THE SOCIAL AUDITOR

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July & August 2023

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.

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FROM THE CHAIRMAN's DESK

CMA Ashwinkumar G. Dalwadi
Chairman
ICMAI Social Auditors Organisation

Social Impact Assessment includes the processes of analysing, monitoring and managing the intended and unintended social consequences, both positive and negative, of planned interventions (policies, programs, plans, projects) and any social change processes invoked by those interventions. Its primary purpose is to bring about a more sustainable and equitable biophysical and human environment. The goal of impact assessment is to bring about a more ecologically, socio-culturally and economically sustainable and equitable environment. Impact assessment, therefore, promotes community development and empowerment, builds capacity, and develops social capital (social networks and trust).

The focus of concern of SIA is a proactive stance to development and better development outcomes, not just the identification or amelioration of negative or unintended outcomes. Assisting communities and other stakeholders to identify development goals, and ensuring that positive outcomes are maximised, can be more important than minimising harm from negative impacts. The methodology of SIA can be applied to a wide range of planned interventions, and can be undertaken on behalf of a wide range of actors, and not just within a regulatory framework. SIA contributes to the process of adaptive management of policies, programs, plans and projects, and therefore needs to inform the design and operation of the planned intervention. SIA builds on local knowledge and utilises participatory processes to analyse the concerns of interested and affected parties. It involves stakeholders in the assessment of social impacts, the analysis of alternatives, and monitoring of the planned intervention.

FROM THE CEO's DESK

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

Logic models are effective tools to assist in program planning, implementation, management, evaluation, and reporting. They help define a program's intended impact and goals; the sequence of intended effects; which activities are to produce which effect; and where to focus outcome and process evaluations. It defines the four components of these models—resources, activities, outputs, and outcomes—and explains how they connect. Using logic models can help practitioners and evaluators better understand a program's mechanics and structure and chart a course toward improved policy and practice. Basically, a logic model is a systematic and visual way to present and share your understanding of the relationships among the resources you have to operate your program, the activities you plan to do, and the changes or results you hope to achieve.

The logic model is often used in government or not-for-profit organizations, where the mission and vision are not aimed at achieving a financial benefit. Traditionally, government programs were described only in terms of their budgets. It is easy to measure the amount of money spent on a program, but this is a poor indicator of outcomes. Likewise it is relatively easy to measure the amount of work done (e.g. number of workers or number of years spent), but the workers may have just been 'spinning their wheels' without getting very far in terms of ultimate results or outcomes.

PROFESSIONAL DEVELOPMENT PROGRAMS

ICMAI Social Auditors Organisation

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PROFESSIONAL DEVELOPMENT PROGRAMS

JULY & AUGUST 2023

Date	Name of Program
08th July 2023	Certificate Course - Management of CSR Project
08th-09th July 2023	8th Online Batch Preparatory Course for Social Auditors Examination
12th July 2023	Spotlight on ESG : Rationale, Present Status and Future Outlook
13th July 2023	ESG and investment decision making
14th-15th July 2023	Unlocking Sustainability: G20 Presidency Paves the Way for an ESG-driven New World Order
20th July 2023	Interactive Session - Expectations of Social Auditors from practical training
29th-30th July 2023	09th Online Preparatory Educational Course for Social Auditors Examination
29th-30th July 2023	Certificate Course - ESG (Perspective, Process, Practice)
19th-20th August 2023	10th Online Preparatory Educational Course for Social Auditors Examination

Articles

Demystifying Social Impact Assessment

Dr. S K Gupta

ChiefExecutive Officer

ICMAI Social Auditors Organisation

The Perspective

TheAgenda 2030 calls on all actors in the economy to contribute to sustainable and inclusive development. As the financial and corporate sectors take strides to plan, implement, and assess their impact strategies, Social Solidarity Economy (SSE) organisations are under increasing pressure to demonstrate their value added to society. External donors and investors request evidence on how resources are used and what results are achieved. Public policies that place greater emphasis on competition for contracts, user choice and efficiency call for further attention to social impact measurement. Most importantly, SSE organisations can proactively and voluntarily embrace social impact measurement for both learning and promotional purposes

Social Impact Assessment

Social impact assessment (SIA) is a sub-field of the social sciences that is developing a knowledge base to provide a systematic appraisal in advance of the impacts on the day-to-day quality of life of persons and communities whose environment is affected by a proposed project or policy change. Social impacts (also effects and consequences) refer to changes to individuals and communities due to a proposed action that alters the day-to-day way in which people live, work, play, relate to one another, organize to meet their needs and generally cope as members of society.

Social Impact Assessments (SIAs) have played an increasingly important role in the conduct of planned interventions, providing proponents the capacity to assess and manage the social consequences of their activities. In addressing the social aspects of sustainable development, Social Impact Assessments (SIAs) first emerged as a component within Environmental Impact Assessments (EIAs), used to gauge, moderate and invariably mitigate the impact of planned interventions. SIAs have since developed into a distinct discipline within the impact assessment field, capable of providing mechanisms in which human and social ecosystems are integrated into decision making. Along-side this development, the impact of projects, programmes, plans and policies (planned interventions) on the social well-being of communities has become an area of increasing concern, which explains the accelerated development and practice of SIAs in recent years.

Social impact assessment (SIA) is a process for the identification, analysis, assessment, management and monitoring of the potential social impacts of a project, both positive and negative. SIA complements the economic and technical models that characterise the thinking of many development professionals and agencies. SIA has become a part of project planning and policy evaluation and part of environmental impact assessment (EIA) as a result of the recognition that social considerations must be included alongside and even in lieu of solely economic criteria in the evaluation and decision process.

Activities comprising SIA

SIAcomprises most of the following activities. It:

- **participates in the environmental design of the planned intervention;**
- **identifies interested and affected peoples;**
- **facilitates and coordinates the participation of stakeholders;**
- **documents and analyses the local historical setting of the planned intervention so as to be able to interpret responses to the intervention, and to assess cumulative impacts;**
- **collects baseline data (social profiling) to allow evaluation and audit of the impact assessment process and the planned intervention itself;**
- **gives a rich picture of the local cultural context, and develops an understanding of local community values, particularly how they relate to the planned intervention;**

- **identifies and describes the activities which are likely to cause impacts (scoping);**
- **predicts (or analyses) likely impacts and how different stakeholders are likely to respond;**
- **assists evaluating and selecting alternatives (including a no development option);**
- **assists in site selection;**
- **recommends mitigation measures;**
- **assists in the valuation process and provides suggestions about compensation (non-financial as well as financial);**
- **describes potential conflicts between stakeholders and advises on resolution processes;**
- **develops coping strategies for dealing with residual or non-mitigatable impacts;**
- **contributes to skill development and capacity building in the community;**
- **advises on appropriate institutional and coordination arrangements for all parties;**
- **assists in devising and implementing monitoring and management programs.**
- **Building trust in the assessment process**

Over the past 20 years, despite evolution in SIA techniques and communication practices, indigenous peoples (and other local communities) continue to express cynicism and a lack of trust in SIA processes. Sometimes this is because they do not trust the consultants hired by companies to carry them out, or because they feel that aspects important to them are not recognised in the scientific approaches taken in the studies, or because they feel isolated from the process altogether

Social impact assessment (SIA) is a participatory process of assessing and mitigating the negative impacts of a project and identifying and creating positive opportunities.

Objectives of Social Impact Assessment

The objective of SIA is to ensure that development maximises its benefits and minimises its costs, especially those costs borne by people (including those in other places and in the future). Costs and benefits may not be measurable or quantifiable and are often not adequately taken into account by decision-makers, regulatory authorities and developers. By identifying impacts in advance: (1) better decisions can be made about which interventions should proceed and how they should proceed; and (2) mitigation measures can be implemented to minimise the harm and maximise the benefits from a specific planned intervention or related activity.

- **The goal of impact assessment is to bring about a more ecologically, socio-culturally and economically sustainable and equitable environment. Impact assessment, therefore, promotes community development and empowerment, builds capacity, and develops social capital (social networks and trust). The focus of concern of SIA is a proactive stance to**
- **development and better development outcomes, not just the identification or amelioration of negative or unintended outcomes. Assisting communities and other stakeholders to identify development goals, and ensuring that positive outcomes are maximised, can be more important than minimising harm from negative impacts. The methodology of SIA can be applied to a wide range of planned interventions, and can be undertaken on behalf of a wide range of actors, and**
- **not just within a regulatory framework. SIA contributes to the process of adaptive management of policies, programs, plans and projects, and therefore needs to inform the design and operation of the planned intervention. SIA builds on**
- **local knowledge and utilises participatory processes to analyse the concerns of interested and affected parties. It involves stakeholders in the assessment of social impacts, the analysis of alternatives, and monitoring of the planned intervention.**
- **The good practice of SIA accepts that social, economic and biophysical impacts are inherently and inextricably interconnected. Change in any of these domains will lead to changes in the other domains. SIA must, therefore, develop an understanding of the impact pathways that are created when change in one domain triggers impacts across other**
- **domains, as well as the iterative or flow-on consequences within each domain. In other words, there must be consideration of the second and higher order impacts and of cumulative impacts.**

- **In order for the discipline of SIA to learn and grow, there must be analysis of the impacts that occurred as a result of past activities. SIA must be reflexive and evaluative of its theoretical bases and of its practice.**
- **While SIA is typically applied to planned interventions, the techniques of SIA can also be used to consider the social impacts that derive from other types of events, such as disasters, demographic change and epidemics.**

Principles of Social Impact Assessment

1. **Involve the stakeholders : Identify and consult stakeholders as the analysis is undertaken. This is to ensure that the value (and the way it's measured) is informed by the actual people who are supposed to benefit from what you're doing.**
2. **Understand what changes : Using clear evidence, track and measure everything that is affected (positively and negatively, intended and unintended) by what you're doing.**
3. **Value the things that matter : Here's where things get interesting. This step requires you to attach some kind of value, frequently financial, to the outcomes of your activity. It's a tricky task, but one that works to ensure that all things (even the hard-to-monetise ones) are given a value and can therefore be assessed.**
4. **Only include what is material : This is where you decide what information and evidence is included in your assessment, making sure that the stakeholders can draw reasonable conclusions about its real impact.**
5. **Do not over-claim : In other words, exclude any value that you're not directly responsible for creating. This takes other organisations' contributions out of the equation, and helps to "purify" the data.**
6. **Be transparent : Explain and document every aspect of your analysis, as well as the process – from how you gathered the data to how and why you used it.**
7. **Verify the result : Objectivity is just about impossible. Your assessment is going to be subjective, so an independent outsider should always verify it.**

Conclusions

Despite significant progress and growing international interest in greater harmonisation when appropriate, there is not yet one universally agreed approach for social impact measurement. Several methodologies exist, but they are not necessarily coherent and suitable for the needs of SSE organisations. Frequently applied methods range from collecting stakeholder feedback to conducting fully-fledged impact evaluations, which may also include monetary valuation. The diversity of tools and resources available can be daunting and difficult to navigate, especially for smaller or less experienced entities. While some guidance exists, ultimately each SSE organisation has to decide how to select and develop the most appropriate social impact measurement strategy, based on their needs and context.

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Sustainable Equation: Brief Discussion and Suggestion

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Sustainability is the ability to meet the needs of the present without compromising the ability of future generations to meet their own needs. It is a complex concept that encompasses a wide range of issues, including environmental, economic, and social.

Sustainability Equation and Business

Background

There is no single equation that can capture all of the complexities of sustainability. However, there are a number of equations that have been proposed to measure different aspects of sustainability.

One of the most well-known sustainability equations is the I = PAT, which was developed by environmental economist David Pearce. The equation states that the environmental impact (I) is equal to the product of population (P), affluence (A), and technology (T). I is the impact of human activity on the environment ,P is the population size, A is the affluence of the population, measured as per capita income, T is the technology used by the population.

The I = PAT equation has been criticized for being too simplistic and for not taking into account all of the factors that contribute to sustainability. However, it remains a useful tool for understanding the relationship between population, affluence, and technology.

Another sustainability equation is the E = S + I , which was developed by environmental economist Robert Costanza. The equation states that the environmental efficiency (E) is equal to the difference between the sustainable development (S) and the environmental impact (I).E is the Earth's carrying capacity, or the maximum amount of human activity that the Earth can sustain without degrading its ecosystems, S is the amount of services provided by the Earth's ecosystems, such as provisioning services (food, water, and materials), regulating services (climate regulation, water purification, and erosion control), cultural services (spiritual, recreational, and aesthetic benefits), and supporting services (nutrient cycling and pollination), I is the impact of human activity on the environment, such as pollution, deforestation, and habitat destruction.

The E = S + I equation is more comprehensive than the I = PAT equation, as it takes into account the concept of sustainable development. However, it is also more complex and difficult to measure.

In this article, we propose first a new sustainability equation and further provide some idea for improvement in later section.

The equation is as follows:

Sustainability = (Well-being of people)* (Health of the environment) *(Resilience of the system)

This equation is based on the three pillars of sustainability: well-being, environment, and resilience.

Well-being of people refers to the social, economic, and cultural dimensions of sustainability. It includes factors such as life expectancy, education, income, and happiness.

Well-being of people = (Life expectancy) * (Education) * (Income) * (Happiness)

- Life expectancy: The average number of years a person is expected to live.
- Education: The level of education that a person has attained.
- Income: The amount of money that a person earns.
- Happiness: A subjective measure of well-being, often measured by surveys.

* (It is also important to note that well-being is a complex concept that cannot be captured by a single equation. The equation above only takes into account four of the many factors that contribute to well-being. However, it is a useful tool for understanding and measuring well-being, and it can be used to guide decision-making. Some other factors could be considered too. - Health: The physical and mental health of a person. - Security: The feeling of safety and security that a person has. - Community: The sense of belonging and connection that a person has to a community. - Freedom: The ability to make choices and control one's own life. - Opportunity: The chance to achieve one's goals and dreams.) Health of the environment refers to the ecological dimensions of sustainability. It includes factors such as air quality, water quality, and biodiversity. Health of the environment = (Air quality) * (Water quality) * (Soil quality) * (Biodiversity) - Air quality refers to the concentration of pollutants in the air. It can be measured by factors such as the concentration of particulate matter, ozone, and nitrogen dioxide. - Water quality refers to the concentration of pollutants in water. It can be measured by factors such as the concentration of bacteria, nutrients, and heavy metals. - Soil quality refers to the physical, chemical, and biological properties of soil. It can be measured by factors such as the amount of organic matter, the pH level, and the presence of microorganisms. - Biodiversity refers to the variety of life on Earth. It can be measured by factors such as the number of species, the abundance of species, and the genetic diversity within species. Resilience of the system refers to the ability of the system to adapt to change and shocks. It includes factors such as diversity, redundancy, and adaptability. Resilience = (Diversity) * (Redundancy) * (Adaptability) - Diversity refers to the variety of different elements in a system. A system with more diversity is more likely to be resilient, as it is less likely to be affected by shocks or changes. - Redundancy refers to the existence of multiple copies of essential elements in a system. A system with more redundancy is more likely to be resilient, as it is less likely to be brought down by the failure of a single element. - Adaptability refers to the ability of a system to change in response to shocks or changes. A system with more adaptability is more likely to be resilient, as it is more likely to be able to cope with change.

Resilience could be expressed also as I. Resilience = (Number of interconnected components) * (Strength of the connections between components) II. Resilience = (Ability to absorb shocks) * (Ability to recover from shocks) The proposed equation is a simple and intuitive way to measure sustainability. It can be used to assess the sustainability of a company, or a community. The equation can be calculated by measuring the well-being of people, the health of the environment, and the resilience of the system. The results of the calculation can be used to track progress towards sustainability and to identify areas where improvements need to be made. The proposed equation above is not without its limitations. It is a simplified representation of a complex concept, and it does not take into account all of the factors that contribute to sustainability. However, it is a useful tool for understanding and measuring sustainability, and it can be used to guide decision-making. Existing Sustainable Equations and Their Shortcomings There are a number of other comprehensive sustainability equations that have been proposed. Some of these equations are more comprehensive than the proposed equation, while others are simpler and easier to calculate. One of the most comprehensive sustainability equations is the one proposed by the Global Footprint Network. The Global Footprint Network's equation calculates the Earth's biocapacity, which is the amount of resources that the Earth can sustainably provide. It also calculates the human ecological footprint, which is the amount of resources that humans are using. The difference between the bio-capacity and the ecological footprint is called the ecological deficit.

The Global Footprint Network's equation is a useful tool for understanding the sustainability of human activities. However, it is also a complex equation that is difficult to calculate. Another comprehensive sustainability equation is the one proposed by the Millennium Ecosystem Assessment. The Millennium Ecosystem Assessment's equation assesses the state of the world's ecosystems and their contribution to human well-being. The equation takes into account a wide range of factors, including biodiversity, water quality, and climate change. The Millennium Ecosystem Assessment's equation is a useful tool for understanding the sustainability of the world's ecosystems. However, it is also a complex equation that is difficult to calculate. The proposed equation above is simpler and easier to calculate than the Global Footprint Network's equation or the Millennium Ecosystem Assessment's equation. However, it is also less comprehensive. The proposed equation does not take into account all of the factors that contribute to sustainability.

Proposed New Improved Equation **The equation is as follows: S=FHWR Sustainability = (Fairness and equity) * (Health of the environment) * (Well-being of people) * (Resilience of the system) The new equation adds a new dimension to sustainability, namely fairness and equity. Fairness and equity refer to the distribution of resources and opportunities among different groups of people. A sustainable society is one that is fair and equitable, ensuring that everyone has the opportunity to live a good life. Fairness and equity can be measured in a variety of ways, such as by looking at the distribution of income, wealth, and opportunities among different groups of people. One way to measure fairness and equity is to use the Gini coefficient, which is a measure of inequality. A Gini coefficient of 0 indicates perfect equality, while a Gini coefficient of 1 indicates perfect inequality. Another way to measure fairness and equity is to use the Human Development Index (HDI), which is a composite measure of life expectancy, education, and income. A higher HDI could indicate a more fair and equitable society. It could be also suggested to use the Community Development Index(CDI) which could be a composite measure of the overall level of development of a community, including its social, economic, and environmental dimensions. The new equation also changes the order of the factors. In the original equation, the well-being of people was placed first, followed by the health of the environment and the resilience of the system. The new equation places fairness and equity first, followed by the well-being of people, the health of the environment, and the resilience of the system. This change in order reflects the belief that fairness and equity are essential for sustainability. A sustainable society cannot be achieved if some groups of people are denied the opportunity to live a good life. The new equation is still a work in progress, and there is still much debate about the best way to measure the different factors. However, it is a useful tool for thinking about sustainability and for guiding decision-making. The proposed new improved equation is a valuable tool for understanding and measuring sustainability. It can be used to guide decision-making and to help businesses and organizations become more sustainable. It is important to note that these are just quantitative measures of those parameters. There are also qualitative measures that could be considered, in addition to quantitative measures for a holistic outcome. It is also important to note that these are just equations, and they do not guarantee sustainability. Sustainability is a complex concept that cannot be captured by a single equation. However, these equations can be used as tools for understanding and measuring sustainability, and they can be used to guide decision-making.**

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Donut Economics - long term strategy for happiness

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Power Generation

Did the people of Joshimath choose to have a Hydel Power project in their backyard? The answer is at best a tentative No and most likely, Maybe . Over the years of my travel to the region, I have observed a shift from traditional Kath-Kuni wooden structures to cement and metal structures, which are too heavy for the soil and unsuitable for seismic zone 5. The shift from local and thereby bespoke, to global and largely irrelevant, is the foundation for ecological disasters world over. Building of large commercial complexes, drastic extensions of homes have been taking place in this area for years, despite the MC Mishra Committee report of 1976, clearly stating what the locals knew anyway — this land is not meant for such construction. 'NTPC go back' cries of the locals, have come too late.

It is interesting to note that the same region was the birthplace of one of the most powerful environmental movements — the Chipko movement of 1970s which recognised the need to respect this volatile land and prevent erosion by saving trees. What did Gaura Devi, Sunderlal Bahuguna and the villagers of the Alakananda Valley know, that we do not anymore? When we say that the region is now developed, what does it mean in terms of happiness and health?

The focus on power generation, at the cost of soil, water and human health, is not new.

Right after Independence, the Damodar Valley Project (DVC) started its operations in the fertile lands of the Santhal tribe in Bengal. "We have tamed the Damodar River, put it in chains. Man has the wisdom and power to discipline the powers of nature", said the spokesperson for DVC, in the inauguration speech. Within a decade, the fertile lands were barren, the tribe living in harmony with nature, displaced. In the words of a local, who was a child in a fisherfolk family when the project got underway, "We were sold 'Vikas' in exchange of happiness. The forests we considered sacred became barren. Fish stopped coming to the banks of the river, robbing us of the vocation of our forefathers". Most people got menial jobs in the DVC, letting go of their traditional livelihood practices which came from the forest and river. Sara Joseph's book 'Budhini' gives an account of how a project meant to benefit the people, robbed them of their health and dignity instead.

Is not power generation, that too using 'clean' sources, important? It is. Electrification is possibly one of the most critical climate change mitigation methods. At what cost should it come? Is there a more efficient and responsible way? (20% of electricity is lost due to inefficiencies and poor technology. I am not even getting into the wasteful use of electricity producing things no one needs…)

Green Revolution

The Green Revolution of the 60s aimed at feeding millions of starving Indians, famine being one of the outcomes of the British rule in India. Those enhanced 'scientific' methods gave us fields of poison and great amount of wealth to the farmers, who spend a lot of it on cancer treatment and medical treatment for birth defects arising out of pesticide exposure.

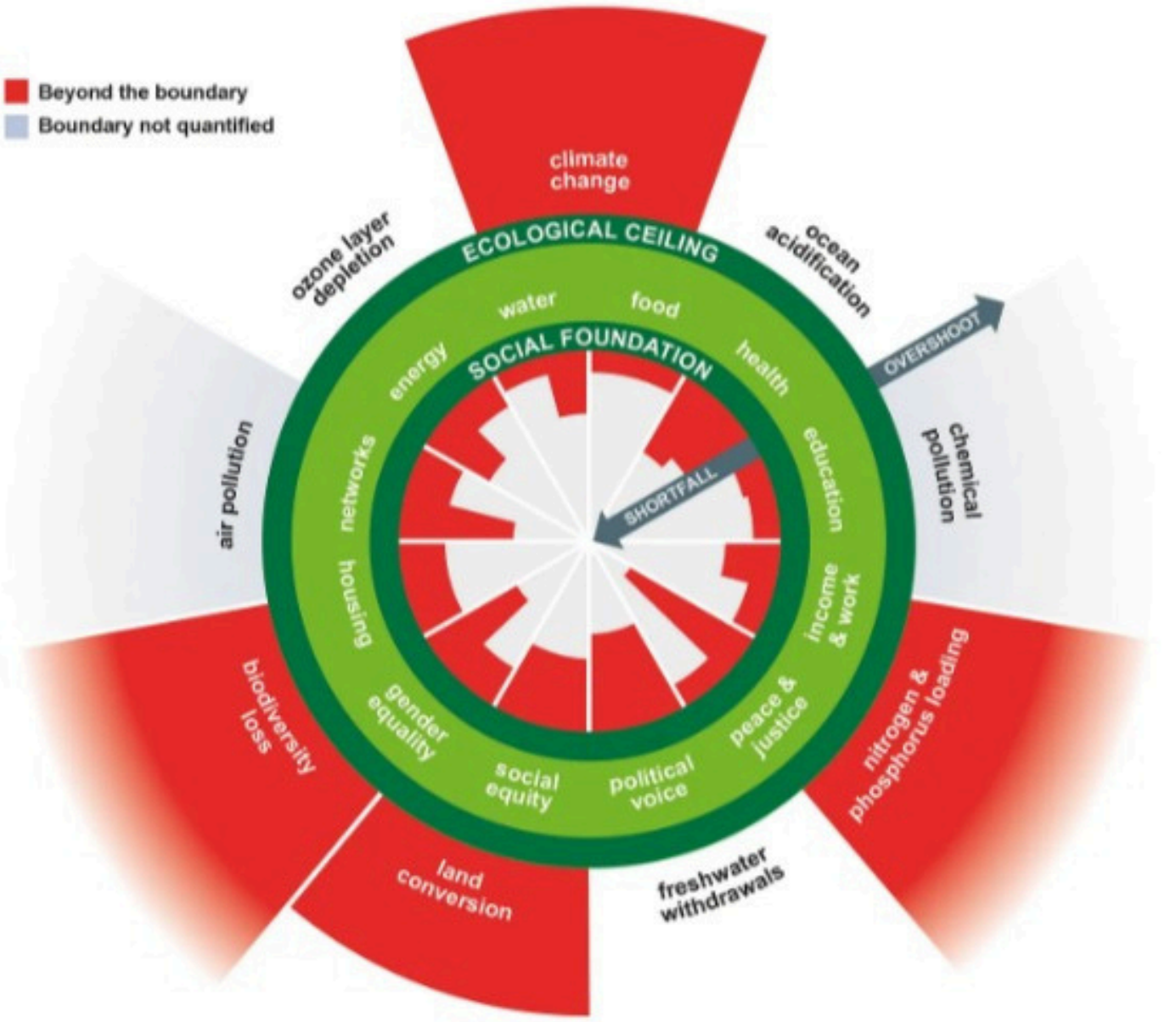
But is not food sufficiency important? Was there a more far-sighted way of ensuring it? 33% of food produced is wasted. The irony is that we are now observing 2023 as the 'International year of Millet', after systematically moving away from traditional, local millets that were less water dependent and more capable of maintaining soil nutrients naturally. On one hand, the number of people going hungry reduced due to the Green Revolution, on the other, the number of diseases arising out of nutritional deficiencies and carcinogens in food, increased.

Does 'development' always have to come at the cost of planet and thereby human, health?

Economist Kate Raworth (https://doughnuteconomics.org/) proposed a Donut, to answer this.

Donut Economics

Any development policy, needs to look at bringing people into the 'Donut', ie provide them health, education and all the basics of life while ensuring the outer Environmental limits, ie climate, biodiversity etc are not breached. The world has breached 4 out of 9 of the planetary boundaries dangerously (Stockholm Resilience Centre), largely under the pretext of providing economic stability/development to people. And the corporate sector is not the only one to blame.



During my workshops, I see planetary boundaries being exceeded in these 2 situations:

1. When for-profit organisations claim that their only objective is to 'maximise profits', in true Milton Friedman style. The link to the resulting ecological disaster and their and their children's health is understood. I find it easier to accept this group because they've been brought up on Shareholder Capitalism theories which encourage businesses to look at short-term monetary gains. An exercise on connecting the dots between long-term profits and planet, usually gets such organisations on to the right track. The byproduct of a healthier planet for their children, is a bonus.

2. When not-for-profit social organisations claim that their only objective is to 'maximise social welfare', but planetary welfare, is not part of it! These organisations try to push vulnerable sections of society into the Donut, by giving them education and financial independence but completely ignore the 'health' parameter. This group is difficult to understand, as they constantly work towards bettering the plight of the underprivileged, while making their living space, food, water, air, poisonous- breaching the outer limits of the Donut.

I have many examples from organisations working with microentrepreneurs, where they provide knowledge and funding to marginalised sections of society to become economically active. This economic activity might involve creation of waste, pollution and warming, which gets entirely ignored. I have worked with organisations pushing economically inactive women to open beauty salons, where money and knowledge is provided to set up a parlour with a single-minded focus on profits. Many times, those profits come from use of cosmetics containing lethal levels of toxins. There is no training provided on their safe disposal. And most importantly, the beneficiaries get exposed to high levels of chemicals included carcinogenic phthalates. This is not even recognised, let alone addressed. I have often been directed to the funding organisations' 'Environment/Climate Change' department, if there is one, when I ask about the long-term health impact on the women and their families.

These organisations need to understand that planetary crises adversely impact the beneficiary community the most. The Donut shows us that the 'development-planet' dissociation, just does not work.

I find using Donut's visual depiction of how mindless economic activity can put the planet and people in danger, helpful. I also wonder why such a common-sensical concept needed to be explained in the first place. Where did we stray away from the path of happiness and health, to the path of only economic growth at the cost of everything else? Could it have started at the very beginning — in our childhood?

Nature-Happiness-Health

In my chapter on Environmental Leadership (https://link.springer.com/chapter/10.1007/978-981-19-4723-0_16), I studied leaders who were able to achieve financial independence and in most cases, provide for others, while helping the planet regenerate. As expected, early exposure to nature made them more responsible towards the planet. In 100% cases, the leaders expressed a deep sense of satisfaction and wellbeing.

Increasing amount of research shows a connect between mental/physical health and nature exposure. A 75 year long study on Happiness called 'The Harvard study of Adult Development' studied 764 men since 1938 and arrived at the single-most important factor for happiness — Relationships.

Harvard Health, among other medical journals, have time and again emphasised on happiness as key ingredient for good health.

To bring more people into the Donut, is to provide 'health' and 'well-being' to all living beings. And a healthy, vibrant planet enables both. Therefore, any strategy, corporate, governmental, social, that does not take care of the planet, fails to ensure the only thing any strategy should result in — well-being and happiness of people for all time to come.

Be Nice to the Air; We All Have to Share

Mr.HargovindSachdev

“ Pollution should never be the price of prosperity.”

The deadly air pollution is responsible for nearly 7 million deaths each year worldwide –more than war, terrorism, malaria, HIV, and alcohol and drug use combined. Water and air, the essential fluids on which all life depends, have become global garbage cans. Most health impacts of air pollution affect people in low and middle-income countries who have little surplus funds to escape the pollution.

In India, air pollution causes 1.6 million deaths yearly. In the U.S., more than 1 in 3 people live in areas with unhealthy levels of air pollution, and dirty air kills up to 200,000 Americans every year. The Chinese also face a giant environmental problem. In Beijing, some days, people literally can't breathe. More than a million Chinese die prematurely every year because of air pollution. The ecological effects of the automobile are increasing; motor vehicles cause 75 per cent of the noise and 80 per cent of the air pollution in our cities.

With so much evidence of depleting air and water, contaminated natural resources, toxic waste, climate change, disruption to our food chain, and rapidly increasing natural disasters, the time has come to counter the monster of pollution head-on with the best climate solutions.

Our most significant contribution to climate change is using fossil fuels to power machines and generate electricity. Extracting these fuels includes mining, drilling, and using explosives. These activities contribute to land degradation, ocean acidification, and air pollution.

We emit unnecessary carbon into the atmosphere by refining, transporting, and using fossil fuels/fossil fuel products. Carbon, a greenhouse gas, is mainly responsible for global warming and other effects of climate change.

Reducing the burning of fossil fuels stops the emissions of harmful air pollutants, mainly PM2.5, which are fine particles in the air measured so small that they travel deeply into the respiratory tract, reaching the lungs, causing short-term health impacts such as the eye, nose, throat and lung irritation, coughing, sneezing, runny nose, and shortness of breath.

The opportunity to save millions of lives from air pollution is enough to cut emissions and make the clean energy switch. It is also a powerful way to engage folks in clean energy solutions that diminish the threat of climate change. Climate solutions save lives now, not just in the future. Climate solutions are the most incredible opportunity to advance global health benefit multipliers. They educate the masses to be friendly to the air, water, earth and nature.

Some of the salient reasons for being friendly to the air and caring for the environment are:

Human Health : The air we breathe directly affects health. Poor air quality leads to respiratory issues, allergies, and other health problems. By reducing pollution and maintaining clean air, we protect our well-being and the well-being of others.

Ecosystem Balance : Clean air is vital to balance ecosystems and biodiversity. Many plants and animals rely on specific air quality conditions for their survival. Polluted air can harm plants, disrupt food chains, and negatively impact the environment.

Climate Change : Air quality escalates climate change. Like carbon dioxide, greenhouse gas emissions contribute to global warming and lead to various environmental challenges. By reducing emissions and adopting cleaner energy sources, we mitigate the impacts of climate change.

Global Responsibility : Air pollution doesn't respect borders. Actions that harm the air in one region can affect people and environments far away. Being friendly to the atmosphere is a shared responsibility to ensure the fitness of the global population.

Future Generations : Preserving clean air is an investment in the future. The choices made today will determine the quality of life for future generations. Being responsible for the environment is an ethical duty to leave a habitable planet for those who come after us.

Quality of Life : **Clean air contributes to a higher quality of life. It's easier to enjoy outdoor activities, experience natural beauty, and live in a healthy environment when the air is clean and free from pollutants**

Innovation and Economy : **Transitioning to cleaner technologies and practices can drive innovation and economic growth. Investing in renewable energy, energy-efficient technologies, and sustainable practices can create new job opportunities and reduce our dependence on finite resources.**

The situation demands a conceived slowdown of climate change and its consequences through collectively rethinking our consumption practices. Globally, we should all work towards reducing our footprints on the earth and its resources.

In essence, being friendly to the environment is about recognising the interconnectedness of all living things and understanding that our actions have consequences. By reducing pollution, conserving resources, and promoting sustainable practices, we can ensure a healthier, happier, and more prosperous future for ourselves and future generations.

Rightly said, "The climate crisis has already been identified. We have the facts and solutions. All we have to do is wake up and change."

The Evolution of Sustainable Finance: From ESG to Impact Investing

Ms. Pallavi Singh

Sustainability Professional

Sustainable finance has experienced a remarkable transformation in recent years, shifting from the traditional realm of Environmental, Social, and Governance (ESG) investing towards a more dynamic and results-oriented approach known as "Impact Investing." This evolution signifies a pivotal moment in the world of finance, where not only profits but also measurable positive outcomes are given precedence.

ESG investing, which formed the foundation for integrating ethical and sustainable considerations into investment decisions, primarily focuses on evaluating a company's performance in crucial areas: environmental sustainability (E), social responsibility (S) and corporate governance (G). While ESG criteria serve to mitigate risks and align investments with values, their primary emphasis often lies in avoiding harm rather than driving substantial change. Impact investing, however, takes a proactive stance. It seeks investments that not only meet ESG criteria but also generate measurable, positive social or environmental outcomes. One of the distinguishing features of impact investing is its unwavering focus on quantifiable results. Investors now demand tangible evidence of their investments' contributions to solving critical societal or environmental challenges.

- **The shift from "Avoiding Harm" to "Creating Positive Change" is essential because it moves beyond merely steering clear of harmful practices to actively participating in addressing the world's most pressing challenges. Here's why impact investing is gaining ground: Addressing Global Challenges: Impact investing is a proactive approach that aims to tackle urgent global**
- **challenges like climate change, social inequality and access to essential services head-on. By channelling capital towards solutions, it directly contributes to mitigating these challenges. Tangible Positive Outcomes: Impact investing places a strong emphasis on measurable and positive social or environmental outcomes. Attracting a Diverse Range of Investors: Investors**
- **are now actively seeking opportunities that align with their values and goals, enabling them to make a direct and meaningful contribution to the issues they care about most. Mitigating Long-Term Risks: By addressing environmental and social**
- **concerns, impact investing can help mitigate long- term risks thus maintaining the stability and sustainability of financial portfolios. Dynamic Evolving Scenario: Governments and regulatory bodies are increasingly introducing policies and**
- **guidelines related to impact investing, fostering further growth in the sector.**

While impact investing holds immense promise, it also faces challenges:

- **Complexity of Impact: Measuring the impact of investments, particularly in social and environmental areas, can be intricate. Different projects may have multifaceted impacts that are challenging to quantify accurately.**
- **Lack of Standardization: The absence of standardized metrics and methodologies for impact measurement leads to inconsistency and difficulty in comparing and assessing impact across different investments.**
- **Time Lag: Measuring long-term impacts can be challenging, as the full extent of social or environmental effects may not become apparent for many years, making it difficult to evaluate success in the short term.**
- **Data Availability: Reliable and comprehensive data on impact metrics can be limited, especially in developing regions or for specific social issues, making it challenging to assess investments accurately.**
- **Subjectivity: Some aspects of impact measurement can be subjective, leading to potential biases or disagreements in assessing the significance of certain outcomes.**

- **Greenwashing: Some entities lack transparency in their reporting, making it difficult for investors to verify the accuracy of their sustainability claims and distinguish genuine impact from marketing tactics.**
- **Regulatory Gaps: Inadequate regulation and oversight can create a favorable environment for greenwashing to persist, as there may be limited consequences for false claims.**

Dealing with the challenges associated with impact measurement and greenwashing is crucial to ensure that investments genuinely contribute to creating a better world. This requires a concerted effort from various stakeholders across the financial industry, regulatory bodies, and the broader global community which involves:

- **Standardization of Impact Measurement: Encourage the development of standardized impact metrics and methodologies for various industries and sectors.**
- **Transparency and Disclosure: Advocate for greater transparency in reporting impact data and encourage organizations to disclose their methodologies and data sources for impact measurement.**
- **Third-Party Verification: Promote third-party verification and audits of impact data to ensure accuracy and prevent greenwashing. Support organizations that provide independent impact assessment services.**
- **Regulatory Oversight: Advocate for stronger regulatory oversight to prevent greenwashing and ensure that impact investments meet specified standards.**
- **Industry Collaboration: Promote collaboration among industry stakeholders to establish best practices and share knowledge. Encourage industry associations to develop ethical guidelines and codes of conduct.**
- **Technology Roleplay: Invest in technology solutions that facilitate impact measurement, data collection, and reporting, making it more efficient and accurate. Promote the use of blockchain and other technologies for transparent and immutable impact data tracking.**
- **Rating Agencies: Collaborate with rating agencies with forward looking approach which goes beyond public disclosure and take into account the concept of externalities and impact.**

In conclusion, while ESG investing marked a significant step toward integrating sustainability and ethics into financial decision-making, impact investing represents the next level of commitment to creating positive change in the world. With its emphasis on measurable impact and alignment of values, impact investing is gaining momentum as a powerful force for good in the realm of finance. As investors increasingly recognize the potential for both financial returns and positive societal and environmental outcomes, the shift towards impact investing is likely to continue its upward trajectory.

Biodiversity Disclosures Taking Center Stage

Amlan Shome

Simplifying Sustainability | Climate-Tech | ESG Strategy

The case for Nature-Related Disclosures:

(Introduction and the Global Context of Nature and Biodiversity)

As the world accelerates its response to global climate challenges, another pressing issue is gaining increasing recognition: the loss of nature and biodiversity. The United Nations Environmental Program (UNEP) defines biodiversity as "the variety of life on Earth and the intricate natural patterns it forms, which are vital to supporting life on our planet."

As the crisis of nature and biodiversity becomes increasingly apparent, there is growing pressure on governments and corporations to assess and address their impacts and dependencies on biodiversity and the environment as a whole.

Nature's Rising Significance on the Global Stage:

(Global Risks and Sustainable Development Goals)

The World Economic Forum's 2023 Global Risks Report identifies "biodiversity loss and ecosystem collapse" as one of the top five most severe global risks in the coming decade. This underscores the urgency of addressing nature-related challenges.
The United Nations' 2030 Sustainable Development Goals, particularly "Goal 14: Life Below Water" and "Goal 15: Life on Land," call for immediate action to safeguard nature and its diverse species on a global scale.

Pioneering Global Agreements:

(The Global Biodiversity Framework and Corporate Responsibilities)

At the 15th Meeting of the Conference of the Parties to the UN Convention on Biological Diversity (COP15) in Montreal, Canada, in December 2022, a momentous agreement was adopted: the Global Biodiversity Framework (GBF). This framework provides guidance for both public and private sectors to combat biodiversity loss, restore ecosystems, and uphold indigenous rights.
The GBF highlights the roles of businesses and finance in addressing the biodiversity crisis. Target 15 recommends legal and policy measures to encourage companies to regularly monitor, assess, and disclose their risks, dependencies, and impacts.

Navigating the Landscape of Nature-Related Disclosures:

(Evolution of Nature-Related Disclosures in the ESG Regulatory Landscape)

As the global ESG regulatory framework evolves, so do the requirements for companies to integrate nature-related disclosures into their ESG reporting. Let's explore existing and emerging nature-related disclosure requirements.

-Leading the Way: European Initiatives:

(EU Corporate Sustainability Reporting Directive and European Sustainability Reporting Standards)

Europe is at the forefront of nature-related disclosures through the EU's CSRD, which mandates ESG-specific reporting via the European Sustainability Reporting Standards (ESRS). ESRS E4 Biodiversity and Ecosystems focuses on disclosing policies, targets, action plans, and resources related to biodiversity and ecosystems. It emphasises understanding biodiversity impacts across the value chain.

-The EU Taxonomy and Global Momentum: ***(Defining Sustainability and Evaluating Environmental Objectives)*** **The EU Taxonomy Regulation and Delegated Acts set clear criteria for defining "sustainable" economic activities. One of the six environmental objectives evaluated is biodiversity. This common classification system guides sustainable activities and provides a comprehensive framework.**

-National Initiatives: Driving Corporate Responsibility:

(Global Corporate Action Guided by National Regulations)

Several countries have introduced nature-related regulations to guide corporate actions globally. Examples include:

- **France's Article 29, requiring financial institutions to disclose climate and biodiversity-related strategies and targets**
- **The UK's consideration of mandatory biodiversity disclosures for entities to disclose against climate risks, opportunities and emissions**
- **India's BRSR framework for top 1,000 companies to report on various issues such as biodiversity and deforestation**
- **Germany's Supply Chain Act addressing supply chain risks, including environmental protections**
- **Costa Rica and Brazil's legislation and programs promoting environmental conservation.**

Beyond Regulations: Voluntary Initiatives:

(Increasing Emphasis on Voluntary Corporate Reporting Standards)

In addition to regulations, there is a surge in voluntary corporate reporting standards, guidance, and frameworks that incorporate nature and biodiversity disclosures. These initiatives play a vital role in shaping the nature-related reporting landscape.

-The Task Force on Nature-Related Financial Disclosures (TNFD)

(TNFD: Forging a Framework for Nature-Related Risk Management and Disclosure)

The TNFD aims to develop a risk management and disclosure framework for organizations to address evolving nature-related risks and opportunities. It integrates nature-related considerations into strategic planning, risk management, and asset allocation decisions.

-Science-Based Targets for Nature (SBTN)

(SBTN: Guiding Companies Towards Science-Based Targets for Nature)

In collaboration with the TNFD, the Science Based Targets Network (SBTN) offers guidance on setting science-based targets for nature. This includes freshwater and land targets and focuses on measurable objectives aligned with Earth's sustainability goals.

-Collaborative Alignment for Streamlined Reporting

(Harmonising Frameworks for Simpler Nature-Related Reporting)

The TNFD and SBTN are working together to align their frameworks and methods, simplifying corporate disclosure and accelerating standardisation of nature-related performance measurement and reporting.

Enhancing Nature Disclosures through Standards:

(Voluntary Sustainability Standards: ISSB, GRI, CDP)

Leading voluntary sustainability standard-setting bodies like the ISSB, CDP and GRI are revising or developing new biodiversity and nature-related disclosure standards. They aim to provide comprehensive guidance for organisations to report on

nature and biodiversity. For ex.

- **The ISSB standards identify specific metrics related to protecting forestlands with endangered species and indigenous lands**
- **GRI's biodiversity draft has broadened its scope of reporting to include nature and biodiversity impacts across the entire value chain of a company**
- **CDP is currently expanding its strategy to include coverage for the following environmental issues: oceans, land use, food production and waste**

In conclusion, the evolution of nature-related disclosures reflects a growing recognition of the urgency to address biodiversity loss. Regulations, voluntary standards, and collaborative efforts are shaping a more comprehensive and standardised approach to nature-related reporting, guiding organisations towards greater environmental responsibility and sustainability.

Recommended Reading:

- **Natural Capital Accounting-EU , Biodiversity Disclosures-EY**
- **Biodiversity Loss-MSCI, Companies' Biodiversity dependance-S&P**
- **Biodiversity Framework-UNEP FI, Nature related targets-McKinsey**

OTHER READINGS

ICMAI Social Auditors Organisation

(A Section 8 CompanypromotedbyTheInstituteofCostAccountants of India)

UN takes action against Saudi oil firm and its banks over climate and human rights

Human rights experts from the United Nations have issued a warning to Saudi Aramco and its banks over the company's enormous contribution to the climate crisis. Saudi Aramco is the biggest oil and gas company in the world. Their warning comes after ClientEarth filed a legal complaint accusing Aramco of committing the largest ever climate-related breach of human rights law by a business. Far from having a plan to move towards net zero, Aramco continues to pursue fossil fuel production and even has plans to explore for and develop more reserves. This means it will be knowingly worsening climate-related human rights impacts in Saudi Arabia and across the world. It is already the biggest corporate emitter of greenhouse gases – and this contribution is set to continue.

Why is climate change a human rights issue?

Oil and gas companies fuel catastrophic climate change, which will expose billions of people to water stress, heatwaves, and food shortages as global temperatures rise. Extreme weather events like wildfires, droughts, flooding and storms are becoming more and more frequent, causing significant harm to people around the world and violating their human rights. Recent months have seen unprecedented global heatwaves and uninhabitable heat extremes, with temperatures in Saudi Arabia itself soaring to above 50 degrees Celsius. In the Middle East, such extremes are forecast to become the norm, with large numbers of heat-related deaths, unless emissions are brought down rapidly. By failing to address its role as the single biggest corporate emitter of greenhouse gases across the planet, Aramco is committing a huge violation of human rights law. People in every country, on every continent are affected by climate change, which is fuelled by Aramco's actions.

Aramco's financial backers have responsibility too

The UN also warned banks and financiers that enable Aramco's business that their involvement in the financing of Saudi Aramco's activities could be in violation of international human rights law and standards. These companies include JPMorgan Chase, Citi and HSBC. While many of the banks have their own climate pledges, none of them have publicly acknowledged the climate-related human rights impacts involved in their business relationship with Aramco. They have a legal responsibility to act meaningfully on Aramco's role in climate human rights harms, by exerting any leverage they have to improve its plans or moving to exit deals with the company. Aramco reported in March 2023 that its annual profits had soared to a record $161bn profit in 2022, and since 2019 has raised more than $70bn through equity, bonds and bank loans.

Aramco's adverts are greenwashing

Despite refusing to align with the net zero transition, Aramco is pushing out adverts promoting the 'sustainability' of its business. It even claims to have a net zero goal, but the plan to reach this target ignores the vast majority of its activities. In reality, they invest a tiny amount into renewables and this is used to power the expansion of its oil and gas projects. We believe this constitutes harmful greenwashing, and we've analysed Aramco's misleading ads before as part of our Greenwashing Files. The UN acknowledged the negative impacts that misinformation and disinformation on climate change can have on efforts to tackle the crisis —as well as on the wider enjoyment of all human rights. It said businesses should refrain from public information campaigns based on inaccurate, misleading, and unfounded assertions that harm the ability of governments and the public to make informed decisions pertaining to climate change.

"In reality, Aramco is exacerbating the damage that climate change is having on people's lives rather than working to address it."

What happens next?

The UN warning sets an important international legal precedent clarifying how human rights law addresses the largest polluters driving the climate crisis. That precedent can now be used to hold corporate polluters accountable in courtrooms around the world. For more on the responses given to the UN warning by Aramco and the banks, see our press release here. To address its human rights impacts, Aramco needs a transition plan that aligns with the Paris Agreement. It must significantly cut its oil and gas production with a view to halving its emissions by 2030. It must make way for renewable energy and look to the opportunities of a transition away from polluting fossil fuels, rather than greenwashing to obstruct and delay a rapid and fair transition. Financial institutions who support the company also need to consider whether this support is in line with their own human rights responsibilities. If not, then they should stop doing business with Aramco.

EARTH4ALL: DEEP-DIVE PAPER 12

November 2022

From 'greening' the present system to real transformation – transforming resource use for human wellbeing and planetary stability

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Earth 4All

Summary

- ➔ **Introduction:** Learning from *The Limits to Growth* 50 years later: natural resource use is driving the world's environmental challenges, and will drastically increase without action.
- ➔ **Earth4All** follows up on *The Limits to Growth* by recommending five key turnarounds for planetary stability and human wellbeing in the 21st century.
- ➔ **Doing more with less:** the world must learn to deliver human wellbeing without transgressing planetary boundaries.
- ➔ **Go beyond 'greening' our current system:** unlock system solutions through targeting resource use to human needs (in addition to 'greening' energy and material supply).
- ➔ **Human needs can be provided for much more intelligently:** optimising material-intensive provisioning systems should be the first step towards minimising environmental impacts and social disadvantages.
- ➔ **Overlooking resource management and circular economy solutions:** current climate and biodiversity plans could be more effective by incorporating science-based resource solutions.
- ➔ **A better vision of resource-sustainable economic ecosystems:** we should optimise human needs, not traditional economic success, and update metrics accordingly.
- ➔ **Developed vs developing countries:** almost all countries must be looked on as "developing", and all need to change resource-use trajectories. Low- and middle-income countries have huge opportunities to leapfrog current high-income countries, and high-income countries have a historic responsibility to lower their huge resource use and its impacts.
- ➔ **Better global governance of material flows and resource use:** we need dedicated, science-based mechanisms for global resource governance. Such mechanisms will enable shifts towards human needs approaches and sustainable economic systems.
- ➔ **Conclusion:** for "the future we want" the world has a collective responsibility to build a "new normal" based on wellbeing-focused ethics and values.

Introduction

This year marks 50 years since the publication of The Club of Rome report *The Limits to Growth*. The report was a sharp critique of the notion of material growth as eternal. The report predicted increasing problems as a consequence of rapidly growing populations and economies. The forecast then was that the world economy would face the risk of a collapse within 50–100 years as a result of resource depletion, increasing volumes of waste and pollution, and the degradation of vital ecosystems.

The *Limits* report was heavily criticised, not least by conventional economists. According to them, a combination of innovations and technology fixes would solve emerging problems along the way. Alternatively, it was claimed, there is always the possibility of substitution.

However, while it is possible to exchange different materials for one another – such as wood for steel or plastic – the possibilities of substituting nature's services are radically different. Regardless of how much money is being mobilised, it cannot compensate for extinct species, the variety of ecosystem services that humans benefit from or a stable climate system. And with regard to the notion that financial capital would be able to substitute for natural capital, investing in even the most modern fishing vessel cannot catch fish in an empty sea.

In the 50 years that have passed since The Club of Rome report to The Limits to Growth, resource use in the world has more than tripled (Global Resources Outlook, 2019).

In the 50 years that have passed since The Club of Rome report, resource use in the world has more than tripled (Global Resources Outlook(GRO), 2019). The benefits have been obvious, in the form of vast improvements in the standard of living of billions of people around the world, first and foremost in the industrialised countries. But the downsides in the form of resource depletion and overuse are becoming all too evident. Increasing degradation of land and marine ecosystems, accumulation of waste and the rapid growth of greenhouse gases (GHGs) in our atmosphere have turned into global emergencies. Six of the planetary boundaries have been overshot: climate change, biodiversity loss, nitrogen and phosphorous loading, freshwater change and land-system change. If nothing radical is done, resource use will at least double again by 2060 (GRO, 2019). The consequences for the climate, vital ecosystems and biodiversity will be devastating.

Earth4All

There have been a number of follow-up reports over the years to the *Limits* report. The most recent one is *Earth for All: A Survival Guide for Humanity*, compiled by the project Earth4All and launched in September 2022. *Earth for All* is the result of joint efforts by researchers from the Potsdam Institute, Stockholm Resilience Centre, Norwegian Business School and The Club of Rome, and a great number of alternative economists and thought leaders from around the world, working together in the Transformational Economics Commission (at the invitation of The Club of Rome).

In *Earth for All*, different scenarios are explored to understand what it will take to bounce back strongly from the pandemic in order to eliminate poverty, reduce inequality, address both climate change and the eco-system crises effectively and overall reduce the risk of Earth system shocks. Five key pathways, or "turnarounds", are suggested to support the necessary transformation of our economies to meet the Sustainable Development Goals and allow wellbeing for all within the planetary boundaries. In summary the turnarounds are aiming at:

1. ***Energy transformation*** to halve emissions of GHGs every decade: from fossil fuels and energy wastefulness to clean and efficient energy designs that run on renewable power.
2. ***Food-system transformation*** to become nature positive by 2030: from extensive, extractive agriculture to low red-meat diets and regenerative agriculture.
3. ***Widespread adoption of new economic models:*** from debt and poverty traps in low-income areas to instigating fair and green growth models.
4. ***Reduced inequality*** to achieve a goal of ensuring the wealthiest 10% of the global population have less than 40% of the global wealth: from inequality to inclusiveness, that is, lift the bottom 40% paid by taxing extraction of the commons.
5. ***Empower women*** **and invest in education for all: from discrimination to education and empowerment of women everywhere.**

These turnarounds need to be underpinned by a number of cross-cutting policies. The most important one will be a radically different approach from those used hitherto regarding the management of natural resources. This is due to the fact that extraction and processing of materials (everything extracted from the earth) is responsible for all aspects of the triple planetary crisis of climate change, biodiversity loss, and pollution and waste. With regard to global climate change, 50% is caused by the refinery of fossil fuel products such as petrol or plastics, the extraction of biomass in agriculture and forestry, and the production of steel and cement. The remaining 50% is caused by economic activity downstream of extraction and processing, and by households (GRO, 2019).

Most of these emissions are caused by high energy use in extraction and processing, while some are caused by chemical reactions. Therefore, even if energy use is at the core of carbon emission, we will not reach the goal of near-zero emissions unless we prioritise basic material use as well – everything from the possibilities of substitution (e.g. building with wood) to technology leapfrogging (e.g. using hydrogen instead of coal in steel-making) and meeting human needs in radically different ways.

Apart from the significant contribution to climate change, the extraction and processing of materials also cause 90% of global land-related biodiversity loss, mainly due to biomass production in agriculture, timber production or ocean resource use. Natural resource industries also cause one third of global air pollution, as well as water and land pollution, for example in coal or steel industries. Biodiversity hotspots are also threatened by localised specific pressures, such as mining.

As we mentioned earlier, global natural resource extraction has tripled since 1970. It is now at over 90 billion tonnes per year. The 2021 report by the Organisation for Economic Co-operation and Development (OECD) for the G20 reveals that G20 countries use over 70% of those resources.

> The current market-economy-based policy frameworks that rule the world are incapable of both securing a fair distribution of resources and preventing further serious degradation of Earth's life-supporting systems.

Contrary to wide public perception, we have not managed to turn the alarming trends around. Global resource productivity, meaning the gross domestic product (GDP) produced per tonne of resource, has not improved since the year 2000. As the OECD report reveals, the consumption productivity in G20 countries – contrary to the belief among conventional economists – has also improved very little. High-income countries consume more than 10 times more of our planet's finite resources per capita than the lowest-income countries. Even with the tripling of natural resource use in the world since the 1970s, we still have a situation where 3–4 billion people live in poverty. This shows that the current market-economy-based policy frameworks that rule the world are incapable of both securing a fair distribution of resources and preventing further serious degradation of Earth's life-supporting systems.

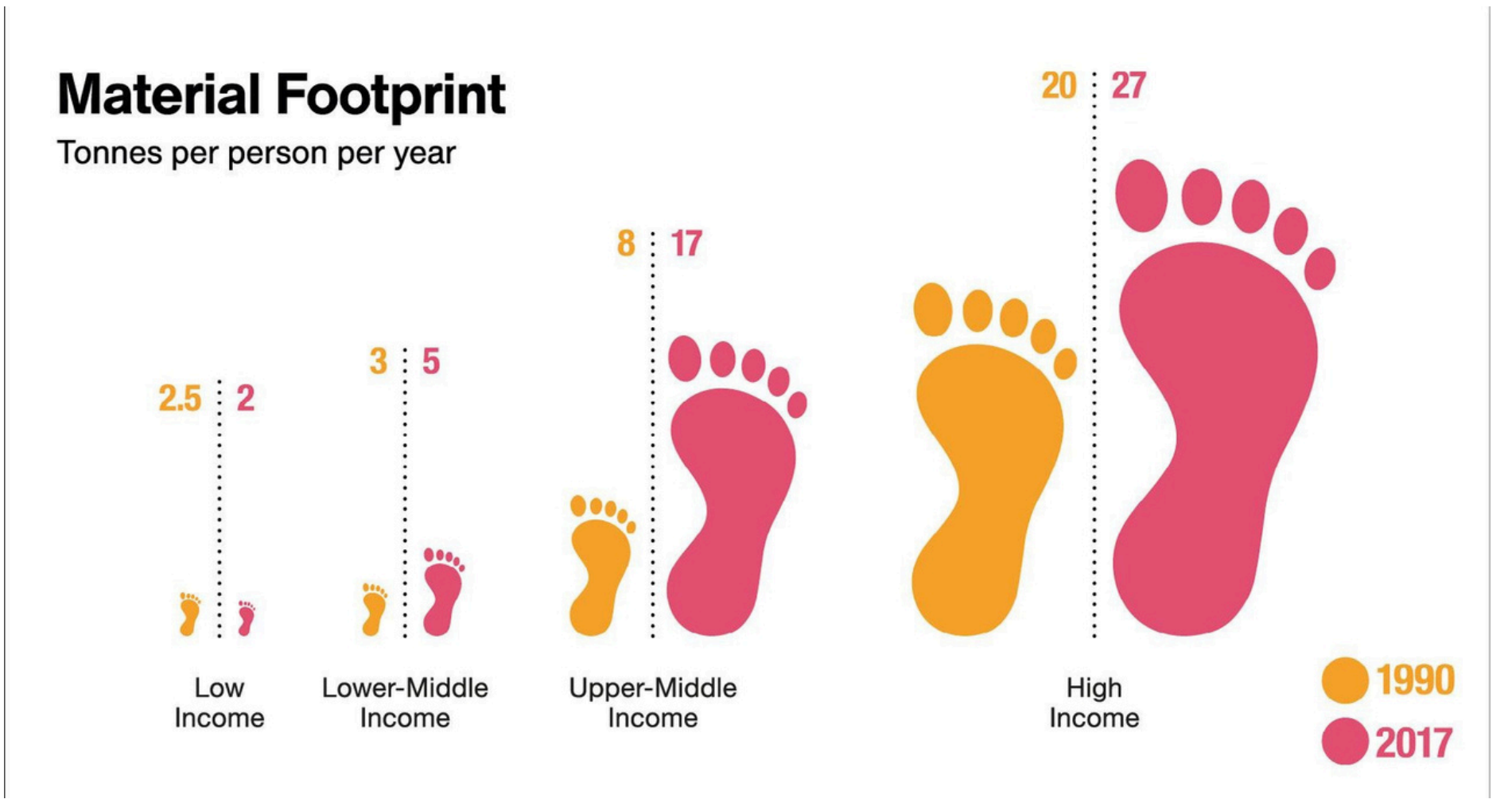


Figure 1. Material footprint by income group (Global Resources Outlook, 2019).

According to the United Nations' International Resource Panel (IRP), if we don't take transformative measures, material use will double again by 2060 (relative to 2015). Not only will the total amount of materials needed surpass planetary boundaries, due to their emissions in production and waste in use, but particular pressures will result from the spike in demand for certain metals and minerals for use with digital technology and for solar and wind energy, as well as for batteries or cleaner fuels such as hydrogen. Natural resource depletion is already alarming, and it is likely to affect vulnerable communities most severely. For example, roughly 39 million people depend on capture fisheries (i.e. catching wild fish rather than farming

them in aquaculture systems) for their livelihoods, and the proportion of fish stocks extracted unsustainably has **risen to nearly 35%**. On land, increasingly intensive farming practices are accelerating soil destruction: if current rates of loss continue, the world's topsoil could become unproductive within 60 years (Maximillian et al., 2019).

Doing more with less

The bitter truth is that the use of natural resources in general cannot continue to increase decade after decade. It must level off. Otherwise, there is no possibility of managing the wellbeing of 9–10 billion people in the long run within the planetary boundaries. The challenge is that the levelling off must take place at the same time as both energy and material use in low-income countries will – and have to – increase greatly. That is the only chance to acquire a decent standard of living.[1]

A critical question, therefore, will be to try to define the level of biophysical resource use that will meet the basic needs of all people on the planet without exceeding critical planetary boundaries. There is overshoot already – first and foremost in terms of GHG emissions – so the challenge will be to progressively modify overall natural resource use (through reductions and/or substitution) to make sure further overstepping of the planetary boundaries can be avoided.

Resource efficiency is part of the answer – both in terms of extended product life, reuse and recycling. But it is no panacea. Efficiency improvements happen all the time, but most of the gains have so far been cancelled out by the sheer increases in the volumes of consumption that take place when productivity increases free up resources. This means that technology advancements alone will not lead to the decoupling of production and consumption from environmental harms at the scale needed (Jackson, 2017). As expressed by Lewis Akenji: "Efficiency is blind to the limits of consumption and emissions – and so we can keep improving our efficiency even as we transgress the planetary boundaries."

The pathway to consider would be:

1. **vastly increased efficiency by which natural resources are used, coupled with substitution; combined with**
2. **a redistribution of wealth and hence access to resources between rich and poor countries and, indeed, rich and poor people; complemented by**
3. **policy measures that will address the rebound effects that we know will materialise when resource use will become more productive.**

The long-term goal has to be an economy where sufficiency is at the core. One important step in that direction will be the recognition that the present way of providing for human needs leaves a lot to be desired. The provisioning systems (resource-intensive systems delivering human needs) of today are most often wasteful – not only with regard to the way natural resources are used but also from a purely economic perspective. The main purpose of this article is to highlight the great potential to change these provisioning systems, to deliver human wellbeing while decoupling from resource use and its environmental impacts.

To make the Earth4All turnarounds real we must go beyond 'greening' our present system

Given that most of the impacts related to materials occur in the early stages of the production chain – for example, in mining, heavy industry and agriculture – a common strategy is to focus on the decarbonisation of the energy in production or on better methods of producing biomass. While the clean-up of production processes is certainly crucial, it is insufficient and can be harmful when pursued in isolation.

Tackling the drivers of excessive resource consumption and focusing systems on what end-users fundamentally need will contribute to all five of Earth4All's proposed turnarounds.

The focus on energy production in most climate-mitigation strategies until now may be understandable: fossil fuels still make up more than 80% of the energy mix globally. However, undertaking the energy transition without a change in the drivers of excessive energy and material demand will never be enough to stay within planetary boundaries, and will incur massive trade-offs.

Tackling the drivers of excessive resource consumption and focusing systems on what end-users fundamentally need will contribute to all five of Earth4All's proposed turnarounds – increasing the chances over time of delivering human wellbeing within the planetary boundaries. We know that, in addition to driving ever-increasing environmental impacts, overconsumption of natural resources brings negative consequences for wellbeing: health impacts of food overconsumption are well known. Furthermore, mental health issues are prevalent in several high-consuming countries. As Earth4All's turnarounds recognise, inequality reduction is crucial for a sustainable future: those in the wealthiest countries are disproportionately responsible for the world's environmental impacts (Wiedmann et al., 2020).

Box 1. What are provisioning systems?

The current economic model maximises consumption, rather than optimising human and planetary health. Provisioning systems deliver essential societal needs: our homes, our food, the methods by which we get from A to B. By focusing our economies on optimising the systems that deliver our needs, we can achieve human health and wellbeing, while reducing the harmful environmental impacts that can lead to planetary boundaries being transgressed.

SYSTEMIQ and The Club of Rome's recent publication, *A System Change Compass*, identifies four major systems of resource use that deliver our everyday needs: nutrition (healthy food), mobility, housing (built environment) and consumer goods (SYSTEMIQ and The Club of Rome, 2020).

Looking at the economy through the lens of societal needs enables us to envisage a new kind of economic model: one that drives the development of certain activities over others and stimulates positive sustainable investment. Looking beyond traditional sectoral silos also enables an integrated systems approach, avoiding trade-offs and maximising co-benefits.

For example, focusing on greening the automotive sector by mass-producing electric cars will neither address the environmental impacts embedded in vehicle manufacture nor the wellbeing cost of hours spent in dense traffic. Instead, a choice could be made to focus on an integrated mobility system that minimises journey times with green communal options.

So why do we need resource efficiency in provisioning systems, in addition to greening their production processes and energy supply?

> Trying to decarbonise current production and consumption patterns is a bit like trying to lose weight by increasing exercise while also eating more sugary snacks: it is inherently inefficient and costly.

Let us start with a metaphor. Trying to decarbonise current production and consumption patterns is a bit like trying to lose weight by increasing exercise while also eating more sugary snacks: it is inherently inefficient and costly, and it will have many additional impacts on health and quality of life. Staying with the metaphor, what we need to do instead is replace the sugar consumption with more nutritious, healthy eating patterns, in combination with mitigating some calories through healthy exercise – all the while discovering great new flavour options and improved joint and muscle function.

To explain this logic for a key resource and provisioning system, let us look at a steel-intensive value chain. There is much current debate about decarbonising heavy industry such as **steel production**, with solutions including energy-efficient furnaces, the use of low-carbon hydrogen fuel, electrolysis, carbon capture and storage, and increased use of scrap metal instead of virgin iron. There is also a lot of debate about decarbonising private transport, and most debates **focus on electrifying vehicles**.

Several challenges come with decarbonising these heavy industries. For example, the production of low-carbon hydrogen requires a lot of solar and wind power, which in turn need metals for their technology. The technology for carbon capture is only in its infancy and is also material- and energy-intensive. Further, the electrification of a large and rising number of private vehicles will result in increased demand for batteries, which also need a lot of rare metals and pose an additional toxicity and waste challenge. Moreover, supposedly cleaner vehicles might boost demand for vehicles, which will increase the demand for batteries, as well as other car materials, such as steel. Also, we might still sit in traffic for hours and convert open spaces into infrastructure such as additional parking and roads, when people increasingly want access to nature and more convenient transport options instead.

No one actually needs steel, per se. What people need is simple: the mobility to get from A to B to see their friends, do their jobs and access all sorts of services – the functions that steel products enable. We need to optimise that mobility by (a) planning cities that are fairer, more compact and service-diverse to reduce the need for long trips; (b) offering the best cycling and walking options; and (c) offering public transport and pooled mobility options. At the same time, we need to use the modules and materials of that system in a more circular manner. Such systemic optimisation would save not only great amounts of steel, as well as other materials, but also large amounts of fuel and its related air pollution. Systemic improvement would improve quality of life for all.

The IRP calculated that, across G7 countries only, if 25% of journeys were shared rides the life-cycle emissions of the G7 private vehicle fleet could be reduced by up to 20% by 2050. Given that the average European car is parked 90–95% of the time, often on scarce inner-city land, benefits could extend far beyond the mobility system to urban greening and improved ecosystem service delivery. Combining this with circular material measures such as extended product life, better repair, remanufacturing and recycling, would increase the emissions savings potential to 40%. Furthermore, the supply challenges to electric car batteries can only be managed by a massive increase in utilisation per battery, meaning per vehicle, through prioritisation of buses and shared cars.

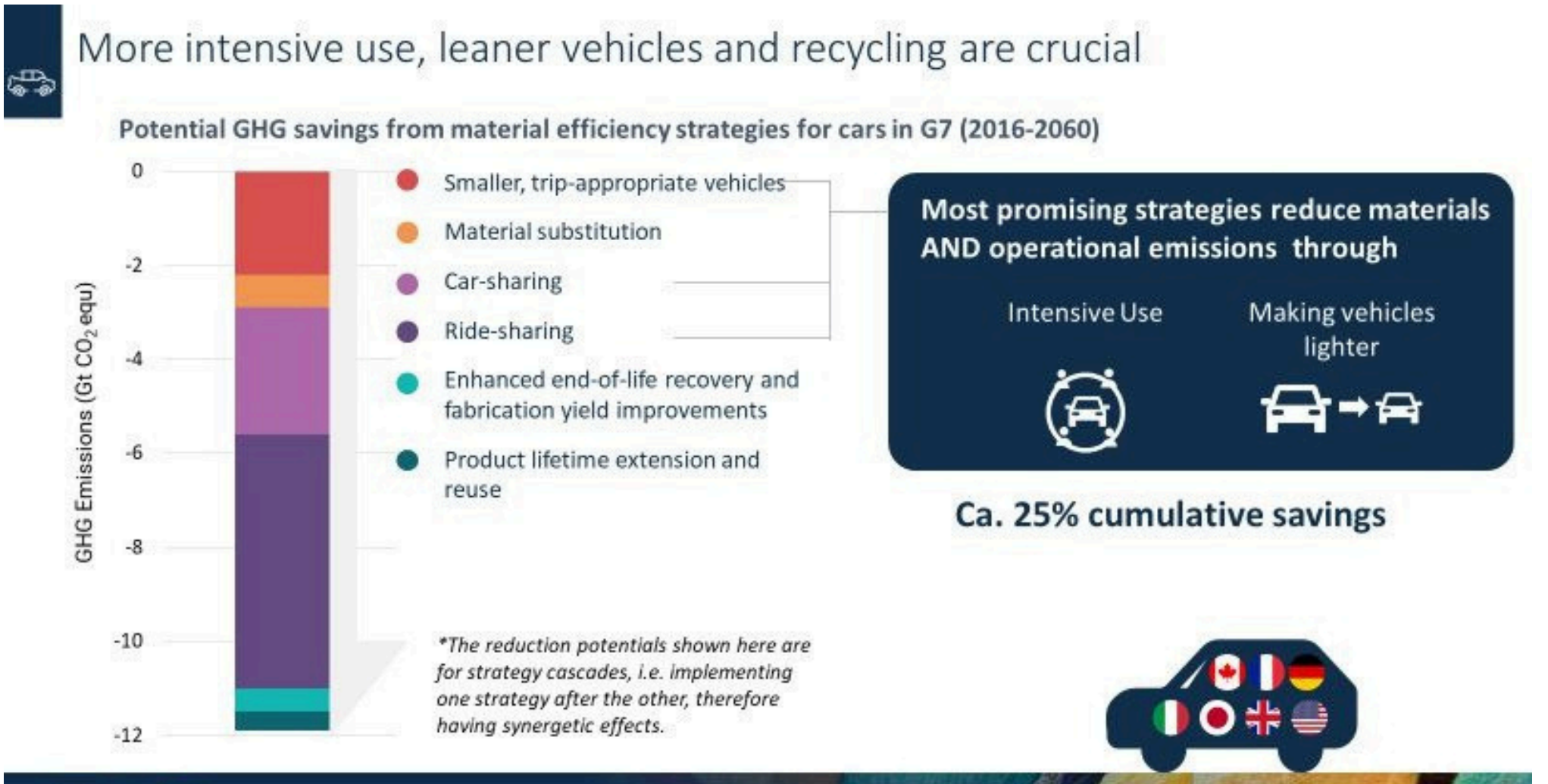


Figure 2. Potential for reducing life-cycle emissions in G7 car fleets through material efficiency strategies (International Resource Panel, 2020).

This example refers primarily to high-income countries where an intense debate on how best to reduce transport emissions has been ongoing for a number of years. But it also applies to middle-income and lower-income countries, which will be the main location of urban expansion in future, and the option to avoid repeating the mistakes of high-income countries clearly exists. These nations have the opportunity to plan for "smart mobility" and create urban environments not dominated by traffic-clogged highways, multiple car parks and poor air quality.

A similar logic applies beyond the mobility system: any energy-intensive materials, any output from nature-intrusive mining, and any output from biodiversity loss-intense agriculture and crop production ultimately goes through a value chain as part of a provisioning system that is supposed to meet society's need for a certain function.

Human needs can be provided for much more intelligently

Optimising currently material-intensive provisioning systems should therefore be the first step towards minimising unnecessary environmental impacts as well as social disadvantages, such as sitting in traffic, heating unused housing space or wasting food because of poor storage and wasteful fast-food systems. This approach applies to any material and the natural resources it depends on. Inefficient systems – for example, a built environment with underutilised, sprawling houses, or mobility systems primarily reliant on underutilised cars and roads – also consume excessive land and fuel resources in addition to materials.

In addition to improving the utilisation of systems, the value chains and production processes of their products and modules can be made more circular, ensuring that the materials and modules are being reused to the maximum extent. For example, the IRP calculated that a city – which is where most of the provisioning systems such as mobility, housing, food (consumption) and everyday goods (consumption) are concentrated – purposefully designed for fair compactness, circularity, nature-positivity, and active and public transport would need 10 times less energy (direct energy and embodied energy in materials) than a non-purposefully designed sprawling city matching the current trend. This significant improvement in productivity is the result of optimised use of space, leading to resource efficiency in buildings, fuel efficiency in heating, and accessibility of green transport options.

The term “efficient energy designs” usually sparks images of efficient light bulbs or fridges, or maybe more efficient industrial processes. It does not usually invoke visions and strategies for fundamentally redesigning our material-intensive provisioning systems and the circularity of value chains as a means to tackle the very driver of excessive energy demand.

The current Earth4All turnarounds partially capture this logic of systemic material efficiency. For example, the pathway for energy transformation includes a call for “efficient energy designs that run on renewable power”, and the pathway for transforming food systems includes a call for a transition to nutrients that are less resource-intensive – ideally plant-based proteins instead of those provided by (red) meat or cattle dairy. However, the term “efficient energy designs” usually sparks images of efficient light bulbs or fridges, or maybe more efficient industrial processes. It does not usually invoke visions and strategies for fundamentally redesigning our material-intensive provisioning systems and the circularity of value chains as a means to tackle the very driver of excessive energy demand.

In technical modelling language, “energy efficiency”, “energy productivity” and “energy demand management” usually include assumptions about provisioning systems of material functions, but this is often rather misleading for non-modellers. While the GHG emissions are caused by energy, optimisation to reduce energy demand can most often be found beyond the remit of the energy system and, instead, very much within the remit of those

who shape the above-described provisioning systems – i.e. policymakers and business leaders such as transport ministers, housing ministers, infrastructure planners, urban planners, food and health departments, and product performance legislators. Including these relevant leaders in the discussion would make possible a truly systemic approach. But for that to happen, the often silo-based approaches to policymaking have to give way to more horizontal practices.

Therefore, it is important that any systemic models clearly explain the assumptions about energy demand, and the systems optimisations that will lead to change. It is thus even more essential that projects such as Earth4All clarify these approaches, through contextualisation of language, thought leadership and campaigning.

Systemic material efficiency should be seen as a cross-cutting theme that connects these turnarounds, especially the food, energy and poverty pathways, towards the necessary economic transformation.

Overlooking resource management and circular economy solutions

It is essential to be explicit about the system levers required to reduce resource demand (materials demand and their embodied emissions, i.e. the energy used to produce them; direct energy demand, e.g. in heating or vehicle fuels; land demand; water demand) because in current climate and biodiversity policies these levers are almost entirely missing. In many economic policies, systemic efficiency levers are not only missing, but – consciously or unintendedly – opposed.

For example, in the recently updated Nationally Determined Contributions (NDCs) and Long-Term Strategies submitted to the United Nations Framework Convention on Climate Change (UNFCCC), only a few of the most-emitting countries (based on a G20 analysis) mention energy or material demand management, efficiency or circular economy, and none include legally binding targets for reductions in material use. Material use is largely ignored, yet we know that it makes up a significant part of carbon emissions. No G20 countries include quantitative material efficiency targets in their NDCs. Likewise, National Biodiversity Strategies and Action Plans (NBSAPs) overlook the importance of resource management solutions, such as value chain transparency. We know most biodiversity loss results from unsustainable natural resource use, often through complex international value chains. However, despite a global biodiversity target on sustainable natural resource use, no NBSAP explicitly mentions supply or value chain transparency or impact (as determined using the Convention on Biological Diversity's NBSAP search tool).

If we look at the EU, often heralded as a frontrunner and role model in a sustainable transition and circular economy, the rationale for systemic material efficiency isn't yet credibly included either. While the EU Green Deal communication from 2019 states the goal of "reaching net-zero emissions by 2050 and decoupling resource use from economic growth",[2] the policy packages put forward to implement the Green Deal show little decoupling potential. The EU's major energy package, called "Fit for 55", is mainly about decarbonising energy production and enabling industry to use cleaner energy. It does put forward a solid calculation of the absolute decrease

in energy demand necessary to reach a 55% emissions reduction by 2030, showing that the EU must reduce total energy demand by 39%, compared with 1990 levels. That is a massive efficiency improvement to achieve in under 10 years, and its fulfilment should jump to the top of everyone's attention, yet it received little media coverage and little explanation within the Fit for 55 document itself about how it will be achieved.

In terms of recommendations for implementation, the document package refers to better housing insulation, transport efficiencies and industrial efficiencies, but it does not expand on the implications of reaching such a number. Staying with the example of energy efficiency in housing, the policy document proposed to realise that goal is the so-called Renovation Wave. While an extensive document with many good propositions, it only mentions the most systemic efficiency levers in passing: smarter space and house utilisation (see the **IRP analysis** mentioned above) through better urban design to prevent sprawl and improve affordability of more space-efficient inner-city flats (which would also be more energy efficient per person because of shared walls). Such design would enable downsizing for the elderly, and incentivise compact yet fairly spaced and high-quality neighbourhoods with shared-ownership models that incentivise long-term insulation and circularity.

In the policies for mobility systems in the **EU's mobility strategy**, we also see few systemic proposals to reach a significant reduction in energy or materials. Most of the focus is on electrification, with less emphasis on things such as smart urban design, improved public transport, mobility as a service or otherwise shared and circular transport systems. Let us leave no room for doubt: any strategy to clean up energy production, every measure to electrify industry, transportation or heating, and any measure to insulate houses is important and must be scaled – but they will be inefficient, and not fast enough, without complementary system optimisation to provide societal functions using fewer resources in the first place.

It is embarrassing that neither development banks nor development co-operation agencies have given priority to the management of natural resources and the opportunities offered to save resources at scale.

It is true that a major turnaround must happen in the supply and demand of energy, as the largest direct emitter of GHGs. But the turnaround action and policies do not come from energy-sector changes alone. They come from systemic changes in the use of energy in mobility, housing, consumer goods, food and social dynamics. Therefore, system turnarounds must be formulated for these kinds of societal needs, demonstrating how to save physical resources (both energy and materials) at scale.

If this is true for the EU and its member states, it is of course true for other parts of the world as well, not least for middle- and lower-income countries. There is an urgent need to share best practices in everything that concerns climate mitigation and adaptation and the prevention of biodiversity loss and ecosystem degradation. It is embarrassing that neither development banks nor development co-operation agencies have given priority to the management of natural resources and the opportunities offered to save resources at scale.

A better vision of resource-sustainable economic ecosystems

Based on this realisation, The Club of Rome and SYSTEMIQ wrote *A System Change Compass* in 2020, which was welcomed by European Commission President Ursula von der Leyen with a foreword, and with a strong endorsement by European Investment Bank President Werner Hoyer.

A System Change Compass puts forward a logic to economic policymaking that is directed at optimising the economy for the fulfilment of societal needs with the minimal, cleanest resource input, rather than with the goal of production itself. As explained in Box 1, the compass recommends looking at the economy as four provisioning systems that deliver resource-related essential needs to society: mobility, housing, food and everyday goods (such as electronic gadgets). Using this logic, energy, digital technology, circular infrastructure and (re) manufacturing, and nature-based solutions enable the development of economic ecosystems and would be the necessary components in the delivery of societal needs; they are not activities to be maximised for their own sake.

In addition to reminding us that the economy has a direct societal purpose beyond simply maximising itself, this logic also allows businesses, investors, policymakers and citizens to envision and innovate the economy of tomorrow. This means moving away from measuring progress in terms of GDP and towards measuring societal indicators alongside resource-use efficiency – throughout the whole value chain. Instead of trying to mend and mitigate old economic models, we need to innovate economic ecosystems that deliver functionality, as well as high-quality jobs, in ways that are fundamentally less resource-intensive, and with business models that offer function and save materials.

The idea of energy efficiency or energy demand reduction is abstract to most people, even to most business leaders and policymakers, and it often leads directly to scepticism and into conversations about “taking something away”. The idea of a fundamentally more efficient, cleaner and convenient mobility system, however, is intuitive and attractive for most people (though maybe not yet to industry).

What we need is to create visions and movement towards those new systems, and the new jobs within them, working with stakeholders far beyond the energy sector and energy ministries.

Developed vs developing countries

We also need to be open to learning from activities far beyond the usually discussed, often self-identified frontrunners. We must urgently shake the habit of calling countries that consume beyond their share of natural resources “developed”. On the way to reaching wellbeing within planetary boundaries, almost all countries must be looked on as “developing”.

Low-income countries have the opportunity not to follow the same damaging development pathways of today’s high-income countries. Wellbeing in low- and middle-income countries could be increased further if these pathways were not followed. Instead, they must use the advantage of having less-entrenched industrial infrastructure and a vested interest to leapfrog to inherently

In contrast to a long-standing practice of so-called developed countries “helping” lower-income countries, we need to learn from the examples where countries have designed provisioning systems of societal needs that are both more resource-efficient and work along circular economy principles

more efficient systems at home, as well as dematerialised exports. In contrast to a long-standing practice of so-called developed countries “helping” lower-income countries, we need to learn from the examples where countries have designed provisioning systems of societal needs that are both more resource-efficient and work along circular economy principles. Often, lower-income countries should be able to perform better in this field, not least over time, if given access to the financial means to invest accordingly.

Circular economy principles are already being put into practice across low- and middle-income countries. For example, in Africa – Nairobi, Accra and Cape Town – open-source, local material flow data enables identification of circular economy opportunities. The built environment in Africa already embodies circular principles: a tradition of indigenous construction uses local building materials and local labour, while generating very little waste. USE-IT in South Africa and Worofila in Senegal are expanding the use of building blocks made from local earth. MycoTile in Kenya is producing construction bricks from fungi.

In the mobility system, cities in Asia are working to develop integrated circular transport systems: Jaipur is operationalising “smart intermodal mobility”, which includes integrating several modes of transport, implementing a fleet management system, frictionless ticketing, and real-time journey information. Given low rates of car ownership in India, implementation of high-functioning integrated transport systems could make private vehicle possession in cities irrelevant.

In Latin America, circular economy initiatives are improving neighbourhoods: for example, the informal settlement of Morro de Moravia in Medellin, Colombia, has undergone a green reconstruction project, with significant positive social and environmental impacts. Over 2,000 families now live in safer and more secure settlements, and the biodiversity of the local area has improved thanks to constructed wetlands. Two hundred jobs were created in community gardening and environmental restoration.

In these examples, levels of income and wellbeing still need to be improved, for example, in healthcare and energy security. However, it is essential that these wellbeing improvements are made utilising the parts of the system that already work, maintaining their resource-efficiency logic, for example by electrifying a shared transport system rather than redesigning a system based on the outdated models of prosperity found in many high-income countries. These old systems have by now shown all their negative side effects, such as waste, traffic jams and disconnected communities in sprawling cities and, of course, GHG emissions, and need not be emulated.

Better global governance of material flows and resource use

In order to enable a concerted global move towards realising resource efficiency in provisioning systems, we must plug a gap in our global governance structures. While several environmental agreements help with defining the planetary boundaries we cannot surpass, such as the 1.5oC goal for climate change, they do not help to steward the drivers that lead to climate change – as explained in the NDCs analysis above. In fact, the Paris Agreement does not even mention fossil fuels, let alone how material-consuming systems could reduce their fossil fuel dependency. Furthermore, current reporting under the UNFCCC only provides transparency on the emissions caused directly by a country's production, not on the emissions caused almost as directly by the consumption and imports of a country. Given global power structures, is it really mainly India's responsibility to decarbonise its steel sector, even though large parts of its production outcomes are used in Europe? Or should not all countries involved in dirty value chains have a responsibility to work together to innovate alternative, dematerialised, circular and cleaner value chains? If countries are serious in their efforts to move towards more resource-efficient production and consumption systems – where circular production is a crucial component – a shared responsibility will be necessary both for value chains and, indeed, for consumption patterns.

Global economic institutions, despite their ample use of the terminology of efficiency and productivity, are not giving priority to incentivising resource efficiency across systems either. For example, the World Economic Outlook has recently included content on GHG emissions and energy use, and it recognises climate shocks as severe economic risks, but there is no consideration about which parts of global production and consumption – measured in GDP – use energy and other resources particularly wastefully and inefficiently in the delivery of societal needs.

Several steps could be taken to upgrade global governance to help promote systemic resource efficiency, with the aim of delivering wellbeing to all within the planetary boundaries.

First, existing institutions should promote transparency and data sharing to link their activities and insights to resource use and materials flows. For example, the UNFCCC could add consumption-based impact reporting and encourage countries to make long-term plans to both decrease domestically produced emissions and initiate cooperation with major trade partners to decarbonise and dematerialise value chains. The World Economic Outlook could offer an overall view on the resource productivity of countries, from both a consumption and production perspective. It could also facilitate knowledge about which parts of GDP growth have been virgin-material dependent compared with those achieved through services or circular economy, and foster better understanding about how resource-dependent and "clean" GDP is distributed.

Second, we need an additional multilateral institution, potentially through a United Nations convention, to at least steward a central database and provide reporting methods for resource use, as well as a methodology to allocate impacts to material flows across borders. The institution should also convene economic, social and environmental institutions to find pathways to stimulate systemic resource efficiency in a just transition (see our earlier point on visions and pathways in *Doing more with less*). In the mid-term, this multilateral institution on resource management should develop clear – yet nuanced – quantitative and qualitative targets for resource use and

material flows, supported by a dedicated scientific panel similar to the Intergovernmental Panel on Climate Change (IPCC). The IRP has recently started research on the feasibility and potential use of such targets.

Third, informal governance leadership groups such as the G7 and G20 must make resource productivity (wellbeing per tonne of resource use) their North Star, even the new criterium for memberships – rather than just GDP.

Fourth, the World Bank, regional development banks and development cooperation agencies must help in the process of making systemic resource efficiency a reality. First and foremost, it is a question of capacity building. Lower-income countries need educational programmes at all levels to explain resource use in all its dimensions and, in particular, training programmes for its ministries, government agencies and private businesses in how to implement incentives for systemic resource efficiency.

Conclusion

Natural resources provide the foundation for the goods, services and infrastructure that make up our current socio-economic systems. The use of natural resources or materials sits at the very heart of the challenges we face. The way we (mis)manage them is the common cause of climate change, biodiversity loss, and pollution or health impacts. All these challenges are the consequences of drivers and pressures emerging from human behaviour, from the “old normal” and a still-prevailing economic system. It is essential to address these drivers in a systemic way.

Understanding these facts provides us with a clear hope that, by identifying the root causes of these crises, together we can deliver policy responses that tackle them effectively.

From the natural resource management point of view, the 21st century will be marked by two important parallel and complementary processes: *decarbonisation and systemic resource productivity or dematerialisation*. All our activities should be judged through a lens of whether they contribute to managing these trends.

What would that mean in policy terms?

- **Redefining consumption** from owning to using.
- **Redefining production** from mass sales to providing efficient functionalities.
- **Redefining core economic incentives** such as taxation, subsidies and public procurement.
- **Integrating wellbeing** as the objective across all policies.
- **Measuring sustainability** with a life-cycle perspective, harmonising across policy areas.
- **Activating existing financial potential** to enable transition.
- **Looking at innovation** in categories of economic ecosystems that provide societal functions, rather than in categories of production sectors.
- **Establishing science-based** resource governance mechanisms fit for the challenges of the 21st century. Innovative and effective governance will enable all other policy transitions.

According to economic theory, producers and consumers are behaving rationally. This is true, but only in the short-term, for market players maximising their wellbeing here and now. Since this rational behaviour is based on market signals that are not aligned with longer-term public interests, it does not lead to long-term sustainable solutions (economic, social and environmental). One can hardly claim that behaviour leading to the crises we face (climate, biodiversity, health or social) and resulting in imbalances (between humans and nature, and between current and future generations) is rational. It is thus essential to fix the market signals and align them with longer-term public needs.

There is a delusion in the assumption that by greening the existing systems and structures of production, which is important and needed in itself, we can deliver the necessary speed and scale and provide convincing and sufficient answers for fighting climate change, biodiversity loss, pollution and health implications.

To the current efforts to green the existing systems and structures of production, we must add a system-based approach, which will not only address the supply side of the current economic system, but also the demand side – existing (over)consumption and wasteful use of natural resources.

We need to move from efficiency to sufficiency concepts. As clearly indicated by the IRP, we must strive for the decoupling of wellbeing and economic development from natural resource or materials use and environmental impacts.

The circular economy could play an important role, if we define circular economy in a systemic manner to reduce not only waste but also space and material wastefulness within the systems. We can choose to see it as a chance to fundamentally improve the systems that deliver core material societal needs: mobility, housing, nutrition and everyday goods systems should directly focus on societal needs instead of just increasing outputs and profits for traditional sectors.

For the first time in human history, we face the emergence of a single, tightly coupled human social-ecological system of planetary scope. We are more interconnected and interdependent than ever. Our individual and collective responsibility has increased enormously. There is no way to escape the necessity for change. If we truly want “the future we want”, there is no way to escape the creation of a “new normal” based on different premises, ethics and values.

SNAPSHOTS

ICMAI Social Auditors Organisation

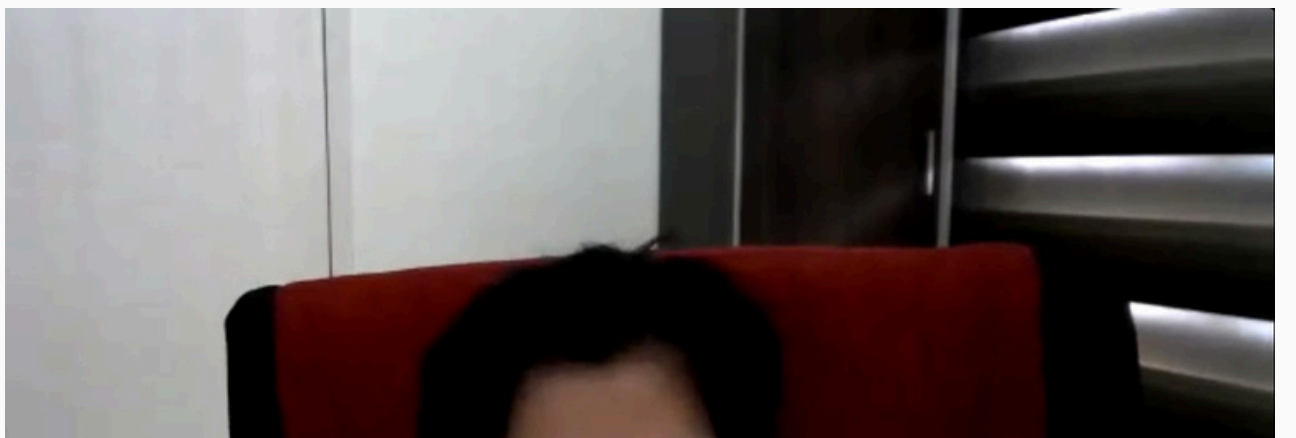
(A Section 8 CompanypromotedbyTheInstituteofCostAccountants of India)

Spotlight on ESG : Rationale, Present Status, and Future Outlook on 12th July 2023

ESG and investment decision making on 13th July 2023

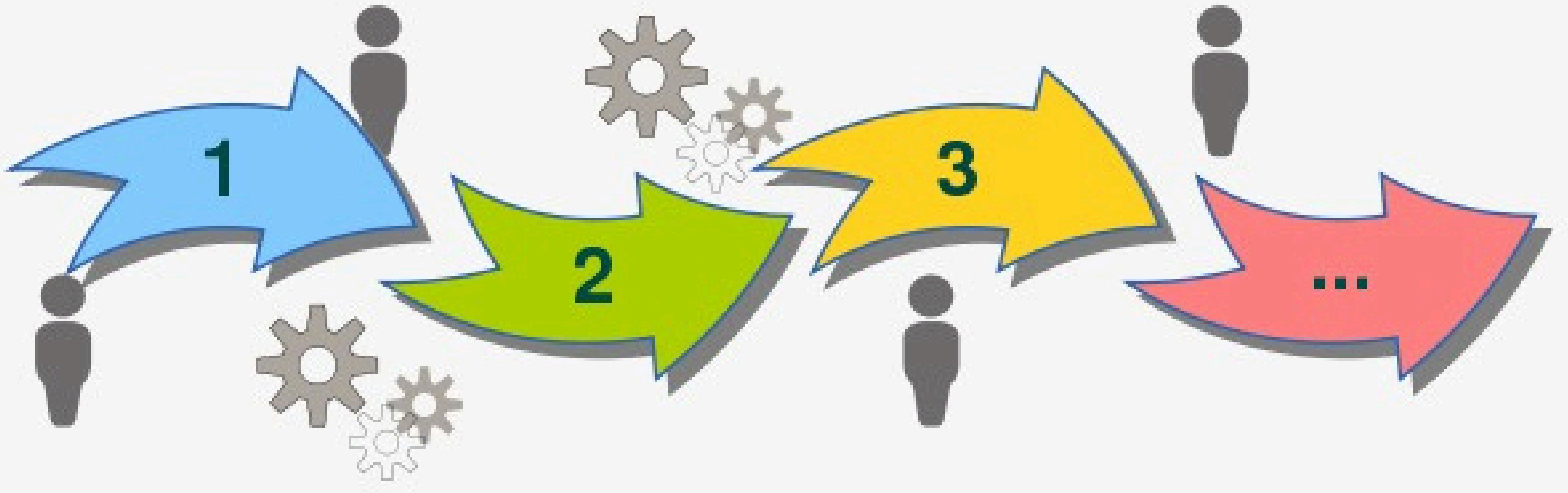
"Unlocking Sustainability: G20 Presidency Paves the Way for an ESG-driven New World Order"

Interactive Session - Expectations of Social Auditors from practical training on 20th July 2023



Certificate Course - ESG (Perspective, Process, Practice) on 29th-30th July 2023

PROCEDURE FOR REGISTRATION OF A MEMBER WITH ICMAI SAO



ICMAI Social Auditors Organisation

(A Section 8 CompanypromotedbyTheInstituteofCostAccountants of India)

PROCEDURE FOR REGISTRATION OF A MEMBER WITH ICMAI SAO

Eligibility Criteria for Social Auditor

A. AnIndividual 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 universitiesrecognized bythe 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 there of 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

Entryof Application : Entryfor applicationreceived 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.

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

- **Registeredform – dulycompleted**
- **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 ICMAI 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 ICMAI, ICAI, ICSI, any SRO or any other regulator. Whether ICMAI, 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 (ICMAI / 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 CompanypromotedbyTheInstituteofCostAccountants 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

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

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/secrecy 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.

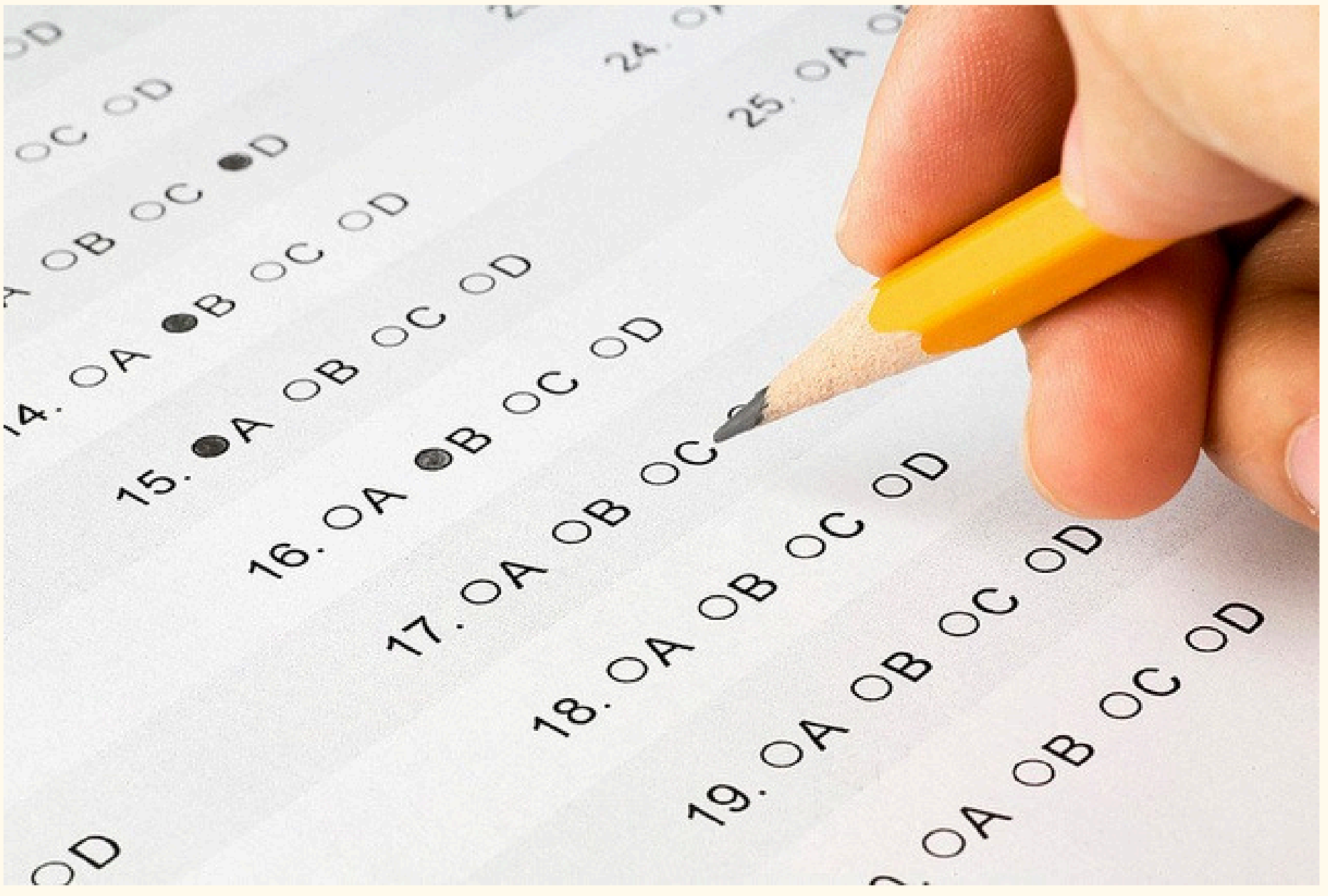
(5) Such matter will then be escalated with the question / answer to the Committee with the details of the nature of error, the correct version of the question or contested correct answer and system recognized correct answer. The Committee, after due diligence and proper scrutiny, will arrive at a conclusion 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

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MULTIPLE CHOICE QUESTIONS

Compiled & Contributed by CMA Jacky Singh

(Cost Accountant , Social Auditor , Surveyor & Loss Assessor, Arbitrator)

Question 1 - Which of the following monetization methods are covered under approaches to Social Impact Assessment.
a. Social Return on Investment (SROI)
b. Cost Benefit analysis
c. Theory of change
d. Structured interviews
i) a & b are correct
ii) b & c are correct
iii) c & d are correct
iv) a & c are correct
Answer - i) a & b are correct

Question 2 - A social audit – a. Assesses whether the project / program / project- based activity is operating in accordance with the stated strategic intent and planning.

b. impact/outcomes. staff/ performance measurement and/or performance by way of as management letter. i) a & b are Correct ii) c & a are correct iii) b & c are correct iv) a, b & c are correct Answer - iv) a, b & c are correct

Question 3 - …… is the regulator of Social Stock Exchanges
a. MCA
b. SGC
c. SRO
d. SEBI
Answer - d. SEBI

Question 4 - Which of the following are the types of entities like CSR donors, foundations, retail investors, Government are covered under a. Independent evaluator b. Risk funder c. Outcome funder d. Intermediary or Program Manager Answer - c. Outcome funder

Question 5- ……. percent of funding for these organisations come from four sources : individual donations, contributions made under the Foreign Contribution (Regulation) Act, 2010 (FCRA), CSR grants availed from the government schemes.
a. 60%
b. 70%
c. 80%
d. 100%
Answer - b. 70%

Question 6 - Different Stakeholder of the social stock exchange include a. Market Infrastructure b. For- Profit Enterprises (FPEs) c. Information Repositories d. Non- Profit organisation i) a, c, d ii) b, c, a iii) a, & d iv) a, b, c & d Answer - iv) a, b, c & d

Question 7 - How many trustees are required to register as Trust?
a. One
b. Seven
c. Three
d. Two
Answer - d. Two

Question 8 - Which one of the following is not a synonymous for 'accredited investors' a. Institutional Investors b. Qualified Investors c. Professional Investors d. None of the above Answer - a. Institutional Investors

Question 9 - Mandatory Criteria for NPO registration on SSE in terms of taxation include
a. PAN Number
b. Exemption under section 12 of the IT Act
c. Deduction under 80G of IT Act
d. TAN
i) a, b & c Only
ii) b, c, & d Only
iii) Only b

iv) a, b, c & d
Answer - iv) a, b, c & d

Question 10 - As per Credit Bureaus a higher credit score means a better situation for the borrower i.e. they are more likely to get a loan as compared to someone with a low credit score. a. True b. False Answer - a. True

Question 11 - Following are the Sustainable Development Goals:
a. Peace, Justice, & strong institution
b. Life on Land
c. Life for People
d. Life below water
i) A, B & C
ii) A, C & D
iii) A, B, & D
iv) A, B, C & D
Answer - iii) A, B, & D

Question 12 - Disclosure for financial statements of NPOs are to be issued by
a. SEBI
b. SSE
c. SSEGC
d. ICAI
Answer - d. ICAI

Question 13 - In India, in the equity segment there are …… Clearing corporations
a. 6
b. 5
c. 4
d. 3
Answer - d. 3

Question 14 - Brokers can modify or cancel orders according to the instruction of the ……
a. Stock Exchange
b. SEBI Notification
c. Client
d. Clearing corporation
Answer - c. Client

Question 15 - Settlement obligations are computed using postdefined methodology specified for the segment/product
a. True
b. False
Answer - b. False

Question 16 - A. The social auditor should not refer to the work of a subject matter expert in social audit report unless required by law or regulation. B. If Such reference is required by law or regulation , the social auditor should indicate in the social audit report that the reference does not reduce the social auditor's responsibility for the social audit .
i) A is Correct ii) B is Correct iii) A & B is Correct iv) A & B is Incorrect Answer - iii) A & B is Correct

Question 17 - Donations received with a specific direction that they shall form part of the corpus fund are exempt.
a. True
b. False
Answer - a. True

Question 18 - Disclosure by a Not for Profit Organisation on General aspects:
1.Ownership and legal form
2.Vision / Mission / Purpose
3.Name of the organisation
4.Organizational goals, activities, products and services
a. 1, 2 & 4
b. 2, 3 & 4
c. 1, 2, 3 & 4
d. 1, 3 & 4
Answer - c. 2, 3 & 4

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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.**

ICMAI Social Auditors Organisation

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