THE SOCIAL AUDITOR

YOUR INSIGHT JOURNAL

September 2024

ICMAI Social Auditors Organisation
(A Section 8 Company promoted by The Institute of Cost Accountants of India)

Social Stock Exchange

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

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

ICMAI Social Auditors Organisation (ICMAI SAO)

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

ICMAI Social Auditors Organisation

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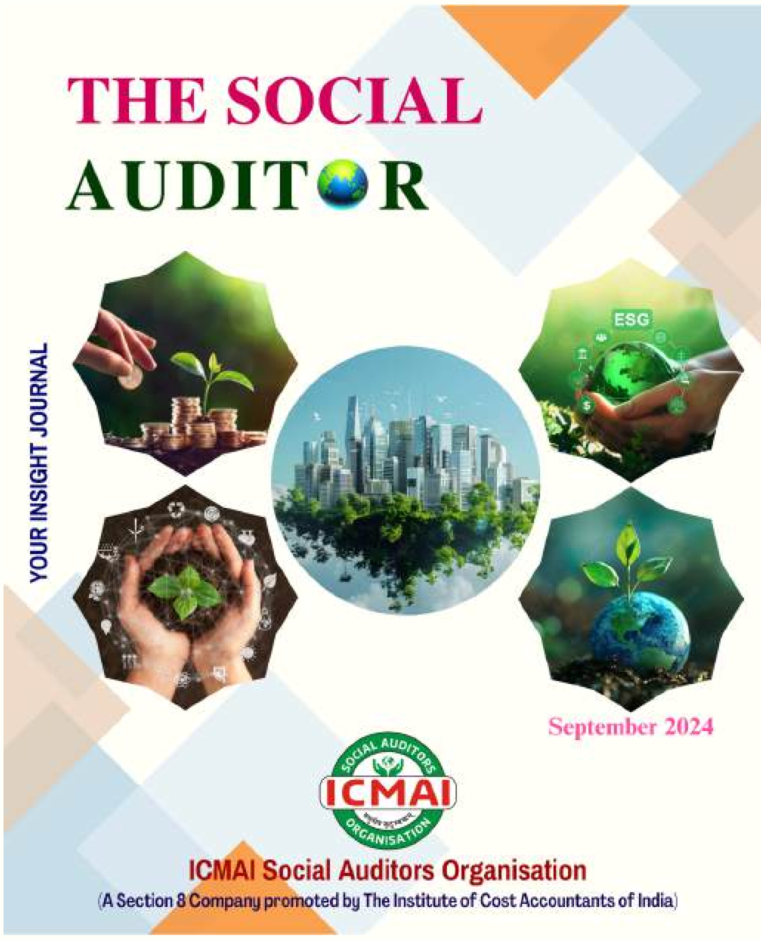

September 2024

IN THIS ISSUE...

FROM THE CEO's DESK

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

The younger generation of today is seeking fulfillment at their work. While money is important these youngsters look to be part of a bigger picture. Leading a balanced life that offers them happiness and satisfaction, takes overriding priority over money. At the St Gallen Symposium, a global conference for leaders, students were asked as to what motivated them in the career. Almost 50% leaders of tomorrow responded that work which had a positive impact on society was the most important criterion as against a mere 14% who were motivated by income levels. These findings reflect the shifting attitudes of today's students who are now keen in applying management skills to shape society.

The younger generation of today is seeking fulfillment at their work. While money is important these youngsters look to be part of a bigger picture. Leading a balanced life that offers them happiness and satisfaction, takes overriding priority over money. At the St Gallen Symposium, a global conference for leaders, students were asked as to what motivated them in the career. Almost 50% leaders of tomorrow responded that work which had a positive impact on society was the most important criterion as against a mere 14% who were motivated by income levels. These findings reflect the shifting attitudes of today's students who are now keen in applying management skills to shape society.

The development sector in India is now maturing with thrust coming from the government as well as the corporate sector. With the government realising that it is no longer possible to follow the development agenda given the sheer size and numbers, the corporate sector is also coming forward. The professionalization of this is a natural corollary. Even the way of doing business is undergoing a paradigm change with factors such as sustainability, culture, social responsibility and governance coming to the fore. To manage this transition, there is an increasing demand for people who are educated and possess the right skillset.

PROFESSIONAL DEVELOPMENT PROGRAMS

ICMAI Social Auditors Organisation

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PROFESSIONAL DEVELOPMENT PROGRAMS

SEPTEMBER 2024

Date & Time	Name of Program
31st Aug, 07th, 14th, 21st Sept 2024 from 03.00 pm to 07.00 pm	3rd Batch Proficiency Development program on Social Impact Assessment
12th September 2024 from 04.00 pm to 05.30 pm	Decoding the Social Stock Exchange

UPCOMING PROGRAM

Date & Time	Name of Program
03rd October 2024 (Thursday-Friday) from 02.30 pm to 04.30 pm	Online Certificate Capacity Building Course : Management of Social Enterprises
11th October 2024 from 04.00 pm to 05.30 pm	ESG for Business Sustainability and Growth
14th October 2024 from 04.00 pm to 05.30 pm	Strategies for Carbon Footprint and Promoting Sustainability

Articles

Social Stock Exchange

An instrument for catalysing sustainable and inclusive development

CMA (Dr.) S K Gupta

Chief Executive Officer - ICMAI Social Auditors Organisation

The Perspective

India is a country with a vast potential for social and economic development. In the latest Global Economic Prospects report released by the World Bank, India is ranked second on the list of the fastest-growing economies in the world, with a projected growth rate of 6.1% in 2023.

While economic indicators and GDP growth provide valuable insights, true development is a multifaceted concept that encompasses numerous dimensions. It encapsulates the quality of life, social well-being, environmental sustainability, and equitable distribution of resources amongst a nation's population. There is considerable work that needs to be done to alleviate the population from poverty, unemployment, gender inequality, inadequate education, and healthcare. Overcoming these challenges will require a collaborative effort from all stakeholders – including the government, businesses, and civil society.

The need for Social Stock Exchange (SSE) in India

Adequate financing is essential to support the implementation of innovative projects, expand outreach to marginalised communities, and scale impactful initiatives. Upon addressing this financing gap, the development sector will be able to harness its capabilities to drive lasting positive change, uplift millions of lives, and create a more equitable and sustainable future for India. Recognising this, Finance Minister Ms. Nirmala Sitharaman during the Budget Session of 2019-20, proposed the idea of an electronic fund-raising platform called the Social Stock Exchange (SSE) under the regulatory ambit of SEBI.

This was a move welcomed by many. The stated vision behind this is to help provide a platform for impact-focused organisations to raise capital and create social and environmental impact. The concept of Social Stock Exchange in India is currently at a nascent stage, but one that has gained significant momentum during the pandemic. It helped shine the spotlight on the need for social capital for enterprises and non- profit organisations that are working towards social welfare.

Why India needed an SSE

Despite being one of the fastest-growing economies globally, India faces mounting development challenges. About a quarter of its population is poor, according to a government policy think tank. In 2022, it ranked 107 among 121 countries in the Global Hunger Index, recording the highest child wasting rate anywhere in the world; and ranked 132 out of 191 countries and territories on the 2021/22 United Nations' Human Development Index (HDI).

According to reports, India recorded the lowest public expenditure in the world, as 1.3% of GDP, on health and education. We are facing an annual financing gap of US $565 billion in achieving our Sustainable Development Goals (SDG) targets. Additionally, 57% of Indian Social Enterprises identified access to debt and equity as a barrier to their growth and sustainability. The SSE aims to provide social enterprises with an alternative fund-raising avenue by channelling greater capital. It will also standardise procedures, evaluate progress, and increase reporting transparency, giving the industry the much-needed legitimacy and authority.

In the last decade, over USD1020 billion cumulative impact investments have been mobilised in the social sector in India leading to a positive impact on over 45015 million rural and semi-urban lives, generating employment and serving them through access to education, housing and better healthcare opportunities. The emergence of an SSE as a well-regulated platform holds a large opportunity to catalyse the impact of social investment thereby unlocking the unrealised potential of the industry and contributing to economic growth of the country. The impact investing space in India holds great promise to bring in additional finance to close the gap to be able to meet the United Nation's ambitious Sustainable Development Goals (SDG) targets by 2030.

SSE bridges this funding gap by providing these ventures with visibility and access to impact investors who share their passion for creating a better world. Primarily, the SSE will provide capital to social enterprises that are often unable to access traditional sources of funding. It will also enhance transparency by requiring regular audits of social activities. Moreover, the SSE will raise awareness of social enterprises and attract both retail and institutional investors. Through this symbiotic relationship, the exchange empowers purpose-driven enterprises to amplify their impact, creating a ripple effect that extends far beyond financial gains. SSEs enhance accessibility for both social enterprises and donors, serving as a structured environment that mitigates concerns related to transparency. The focus is shifted from profit-making to prioritising social impact, emphasising the fundamental goal of bettering society.

Objectives of the Social Stock Exchange:

- Regulated platform that brings together social enterprises and donors
- Facilitate funding and growth of social enterprises
- Enabling mechanism to ensure robust standards of social impact and financial reporting

Instruments to engage in the Social Stock Exchange (SSE)

The SSE presents a well-structured and regulated platform for individuals and entities with a philanthropic interest. Those who wish to contribute to some higher noble causes of social welfare can very well do so through the SSE. The impact investing market in India has grown significantly in recent years. Big ticket deals (more than $10 million) have more than doubled in the past five years or so, with the number of deals in the $20 million or more range having increased by a factor of times 2.3. With over a dozen impact unicorns, India is and will remain a leading impact nation, especially through this decade of SDG action.

NPOs can raise funds through the following instruments:

- **Zero Coupon Zero Principle (ZCZP):** Under the ZCZP, organisations neither need to pay any interest nor need to repay any principal. The instrument allows for zero coupon or zero principal or both, but at a discount to maturity value
- **Development Impact Bond :** Under this bond, an investor provides upfront funding, an evaluator measures the results of the program, and an outcome payer agrees to provide investors a return on their capital based on measured impact.
- **Grants/ Funds :** In this case, organisations can receive funds from mutual funds or and from other market-based investors

For Profit organisations can use existing fundraising structures as available for corporates such as SVFs, equity, debt, AIFs, etc.

Innovative / Blended Finance Models

A pivotal facet of SSE revolves around blended finance models, instrumental in de-risking investments and catalysing change. Blended finance deploys philanthropic capital to attract commercial investors to the development sector, bridging the investment gap and making it more appealing to private investors. The synergistic risk-sharing mechanism encourages a more attractive investment climate and fosters collaboration among stakeholders.

Outcome-based Instruments of Financing and Specific Experiences Efforts are being made across the world to develop an outcome-based framework to finance the social sector that includes social enterprises and incubators. Such frameworks could be context-specific taking into account the unique challenges being faced by countries, including those relating to demographics and infrastructure deficiencies. There are several factors that influence the financing of the social enterprises and incubators.

Social Success Notes (SSNs):

SSNs are outcomes-based financing instruments where investors provide upfront capital to social enterprises and receive returns based on the achievement of pre-defined social outcomes. This model aligns the interests of investors with the social impact goals of the enterprise, creating a win-win scenario. For instance, an SSN could be used to fund a social enterprise working to improve access to clean drinking water in rural communities. Investors would receive returns based on the number of people gaining access to clean water, ensuring that their financial gains are directly tied to positive social impact.

Social Venture Funds

The Indian government has recognised the importance of innovative finance in driving social change and has established social venture funds to provide early-stage funding and capacity building support to social enterprises. These funds aim to catalyse the growth of the social enterprise sector and attract private investment.

Path Ahead

It is essential to streamline and encourage investments in the social sector, and the SSE is expected to do exactly that. With the emergence of SSE, it is likely that domestic private investment will increase in the Indian social sector driven by trust and transparency in a highly regulated platform. The Indian SSE is still in its nascent phase with new entities getting registered once in a while. The growth can best be described as steady. The regulator, SEBI along with the exchanges, NSE and BSE are now working on spreading awareness and training stakeholders about how the SSE works. The Indian Social Stock Exchange (SSE) is now focusing on capacity-building, sensitisation, and training of all stakeholders. Social enterprises are largely enthusiastic, however, still in an unclear environment with regard to the development of the SSE. There are compliance and regulatory requirements that they need to take care of, alongside ensuring fulfilment of eligibility criteria. In the initial stages, the focus of the SSE should remain on providing comprehensive guidance to the social enterprises that are looking to register and get listed on the SSE.

The effectiveness of the proposed SSE in India, will depend on government policies to efficiently run the SSE and government's capability to build confidence, of the private investors, in the SSE. The SSE needs to have robust systems and processes for defining what social enterprises will be listed, bringing public capital to the SSE, and incentives for social enterprises and the investors to be involved in the SSE.

Conclusion

In conclusion, the concept of a Social Stock Exchange holds significant promise for India's financial landscape and its social development endeavours. The SSE offers a unique platform that bridges the gap between financial markets and social impact, allowing organizations to raise capital for their social initiatives while offering investors an avenue to align their investments with their values. By enabling social enterprises and non - profits to access capital more efficiently, the SSE can amplify their positive contributions to society, fostering innovation and growth in critical sectors such as education, healthcare, environment, and poverty alleviation. This can lead to enhanced social welfare and sustainable development, addressing pressing challenges and driving positive change nationwide.

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OTHER READINGS

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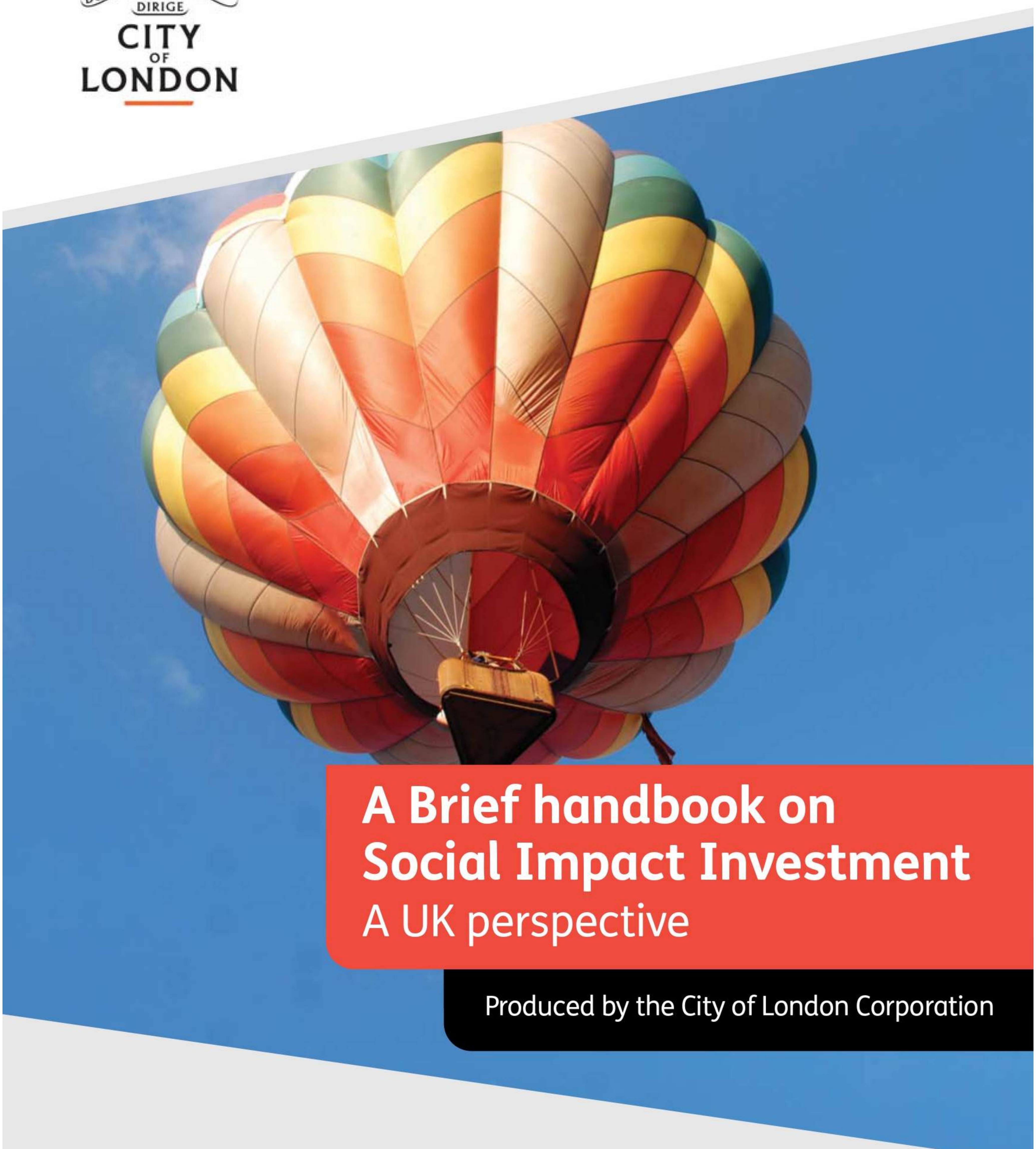
CITY OF LONDON



A Brief handbook on Social Impact Investment

A UK perspective

Produced by the City of London Corporation

January 2015

What is Social Investment?

We have seen how social problems transfer from one community to the next, from one generation to another, and how money markets seem to pass these problems by. Philanthropy, ill equipped as it is to deal with the scale, has been left to pick up the pieces. By investing repayable and recyclable capital into tackling social problems, two types of returns are generated: financial returns to investors, but social returns to investors and to society more generally. This is empowering, efficient and necessary.

Social impact investment is the provision and use of capital with the aim of generating social as well as financial returns. This type of investment carries an expectation of repayment of some or all of the finance. It can cover loans, equity, bonds, and is sometimes used alongside other instruments, such as guarantees or underwriting. As with any other investments, where the investee business performs well, returns generated may be principally reinvested in the business, as well as offering a limited proportion of these to investors.

Investors in social outcomes weigh up the balance between the social and financial returns which they expect from an investment, according to their own priorities. They may accept lower financial returns in order to generate greater social impact.

What is the vision for its use?

The vision for social impact investment is two fold: for investors, it is to consider how returns are made and how they are then distributed as part of their routine investment allocation process. For investees, the vision is to adapt the financial tools applied in the mainstream capital markets for social organisations, for them to continue or expand their activities to serve more people. In practice, this could supplement or replace other sources of finance. It enables organisations to forward plan and reduce their dependency on short term financing, such as grants. This is also likely to improve outcomes and efficiency. The result is that financial returns are offered to investors, but social returns are offered to investors and to society more generally.

Where does it sit in an investment portfolio?

Social impact investment complements, but is significantly different from, philanthropy. It sits between donations and commercial investments. It could form part of a Socially Responsible Investment allocation (SRI), and is increasingly used to represent those investments within a portfolio which are primarily motivated to generate an overall social and / or environmental benefit.

Main uses of capital by social organisations

Most organisations seek finance to provide working capital, as reserve finance, to scale up, to diversify or pilot new goods and services, or to acquire assets. Delivery of most public sector contracts requires considerable up-front working capital. As in the mainstream Small and Medium Enterprise (SME) sector, the stage of an organisation's development may determine the purpose and the type of capital sought.

Size of the UK social impact investment market

Whilst there is significant asset backed lending by mainstream investors into social organisations, the amount of investment offered by social investors, with the explicit primary intention of generating social returns, has been considerably smaller; it is currently sized at just over £200m. Of this, unsecured or risk capital is estimated at less than £50m[2]. Whilst forecasted demand for social impact investment at £0.75bn by 2015[3] may look ambitious on current performance, the growth in platforms and products, support programmes and the availability of a tax relief are all expected to swell the investment figure in the near future.

Social enterprises contribute at least £24bn[4] to the UK economy and employ over 1 million people. Research shows that social organisations have greater resilience and higher growth rates than their mainstream counterparts, in spite of a difficult economic environment[5].

Types of social investors

High net worth individuals, charitable trusts, social and ethical banks, public bodies, development finance institutions, Government and certain financial institutions, such as pension funds and investment houses, have all engaged in social impact investment to date. Additionally, individuals provide capital for the social sector through placing deposits with social lenders. In general, retail opportunities for this type of investment will grow in line with the sector's track record, as it is heavily protected by consumer protection regulations. Investor momentum is gaining ground and the European Union has supported social impact investment through its Social Business Initiative as a component of its Europe 2020 job creation agenda[6].

Types of social impact investment products

Products are increasingly designed with potential investors' key considerations in mind. However, as the legal structures of organisations in this sector differ to those in the mainstream, products are often adapted and structured to meet the sector's specific requirements. For example, 'quasi-equity' offers a performance related investment and can be used where there is no ability on the part of the investee to offer share capital (e.g. in the case of charities or Community Interest Companies which are limited by guarantee). In practice, though, quasi-equity only represents about 1% of all the social impact investments made in 2011/2012.

Some products directly link the impact generated with the returns that are offered to investors (such as Social Impact Bonds). Other products provide fixed or variable rates of return, depending on the organisation's ability to generate revenue through its social mission. Investments can be made directly into social enterprises or into intermediary funds for onward investment. Big Society Capital investments are only ever made into intermediaries who will then on-lend to social enterprises.

Below are some examples of social impact investment product developers:

These examples are given for illustrative purposes only and are not recommendations for investment. Capital invested in these products may be at risk. Many of these products are not suitable for ordinary retail investors. Investors should perform their own due diligence and should consider taking financial and other advice before making investment decisions of any kind.

Allia

Allia is a charity that supports organisations dedicated to making social impact. One of its key initiatives is Retail Charity Bonds – an issuing platform to raise loan finance for charities through bonds issued to retail and wholesale investors and listed on London Stock Exchange. The platform opens up a new dimension of borrowing and an alternative to bank debt for established charities with strong credit worth.
www.retailcharitybonds.co.uk

Threadneedle UK Social Bond Fund: This Fund is a partnership between Big Issue Invest and Threadneedle Investments and is the first mainstream fund of its kind available to large and small investors, with a minimum investment of £2,000. The fund aims to deliver both a financial return and a positive social outcome by investing in a diversified portfolio of fixed income securities from primarily UK organisations that deliver a clear social outcome, in areas of social intensity such as employment and training, health and social care and affordable housing.
www.threadneedle.co.uk/UK-Social-Bond-Fund

Resonance is a social impact investment company with over a decade of experience working with social enterprises throughout the UK. The company helps social enterprises prepare for and raise capital from investors who value both their impact ambition and business model. Resonance has particular expertise in property, community-led projects, homelessness, education, health, social care and criminal justice. The company also creates and manages impact investment funds and currently has £30m under management.
www.resonance.ltd.uk

FSE is itself a social enterprise (CIC) and manages impact investment funds designed to achieve a mix of social, economic and financial returns. The FSE Social Impact Accelerator provides loans to ambitious social enterprises, based on cashflow and expansion potential rather than tangible asset-cover. The FSE Community Generation Fund supports communities to build and own renewable energy assets for local social benefit.
http://thefsegroup.com/

Social Impact Bonds attract new investment into delivery of outcomes-based contracts that benefit individuals and communities. Existing and forthcoming social impact bonds operate in areas of criminal justice, rough sleeping, vulnerable children and joblessness.
http://www.socialfinance.org.uk/work/sibs

Created by Berenberg and LGT Venture Philanthropy, Impact Ventures UK (IVUK) focuses on identifying businesses with specific and measurable positive social impact and a sustainable financial model. The proprietary impact assessment will be based on LGT Venture Philanthropy's global impact investment approach developed since 2007. IVUK will target a financial return and the investments will be a mix of debt and equity and range in general from GBP 500,000 to GBP 5 million.

Social and Sustainable Capital (SASC) has launched two funds in 2014, both with anchor investments from Big Society Capital and Social Investment Business Foundation. The Community Investment Fund (CIF) invests into community-based, locally-led charities and regulated social enterprises across England, to improve the quality of life of local individuals, particularly those who are vulnerable and disadvantaged. The Third Sector Loan Fund (TSLF) is structured to provide large unsecured and secured debt to UK charities and regulated social enterprises. SASC is a social enterprise itself.
http://socialandsustainable.com/

Bridges Ventures' Social Sector Funds provide finance and support to charities and social enterprises delivering services with high social impact. Its Social Entrepreneurs Fund, launched in 2009, raised nearly £12m to address the funding gap often faced by fast growing social enterprises looking to scale. The first fund of its type, its Social Impact Bond Fund provides up-front funding for new interventions and services delivered by charities and social enterprises. Returns are contingent on the intervention achieving specific improved social outcomes.
http://bridgesventures.com/social-sector-funds/

Further details of social investment funds are available on Big Society Capital's website and for international opportunities, go to Global Impact Investment Network's Impactbase[7].

Direct investments are also being made into social organisations, including, for example, those early stage or start-up winners of the Big Venture Challenge[8].

Internationally, the Global Alliance for Vaccination (GAVI) Bonds have been highly successful at raising commercial capital to finance vaccination programmes[9].

Previous social investment deals have included Bridges Social Entrepreneurs Fund, Scope Charity Bond, Social Stock Exchange Ltd, Triodos New Horizons Fund, the 'Bristol Together Bond' and HCT Group.

Do tax incentives apply in social impact investment?

The UK government announced the creation of a Social Investment Tax Relief in the Budget of March 2014. This applies to individual investors providing higher risk capital to charities, Community Interest and Community Benefit Companies (CICs and Bencoms respectively). These organisations must be Small and Medium Sized Enterprises i.e. with turnover less than £15million and less than 500 employees. They must not be seeking to raise investment beyond £275,000 (in the three year period in which the relief is used). This is determined by European Union state aid rules; H M Treasury have committed to applying to the European Commission for an extension of the scheme. The arrangements for tax relief on indirect investments, including into Social Impact Bonds, is under discussion and announcements are expected by the end of the year[10].

This relief has the potential to provide the incentive for investors to offer the much needed higher risk capital to social enterprises. The Enterprise Investment Scheme and Venture Capital Trust tax reliefs have offered an equivalent relief to mainstream early stage ventures, and between them they have generated close to £1bn of venture capital over the last three years.

The older, Community Investment Tax Relief (CITR) applies to debt based lending into disadvantaged communities but is underused and has been cumbersome to manage and does not cover the breadth of social investment opportunities embraced by the Social Investment Tax Relief.

The tax treatment of a social impact investment depends on the individual circumstances of each investor and may be subject to change. Any person or organisation considering a social impact investment should consider taking advice in relation to the tax consequences.

Investment Readiness – building a demand pipeline

The development of a 'pipeline' of investible organisations is a vital aspect of building a marketplace for the sector. Just as in the mainstream, investors seek to identify those organisations with greatest potential for social and financial returns.

Cabinet Office has launched a £20 million investment readiness programme, comprising a three year, £10m Investment and Contract Readiness Fund (ICRF) to support organisations to become ready to take on investments or larger contracts. This programme is managed by Social Investment Business[11].

The first evaluation of this programme in 2014 showed that 8 organisations who received Investment and Contract Readiness Fund (ICRF) support have gone on to raise £32m in the capital markets[12].

The second component of the Cabinet Office programme was a £10m Social Incubator Fund. This programme was managed by the Big Lottery Fund and supported the creation of 10 social incubators in England[13]. The programme has now closed.

In 2014, Big Lottery Fund launched a £10 million three year early stage investment Readiness programme called 'Big Potential' for social enterprises seeking to raise less than £500,000 or to bid for smaller contracts[14].

Other highly intensive support schemes, such as Impetus Trust and Social Business Trust, have been supported through venture philanthropy and pro-bono support. The Young Foundation has recently launched an accelerator programme and UnLtd provides early stage start-up support for social entrepreneurs[15].

Measurement of Impact

Impact monitoring, auditing and evaluation skills are an essential part of any organisation offering investors social returns. Social impact investment is based on the concept of investors receiving social as well as financial returns. The market depends on evidence that there is an impact generated by the intervention and that this can be measured appropriately. Nesta's guide to Standards of Evidence provides a methodology for establishing the strength of evidence of any impact generated by a social investment[16]. Big Society Capital has developed a guide for investors on the measurement of impact[17] and a matrix categorising possible social outcomes.[18] Social Impact Advisors[19] and the Social Return on Investment Network[20] are two of a number of organisations that offer impact assessment and advice. Inspiring Impact Digital Platform is a government supported on-line marketplace of impact tools and resources[21]. The G8 Social Impact Taskforce report recommends the development of a single impact accounting system that incorporates the many existing initiatives and methodologies.[22]

Building a social impact investment marketplace

Role of intermediaries in the social impact investment marketplace

Big Society Capital (BSC) was launched in April 2012 with £400m of unclaimed assets and £200m of equity from the Merlin Banks.[23] This wholesale institution is the first of its kind in the world and was established to develop and shape a sustainable social impact investment market in the UK. Its role as a wholesale financier is designed to bring millions more in investment into the social sector. By the end of its second year, Big Society Capital had made £150 million of investment commitments[24].

Big Society Capital invests in a range of **social investment finance intermediaries (SIFIs)**, which are organisations that provide appropriate and affordable finance and support to social sector organisations that are tackling some of our most intractable social problems. Any fund, whether from the mainstream financial services sector or social sector, if it fits these criteria and BSC terms, can receive investment from Big Society Capital as a SIFI.

SIFIs provide loan capital through bank and non-bank finance, and / or financial support services. Examples of such SIFIs include ClearlySo, Locality, Resonance, Social Finance[25], Acevo and Numbers 4 Good[26]. Mainstream consultancies, such as Deloitte[27] and PwC[28], are actively supporting high potential social entrepreneurs. EY is working with social entrepreneurs across the world, and Dalberg Global Development Advisors' sister organisation, D. Capital Partners[29], is a London based social finance advisory firm[30].

Big Society Trust is establishing a new foundation to be launched in 2015 which aims to increase access to capital and resources for social impact across England. It will work alongside Big Society Capital, Big Lottery Fund and the Government, amongst others, to provide grant finance and capacity building support.

Additionally, crowd funding[31], debt-refinancing and share trading and product information platforms are operating or are under development to help match capital to social need. Specifically, Trillion, Shared Impact and Ethex[32] are examples of platforms seeking to service the retail social impact investment market as it develops.

The Social Stock Exchange was launched in June 2013 and provides a showcase for listed companies which meet a social impact threshold[33]. Worthstone works with Independent Financial Advisors to engage them in social investment opportunities for their clients[34].

Many local authorities are offering loan finance to their social providers. Social and ethical banks, such as Charity Bank, Triodos, Ecology Building Society and Unity Trust[35], have provided the backbone of the sector's balance sheets to date. Several mainstream banks, including RBS and HSBC have established specific initiatives to support social enterprises. Investment banks such as Deutsche Bank, J.P. Morgan and Goldman Sachs have also engaged in social finance initiatives in the UK and internationally[36].

Extending the investor base

The government has reviewed the existing regulatory framework with a view to finding a balance between the need for consumer protection when making an investment whilst meeting the increasing appetite for investing for social good. The Finance Act (2014) now reflects the 'mixed motives' of investors and the Law Commission has recommended, after consultation, that a statutory power be created to enable charitable foundations to make social impact investments[37]. The tax relief mentioned on page 11 is also designed to encourage retail investors.

There is still more to do: currently the Financial Promotions regime is not conducive to enabling small investments to reach the retail investor base[38]. Over time, the Cabinet Office envisages seeing the development of retail products, such as Social ISAs, and social impact investment options within Self Invested Personal Pensions (SIPPs), once a track record and consumer confidence is established[39].

Public sector commissioning – present spend for future savings

The opportunities for the public sector to commission services on the basis of long term social value, as reflected in the Social Value Act (2013) provides a potentially fruitful marketplace for social organisations and investors alike. Effective delivery of these services could reduce demand for future government services, thus providing savings out of which to pay investors. Community assets, disability, and healthy living are areas that are likely to demand high levels of future financing to meet society's needs. There is a potential role for larger scale institutional investors to engage in social impact investment in these sectors, as part of a portfolio of assets. To date, various government departments have developed programmes around a private sector social impact investment base[40]. Returns to investors are generated by realisable cash savings to the government.

Understanding investors' concerns: liquidity, suitability, and risk mitigation

Social impact investment product creators are increasingly aware of mainstream investors' requirements when considering a social impact investment product[41].

- **Liquidity** is critical – more funds are offering opportunities to exit by using mixed assets and by developing trading platforms to build up secondary markets in products.
- **Risk mitigation** is increasingly catered for to attract early stage capital through the use of 'tiered' financing, in which grants or first loss capital underpins an investment (see reference to Big Venture Challenge on page 9).
- Data on **track record of the organisations within this sector** is increasingly available; improved access to data and measurement of social and financial outcomes provides the analytical underpinning on which investors will be able to price risk alongside valuing the social outcome generated.
- **Suitability** of an investment for a client is a fundamental principle of financial advice. The social impact investment sector is working closely with Independent Financial Advisors and the relevant professional bodies, to provide a methodology to establish how to assess suitability for social impact investments.

All investment and commercial activities carry risk. Investors considering social impact investment should think about taking appropriate advice in relation to the risks involved.

Creating an enabling environment

The UK needs to communicate the power of social impact investment to support society whilst offering positive and sustainable investment opportunities. It needs to create the culture shift required to blend market mechanisms for social outcomes. The new UK tax relief, the revised legal and regulatory structures, recent EU procurement amendments and the creation of an EU social enterprise fund structure are all enabling, in principle. Now we need to address the cultural change required, both domestically and internationally, to engage more institutional and individual investors into these opportunities.

Your skills for social impact investment

Your role as champions and adopters of the opportunities to generate both financial and social returns from your investment decisions speaks volumes about your organisations. Whether investing with your own institutional funds or advising your clients on social impact investment opportunities, your involvement builds the trends and the track record for the sector. Through your engagement, the culture can shift to encompass the vital consideration of the impact of investment decisions, alongside the more familiar assessments of risk and return.

The UK needs to add to the growing number of enterprises that hold their own in the market place whilst delivering social returns. Your skills can help guide this process. You can provide the mentoring skills and the business analysis required to help the sector reach a scale that can transform the social and economic needs of the current generation, whilst building a society that can meet future generations' needs.

Building on the UK's expertise in social impact investment

The UK is recognised as a global leader in social product and infrastructure design. Social Impact Bonds are now being adapted internationally; the Social Stock Exchange will soon offer trading facilities; Big Society Capital is a world-first wholesale social financier; charity bonds now have a platform listed on the UK exchange; a social investment tax relief is offered to individuals making social investments, and the Social Impact Investment Task Force was launched under the auspices of the UK Presidency of the G8. This has provided global momentum to the concept whilst governments and sector representatives exchanged ideas on initiatives to develop the market.[42]

London as a global centre for social impact investment

London combines a creative buzz, a traditional culture, and an expertise in designing and trading financial instruments, all within a convenient time zone and global location. The City of London aims to harness these qualities for social investment, whilst the financial sector continues to re-establish its credibility as a centre for financial acumen and integrity.

London needs to be ahead of the curve, anticipating and exceeding the likely demands for fund managers to meet minimum criteria around sustainability and responsibility. Ireland, Luxembourg[43] and Liechtenstein use tax regimes and regulatory efficiency to attract prospective responsible investment capital pools – estimated at €200-€400bn - and such jurisdictions are keen to extend their reach further into social and environmental impact investment.

London 2020 Vision

Our vision is for London over the next half decade to establish itself as a global hub for social impact investment. It will showcase a flourishing, active international marketplace for social investment: where products are designed which are fit for purpose; and where sufficient appropriate types of capital are gathered, dispersed and recycled efficiently; where individuals or institutions, from near or far, who are motivated to invest socially, are able and incentivised to do so; and where enterprises can secure the capital they need to compete to deliver goods and services in contracts which reflect the true future value of their social outcomes.

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The City of London Corporation is not responsible for third party sites

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IVSC PERSPECTIVES PAPER

ESG & Real Asset Valuation

SHARPENING THE FOCUS,
NOT REINVENTING THE WHEEL

IVSC

Issued by the International Valuation Standards Council (IVSC)
Tangible Assets Valuation Board

IVSC

IVSC Perspectives Paper

ESG & Real Asset Valuation: Sharpening the focus, not reinventing the wheel

The IVSC periodically publishes Perspectives Papers to address significant topics and emerging trends within the valuation profession. These papers are designed to stimulate discussion, provide the valuation community with valuable insights, and support the consistent application of the International Valuation Standards (IVS). While Perspectives Papers offer guidance, they are not intended to replace or override the IVS, which remains the authoritative framework for valuers.

This Perspectives Paper focuses on the evolving role of Environmental, Social, and Governance (ESG) factors in the valuation of tangible assets. It follows recent changes to the IVS, including the introduction of an ESG appendix within IVS 104, and addresses the increasing interest and concern from market participants about incorporating ESG criteria into valuation practices. By exploring how ESG factors impact various tangible asset classes—ranging from real estate to infrastructure—this paper aims to encourage informed and confident adoption of ESG considerations within everyday valuation assignments.

ESG & Real Asset Valuation:
Sharpening the focus, not reinventing the wheel

WRITTEN AND ISSUED BY THE
IVSC TANGIBLE ASSETS VALUATION BOARD

The IVSC's Tangible Assets Board (TAB) have issued this Perspectives Paper following the recent changes to International Valuation Standards, effective 31 January 2025 (IVS). These include an Environmental, Social and Governance (ESG) Appendix within IVS 104 Data and Inputs. The Paper also builds on the earlier publication of IVSC's Perspectives Paper on "ESG and Real Estate Valuation"[1]. Furthermore, the recent IVSC ESG survey, which closed on the 31st May 2024, indicated a high level of interest for this topic from valuation stakeholders.

ESG considerations are increasingly being referenced as relevant risks and opportunities by market participants making investment decisions when considering a broad variety of real assets.

1 https://www.ivsc.org/esg-and-real-estate-valuation/

For the purposes of this perspectives paper, real assets include all tangible asset classes such as real estate, undeveloped land, farmland, plant & equipment, infrastructure, transportation assets, utilities and commodities, amongst others.

Whilst the correlation between value and ESG criteria may vary across real assets for a variety of reasons, capital flows appear to be increasingly channelled into asset classes which take into account a variety of ESG determinants.

This comes at a time when there is increasing ESG regulation, examples of which include the EU taxonomy, the recently issued IFRS Sustainability Disclosure Standards created by the International Sustainability Standards Board (ISSB)[2], and the

2 https://www.ifrs.org/projects/completed-projects/2023/general-sustainability-related-disclosures/

US SEC Enhancement and Standardisation of Climate-Related Disclosures for Investors[3]. This heightened regulation has a direct impact on market participants, causing an indirect knock-on effect to valuation service providers. ESG factors and regulatory environment should be considered in valuations to the extent that they are measurable.

The recent IVSC ESG survey[4] however, highlighted areas of significant stakeholder unease regarding the incorporation of ESG factors into valuation opinions. Perceptions around the lack of suitable valuation approaches and methods creates a cause for concern for valuation standard setters. Some 47% of respondents to the survey believed

'The recent IVSC ESG survey highlighted areas of significant stakeholder unease regarding the incorporation of ESG factors into valuation opinions.'

3 https://www.sec.gov/newsroom/press-releases/2024-31

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that quantifying the impacts of ESG in valuations requires the development of wholly new valuation approaches and methodologies.

But with the backdrop of these challenges, the TAB believe the IVS are well placed to assist valuers in providing valuations of real assets within an evolving ESG paradigm. This Perspectives Paper aims to create greater awareness on the ESG topic as it pertains to real asset valuation, to stimulate discussion and debate, and ultimately provide a calming influence which acts as a catalyst to encourage and give confidence to more widespread use of robust ESG concepts in everyday valuation assignments.

Setting the scene: what are the changes to IVS as it pertains to ESG?

Recent changes to the IVS have incorporated several references to ESG that pertain to real assets. These can be found within the Glossary, the General Standards, and the respective Tangible Asset Standards including IVS 300 Plant, Equipment & Infrastructure; IVS 400 Real Property Interests; and IVS 410 Development Property.

Whilst these changes are subtle, the incorporation of new terminology gives the valuation community impetus for more detailed and explicit consideration of ESG's influences on valuation. We now consider each in further detail.

Glossary

Collectively, ESG has been defined within IVS as:

> The criteria that together establish the framework for assessing the impact of the sustainability and ethical practices, financial performance or operations of a company, asset or liability. ESG comprises three pillars: Environmental, Social and Governance, all of which may collectively impact performance, the wider markets and society.

ESG should not be viewed as being solely limited to sustainability. ESG is regarded by many as having a much broader definition than merely sustainability.

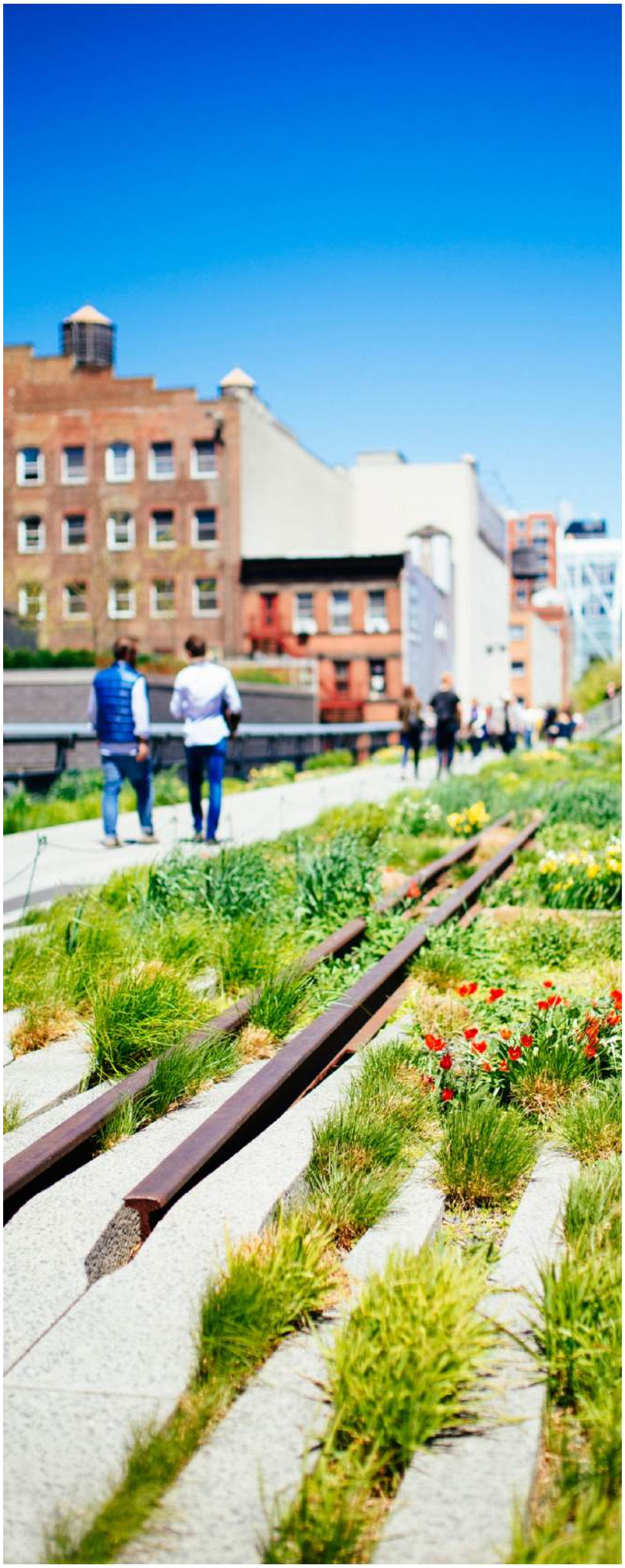
General Standards

Within IVS 101 Scope of Work, the scope of work must specify, amongst other factors:

> (m) Environmental, Social and Governance factors: Any requirements in relation to the consideration of significant environmental, social and governance factors.

The Appendix to IVS 103 Valuation Approaches, adds a requirement to analyse and adjust for any significant differences between comparable transactions and the subject asset:

> A10.08 The valuer should analyse and make adjustments for any significant differences between the comparable transactions and the subject asset. Examples of common differences that could warrant adjustments may include, but are not limited to:



...

(l) differences in ESG considerations, and

...

Perhaps the most salient change in relation to ESG occurs within the Appendix to IVS 104 Data and Inputs, where valuation professionals are prompted regarding various ESG factors impacting a valuation:

> The valuer should be aware of relevant legislation and frameworks in relation to the environmental, social and governance factors impacting a valuation.
>
> A10 Environmental, Social and Governance (ESG) Considerations
>
> A10.01 The impact of significant ESG factors should be considered in determining the value of a company, asset or liability.
>
> A10.02 ESG factors may impact valuations both from a qualitative and quantitative perspective and may pose risks or opportunities that should be considered.
>
> ...
>
> A10.06 ESG factors and the ESG regulatory environment should be considered in valuations to the extent that they are measurable and would be considered reasonable by the valuer applying professional judgement.

The use of the word 'significant' should be noted. It is defined in the IVS Glossary as 'any aspect of a valuation which, in the professional judgement of the valuer greatly impacts the resultant value'. Furthermore, the valuer should have an awareness that ESG can represent either 'risks or opportunities' associated with an asset.

Emphasis should be placed on the fact that it's not the valuer's role to invent ESG characteristics; valuers are not market makers. Rather, the valuer should interpret the collective actions of market participants and consider ESG characteristics 'to the extent that they are measurable and would be considered reasonable by the valuer applying professional judgement'.

A full quotation of the IVS 104 Data and Inputs Appendix can be found as an addendum to this Perspectives Paper.

Finally, IVS 106 Documentation and Reporting states that:

> 30.06 Valuation reports must convey the following, at a minimum:
>
> ...
>
> (m) significant environmental, social and governance factors used and considered,
>
> ...

Asset Standards

Each of the Tangible Asset Standards (IVS 300, IVS 400 and IVS 410) have mirrored requirements for the consideration of ESG factors, reiterating commentary within the General Standards by stating:

> 100.06 Significant ESG factors associated with the value of an asset should be considered as part of the data and input selection process.

To be IVS compliant, a real asset valuation must meet the requirements of the General Standards, the Appendices, as well as the relevant Asset Standards pertaining to the assets under consideration. If legal, statutory, regulatory and/ or other authoritative requirements appropriate for the purpose and jurisdiction of the valuation conflict with IVS, such requirements should be prioritised, explained, documented, and reported to remain compliant with IVS. These requirements include applicable ESG prescriptions.

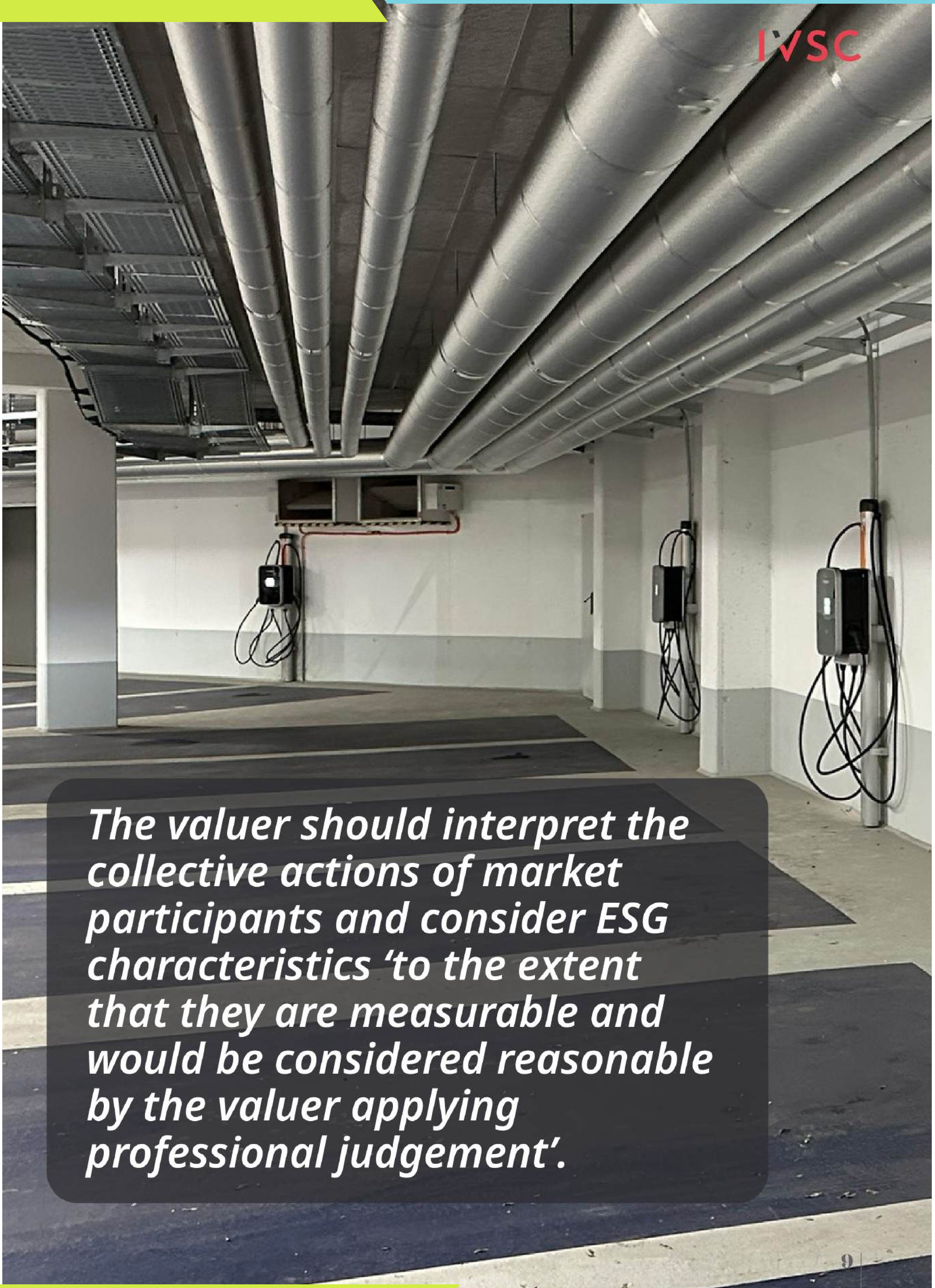
How should valuers think about applying E, S and G in a real asset context?

IVS 104 Data and Inputs Appendix, sections A10.03, A10.04 and A10.05 give examples of how valuation professionals might consider environmental, social and governance factors respectively. Whilst not exhaustive, these sections are designed to prompt the valuer to consider the possible influence of these factors within a valuation assignment.

From a real asset perspective, examples of questions that valuers might pose include:

Environmental

- How does the asset contribute to pollution (air, water, land or otherwise)?
- Will the asset be subject to climate change risks or natural disasters?
- How do the characteristics of the asset deal with resource scarcity, consumption or efficiency (e.g. energy, water, raw materials)?
- Is the asset constructed from recyclable materials?
- Does the asset have appropriate waste management protocols in place to promote circularity through recycling or repurposing?
- Does the asset need upfront capital


IVSC
The valuer should interpret the collective actions of market participants and consider ESG characteristics 'to the extent that they are measurable and would be considered reasonable by the valuer applying professional judgement'.

expenditure or recurring maintenance outlays to meet compliance demands?

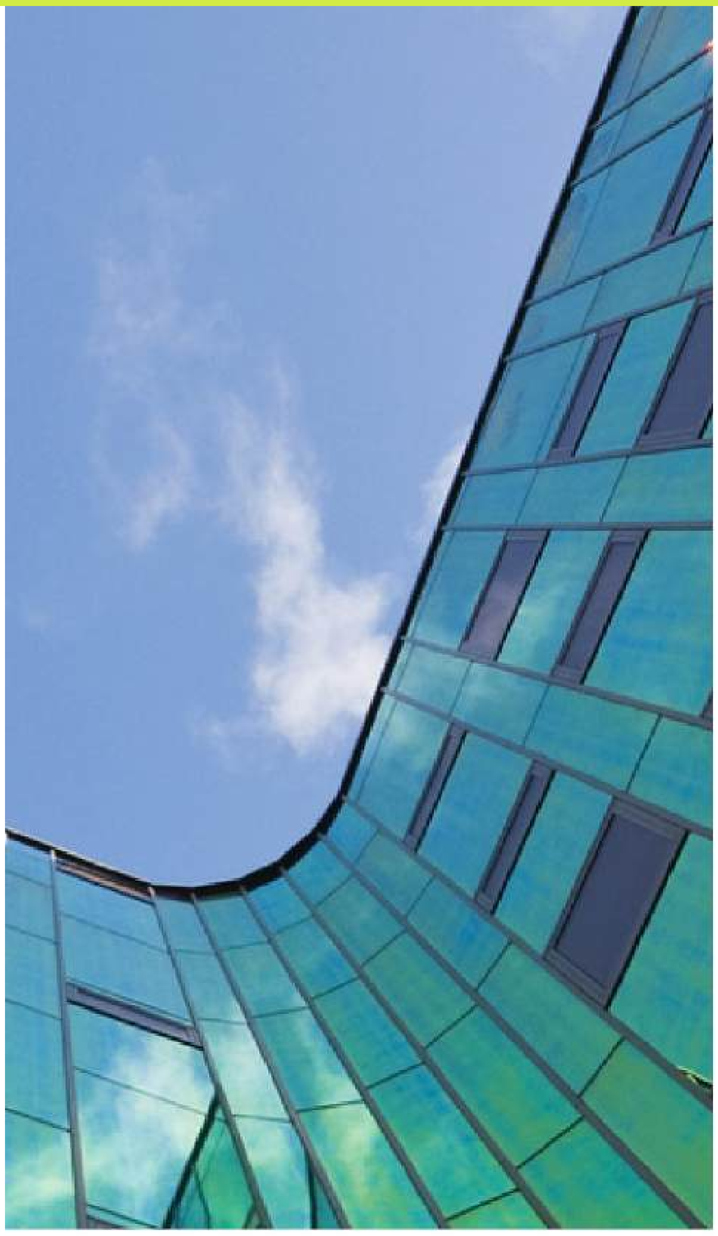
- Will government policies impact the assets' useful life?
- Does the asset have an extended useful life relative to its peers?

Social

- Is the asset located near adequate public services and social amenities?
- Does the asset have access to a deep pool of employee talent?
- Is the asset located in proximity to sufficient product demand?
- Is the asset well regarded by the community in the area in which it operates?
- Does the asset adequately safeguard data protection and privacy?
- Does the asset manufacturer provide adequate training and education?
- What reputation does the asset have with operators, authorities and counterparties?
- Does the asset have an adequate health and safety record?

Governance

- How do market participants and/or lessees regard the asset?
- What are financing prospects of the asset?
- Are purchasers/lessees willing to pay a

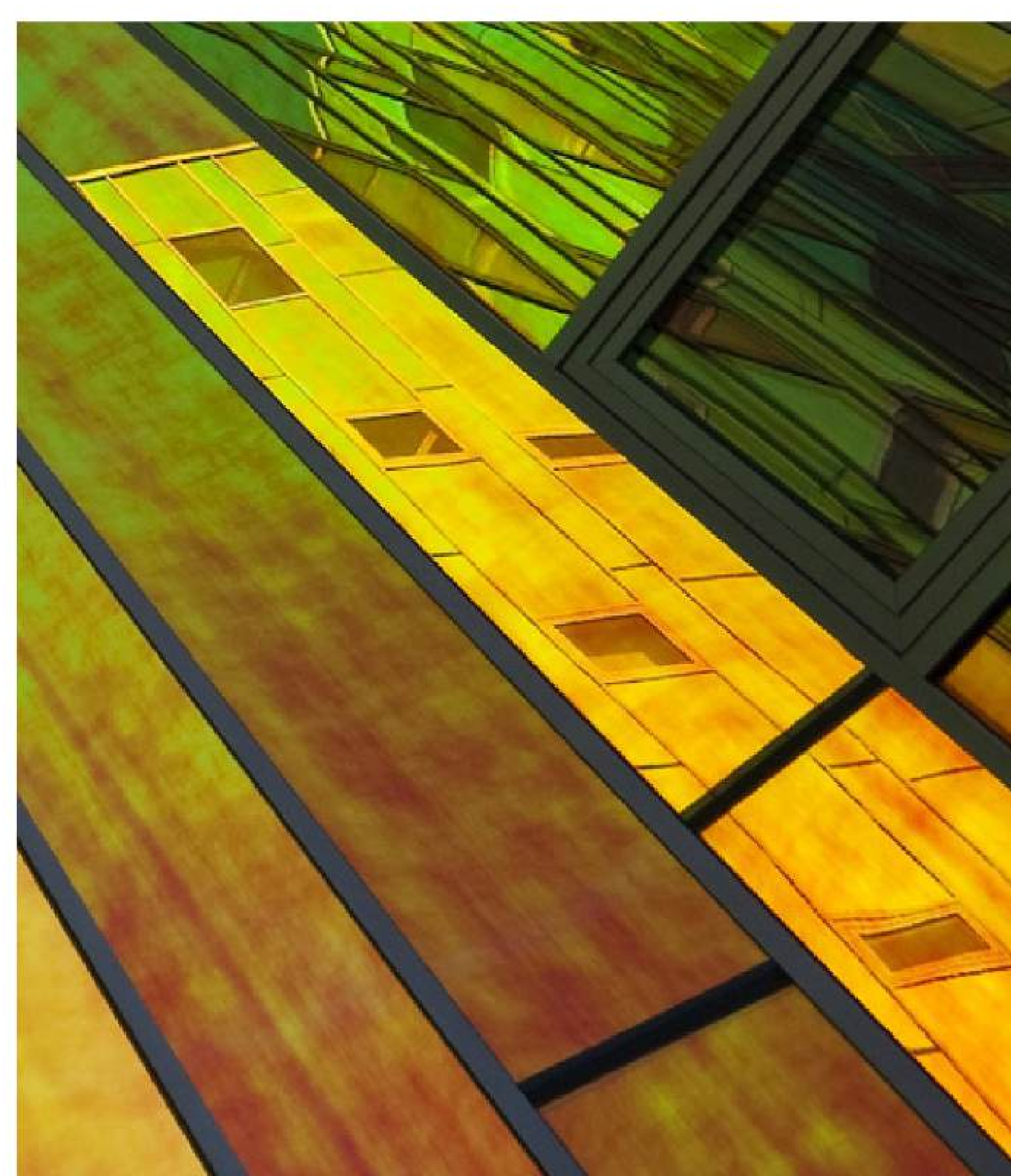


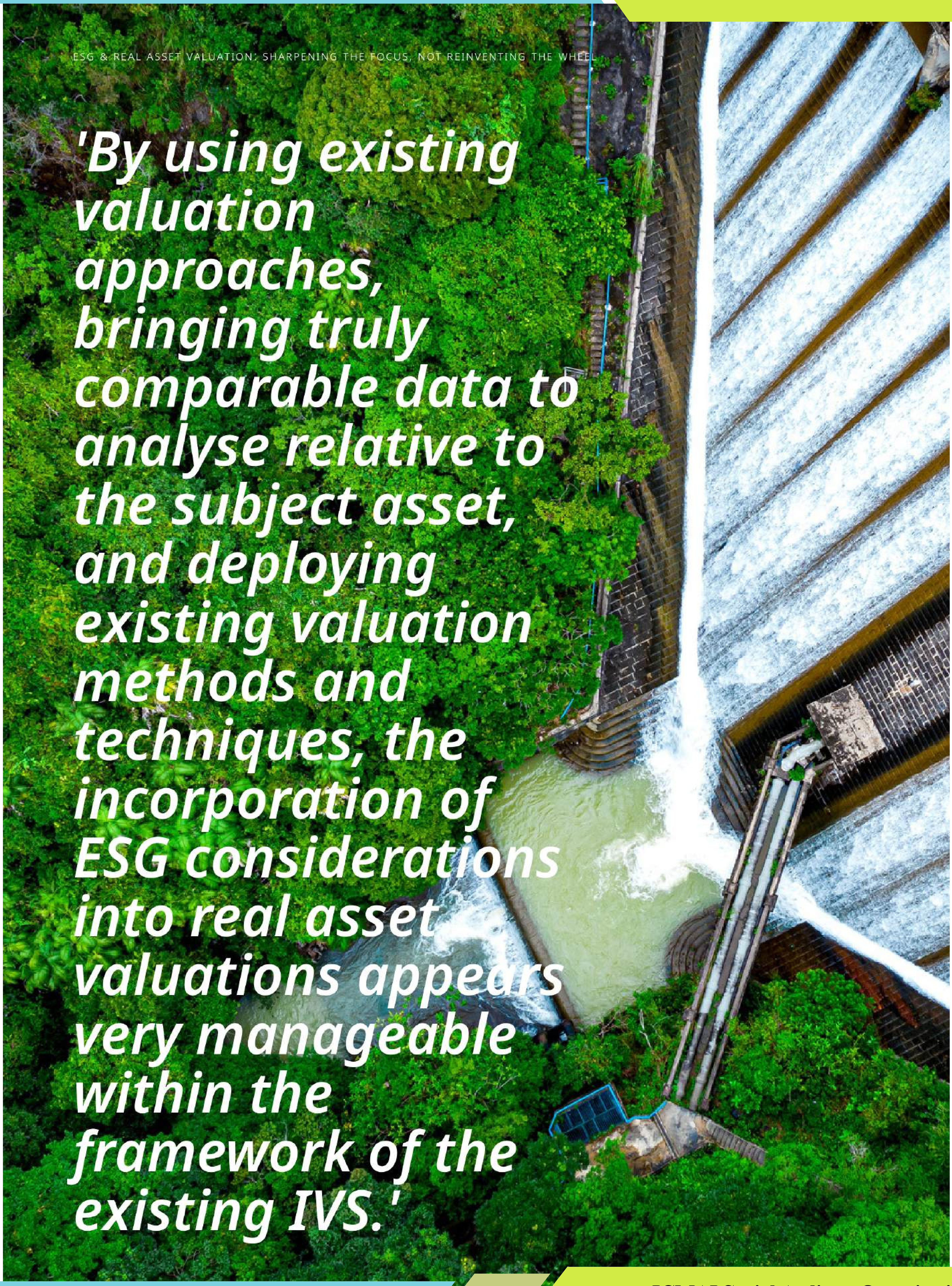
premium (or require a discount) to buy/lease the asset?

- Does the asset have a history of appropriate operation and maintenance?
- Does the asset meet or exceed the required operating and safety standards?
- Are there regulatory restrictions regarding the asset's utilisation?
- Is the asset subject to certain taxation considerations?
- Will technological advancement impact on the future of the asset?
- Does the asset meet relevant regulatory reporting requirements?
- Are there legal considerations that will impact the asset?
- Is there a higher and better use for the asset?
- How is the asset positioned for sustainable long-term demand?

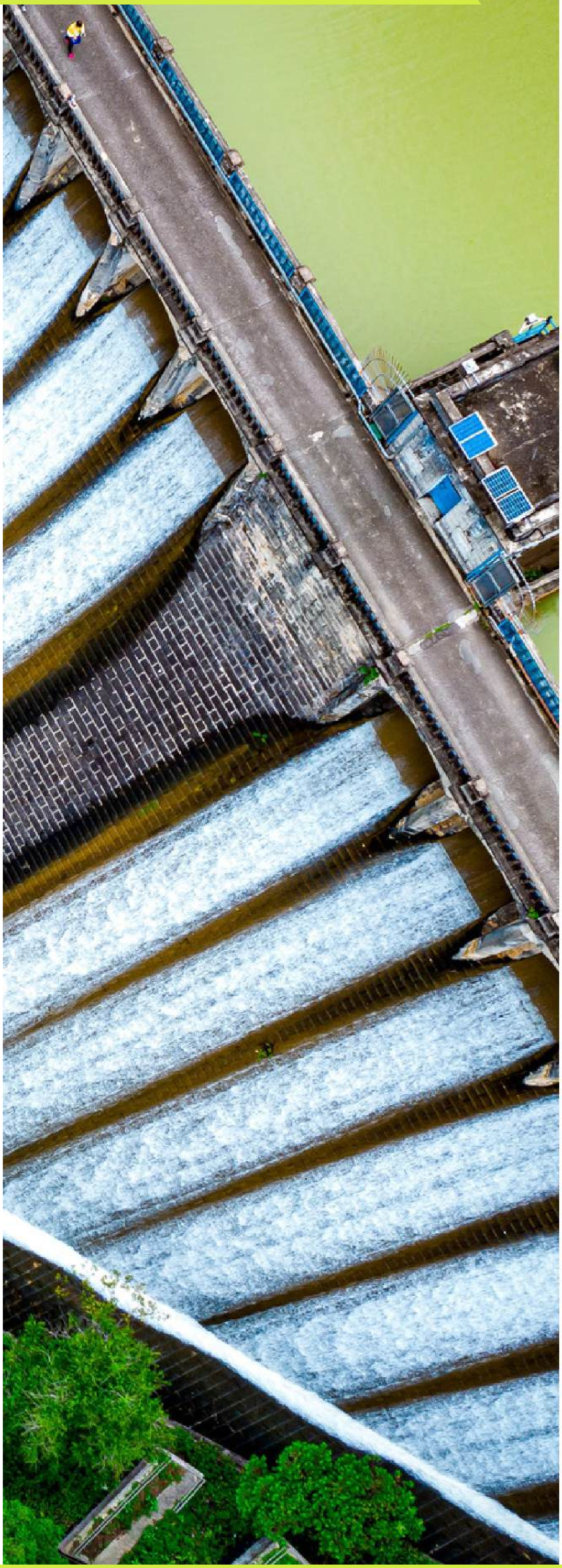
When considering these questions, a valuer may indeed find that some broach more than one of the E, S and G categories. This is not an issue as some of these topics may be relevant across more than one ESG criterion. A common misconception is that valuers are required to itemize discrete components of value for E, S and G factors respectively, but to be compliant with IVS this simply is not the case (barring local regulations or a scope of work requiring such).

Since one or several of these questions could have a significant impact on the real asset being valued, how should a valuation incorporate these E, S and G factors?





'By using existing valuation approaches, bringing truly comparable data to analyse relative to the subject asset, and deploying existing valuation methods and techniques, the incorporation of ESG considerations into real asset valuations appears very manageable within the framework of the existing IVS.'



Considering truly comparable information in the valuation of your subject asset

The most important aspects of incorporating ESG factors into a real asset valuation assignment broadly involves the following steps:

- Identify the 'significant' ESG factors that impact the asset. These factors may have a positive or negative impact on value, may be current or future orientated, and must be measurable.
- Similarly, don't sweat the small stuff. It is not the valuer's role to invent ESG factors. Valuers are required to interpret the market and consider ESG characteristics that are important to market participants.
- Once the relevant ESG factors are identified, the valuer needs to consider truly relevant and comparable information to value the real asset in question. On this basis, the importance of data availability to measure the relevant ESG factors is critical.

So what is 'truly relevant and comparable' information?

As with any valuation, many metrics will often be considered to assess how comparable information is benchmarked to the subject asset. In the context of a real asset, these traditionally might include metrics such as:

- Land or gross building floor area,
- Building installed mechanical and electrical services,
- Manufacturer and model,

- Current location and most favourable market,
- Income generating capacity,
- Occupancy rates or utilisation,
- Year of manufacture or condition,
- Operating capacity,
- Overhaul and maintenance status.

The evaluation of ESG features of an asset is simply an extension of this benchmarking exercise. It might encompass the following metrics or characteristics, for example:

- Fuel type and efficiency,
- Revenue generation capability or utilisation,
- Current or future capital expenditure requirements,
- Remaining useful life considerations,
- Distance from public or social amenities,
- Asset maintenance and overhaul regime,
- Technological status or advancement relative to peers,
- Favourable or unfavourable financing prospects,
- Compliance with regulations,
- Positive or negative taxation considerations.

Many valuation professionals may consider that they are already including these metrics or characteristics in their valuations. Does this mean that they are meeting their ESG obligations under the IVS?

Indeed, since valuers are including genuinely comparable information in the analysis of their subject asset, they might find that their valuations already meet ESG obligations under the IVS. Nonetheless, valuers must continue to stay close to the market, and ensure that their consideration of ESG factors remain relevant as these will evolve over time.

So, how might real asset valuation professionals consider ESG factors differently, depending upon the valuation approach they are utilising?

Does ESG apply to all valuation approaches under IVS?

The incorporation of ESG factors into a real asset valuation may take different forms, depending upon the valuation approach being utilised. We examine this through the lens of the three common valuation approaches: Market, Income and Cost.

Market approach

When applying the market approach, IVS 103 Valuation Approaches states the following:

> 20.01 The market approach provides an indication of value by comparing the asset and/or liability with identical or comparable (that is similar) asset and/ or liability for which price information is available.
>
> ...
>
> 20.05 When comparable market information does not relate to the exact or substantially the same asset, the valuer must perform a comparative analysis of qualitative and quantitative similarities and differences between comparable assets and the subject asset. It will often be necessary to make adjustments based on this comparative

analysis. Those adjustments must be reasonable and the valuer must document the reasons for the adjustments and how they were quantified.

To the extent that comparable evidence is identical (or near identical) to the subject asset, it should be seen as incorporating all value-defining ESG factors that the market deems relevant for that asset. Therefore, no adjustment is required.

Where comparable evidence is not identical, valuers should use market information for similar assets and make adjustments for value-defining ESG characteristics. This is similar to what they do when undertaking valuations for assets using traditional metrics. However, these adjustments will have an additional ESG perspective through which they conduct this analysis.

The valuer's selection of relevant and defining ESG factors is crucial in the appropriate implementation of the Market approach.

Income approach

Where the valuer employs the income approach to value a real asset, there may be several areas where the valuer could incorporate ESG factors into a valuation based on the application of the discounted cash flow (DCF) method. For example.

- Revenue: Will any ESG factors impact the revenue generating capacity of the subject asset, favourably or negatively? Such items might include incremental utilisation and revenue generation, and enhanced growth potential, resulting from ESG characteristics relative to its peers in the market.
- Explicit forecast period: Will ESG factors curtail or extend the forecast cash flow period of the subject asset? This might include a reduced explicit forecast period due to the phasing out of the asset, in compliance with government regulations.
- Operating costs: Will ESG factors increase or reduce operating costs of the subject asset? Assets displaying enhanced energy storage and/or efficiency relative to their peers could incur lower recurring power consumption costs.
- Maintenance costs: Are there ESG factors that increase maintenance costs associated with the subject asset? Older assets displaying less favourable ESG characteristics may be prone to higher ongoing maintenance costs relative to their peers.
- Capital expenditure: Does the DCF incorporate relevant and timely capex associated with the subject asset? Enhanced future revenue generation might require corresponding future capex, which might in turn extend the asset's useful life. Importantly, future capex may be net present value positive or negative, depending upon its nature.
- Taxation: Do applicable taxation provisions stimulate (or disincentivise) investment in the subject asset? If so, the timely incorporation these tax benefits (or disincentives) into a DCF could be relevant.
- Government intervention: Will government intervention lead to levies on the asset in the foreseeable future? Such levies would likely have a negative impact on the value of the subject asset and will need to be incorporated into future cash flows.

- Discount rate: To round out the effects enumerated above, the determination of a relevant discount rate will be critical. A discount rate observed for a coal-fired power station transaction will not be appropriate to value a wind farm, despite both assets being within the power generation sector.

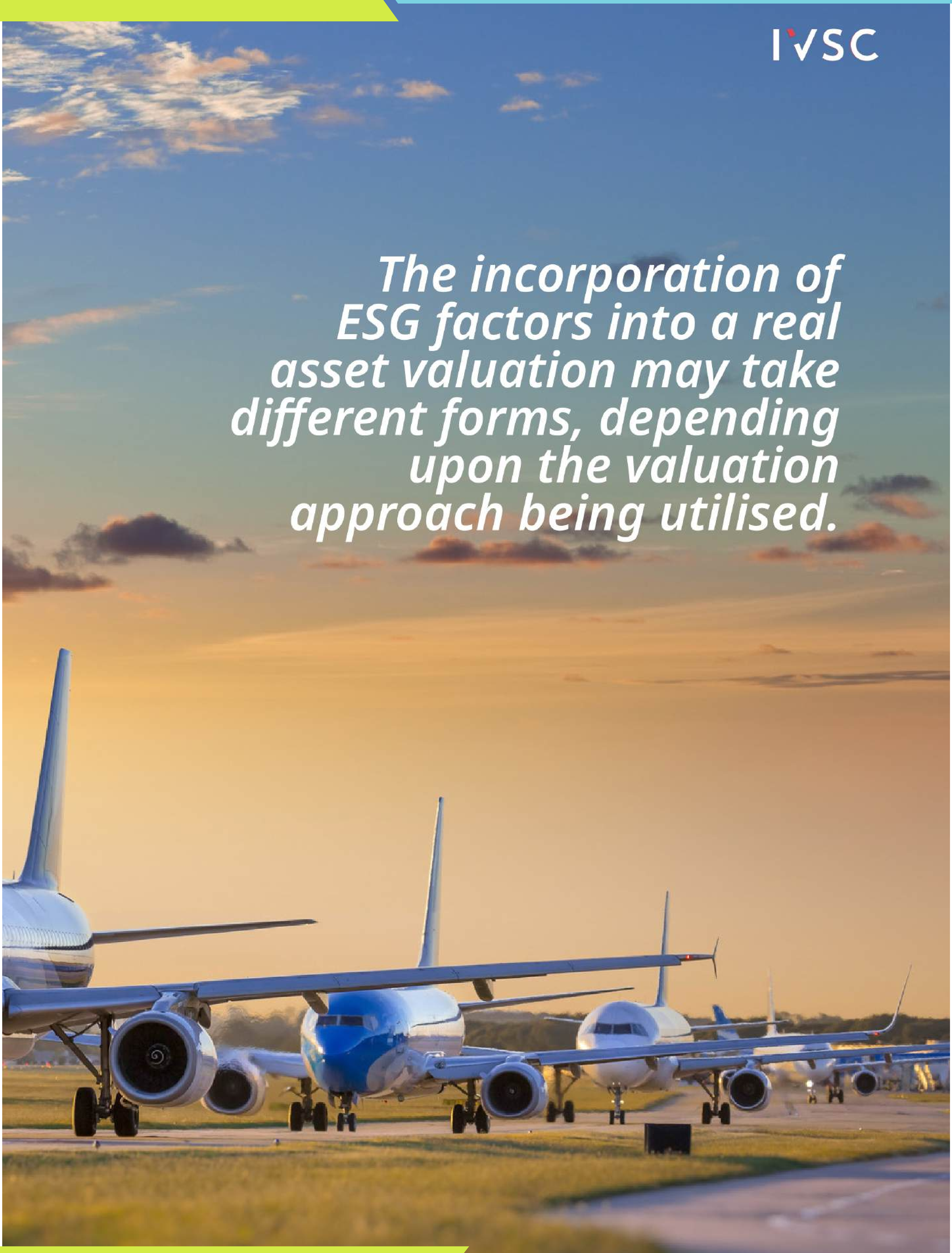
Almost every step of a DCF valuation might require specific adjustment to ensure that the facts and circumstances associated with the subject asset's ESG characteristics are considered in an appropriate manner.

Cost approach

Similarly to the income approach, various adjustments might be required when utilising the cost approach to incorporate ESG factors in a real asset valuation. These might include:

- Replacement cost: Does the replacement cost consider a lowest-cost, modern equivalent asset, without incorporating betterment? In industries subject to significant technological change, distinguishing between these features will be important.
- Functional obsolescence: Are the excess operating costs associated with the subject asset relative to its peers being incorporated? An asset that incurs a levy due to its excessive water consumption should not be considered the same as those that do not.
- Useful life: Whilst the asset may be physically capable of operating for an extended period, societal expectations and/or government intervention may result in an assets life being curtailed. Differential remaining useful life assumptions can result in significant variations in valuations.
- Economic or external obsolescence: Does the valuation incorporate any economic obsolescence relating to the external factors associated with the asset? This is particularly important for any real asset subject to negative ESG influences. In some cases, the portable nature of an asset takes it to alternative markets where it exhibits a higher and better use.

Regardless of the approach employed to perform a real asset valuation, ESG factors should be incorporated in the valuation in different forms. Whilst each of these forms may be subtly different, each can be performed utilising existing valuation approaches and methods under IVS.


IVSC
The incorporation of ESG factors into a real asset valuation may take different forms, depending upon the valuation approach being utilised.

Maybe not green, but greener ... some asset class perspectives.

Some categories of real assets have been subject to rapid technological improvements and have greatly improved their ESG credentials and outlook.

For example, the diffusion of renewable electricity has been a game changer for power generation. Renewable energy accounted for 30.3% of global electricity generation in 2023[5], up from under 20% in 2010. It has been viewed quite favourably as an investment asset class and attracted new capital in many markets despite recurring challenges in the form of intermittent supply, and lack of affordable energy storage. Similarly, whilst light vehicles have seen a rapid evolution in technology to electric models, heavy vehicles and broader industrial transportation are still largely reliant on traditional petroleum fuels which can be seen as a detracting investment feature.

As such, the transition for some asset classes towards more favourable ESG characteristics might take longer for some than others. But real asset valuation professionals should remain attuned to these changes and corresponding market reactions and resist blindly lumping asset classes into ESG friendly or unfriendly buckets.

Rather, for certain real asset categories that are perhaps viewed less favourably from an ESG perspective, it may be more appropriate to rank comparable asset information from least

5 https://www.statista.com/statistics/489131/share-of-renewables-in-power-generation-globally/

favourable to most favourable. For example, while an asset class such as a locomotive may still not display perfect ESG characteristics because it uses traditional petroleum fuels, a modern equivalent locomotive might be viewed as 'best-in-class' relative to a 20-year old equivalent because it uses 30% less fuel when hauling equivalent tonnage.

In this instance the asset class may not be regarded as 'green' but 'greener' than its peer group. Ultimately, the valuation of such an asset might be viewed more favourably from an ESG perspective because of its i) lower operational costs, ii) greater ability to attract financing, and iii) enhanced utilisation by customers who lean towards more environmentally friendly transportation modes, for example.

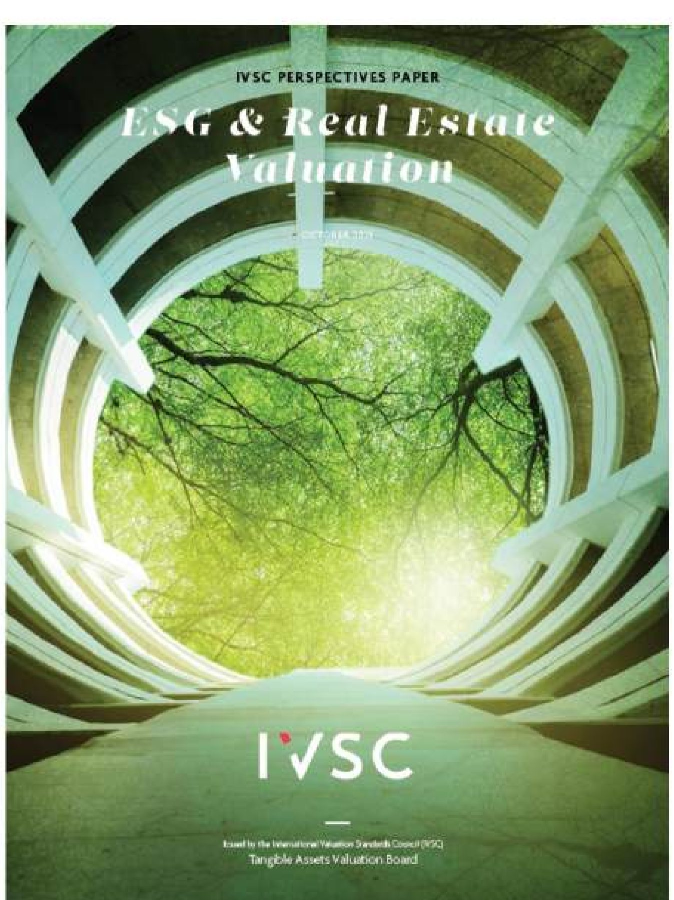
'This creates an important need for valuation professionals to have a deep understanding of their asset class and the markets within which they operate.'

The importance of Professional Judgement, Data and Inputs

IVS 104 Data and Inputs provides that ESG factors should be considered in a valuation when they are 'measurable and would be considered reasonable by the valuer applying professional judgement'. The appropriate selection of data and inputs is central to the asset standards IVS 300, IVS 400 and IVS 410.

This creates an important need for valuation professionals to have a deep understanding of their asset class and the markets within which they operate. After all, ESG defining factors relevant in an asset class within one market might display greater or lesser value prominence in another.

Whilst some data and inputs will be readily available, others may require research, including the use of third-party data service providers. Valuation professionals' unique understanding of market drivers within their real asset specialism will be important for providing expert, timely and knowledgeable valuation advice to their clients.



IVSC PERSPECTIVES PAPER:
ESG & REAL ESTATE VALUATION (OCTOBER 2021)

To this end, the recent introduction of IFRS Sustainability Disclosure Standards created by the ISSB[1], or local equivalents, will no doubt assist valuation professionals across all real asset classes by providing a global comparable baseline for sustainability reporting.

ISSB have issued two standards, IFRS S1 General Requirements for Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures.

The scope of IFRS S1 applies to an entity preparing and reporting sustainability-related financial disclosures in accordance with IFRS Sustainability Disclosure Standards.

The Scope of IFRS S2 applies to:

(a) climate-related risks to which the entity is exposed, which are:

  i. climate-related physical risks; and

  ii. climate-related transition risks; and

(b) climate-related opportunities available to the entity.

When undertaking a valuation of real assets (for any purpose) that are impacted by IFRS S1 and S2, or local equivalents, valuers should be acutely aware of this information and related disclosures and leverage it where appropriate in conducting their valuation analysis.

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5 https://www.ifrs.org/projects/completed-projects/2023/general-sustainability-related-disclosures/

IVSC

Deeper thinking and a sharper focus, but manageable within the existing IVS!

The incorporation of ESG considerations into the IVS creates another element for valuation professionals to consider when conducting real asset valuations. On the surface, and based on the IVSC's recent ESG Survey results, valuers could be justified in thinking that the incorporation of such requirements into valuation standards requires a new way of thinking about valuation.

But based on the perspectives shared above and following on from the recent TAB perspectives paper on ESG and Real Estate Valuation[2], the TAB believe that valuers have all the tools they need to appropriately reflect ESG risks and opportunities into their valuations. The IVS are well placed to assist valuers in dealing with the valuation of real assets in a new ESG paradigm.

There is no doubt that ESG considerations require deeper thinking and a sharper focus, requiring valuation professionals to have an in-depth knowledge of their real asset class and markets within which they operate. And let's not forget, ESG is still a work in progress and will continue to evolve, just as it has done in recent years. But all of this can be achieved without real asset valuation professionals having to reinvent the wheel.

By using existing valuation approaches, bringing truly comparable data to analyse relative to the subject asset, and deploying existing valuation methods and techniques, the incorporation of ESG considerations into real asset valuations appears very manageable within the framework of the existing IVS.

We would welcome your feedback

The IVSC will continue to monitor the topics in this perspectives paper and welcomes stakeholders' insights and feedback.

In order to understand what ongoing issues (if any) you or your stakeholders have observed with real assets and ESG, or its interpretation in your jurisdiction, the following series of questions might guide you in providing insight and feedback:

1. Do you believe that the IVS enables you to undertake valuations of real assets that incorporates ESG factors witnessed in your market?
2. Are there certain real asset classes or valuation approaches that cause confusion when considering ESG factors as part of your valuation assignments?
3. What valuation standards or regulations are applicable when considering ESG factors as part of real assets valuations in your jurisdiction?
4. Is there sufficient transparency around real asset data in your jurisdiction to enable you to effectively analyse and incorporate ESG factors into your valuation assignments?
5. Are auditors, regulators or other authoritative bodies providing more prescriptive ESG

6 https://www.ivsc.org/esg-and-real-estate-valuation/

guidance or requirements than international regulations for ESG factors for real assets in your jurisdiction?

In addition to answering the questions posed above, we would also welcome any further feedback to be sent to the IVSC's Tangible Asset Board via the following email: contact@ivsc.org.

IVSC

Share Feedback

Scan or click on the QR code to access the online feedback form.

Further reading material

Below is a list of further reading material to highlight different perspectives relating to ESG and real asset valuation around the world.

- EY, '*Embracing the future: approaches to ESG in real estate valuation*', https://www.ey.com/en_ch/real-estate-hospitality-construction/embracing-the-future-approaches-to-esg-in-real-estate-valuation
- PwC, *'ESG in Real Estate Valuation 2.0'*, https://www.pwc.de/en/real-estate/esg-in-real-estate-valuation-update.pdf
- RICS, '*The future of real estate valuations: The impact of ESG*', https://www.rics.org/news-insights/wbef/the-future-of-real-estate-valuations-the-impact-of-esg

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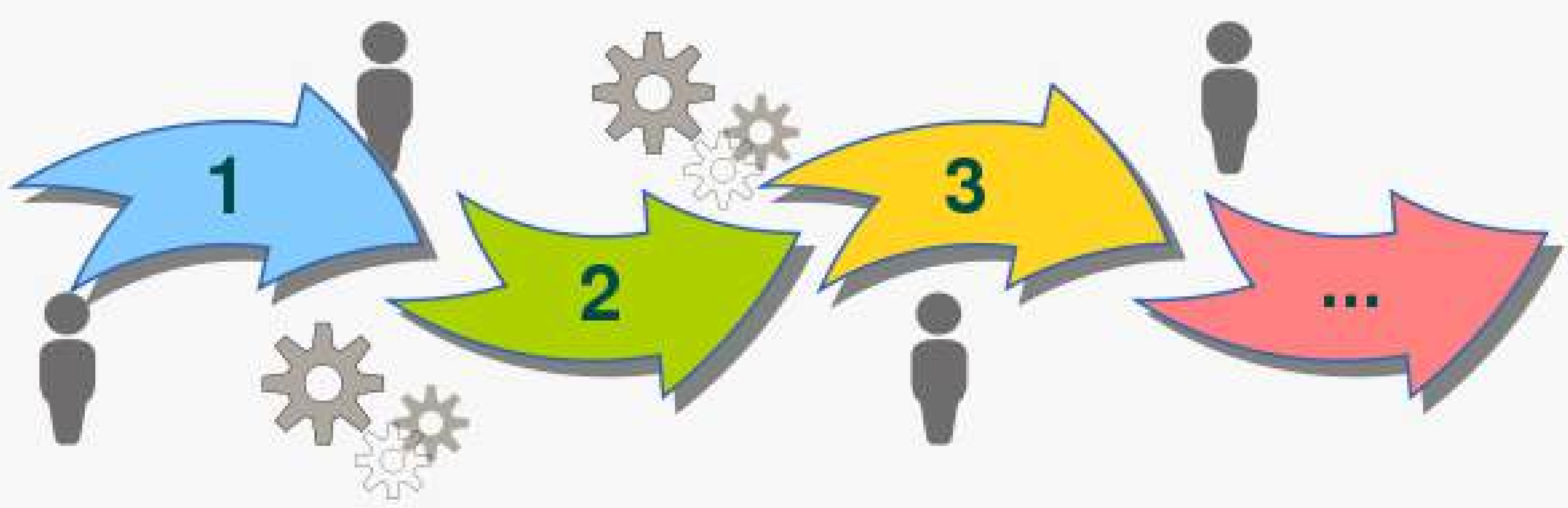
PROCEDURE FOR REGISTRATION OF A MEMBER WITH ICMAI SAO



ICMAI Social Auditors Organisation

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

PROCEDURE FOR REGISTRATION OF A MEMBER WITH ICMAI SAO

Eligibility Criteria for Social Auditor

A. An Individual if he

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

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

Eligibility Qualification & Experience for Social Auditor

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

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

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

Provided that if a person has been convicted of any offence and sentenced in respect 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

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

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

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

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

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

- **Registered form – duly completed**
- **Passport-size photo**

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

Verifying Qualification and Experience

Copies of documents demonstrating qualification, employment and practice as –

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

Before registering a person as its Member 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 Company promoted by The Institute of Cost Accountants of India)

Social Auditors Certification Examination

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

Examination Objectives

On successful completion of the examination the candidate should:

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

Assessment Structure

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

Multiple Choice Questions[85 questions of 1 mark each]	85*1 = 85
Case-based Questions[3 cases (each cases with 5 questions of 1 mark each]	3*5*1 = 15

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

Test Details

Name of Module: NISM Series XXIII: Social Auditors Certification Examination
~ 85 multiple-choice and 3 case-based/caselet questions (each case having 5 questions) totaling to 100 marks.
*** Negative marking – 25% of the marks assigned to the question.**
+ Payment Gateway Charges extra.
 # Passing Certificate will be issued only to those candidates who have furnished/ updated their Income Tax Permanent Account Number (PAN) in their registration details.

Frequently Asked Questions (Social Auditors)

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

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

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

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

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

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

3. What is the fee structure?

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

4. What is the assessment structure?

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

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

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

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.

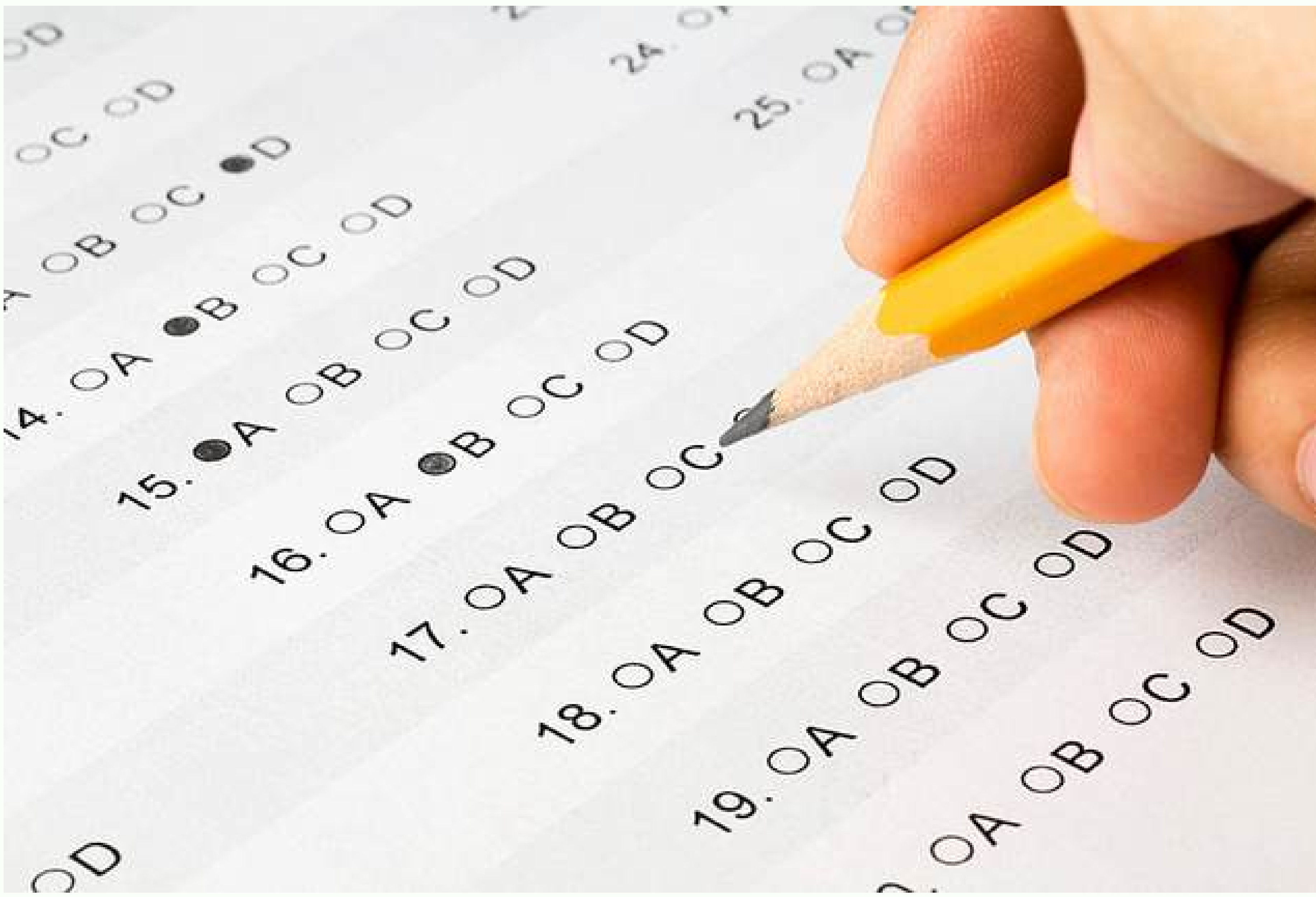
(5) Such matter will then be escalated with the question / answer to the Committee with the details of the nature of error, the correct version of the question or contested correct answer and system recognized correct answer. The Committee, after due diligence and proper scrutiny, will arrive at a conclusion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

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

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

Question 1 - Which document provides a description of the accounting system and relevant accounting policies and procedures ?

(a) Chart of Accounts
(b) Cost Center Details
(c) Delegation of Authority Matrix
(d) Accounting Manual including SOP

Answer - (d) Accounting Manual including SOP

Question 2 - What is the purpose of audit conclusions ?

(a) To provide recommendation for improvement or future auditing activities.
(b) To determine the materiality of misstatements identified during the audit.
(c) To evaluation the competence and relevance of audit evidence.
(d) To express an opinion or conclusion on the conformity with audit criteria and achievement of audit objectives

Answer - (d) To express an opinion or conclusion on the conformity with audit criteria and achievement of audit objectives

Question 3 - What sampling methods can be used to collect evidence in a social audit ?

(a) Documentary, oral, physical, and analytical methods
(b) Simple random, systematic, cluster, and stratified methods
(c) Quota, judgemental, snowball, and financial methods
(d) Secondary, primary, financial, and probabilitic methods

Answer - (b) Simple random, systematic, cluster, and stratified methods

Question 4 - What is the importance of primary data in a social audit ?

(a) It is obtained from first-hand sources and needs to be included in the impact report.
(b) It provides documentary evidence used in the social impact report.
(c) It ensures reliability, accuracy, and validity of the information collected
(d) It includes audited utilisation certificates of the project.

Answer - (a) It is obtained from first-hand sources and needs to be included in the impact report.

Question 5 - Which of the following is NOT a form of evidence in a social audit ?

(a) Documentary evidence (b) Oral evidence
(c) Physical evidence (d) Finance evidence

Answer - (d) Finance evidence

Question 6 - What is an important skill for a Social Auditor related to stakeholder engagement ?

(a) Effective communication
(b) Auditing knowledge and skills
(c) Problem-solving and analytical skills
(d) Interpersonal skills

Answer - (a) Effective communication

Question 7 - Which principle of the Code of Conduct for Social Auditors emphasizes the avoidance of bias and conflict of interest ?

(a) Integrity (b) Objectivity
(c) Confidentiality
(d) Professional competence and due care

Answer - (b) Objectivity

Question 8 - Which audit involves adopting a triple bottom line approach ?

(a) Financial audit (b) Social audit
(c) Both financial and social audits
(d) None of the above

Answer - (b) Social audit

Question 9 - The Sustainable Development Goals (SDGs) adopted by the United Nations focus on :

(a) Achieving economic viability for businesses.
(b) Addressing social development issues and protecting the planet
(c) Maximizing shareholder profits.
(d) Promoting peace and prosperity among business enterprises

Answer - (b) Addressing social development issues and protecting the planet

Question 10 - The Gandhian philosophy of trusteeship in India highlights :

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

(a) The need for business to extract resources for production.
(b) The importance of measuring social impact
(c) The responsibility of businesses to give back to society
(d) The emphasis on economic viability over social development.
Answer - (c) The responsibility of businesses to give back to society

Question 11 - Which differentiator focuses on the alignment of the organization's activities and programs with its stated aims and objects ?
(a) Vision (b) Target Segment
(c) Strategy (d) Governance
Answer - (a) Vision

Question 12 - Which segment of the stock exchange can FPE's list their equity on ?
(a) Main board only
(b) SME platform or Innovators Growth Platform only
(c) Main board, SME platform, or Innovation Growth Platform
(d) Social Stock Exchange (SSE) only
Answer - (c) Main board, SME platform, or Innovation Growth Platform

Question 13 - How can the Social Stock Exchange (SSE) benefit Development Impact Bonds (DIBs) in India ?
(a) Attracting risk investor for funding social outcomes
(b) Providing a platform for listing DIB programs and attracting diverse funders
(c) Offering scaled-up avenues for high net worth individual (HNI) donors
(d) Enabling philanthropic contributors to invest in fraudulent
Answer - (b) Providing a platform for listing DIB programs and attracting diverse funders

Question 14 - In which year was the first Social Stock Exchange introduced and launched in Brazil ?
(a) 2003 (b) 2006
(c) 2009 (d) 2019
Answer - (a) 2003

Question 15 - Which component of an order indicates whether it is a buy or sell order ?
(a) Client identity (b) Price
(c) Time (d) Action
Answer - (d) Action

Question 16 - What happens to an order if it is not matched with a suitable counter order ?
(a) It is executed and converted into a trade
(b) It is cancelled
(c) It is sent for verification by the broker.
(d) It is sent for clearing and settlement
Answer - (b) It is cancelled

Question 17 - Who are retail individual investors?
(a) Individuals who invest large sims of money
(b) Individuals who apply for securities for a value of not more than INR 2 lakhs
(c) Organizations that invest in securities
(d) Individuals with surplus funds
Answer - (b) Individuals who apply for securities for a value of not more than INR 2 lakhs

Question 18 - In the social sector, organization often operate within their own area of expertise or a specific
(a) Geography (b) Theme
(c) SDG (d) Government department
Answer - (b) Theme

Question 19 - The impact of climate change and global warming on project outcome is an example of
(a) Financial Risk (b) Operational Risk
(c) Environmental Risk (d) Strategic Risk
Answer - (c) Environmental Risk

GUIDELINES FOR ARTICLES

The articles sent for publication in the journal "The Social Auditor" should conform to the following parameters,

which are crucial in selection of the article for publication:

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

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