinions on senior managers or to get senior managers to honestly assess their own performance.</p>
Determine the extent to which management's efforts to communicate and reinforce the social mission is effective.	How effective have been management's efforts to communicate and reinforce the social mission?	<p>There is no guarantee that even an active and committed effort to communicate and reinforce the social mission will be effective. If management's efforts have been effective, the respondent should be able to cite specific examples.</p> <p>It may require persistent probing to get past respondents' understandable hesitation to giving honest opinions on senior managers or to get senior managers to honestly assess their own performance.</p>
Determine whether and the extent to which field managers and field staff have internalized (adopted) the social mission.	What importance does the social have in the motivating your behavior and that of other persons in your organization?	<p>An important indicator of the effectiveness of the communication and reinforcement activities is the extent to which behavior of MFI management and staff is influenced by the social mission.</p> <p>It will be helpful to discuss the various factors that motivate staff behavior and their relative importance. Examples include financial incentives, portfolio growth, portfolio quality, social or peer pressure, internalization of organizational mission, and so forth.</p>

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## RECRUITMENT AND TRAINING

## Rationale

Recruitment and training (including new hire training and on-going training) offer the MFI excellent opportunities to communicate and reinforce the social mission to management and staff. Recruitment and training are also an integral part of the socialization process (e.g., the transmission of shared values) that must take place in order to create an organizational culture supportive of social mission fulfillment.

The MFI's promotion policy falls under this category. Like recruitment and training, promotion offers the MFI the opportunity to reinforce and engrain the social mission, and related values, in organizational culture. Who the MFI promotes or hires into management positions (including headquarters and field positions) sends a message to other management and staff.

Generally, the recruitment and promotion process affords the MFI the opportunity to screen for candidates who possess the personal outlook and values consistent with the MFI's social mission and who are committed to it. Hiring or promoting the "wrong" persons (e.g., weak or non-existent commitment to social mission) can prove detrimental to creating an organizational culture supportive of social mission. It can prove disastrous if the wrong person is promoted to senior management. Conversely, hiring or promoting the "right" persons (e.g., strong commitment to social mission) can be instrumental to creating a supportive organizational culture.

The MFI's commitment to its social mission is also reflected in the type and content of training it offers both new hires and existing staff. Training is important not only for developing the desired skill set but also for inculcating the desired values and attitudes. Giving due weight to social mission during the new hire training gets new hires off on the right foot and lays the foundation on which successive efforts to communicate and reinforce social mission can build upon. It is easier to transmit the desired values and attitudes at this stage than it is later once the staff member has internalized a different set of values and attitudes.

Ongoing training plays an equally important role in reinforcing the desired values and attitudes, and associated behaviors, and in correcting noted deviations. In addition, to noting the extent the MFI integrates social considerations into its training activities, the auditor will also want to make note of the content of the training and the degree of emphasis social performance is given.

This is not to suggest that social performance should dominate all training activities, or necessarily that all training should integrate social performance into the curriculum. It does suggest, however, that, where feasible, social performance should be integrated into the MFI's training process and be given reasonably prominent standing. If it is not, staff will pick up on this omission; whereas if it is, staff will pick up on its inclusion. The former is ultimately detrimental to social mission fulfillment; the latter is ultimately beneficial.

## Discussion Guide for Recruitment and Training

Objective	Sample Questions	Justification and Suggestions
Determine whether and to what extent social considerations are important in the hiring and promotion process.	How is the social mission addressed in hiring and promotion of managers and field staff?	<p>The social mission will have greater operational force if it is explicitly considered in hiring and promotion.</p> <p>If it is explicitly considered, the respondent should be able to cite specific examples. Ask the question separately for hiring and promotion.</p> <p>If the social mission is not addressed or is given low priority, probe to determine why.</p>
Determine whether and to what extent social considerations are important in staff training.	How is the social mission addressed in staff training?	<p>The social mission will have greater operational force if it is explicitly considered in staff training.</p> <p>If it is explicitly considered, the respondent should be able to cite specific examples. Probe to find out what specific social issues in are covered in the training.</p> <p>If social mission is not addressed or is given low priority, probe to determine why.</p> <p>Probe to construct a complete list of in-class and field training for new hires and existing staff, including topic, number of times offered, where, when, who, etc. Next determine what role social considerations play in each type of training activity.</p>
	What priority is the social mission given in staff training?	<p>Even if social issues are addressed in staff training, they may or may not be given a very high priority.</p> <p>Social issues need not be (and are unlikely to be) given as high a priority as other issues, but they should be given a “reasonably” high priority relative to other issues covered. Probe to determine the relative weight given to social issues in the training.</p>
Determine the effectiveness of the social messages communicated in staff training.	How effective is this training related to social mission?	<p>Effective training on social issues should result in observable impacts on staff attitudes, values, speech, behavior, etc.</p> <p>Probe to find out how the social training affected the respondent’s thinking or behavior and that of his or her peers. Do they, for example, talk among themselves about social issues? Did they, or did any of their peers, change their behavior as a result? Have they become more observant of how certain policies affect social performance? Are they more supportive of the social mission? Etc.</p>

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## INCENTIVE SYSTEMS

### Rationale

Incentive systems do as much or more than anything to influence attitudes, values, and behavior within the MFI. It is axiomatic that people respond to material incentives, such as a performance bonus system. An incentive system that rewards management and staff for attitudes and behaviors consistent with social mission will prove powerful in promoting it.

In contrast, an incentive system that ignores social performance is much less likely to produce attitudes and behaviors consistent with social mission. It may even produce behaviors and outcomes contrary to social mission. For example, an incentive system that disproportionately rewards portfolio growth may encourage loan officers to abandon poorer borrowers, who constitute the MFI's primary target market, to move up-market where they can make bigger loans.

Installing a supportive incentive system is a relatively unambiguous statement of managerial values that connects rhetoric to practice. Incentive systems in turn both reflect and affect shared values and behavioral norms within an organization. In the first sense, it goes to the old adage "you measure what you value." This may sound like a cliché, but it is true nonetheless. In the second sense, the incentive system strongly influences value acquisition internalization, which in turn shapes behavioral norms. A supportive incentive system might, for example, base management and employee compensation on outreach indicators, drop out rates, portfolio distribution (e.g., the percentage of loans made to particular target clients), or to indices of customer satisfaction. It might also reward employees with cash or in-kind bonuses for customer-oriented suggestions that are implemented by the MFI.

The social auditor is concerned first with the design and implementation of the incentive system. Often, there will be separate incentive systems for field staff and management and a separate incentive system for different management levels. The auditor is next concerned with how the incentive system provides or fails to provide the desired behavioral incentives. In general, the auditor is looking to identify the incentives (regardless of source) to which staff and management respond, the relative strength of those incentives, what types of behavior they encourage, and the degree to which this behavior is supportive, or not supportive, of the MFI's social mission.

### Discussion Guide for Incentive Systems

Objective	Sample Questions	Justification and Suggestions
Ascertain details about the management and staff incentive systems.	Please describe the incentive system and how it applies to you.	It is necessary to understand the details of the incentive system to understand how it influence management and staff behavior.  If different incentive systems exist, review each one separately.  Of interest is the extent to which respondents agree on specifics of the incentive systems.
Determine how the social mission figured in the development of the incentive system.	Can you relate what you know about how this incentive system was developed?	Probe to determine was involved and to what degree and what factors were important in the creation of the incentive system. Ask specifically about the role of social mission relative to other factors.
	Which specific behaviors or outcomes is the incentive trying to achieve?	All incentive systems are trying to achieve a set of specific behaviors or outcomes.  Probe by listing specific attributes of the incentive system and asking which behaviors or outcomes they are designed to achieve.  Determine which of the desired behaviors or outcomes are related to the social mission. If the objectives of incentive system do not relate to the social mission, probe to determine why.
Determine how effectively management has implemented the incentive system.	How effectively has management implemented the incentive system?	Incentive systems are implemented with varying levels of effectiveness. Moreover, certain aspects of the system may be implemented well and others not.  Indicators of effective implementation include, for example, whether respondents can demonstrate good understanding of the incentive system; whether the incentive system is well-documented and disseminated to all levels of the MFI; the extent to which implementation is consistent with written policy; whether bonuses are paid and/or paid on time; and so forth.
Determine how effective the incentive system has been in achieving its intended objectives.	How well as the incentive system achieved its intended objectives?	The real test of effectiveness is whether the incentive system has produced the desired behaviors or outcomes.  Review each of the objectives identified earlier and ask whether they have been achieved. Compare the MFI's performance based on MIS data to the stated objectives for the incentive system. Ask the respondent to comment on any observed discrepancies. Pay particular attention to incentives related to the social mission.
Determine to what extent the incentive system has contributed to observed performance relative to the social mission.	To what extent are these outcomes attributable to the incentive system?	Even if the desired behaviors or outcomes occur, they may or may not have been the result of the incentive system.  Probe to determine the extent to which the respondent believes the incentive system to be responsible for the observed behaviors or outcomes and whether he or she can provide specific examples or other evidence indicating the extent to which the incentive system is responsible.  Probe to determine how different components of the incentive system influence behavior or outcomes. Probe further to determine what other factors outside the incentive system influence behavior or outcomes and what the relative strength of these factors is.

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## MONITORING SYSTEMS

## Rationale

Performance monitoring tells the MFI whether it is on the right track. To use an analogy, if social impact is the end destination of microfinance, the monitoring system is akin to a road map that tells the MFI whether it is on the right road or whether it has been diverted on a side road, and if the latter, how to get back on the right road. In this context, performance monitoring does not mean a one-off activity, but it implies an ongoing process. It entails the routine collection of information for the purpose of comparing performance to organizational mission and objectives.

Social performance monitoring usually implies integration into some kind of MIS, but it need not, although successful integration into the MIS is generally considered “best practice” in performance monitoring. Performance monitoring may also include periodic customer satisfaction surveys or focus group discussions, exit surveys, market studies, or other methods of formal client feedback.

The value of performance monitoring is clearly seen and understood in the context of financial performance. Quarterly financial statements, for example, are a ubiquitous tool of financial performance monitoring. The rationale behind financial performance monitoring—assessing financial performance in relation to financial performance goals—is non-controversial. The rationale behind social performance monitoring is the same. The context is different, but no less valid.

The comparison between financial monitoring and social monitoring, however, breaks down a bit in that methods for monitoring social performance are relatively undeveloped. There is no consensus on how to define social performance, let alone measure it. While work on developing cost-effective tools to measure social performance is making good progress, they are still a ways from broad acceptance and implementation. This is particularly true if the objective is to integrate social performance monitoring into the MIS.

A number of MFIs have experimented with MIS-based social assessment systems, but relatively few have implemented them successfully. The auditor should note the extent to which the MFI has tried different approaches to monitor social performance, the success of the efforts, and the implications for the future, for example, is the MFI burnt out, or is it on the verge of successful implementation?.

Efforts to develop social assessment systems in the microfinance sector have tended to focus on measurement of social performance at the client level. It is possible, however, for MFIs to measure and monitor social performance in other, cost effective ways. For example, if the MFI’s social mission is to “Improve the Economic Well-Being of Poor Entrepreneurs,” the MFI can monitor compliance with this mission by tracking and reporting the distribution of the loan portfolio. If the MFI is targeting certain loan products to this market, or if the market exists in identified geographic areas, the MFI can track changes in the relative distribution between the targeted loan product and other loan products (it is also

### Discussion Guide for Monitoring Systems

Objective	Sample Questions	Justification and Suggestions
Review the information collection and reporting systems with the MIS Director/ Department and other relevant members of the senior management team.	Describe the information systems used by the MFI to track financial and social performance.	<p>The MFI may have more than one information system. In particular, it may be collecting information related to the social mission in a separate information system. For this reason, it is important to identify which information systems exist and which contain information that is pertinent to social performance.</p> <p>Identify all information in the MIS that is relevant to social performance. Note that the MFI may use routine financial or portfolio information to measure social performance (depending on how it defines its social mission).</p> <p>Probe to determine how the social performance information captured measures fulfillment of the social mission and make note of any deficiencies. The materiality of the MFI's social accounts is measured by whether they cover all important dimensions of social performance as determined by the MFI's social mission.</p>
Determine the methodology for collecting and reporting information related to social performance.	How is the social performance data captured?	<p>The credibility of social performance data depends to a large extent on the methodology used to collect and report it.</p> <p>Probe to find out whether those tasked with data collection receive appropriate training and the extent to which the data collection process is monitored for quality assurance. Probe also to determine whether systems are in place to ensure the accuracy of data entry and safeguard the data from unauthorized entry or revision.</p>
Determine how the MFI analyzes information on social performance.	What analysis do you perform on the social performance data?	<p>Data on social performance is of little use if is not analyzed.</p> <p>Ascertain the different methods used to analyze the social performance data and who is doing the analysis. If the MFI is doing more sophisticated analysis, probe to determine whether the technical skills of the data analyst matches the types of analysis performed.</p> <p>MFIs can collect more social performance information than they are capable of managing or analyzing. Probe to determine whether all social performance information is being analyzed, and if it is not, what the cause of the backlog is.</p>
Determine what social performance information the MFI is currently reporting and how it is reporting this information.	What reports do you produce on social performance, what do they include, and to whom are they disseminated?	<p>Data on social performance that is not reported is likewise of little use.</p> <p>Request copies of all reports that include information on social performance and review the reports for content.</p> <p>It is common for MFIs to collect social performance information that it does not report. Probe to determine whether all social performance information is being reported, and if it is not, what the cause of the backlog is.</p> <p>Field offices may be collecting useful information on social performance that is not reported to HQ. When in the field, ask to review the information system and probe to find out whether and how all relevant information on social performance is being reported to HQ. At the same time, probe to determine whether field managers receive reports or updates on the MFI's social performance based on information collected in the management information system.</p>
Determine whether and how the MFI is using social information.	How are you using information on social performance to monitor compliance with the social mission?	<p>Ultimately, the goal of collecting information on social performance is to use the information for improving social performance.</p> <p>Probe to determine the extent to which Board members, senior managers, and field managers are using information on social performance to make decisions or set policies in areas such as governance, strategy, policies, products, bonuses, promotions, etc.</p>

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of interest whether the MFI is providing incentives to loan officers to make this type of loan) and changes in the geographic distribution of the loan portfolio.

There are a variety of ways in which the MFI might feasibly monitor compliance with its social mission. It is the auditor's responsibility to identify these possibilities and discuss them with MFI management, in addition to reviewing and assessing the actual methods the MFI is using to monitor social performance.

The social auditor will assess, to his or her ability, the quality of the monitoring system and the value of the information it produces. He or she will also seek to determine whether and to what extent the MFI uses information from the monitoring system in planning or decision making. If the MFI is not attempting to monitor social performance, the auditor needs to understand why not.

## STRATEGIC PLANNING

### Rationale

Strategic planning is a process that includes, among other things, establishing organizational priorities, setting performance goals, establishing action plans, and devising criteria to assess fulfillment of performance goals. The strategic plan specifies (or should specify) the objectives the MFI will pursue during the coming year or years and the activities associated with those objectives. Notwithstanding an MFI's rhetorical commitment to its social mission, the inclusion, or non-inclusion, of social considerations into strategic planning is one of the clearest signals of the relative importance the MFI attaches to its social mission.

The social auditor is interested in the relative weight given to social performance in all internal documents related to institutional strategy. He or she will also consider in the number and types of strategic planning exercises undertaken by the MFI, their content, and the relative weight they give to social performance. It is not necessary that all strategic planning activities include discussion of social mission and performance or that social performance assumes a prominent role in all such activities, but it is necessary that social performance be given 'due' weight.

## Discussion Guide for Strategic Planning

Objective	Sample Questions	Justification and Suggestions
Determine when strategic planning activities were held, where they were held, who participated in them, what were the topics discussed.	Describe the strategic planning activities undertaken over the previous year.	<p>To understand the importance of the social mission to the strategic planning process it is first necessary to gain a comprehensive understanding of the strategic planning activities at the MFI.</p> <p>Review with senior management all the strategic planning activities undertaken during the previous year.</p> <p>Probe to determine who attended and what major themes and specific topics were discussed. Probe further to determine whether social issues were discussed and which ones.</p>
Determine what importance was attached to the social issues considered.	To what degree were social issues emphasized during the strategic planning activities and what importance were they given?	<p>It is not sufficient to know that social issues were considered during strategic planning sessions. It is also important to determine the degree to which they were emphasized.</p> <p>Probe to determine whether and to what extent social issues were considered in each strategic planning activity and the relative weight they were given.</p>
Determine the specific actions management has taken related to the social mission as a result of the strategic planning process.	What actions has management taken as a result of the strategic planning activities that are related to the social mission?	<p>Serious discussion of social issues during strategic planning should result in specific actions taken by management toward achieving the social mission.</p> <p>Actions need not necessarily be high profile ones. Probe to identify all possible outcomes of strategic planning related to the social mission.</p> <p>For example, did strategic planning lead to expansion into geographic areas or market segment that are consistent with the social mission. Did it lead to the introduction of new products better suited to the needs of the target clients? Did it lead to the revision of the existing incentive system or the introduction of new training modules consistent with the social mission? Etc.</p>
Determine what role the Board of Directors plays in the strategic planning process.	What role does the Board play in integrating social performance issues into the strategic planning process?	<p>The Board is responsible for oversight of management and ensuring that management remains committed to the MFI's social mission.</p> <p>Probe to determine the extent to which the Board has influenced consideration of social performance issues in strategic planning and actions taken as a result.</p>

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## CUSTOMER SERVICE

### Rationale

Regardless of an MFI's social mission, its social impact will be greater, all else equal, the better the quality of its customer service. Customer service is defined in the context of the social audit as the set of activities related to the assessment and serving of customer needs and the quality of actual service delivery. This definition includes all manner of market research; the process by which MFIs conceive, design, pilot test, and implement products and services; the methods by which the MFI encourages and measures customer service; and specific measures of customer service, such as the client desertion rate or customer satisfaction.

Of interest to the auditor is whether and the extent to which the MFI attempts to assess customers' needs and wants; whether and the extent to which this information is incorporated in the design of its products, services, and organizational policies; the emphasis the MFI places on customer service quality; and the level of its customer service quality (e.g., do loan officers treat customers with respect, is service timely, does the MFI respect customer's value of time?).

Customer service was not one of the internal processes evaluated in the initial social audit design. During field tests of the social rating, however, this topic came up repeatedly in different contexts, and it became evident that it was relevant to understanding the MFI's social performance. Rather than attempt to integrate issues related to customer service in other sections of the audit, it was deemed preferable to create a separate section for it.

## CORPORATE SOCIAL RESPONSIBILITY

### Rationale

To date, the microfinance sector has carved out a unique approach to social performance. One of the ways it is unique is in the terminology it uses to talk about social performance. Outside of the sector, social performance is most often associated with the phrase and framework of corporate social responsibility (CSR), a term that is used interchangeably with other terms such as corporate responsibility, corporate citizenship, social enterprise, sustainability, sustainable development, triple bottom line, or corporate ethics. Generally, CSR refers to a company's obligation to be accountable to all of its stakeholders in all its operations and activities with the aim of achieving sustainable development not only in the economic dimension but also in the social and environmental dimensions. (Sustainable development refers to meeting today's needs without compromising the ability of future generations to meet their needs as well.)

For the most part, social performance assessment in microfinance has focused on assessing actual social performance (impact) and, short of that, on assessing indicators (or proxies) for impact. CSR has played a very small role so far in this discussion, as have popular methods of assessing CSR, such as the Global Reporting Initiative.

## Discussion Guide for Customer Service

Objective	Sample Questions	Justification and Suggestions
Determine whether the MFI has a clearly identified target market or markets.	Who are your primary target clients and how do you identify and reach them?	The MFI should have a clearly defined target market. To reach this market, it should also have in place procedures to identify and reach them.
Determine the product mix offered by the MFI.	Describe the products and services offered by your MFI.	The product mix is an important element of customer service, and it is indicative of the extent to which the MFI is striving to meet the needs of its target clients.  The product mix includes the number and types of loan, savings, other financial products, and non-financial products.
Determine how the products and services were developed.	Describe the process by which each of the products was developed.	The question is intended to determine the extent to which the products were developed in response to the identified needs and wants of the target clients.  Probe to determine, for example, whether the MFI conducted market research (and if so what kind and what if found) and pilot-tested the product prior to its introduction. This includes market research conducted by the MFI itself or by external researchers. Market research includes activities such as focus group discussions, exit interviews, client satisfaction surveys, impact studies, MIS data mining, suggestion boxes, and methods for recording customer complaints.
Determine whether the MFI carries out regular or periodic market research.	Describe all market research activities your MFI has carried out over the past year.	Market research is an essential process to generate market information related to customers' needs, wants, perceptions, experiences, etc.  Probe to determine whether the market research activities are routine or periodic (how often they are carried out), who carries them out, and what is learned from market research activities. If the MFI has not carried out market research, probe to determine why not.
Determine whether and how the MFI uses market information.	How have you used the information acquired through market research activities?	The value of market information is expressed in how it is used.  Probe to determine all ways in which market information has been used, for example, in areas such as product innovation, changes to terms and conditions, changes to operational policies, etc.  Also of interest is how the MFI responds to customer complaints.
Determine whether the MFI offers training in customer service to its management and staff.	Do you receive (offer) training in customer satisfaction?	There are many areas in which management and staff can improve performance related to customer satisfaction. Training and constant reinforcement are need to embed these practices and behaviors in MFI operations.  Probe to identify training activities, whether they include training (or messages) in customer satisfaction, and what the training (or messages) entails. Probe further to determine how effective this training has been.
Determine whether customer satisfaction criteria figure in the performance incentive system?	How are management and staff rewarded for excellent performance in customer satisfaction?	Rewarding excellence in customer performance is an effective way to embed pro-customer practices and behaviors into MFI operations.  This question may also be covered during the discussion on the MFI's performance incentive system.

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Notwithstanding, it is probably reasonable to expect the microfinance sector to converge on the commercial financial sector over time. As microfinance moves progressively into the mainstream of financial services and continues to adopt commercial business models, it will come under increasing pressure to harmonize its operations and systems with that found in the commercial financial sector. The increased role of private investors in funding microfinance will also apply pressure to converge, particularly to the extent private investors already use or are familiar with the CSR framework and tools.

There are two basic approaches to CSR that auditors will want to consider: a negative approach and a positive approach. In the negative approach, the MFI aims to do minimal harm in terms of negative economic impacts, labor conditions, corruption, human rights abuses, and environmental degradation. It calls for compliance with internationally accepted norms, guidelines, and standards and control of social and environmental risks, liabilities, and negative impacts. The auditor will seek to determine which norms, guidelines, and standards apply to the MFI and the extent to which the MFI is in compliance.

In the positive approach to CSR, the MFI aims to do 'good' in terms of creating new value for stakeholders. It is achieved through pro-active activities, such as strategic philanthropy and community investment or through progressive treatment of its employees and clients. The social auditor will seek to determine what positive activities the MFI has undertaken with relation to its key stakeholders, including the community and employees.

In all cases, the auditor will request and review the MFI's CSR policy (or other policies related to CSR, including HR documents) and review the policies and their implementation with the management and board.

CSR covers a wide range of issues. The GRI, for example, includes dozens of performance indicators, including general indicators for all organizations and indicators designed specifically for financial institutions. It is not possible within the context of the social audit to conduct a comprehensive assessment of the MFI's social responsibility, but it is possible to achieve a reasonably broad yet detailed overview of its performance in this area.

## Discussion Guide for Corporate Social Responsibility

Objective	Sample Questions	Justification and Suggestions
Determine whether the MFI has a formal, written CSR policy.	Do you have a formal, written corporate social responsibility policy?	A formal, written CSR policy significantly increases the likelihood that the MFI actively implements CSR policies.  If yes, probe to determine what the policy includes and how the policy is implemented. If no, probe to determine why not.
Determine what cash or in-kind contributions the MFI has made to the local communities in which it works.	Over the last year, what cash or in-kind contributions did you make to the local communities in which you work?	Cash and in-kind contributions are a measure of the MFI's commitment to forging relationships with the communities where it works.  Determine the precise amount of cash contributions. Probing will likely be required to determine an estimate of the cash equivalent of in-kind contributions.
Determine whether the MFI has a formal, written code of employee conduct.	Do you have a formal, written code of conduct governing management and staff relationships with clients and with each other?	A formal, written code of conduct is an important element of an employee conduct policy.  The MFI may not have a single code of conduct but instead have a number of separate policies governing management, staff, and client relationships.  Determine in particular what the MFI's policies are regarding sexual harassment.  Probe to determine whether and how the code of conduct is implemented.
Determine whether the MFI has a policy that grant clients access to management.	Do you have a formal policy that grants clients access to management to express concerns, complaints, and so forth?	Client feedback is an important way in which management can keep tabs on what is happening in the field. Client feedback is, for example, important in rooting out malfeasance or inappropriate behavior by field management or staff.  If yes, probe to determine what this policy is, how it is implemented, what feedback has been received, and what actions management has taken in response to it.
Determine whether the MFI has a formal process for staff to air concerns or grievances to management.	Do you have a formal process for staff to air concerns or grievances?	Staff feedback is an important way in which management can keep tabs on what is happening in the MFI. Staff feedback is, for example, important for uncovering instances of malfeasance or violations of codes of conduct by management or staff or for keeping a finger on the pulse of staff satisfaction and sources of dissatisfaction.
Determine the rate of staff turnover.	What has been the rate of staff turnover over the last year?	Turnover is an indicator of staff satisfaction, which reflects in turn factors such as working conditions and management-employee relationships. Determine whether the rate of staff turnover is perceived as low, normal, or high. If high, probe to determine what factors explain it and what management is doing to address it.
Determine whether the MFI offers employees social benefits exceeding those mandated by law.	What social benefits do you offer employees that are not mandated by law?	Formal laws mandate the "minimum" expected social benefits. A measure of social responsibility is whether the MFI go beyond the minimum mandated benefits. It is also a measure of the MFI's commitment to employees.  Probe to determine why the MFI elected to offer these benefits or why it chooses not to offer additional benefits.
Determine what legal or regulatory standards apply to the MFI and what it is doing to address them.	Are you subject to any formal legal or regulatory standards?	Adherence to legal and regulatory standards is a minimum expectation of social responsible behavior.  Legal and regulatory standards include, for example, environmental standards, product standards, usury laws, disability laws, and so forth.  Probe to determine the MFI's compliance performance; note any deviations, fines, judgments, etc., and ascertain what is being done to address them.

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# SNAPSHOTS



**ICMAI Social Auditors Organisation**

(A Section 8 Company promoted by The Institute of Cost Accountants of India)

Snapshots

The Role of ESG in risk management  
on 04th January 2024



**ICMAI Social Auditors Organisation**  
(A Section 8 company promoted by the Institute of Cost Accountants of India)

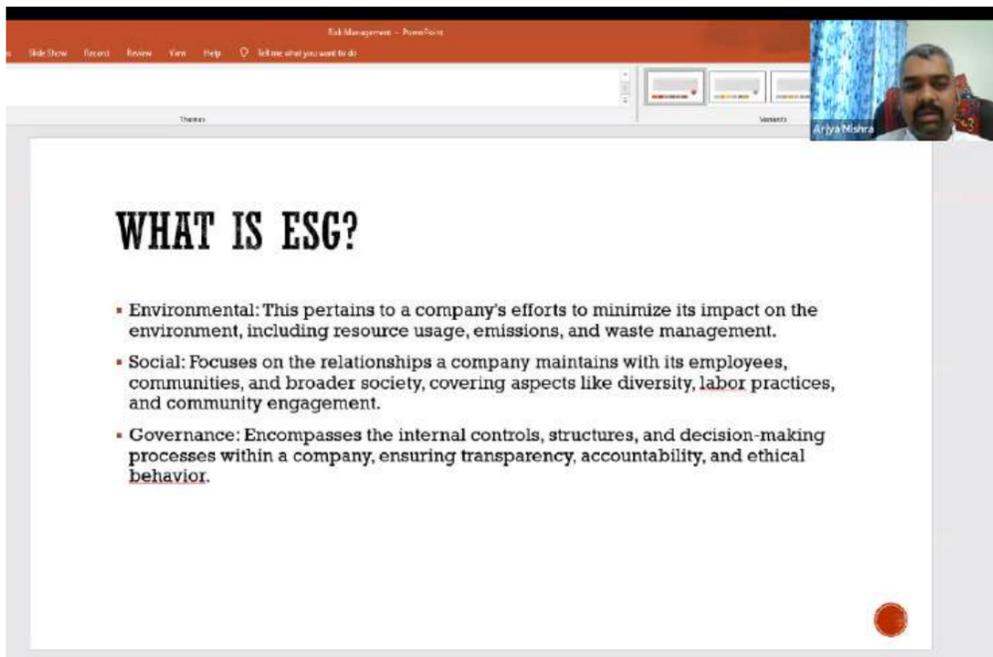
**The Role of ESG in risk management**  
**Speaker**  
**Ramu Kumar Singh**  
ESG consultant

04th January 2024 (Thursday) From 04.00 pm to 05.00 pm

Fees : No Participation fee Mode : Online (Zoom Meeting Platform)

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or email : saosaoicmai.in or ceosaoicmai.in



**WHAT IS ESG?**

- Environmental: This pertains to a company's efforts to minimize its impact on the environment, including resource usage, emissions, and waste management.
- Social: Focuses on the relationships a company maintains with its employees, communities, and broader society, covering aspects like diversity, labor practices, and community engagement.
- Governance: Encompasses the internal controls, structures, and decision-making processes within a company, ensuring transparency, accountability, and ethical behavior.

ESG Reporting Standards  
on 13th January 2024



**ICMAI Social Auditors Organisation**  
(A Section 8 company promoted by the Institute of Cost Accountants of India)

**ESG Reporting Standards**  
**Speaker**  
**Ramu Kumar Singh**  
ESG consultant

13th January 2024 (Saturday) From 04.00 pm to 05.00 pm

Fees : No Participation fee Mode : Online (Zoom Meeting Platform)

**REGISTER NOW**

For more details, you may also call us at 9411469499, 8586985549,  
or email : saosaoicmai.in or ceosaoicmai.in

ESG - Key Performance Indicators  
on 05th January 2024



**ICMAI Social Auditors Organisation**  
(A Section 8 company promoted by the Institute of Cost Accountants of India)

**ESG - Key Performance Indicators**  
**Speaker**  
**Choudhury Arjya Mishra**  
ESG consultant

05th January 2024 (Friday) From 04.00 pm to 05.00 pm

Fees : No Participation fee Mode : Online (Zoom Meeting Platform)

**REGISTER NOW**

For more details, you may also call us at 9411469499, 8586985549,  
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ESG Ratings  
on 18th January 2024



**ICMAI Social Auditors Organisation**  
(A Section 8 company promoted by the Institute of Cost Accountants of India)

**Organizes Webinar**  
**ESG Ratings**  
**Speaker**  
**Sunny Revankar**  
ESG Rating & Reporting Expert

18th January 2024 (Thursday) From 04.00 pm to 05.00 pm

Mode : Online (Zoom Meeting Platform)

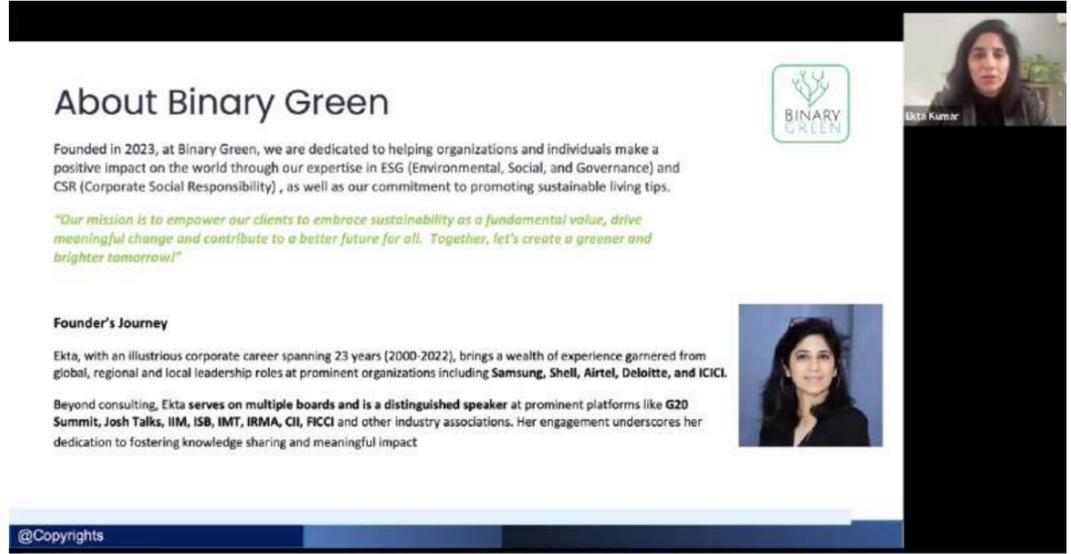
**Free Register**

For more details, you may also call us at 9411469499, 8586985549,  
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## Business Responsibility and Sustainability Reporting on 23rd January 2024



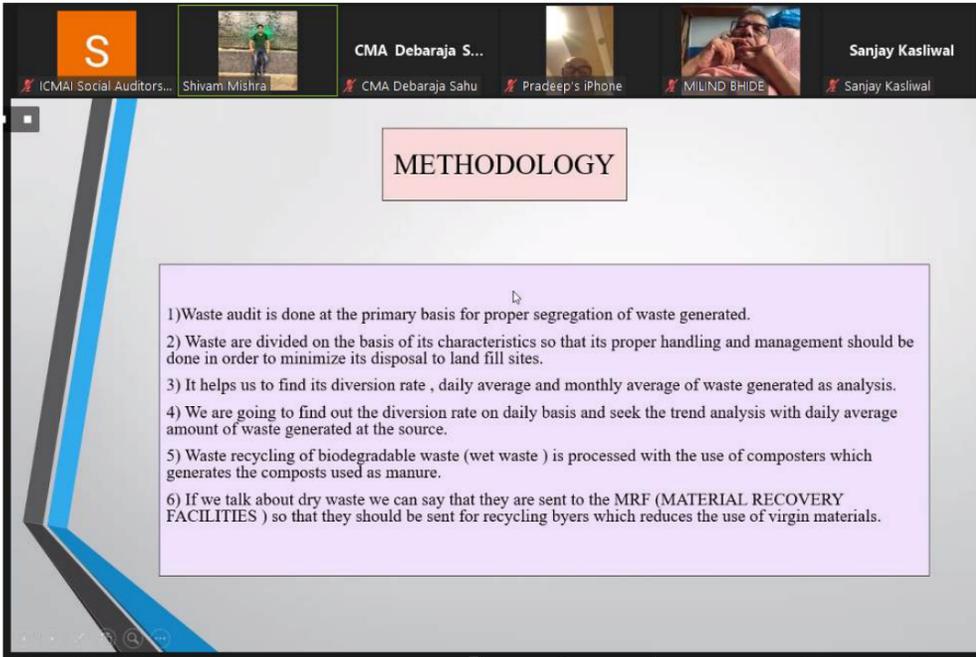
**Sustainability Standards Board of ICMAI**  
And  
**ICMAI Social Auditors Organisation**  
Webinar on  
**Business Responsibility and Sustainability Reporting**  
Speaker  
**Ekta kumar**  
ESG consultant  
**23rd January 2024 (Tuesday) From 04.00 pm to 05.00 pm**  
Fees : **No Participation fee** Mode : **Online (Zoom Meeting Platform)**  
**FREE REGISTER**  
For more details, you may also call us at **9411469499, 8586985549,**  
or email : **sao@saoicmai.in** or **ceo@saoicmai.in**



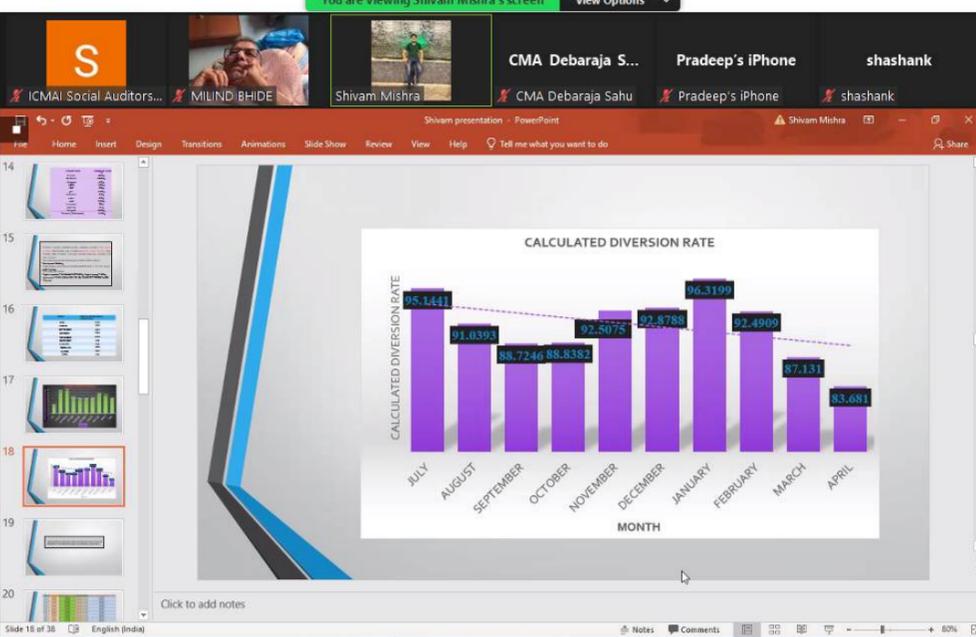
**About Binary Green**  
Founded in 2023, at Binary Green, we are dedicated to helping organizations and individuals make a positive impact on the world through our expertise in ESG (Environmental, Social, and Governance) and CSR (Corporate Social Responsibility), as well as our commitment to promoting sustainable living tips.  
*"Our mission is to empower our clients to embrace sustainability as a fundamental value, drive meaningful change and contribute to a better future for all. Together, let's create a greener and brighter tomorrow!"*  
**Founder's Journey**  
Ekta, with an illustrious corporate career spanning 23 years (2000-2022), brings a wealth of experience garnered from global, regional and local leadership roles at prominent organizations including **Samsung, Shell, Airtel, Deloitte, and ICICI.**  
Beyond consulting, Ekta serves on **multiple boards** and is a **distinguished speaker** at prominent platforms like **G20 Summit, Josh Talks, IIM, ISB, IIMT, IRMA, CII, FICCI** and other industry associations. Her engagement underscores her dedication to fostering knowledge sharing and meaningful impact.



**Evolution of ESG Reporting in India**  
The regulatory nudge to businesses to be responsible began as early as 2009 and gained critical mass with the release of NVGs. However, the regulatory push for businesses to provide responsibility and sustainability information came with the SEBI-BRR reporting requirement, which for the first time introduced mandatory sustainability reporting among companies in India in 2012.  
Their version of ESG reporting was termed the Business Responsibility Report (BRR) and it was mandated by SEBI that the top 100 listed companies in India by market capitalization needed to file a BRR. By 2021, BRR has evolved into BRSR, making it a comprehensive ESG reporting framework.  
**ESG REPORTING IN INDIA**  
The beginning of environment, social and governance (ESG) reporting in India can be traced back to 2009 when the Ministry of Corporate Affairs issued voluntary guidelines for following corporate social responsibility  
2009 NCA issues National Voluntary Guidelines on corporate social responsibility  
2012 SEBI mandates business responsibility report (BRR) for top 100 listed companies.  
2014 Corporate Social Responsibility (CSR) Rules come into force  
2015 BRR requirement extended to top 500 listed companies.  
2017 Voluntary adoption of integrated reporting by top 500 listed companies.  
2019 BRR extended to top 1,000 listed companies.  
2019 National Guidelines on Responsible Business Conduct (revised)  
2021 Business responsibility and sustainability report replaces BRR.  
Source: NCA, SEBI, Companies Act, 2013, as updated in Pt.C's Business Responsibility and Sustainability Report, an annex to the Companies Act, 2013, July 2021.



**METHODOLOGY**  
1) Waste audit is done at the primary basis for proper segregation of waste generated.  
2) Waste are divided on the basis of its characteristics so that its proper handling and management should be done in order to minimize its disposal to land fill sites.  
3) It helps us to find its diversion rate, daily average and monthly average of waste generated as analysis.  
4) We are going to find out the diversion rate on daily basis and seek the trend analysis with daily average amount of waste generated at the source.  
5) Waste recycling of biodegradable waste (wet waste) is processed with the use of composters which generates the composts used as manure.  
6) If we talk about dry waste we can say that they are sent to the MRF (MATERIAL RECOVERY FACILITIES) so that they should be sent for recycling byers which reduces the use of virgin materials.



**CALCULATED DIVERSION RATE**

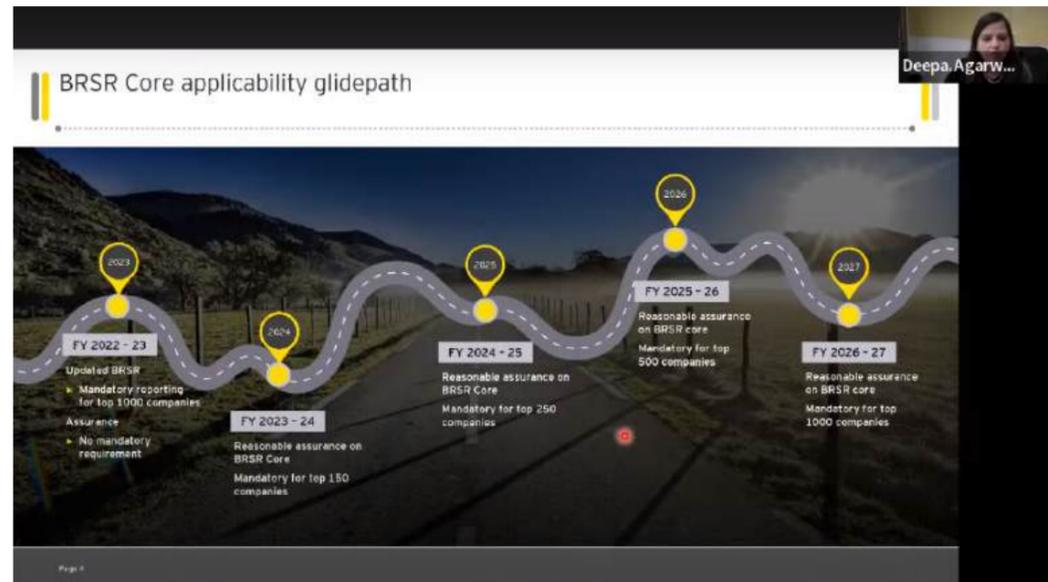
MONTH	Calculated Diversion Rate
JULY	95.1441
AUGUST	91.0393
SEPTEMBER	88.7246
OCTOBER	88.8382
NOVEMBER	92.5075
DECEMBER	92.8788
JANUARY	96.3199
FEBRUARY	92.4909
MARCH	87.131
APRIL	83.681

## Waste Mapping - Contribution to ESG and circular economy on 27th January 2024



**Sustainability Standards Board of ICMAI**  
And  
**ICMAI Social Auditors Organisation**  
Organizes Webinar  
**Waste Mapping - Contribution to ESG and circular economy**  
Speaker  
**Shivam Mishra**  
Project Associate  
TERI. The Energy and Resource Institute  
**27th January 2024 (Saturday)**  
From 04.00 pm to 05.00 pm  
Mode : **Online (Zoom Meeting Platform)**  
**Free Register**  
For more details, you may also call us at **9411469499, 8586985549,**  
or email : **sao@saoicmai.in** or **ceo@saoicmai.in**

Snapshots



**Sustainability Standards Board of ICMAI**  
And  
**ICMAI Social Auditors Organisation**

(A Section 8 company promoted by the Institute of Cost Accountants of India)

**Practical aspects of BRSR and International Standards on Assurance ISSA 5000**

*Speaker*  
**Deepa Agrawal**  
Expert BRSR

29th January 2024 (Monday) From 04.00 pm to 05.00 pm

**Free Register**

**Fees : No Participation fee Mode : Online (Zoom Meeting Platform)**

For more details, you may also call us at 9411469499, 8586985549, or email : sao@saoicmai.in or ceo@saoicmai.in

**Business Responsibility and Sustainability Reporting on 31st January 2024**

**Sustainability Standards Board of ICMAI**  
And  
**ICMAI Social Auditors Organisation**

*Webinar on*  
**Business Responsibility and Sustainability Reporting**

*Speaker*  
**Meenakshi Sharma**  
Technical Director KPMG

**CEP : 01 hrs (For CMAs)**

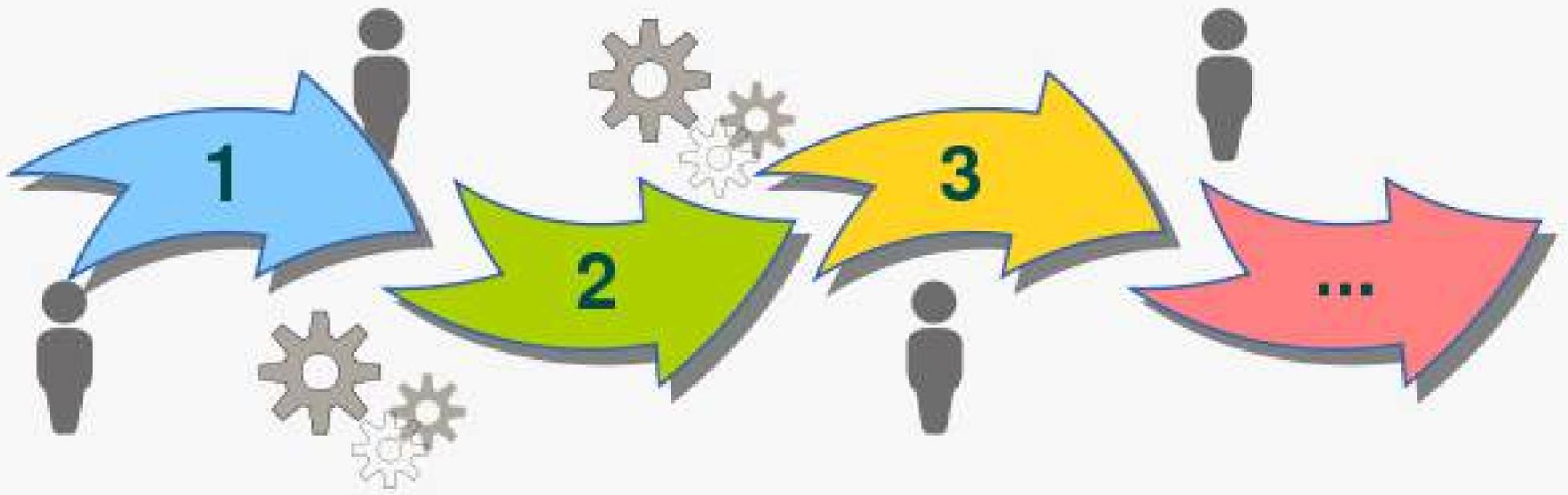
**31st January 2024 (wednesday) From 04.00 pm to 05.00 pm**

**Free Register**

For more details, you may also call us at 9411469499, 8586985549, or email : sao@saoicmai.in or ceo@saoicmai.in



# PROCEDURE FOR REGISTRATION OF A MEMBER WITH ICMASAO



**ICMAI Social Auditors Organisation**

(A Section 8 Company promoted by The Institute of Cost Accountants of India)

## PROCEDURE FOR REGISTRATION OF A MEMBER WITH ICMAI SAO

### Eligibility Criteria for Social Auditor

#### A. An Individual if he

- holds the required qualification and experience;
- have attended a course at the National Institute of Securities Markets (NISM) and received a certificate of completion after successfully passing the course examination; and
- is registered with a Self-Regulatory Organisation (SRO) [e.g., ICMAI Social Auditors Organization]

B. A Firm/Institution that has partners/employees who meet with the criteria for being a social auditor and has a track record of minimum three years for conducting social impact assessment.

### Eligibility Qualification & Experience for Social Auditor

- Post-graduates from universities recognized by the University Grants Commission (UGC) with a minimum of 3 years of experience in the development sector, or
- Graduates from universities recognized by the UGC with a minimum of 6 years of experience in the development sector, or
- Cost and management Accountant, Chartered Accountant, or Company Secretary holding valid Certificate of Practice.

No individual shall be eligible to be registered as a Social Auditor if he:-

- is a minor;
- is not a person resident in India;
- does not have the qualification and experience specified in SEBI notification;
- has been convicted by any competent court for an offence punishable with imprisonment for a term exceeding six months or for an offence involving moral turpitude, and a period of five years has not elapsed from the date of expiry of the sentence.

Provided that if a person has been convicted of any offence and sentenced in respect thereof to imprisonment for a period of seven years or more, he shall not be eligible to be registered;

- he is an undischarged insolvent, or has applied to be adjudicated as an insolvent;
- he has been declared to be of unsound mind; or
- he is not a fit and proper person.

Explanation: For determining whether an individual is fit and proper ICMAI SAO may take account of any consideration as it deems fit, including but not limited to the following criteria-

- integrity, reputation and character,
- absence of convictions and restraint orders, and
- competence,

### Procedure for Enrolment as a member

**Entry of Application :** Entry for application received for registration of social auditor is to be made in a register maintained by ICMAI SAO followed by stamping of application mentioning date of reception it.

**Acknowledgement of Application :** Every application received is to be acknowledged to the applicant within 7 working days of its receipt via mail.

**One Time Enrolment fee :** Rs. 3,000/- Plus GST @18%

**Membership fees :** Rs. 5,000 plus GST @18% for three years

**Internal Verification of application along with fee and supporting documents as mentioned in enrolment Form.**

- Registered form – duly completed
- Passport-size photo

- Copy of proof of residence
- Self – attested copy of Aadhar card, PAN card and Passport (if available).
- Copies of documents in support of educational qualifications, professional Qualification, Experience, and Social Auditors examination
- Copy of proof of payment of Admission/Enrolment Fee and Annual Fee
- Copy of Self Declaration, the format of the same is annexed with the Enrolment form (Annexure – 1).

### **Verifying Qualification and Experience**

Copies of documents demonstrating qualification, employment and practice as –

- Cost and Management Accountant enrolled with the Institute of Cost Accountants of India.
- Company Secretary enrolled with the Institute of Company Secretaries of India,
- Chartered Accountant enrolled with the Institute of Chartered Accountants of India and/or empaneled with the Comptroller & Auditor General of India.
- Graduate / Post-Graduate from universities recognized by the University Grants Commission (UGC).
- Requisite experience of minimum of 3/6 years in the development sector
- Copies of certificate of employment from the employer(s), specifying the period of such employment.

### **Before registering a person as its Member ICAI SAO is required to verify the following:**

- Whether the applicant holds requisite qualifications & experience as indicated above.
- Whether the applicant holds valid Certificate of Practice if he is a Cost and management Accountant, Chartered Accountant, or Company Secretary.
- Whether the applicant have attended a course at the National Institute of Securities Markets (NISM) and received a certificate of completion after successfully passing the course examination.
- Whether the individual/firm/institution holds requisite social sector experience in providing assurance of non-financial information. (e.g., nutrition, education, health, water & sanitation, energy conservation, environment and climate change, etc.)
- Whether the firm/institution has required number of partners/employees meeting the criteria for being social auditor and has a track record of minimum three years for conducting social impact assessment.
- Whether any disciplinary proceedings are pending, or any disciplinary action has been taken at any time in the preceding three years against the professional member or firm/institution by the ICAI, ICAI, ICSI, any SRO or any other regulator.
- Whether ICAI, ICAI, ICSI, any SRO or any other regulator has initiated any criminal proceeding against the professional member or firm/institution and is pending for disposal?
- Whether the professional member/ person had an unblemished service with the last employer if he was in employment? The applicant must submit a conduct certificate from his last employer.

### **External Verification**

The applicants' particulars are sent to verifying authority (ICAI / ICAI/ICSI) to verify the following:

- Confirmation on verification of Membership Number provided by the Member
- Date of enrolment as member
- Number of years as member, whether he is continued to be member since his enrolment
- Information on whether the Member has ever been found Guilty of Misconduct. If his Membership was removed.
- COP Date
- COP Number
- Firm No.
- Firm Name

- Years of Experience in Practice
- Whether the member is in full-time practice or part-time practice?
- Whether the Member has been in Practice continuously? If not, please mention the block of period during which the Member was in practice and the block of period for which Practice was discontinued

(e) After examination of the application, ICMAI SAO shall give an opportunity to the applicant to remove the deficiencies, if any, in the application.

(f) ICMAI SAO may require an applicant to submit additional documents, information, or clarification that it deems fit, within reasonable time.

(g) ICMAI SAO may reject an application if the applicant does not satisfy the criteria for registration or does not remove the deficiencies or submit additional documents or information to its satisfaction, for reasons recorded in writing.

(h) The rejection of the application shall be communicated to the applicant stating the reasons for such rejection, within thirty days of the receipt of the application, excluding the time given for removing the deficiencies or presenting additional documents or clarification by the ICMAI SAO, as the case may be.

(i) The acceptance of the application shall be communicated to the applicant, along with the registration number.

### **Issuance of Certificate of Enrolment/Registration**

Upon successful registration, Applicant is issued certificate of registration within 7 working days from the date of registration with ICMAI SAO (through courier and via mail)

# DETAILS REGARDING SOCIAL AUDITORS EXAMINATION CONDUCTED BY NISM



**ICMAI Social Auditors Organisation**

**(A Section 8 Company promoted by The Institute of Cost Accountants of India)**

## Social Auditors Certification Examination

The examination aims to create a pool of social auditors who would assess the impact of social interventions of various social enterprises who raise funds through the Social Stock Exchange platform.

### Examination Objectives

On successful completion of the examination the candidate should:

- Know the basics of social auditing, Code of conduct of Social Auditors.
- Understand the general concepts related to social stock exchange, social audit and social impact assessment.
- Know the Social Impact Reporting disclosures and regulations.

### Assessment Structure

The examination consists of 85 multiple-choice and 3 case-based/caselet questions (each case having 5 questions) totaling to 100 marks. The assessment structure is as follows:

**Multiple Choice Questions**[85 questions of 1 mark each]

$85*1 = 85$

**Case-based Questions**[3 cases (each cases with 5 questions of 1 mark each)]

$3*5*1 = 15$

The examination should be completed in 2 hours. The passing score for the examination is 60. There shall be negative marking of 25 percent of the marks assigned to a question.

### Test Details

Name of Module: NISM Series XXIII: Social Auditors Certification Examination

~ 85 multiple-choice and 3 case-based/caselet questions (each case having 5 questions) totaling to 100 marks.

\* Negative marking – 25% of the marks assigned to the question.

+ Payment Gateway Charges extra.

# Passing Certificate will be issued only to those candidates who have furnished/ updated their Income Tax Permanent Account Number (PAN) in their registration details.

## Frequently Asked Questions (Social Auditors)

### 1. Who can take NISM-Series-XXIII: Social Auditors Certification Examination?

The following persons can take NISM-Series-XXIII: Social Auditors Certification Examination:

- Individuals registered as social auditors
- Employees of Social audit firm
- Students pursuing social work and interested in gaining more knowledge in Social Audit

### 2. How can I register for NISM-Series-XXIII: Social Auditors Certification Examination?

Candidates can register at <https://certifications.nism.ac.in/nismaol/>

After successful registration, candidates may select a test centre, date and time slot of their choice on the Test Administrator website. Candidates are required to follow further instructions available on the Test Administrator websites.

### 3. What is the fee structure?

The fees for “NISM-Series-VIII: Social Auditors Certification Examination” is Rupees One Thousand Five Hundred only (Rs. 1500/-) plus applicable GST.

### 4. What is the assessment structure?

The examination will be of 100 marks, will have 100 questions, and should be completed in 2 hours. There will be negative marking of 25% of the marks assigned to a question. The passing score for the examination is 60%.

### 5. Is there a study material available for preparing for this examination?

You will receive a soft copy of the workbook/study material after enrolment for the examination. For non-receipt of a soft copy of the workbook/study material, you may contact NISM at: [certification@nism.ac.in](mailto:certification@nism.ac.in)

### 6. Do I have to pay for the study material?

You will receive a soft copy of the workbook/study material free of cost after enrolment for the examination. Candidate can buy printed workbooks from Taxmann Publications Private Ltd.

Visit <https://www.taxmann.com/bookstore> to place your orders for NISM workbooks.

If you prefer to order by phone, please call your nearest store directly to place your order. [Click here](#) to get the details of your nearest store.

### 7. I have passed NISM Social Auditors Certification Examination, when will I receive the certificate?

Only the candidates who have produced their Income Tax Permanent Account Number (PAN) during registration would receive the NISM Certificate within two weeks of appearing for the examination.

Candidates who produced other identification proofs would not receive the NISM certificate. They would receive only the temporary mark sheet at the end of the examination.

### 8. I have not provided my PAN information at the time of taking the certification examination. How do I obtain the certificate?

Candidates who have not provided their PAN information during registration may upload the same from their candidate dashboard from NISM’s portal. After receiving and verifying PAN details, the candidate will receive the certificate from the Test Administrator they have registered with. No additional payments are necessary for obtaining the certificate.

**9. I have passed NISM Social Auditors Certification Examination and also provided PAN details, however I have not received a certificate. Whom should I contact?**

For non-receipt of certificate contact: [certification@nism.ac.in](mailto:certification@nism.ac.in)

**10. What is the validity period of the certificate?**

The certificate will be valid for 3 years from the date of the examination.

**11. Can I request for re-evaluation of NISM Certification Examinations?**

NISM Policy on Re-evaluation of performance of candidates appearing for Certification Examination and resolution of doubts about the questions forming part of such examination, if any.

“No re-evaluation of the performance of candidates appearing for Certification Examination conducted by NISM (Mandatory & Non-Mandatory examination) is permitted since the assessment of answers, with respect to Certification Examinations questions which are in the nature of the selection of only one correct answer from multiple choices offered, is carried out in an objective manner by in-built system architecture created for Certification Examination without any scope for human intervention and subjectivity element. Also, considering the examination structure, no disclosure of the questions and/or answers is permitted as it will violate the confidentiality of the question bank, which is the essence of the examination.

In view of the above, no communication regarding re-evaluation, etc. will be entertained/serviced by NISM.” Subject to the above request/s received from a candidate for resolution of doubts about a question forming part of such examination will be considered as per the following policy.

(1) Candidate’s request/s will be considered only when he/she specifically mentions particular question or two which he/she thinks contain errors. Claims/ to recheck more than two questions shall normally be not permitted unless substantive material is provided by the candidate as to why he/she considers errors in such questions. In no case, claim/s to recheck all the questions appeared in his/her question paper shall be entertained.

(2) No request/s to disclose/discuss question/s and/or their answers shall be entertained as disclosure of the question/s will violate the essence of the question bank viz. breach the confidentiality/secretcy of the Question bank.

(3) Only those request/s made on-the-spot (before leaving the test center) will be considered for verification.

(4) When a valid request is received from a candidate at the Test Centre, it shall be forwarded by the respective TA to NISM. NISM’s team will look into claim relating to the contested question/s to verify whether there is a mistake in the question or answer. If it is prima facie found that the question or answer contains a mistake, no score will be computed and consequently no score card will be issued then at the Test Centre.

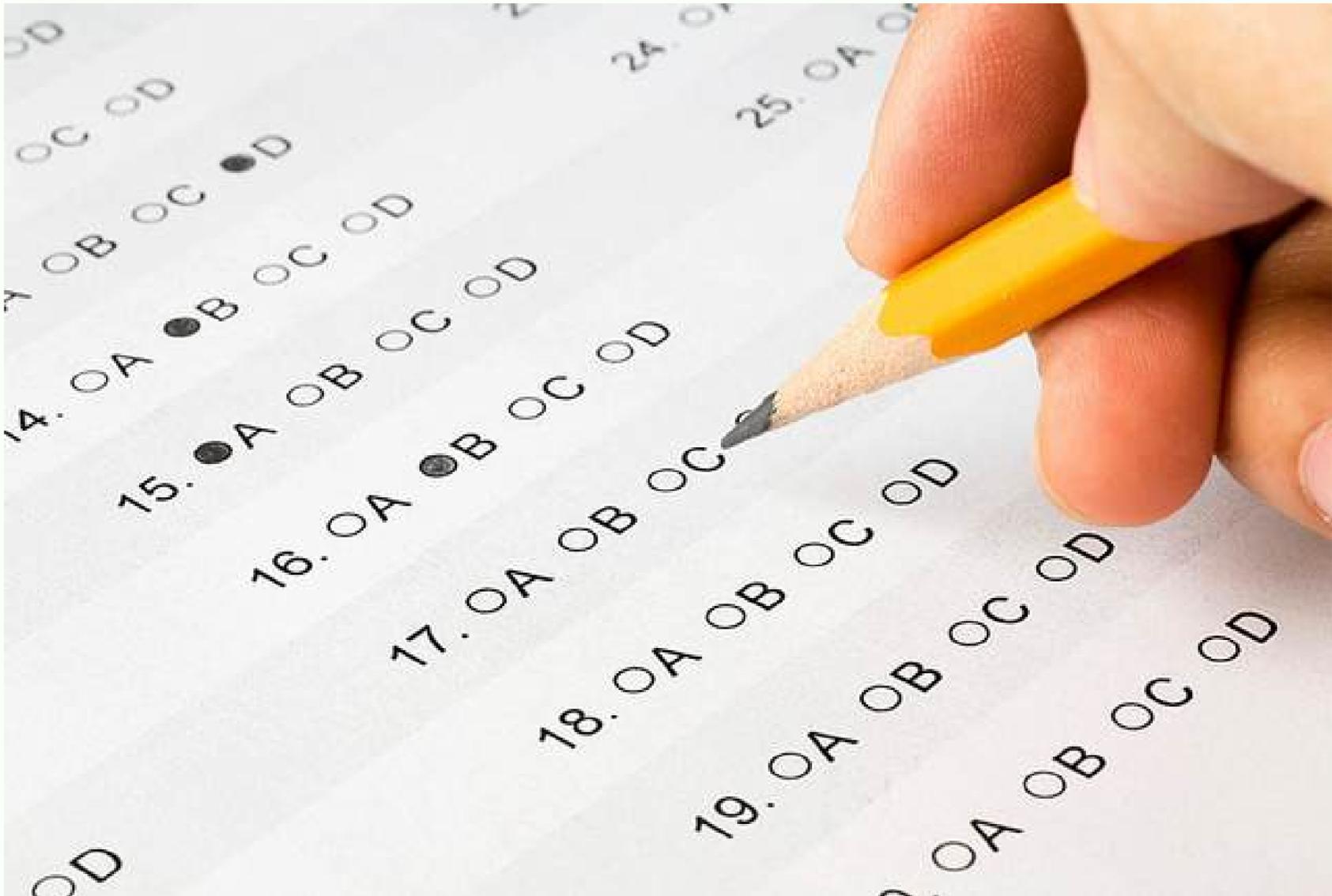
(5) Such matter will then be escalated with the question / answer to the Committee with the details of the nature of error, the correct version of the question or contested correct answer and system recognized correct answer. The Committee, after due diligence and proper scrutiny, will arrive at a conclusion whether the claim made by a candidate in relation to a question or answer is right. Such conclusion will be recorded in writing and put up for formal approval to the authority of NISM.

(6) Score computation, kept in abeyance as per point 4, shall be carried based on the approval as per point – 5. Such score card will then be issued to the candidate by TA/NISM.

(7) Even though NISM endeavours best efforts and has put in place a robust mechanism to review its question bank intermittently, attributable to continuous changes taking place emanating from dynamics of the market, encompassing products and features, and its regulatory framework, there is a possibility of inadvertently escaping some updation and/or escaping indirect impact on some question/answer. Therefore, to take care of such eventuality, the above process of entertaining request from the candidate in relation to the question/answer is put in place.

(8) The above policy and process will be subject to review from time to time and shall be binding and final in relation to any claim and/or matter when disposed off with the approval of the authority of NISM.

## MULTIPLE CHOICE QUESTIONS



**ICMAI Social Auditors Organisation**

(A Section 8 Company promoted by The Institute of Cost Accountants of India)

**Compiled & Contributed by CMA Jacky Singh**  
(Cost Accountant, Social Auditor, Surveyor & Loss Assessor, Arbitrator, Independent Director)

**Question 1 - Which of the under mentioned Act provides measures for Performing all such functions and exercising such powers under the provisions of the Securities Contract (Regulation) Act, 1956 as may be delegated to SEBI by the Central Government act.**

- A. The SEBI Act of 1992
- B. SEBI (Stock Broker) Regulation, 1992
- C. Depositories Act, 1996
- D. Securities Contracts Regulation Act (SCRA 1956)

**Answer - A. The SEBI Act of 1992**

**Question 2 - The Sustainable Development Goals Report 2021 describes .....Sustainable Development Goals.**

- A. 21
- B. 17
- C. 16
- D. 15

**Answer - B. 17**

**Question 3 - ..... provides for direct and indirect control of virtually all aspects of securities trading and the running of stock exchanges.**

- A. Securities Contracts Regulation Act (SCRA 1956)
- B. SEBI Act 1992
- C. Depositories Act, 1996
- D. SEBI (Stock Broker) Regulation, 1992

**Answer-A. Securities Contracts Regulation Act (SCRA 1956)**

**Question 4 - Main aim of social enterprise is:**

- A. A commercial with environment cause
- B. A social or environment cause
- C. A social with profitability cause
- D. None of the above

**Answer - B. A social or environment cause**

**Question 5 - Section 11 of the Income Tax Act provides an exemption for income derived from property held by NPO, Only when the specified percentage of income applied towards its objectives. What is the specified percentage to claim exemption?**

- A. 75%
- B. 85%
- C. 90%
- D. 80%

**Answer - B. 85%**

**Question 6 - Which of the following is/are the issues / challenges in conducting Social Impact Audit / challenges in conducting Social Impact Audit??**

- A. Lack of standard use of terminologies
- B. Lack of standardisation of reporting framework
- C. Lack of common measures within the sector
- D. All the above

**Answer - D. All the above**

**Question 7 - Funding in the past financial year as Receipts in Audited accounts/Fund Flow Statement must be at least :**

- A. 10 lakhs
- B. 50 lakhs
- C. 20 lakhs
- D. 100 lakhs

**Answer - A. 10 lakhs**

**Question 8 - Omidyar Network is a ..... which invests in the social enterprises working towards strengthening the community.**

- A. Social development network
- B. Social change venture
- C. Micro capital venture
- D. Joint venture with government

**Answer - B. Social change venture**

**Question 9 - What is the primary difference between a social audit and a financial audit?**

- A. The subject matter of the audit
- B. The frequency of the audits
- C. The number of stakeholders involved
- D. The type of organization being audited

**Answer - A. The subject matter of the audit**

**Question 10 - Business Responsibility & Sustainability Reporting is a compliance requirement for the top ..... companies in India**

- A. 250
- B. 500
- C. 1000
- D. 1500

**Answer - C. 1000**

**Question 11 - Which of the following is a key metric for a social auditor?**

- A. Social impact

**Compiled & Contributed by CMA Jacky Singh**  
(Cost Accountant, Social Auditor, Surveyor & Loss Assessor, Arbitrator, Independent Director)

- B. Financial performance
- C. Profit maximization
- D. Cost minimization

**Answer - A. Social impact**

**Question 12 - Section 8 company intends to apply their profits promoting its objectives and intend to prohibit the payment of any .....to their members**

- A. Dividend
- B. Profits
- C. Interest
- D. All of the above

**Answer - A. Dividend**

**Question 13 - Which of the following is the not right category of social intervention?**

- A. Social welfare
- B. Safety net
- C. Social protection
- D. Social participation

**Answer - D. Social participation**

**Question 14 - Which of the following is NOT part of the Code of Conduct for Social Auditors?**

- A. Integrity
- B. Objectivity
- C. Confidentiality
- D. Flexibility

**Answer - D. Flexibility**

**Question 15 - Social Impact Funds (SIFs) issued by AIFs can invest 75% of their investable funds in: which of the following is "False"**

- A. unlisted securities or in securities of social enterprises
- B. partnership interest of social venture
- C. units of social ventures
- D. project financing of social benefits

**Answer - D. project financing of social benefits**

**Question 16 - Social auditors will perform independent verification of ..... reporting.**

- A. Impact
- B. Fund
- C. Receipts and Payment
- D. Output

**Answer - A. Impact**

**Question 17 - Entities those are specialists in result based financing aimed at solving pressing issues and are responsible for aligning all partners together is called**

- A. Implementation Agencies
- B. Risk Investor
- C. Intermediary
- D. 3rd Party Evaluator

**Answer - C. Intermediary**

**Question 18 - Governing Council of Social Sector Exchange shall have minimum of .....**

- A. Five Members
- B. Seven Members
- C. Nine Members
- D. Eleven Members

**Answer - B. Seven Members**

**Question 19 - What is a personal – professional attribute required for a Social Auditor?**

- A. Solid ethics and integrity
- B. Effective communication skills
- C. Analytical skills
- D. Sensitivity to socio-economic issues

**Answer - A. Solid ethics and integrity**

**Question 20 - The social auditor should request ..... from management and, where appropriate, those charged with governance on material social audit issues.**

- A. Written representation
- B. Documentary Evidence
- C. Public Interview
- D. Donation

**Answer - A. Written representation**



## ICMAI Social Auditors Organisation

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### GUIDELINES FOR ARTICLES

The articles sent for publication in the journal “The Social Auditor” should conform to the following parameters, which are crucial in selection of the article for publication:

- The article should be original, i.e. Not Published/ broadcasted/hosted elsewhere including any website.
- A declaration in this regard should be submitted to ICMAI-SAO in writing at the time of submission of article.
- The article should be topical and should discuss a matter of current interest to the professionals/readers.
- It should preferably expose the readers to new knowledge area and discuss a new or innovative idea that the professionals/readers should be aware of.
- The length of the article should not exceed 2500-3000 words.
- The article should also have an executive summary of around 100 words.
- The article should contain headings, which should be clear, short, catchy and interesting.
- The authors must provide the list of references, if any at the end of article.
- A brief profile of the author, e-mail ID, postal address and contact numbers and declaration regarding the originality of the article as mentioned above should be enclosed along with the article.
- In case the article is found not suitable for publication, the same shall be communicated to the members, by e-mail.

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