



The Social Impact Assessor

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August 2025



ICMAI Social Auditors Organisation

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



Social Stock Exchange

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

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

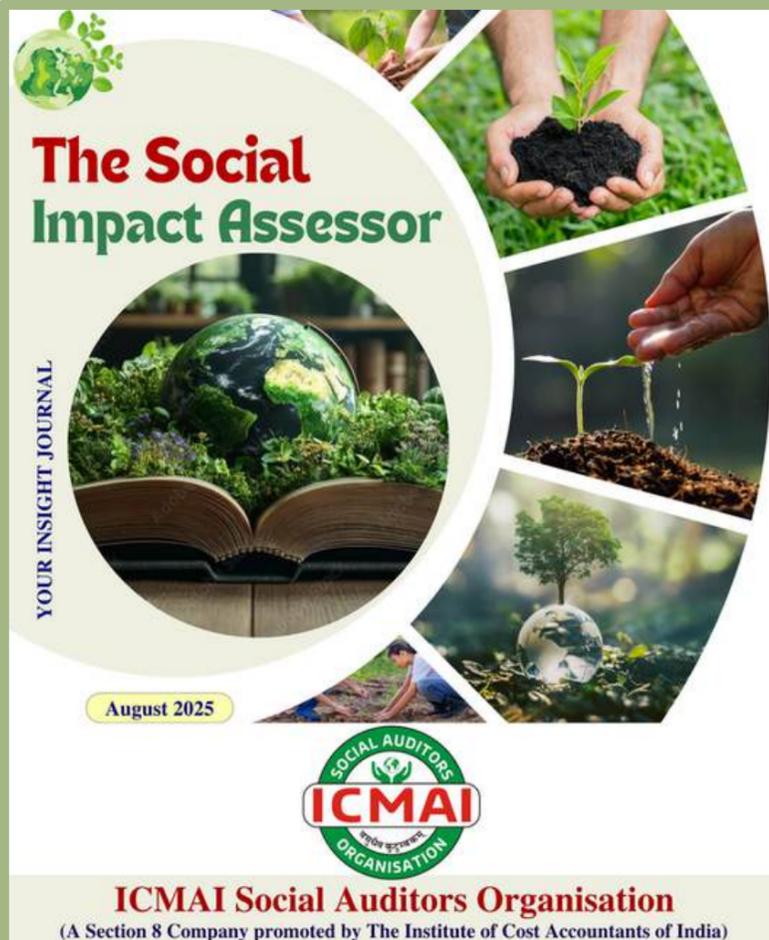
ICMAI Social Auditors Organisation (ICMAI SAO)

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



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FROM THE CEO'S OF DESK, ICMIA SAO



CMA (Dr.) S K Gupta

Social Impact Assessment (SIA) is a structured process used to evaluate the potential social consequences - both positive and negative - of planned projects, programs, or policies. Its primary goal is to ensure that development initiatives are socially responsible and sustainable, balancing the needs of communities with institutional objectives. SIA enables organizations to assess their social performance by involving stakeholders in the evaluation process. This collaborative approach ensures that projects align with the needs and concerns of the community, enhancing transparency and accountability. By identifying and measuring the impacts of interventions, SIA helps organizations mitigate risks, foster corporate citizenship, and maximize social value.

Conducting an SIA involves a multidisciplinary team of professionals, including social scientists, environmental experts, and community engagement specialists. These teams are responsible for Engaging stakeholders to understand their needs and concerns,

collecting and analysing data to evaluate social impacts, developing actionable strategies for mitigating risks and enhancing benefits. Organizations may also engage external consultants for expertise, but leadership involvement remains crucial to ensure alignment with strategic goals and to act on the findings. Tools like SOPACT can complement the team's efforts by simplifying data integration, analysis, and reporting. From project-level assessments to cumulative and strategic evaluations, SIA empowers organizations to align their actions with community needs and long-term societal goals.



A R T I C L E S



ICMAI Social Auditors Organisation

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Leveraging Social Audit for improving outcomes of Social Impact Programs

Dr. S K Gupta

Chief Executive Officer - ICMAI Social Auditors Organisation

What is a Social Audit?

A social audit is a way of measuring, understanding, reporting and ultimately improving an organization's social and ethical performance. A social audit helps to narrow gaps between vision/goal and reality, between efficiency and effectiveness. It is a technique to understand, measure, verify, report on and to improve the social performance of the organization. Social auditing creates an impact upon governance. Social audit through its systematic process allows the civil society to identify the gap between the desired and actual impact of a project/programme/service implemented. It also allows people to enforce accountability and transparency in government service delivery. Since social audit is an emerging concept in good governance, its concepts, approaches, strategies and adaptable methodologies need to be propagated and percolated. Thus, there emerged a need for a Centre for Social Audit to provide a clear set of guidelines to carry out and sustain the process of Social Audit. Social audits have the potential to make delivery of public programmes more effective.

Social Audit is an emerging concept that has become popular and relevant in the context of Good Governance. It values the voice of stakeholders, including marginalized/poor groups whose voices are rarely heard. Social auditing is taken up for the purpose of enhancing local governance, particularly for strengthening accountability and transparency in local bodies. Social audit is based on the principle that democratic local governance should be carried out, as far as possible, with the consent and understanding of all concerned. It is thus a process and not an event.

Objectives of Social Audit

The primary objective of a social audit is to ensure greater transparency and accountability in the delivery of

development programmes. It also enhances community participation and ownership of the programmes.

- To promote transparency and accountability in programme implementation.
- To inform, educate, engage and empower people about their rights.
- To provide a platform for people to express their grievances and needs.
- To promote people's participation at all stages of programme implementation.
- To strengthen grassroots democracy and grassroots institutions.
- To build up the capacity of people participating in the social audit.
- To strengthen programmes by improving planning based on feedback from social audits.

Advantages of Social Audit

Social audits examine the social accountability of public institutions from the perspective of the user community. This simply means the Social Audit examines whether the programmes implemented by the institution are effective, useful and relevant to its mandated target groups. Social accountability depends crucially on whether the two sides – the user community and the governing or implementing agency – are prepared to engage with each other in undertaking a social audit. The social audit process is intended as a means for social engagement, transparency and communication of information, leading to greater accountability of decision-makers, representatives, managers and officials. Thus the application of social audit holds tremendous potential in bridging gaps between policy objectives and outcomes. A social audit captures the 'need for expenditure', 'verification of expenditure', 'usefulness of expenditure', 'quality of work' and most importantly, 'justice for marginalised sections of people'.

Following are the advantages of Social audit :

- It informs and educates people about their rights and entitlements.
- It provides a collective platform for people to ask queries, express their needs and grievances.
- It promotes people's participation in all stages of implementation of programmes.
- It brings about transparency and accountability in government schemes.
- It benefits disadvantaged groups.
- It develops human resources and social capital.
- It promotes collective decision-making and sharing responsibilities.
- It evaluates the fulfilment of social responsibility.
- It enhances the social awareness.
- It increases organizational reputation.
- It facilitates organizational learning on how to improve social performance.
- It makes a roadmap on how to move forward on social issues
- It increases the efficiency and effectiveness of a scheme and creates a positive impact on governance.

Social Audit Process

Social audit is a community-driven process that is facilitated by community participation. The process should be undertaken in a systematic manner to achieve its objectives. It can be broken down into a series of steps, each of which is important. Hence, sufficient time should be given to complete each step. Broadly, the process of social audits can be understood in three phases, starting from the preparatory and going up to public hearing, grievance redressal, and other actions on emerging issues. These phases can be seen as follows:

Preparatory groundwork

- Define the scope of the audit such as for e.g. a specific service, organisation, programme, project, a component or activity of a particular project and so on.
- Form a committee or working group to plan, implement and over see the social audit.
- Identify key stakeholders such as intended users / beneficiaries , community members , local CSOs,

service providers, responsible government officials, employees, contractors, volunteers, donors, etc.

- Develop a clear understanding of relevant administrative structures and pinpoint key responsible agencies/actors.
- Develop a clear understanding of the vision and objectives of the service/project being audited.
- Develop performance indicators through stakeholder consultation.

Information gathering and analysis

- Access relevant public documents such as accounting records, cash books, wage rolls, bills and technical project reports and managerial records. Efforts must be made to obtain original documents rather than second-hand reports which may not be accurate.
- Gather data from relevant stakeholders about their perceptions and experiences of the service/project in question through surveys, focus group discussions, community meetings, and so on.
- The process of information gathering can also serve to inform key stakeholders and community members about the issues at hand and to mobilise public pressure and action for change.
- Analyse the gathered data which may require some specialised assistance.

Public disclosure and evidence based dialogue

- Develop a communication strategy to disseminate findings and outcomes using the media, public meetings postings etc.
- Convene meetings with community members to discuss the findings and formulate proposed changes/solutions.
- Convene public dialogue meeting(s) to allow community members to discuss the evidence with authorities or service providers, and to plan and implement changes.

Follow up

- Use the social audit findings to undertake advocacy to address specific instances of mismanagement and corruption as well as broader policy issues.
- Train and support community members and service

providers to undertake further social audits.

- Make efforts towards institutionalizing social audits within the governance structures or to get the government's commitment for conducting regular audits

Principles of Social Audit

The foremost principle of Social Audit is to achieve continuously improved performances in relation to the chosen social objectives. Following key principles have been identified from Social Auditing practices around the world. They are:

Multi-Perspective / Poly vocal - Aims to reflect the views (voices) of all those people (stakeholders) involved with or affected by the organisation / department / programme.

Comprehensive - Aims to (eventually) report on all aspects of the organisation's work and performance.

Participatory - Encourages participation of stakeholders and sharing of their values.

Multidirectional - Stakeholders share and give feedback on multiple aspects.

Regular - Aims to produce social accounts on a regular basis so that the concept and the practice become embedded in the culture of the organisation covering all the activities.

Comparative - Provides a means, whereby, the organisation can compare its performance each year and against appropriate external norms or benchmarks; and provide for comparisons with organisations doing similar work and in similar fashion.

Verification - Ensures that the social accounts are audited by a suitably experienced person or agency with no vested interest in the organisation.

Disclosure - Ensures that the audited accounts are disclosed to stakeholders and the wider community in the interests of accountability and transparency.

Conclusions

The main reason for the push for social audit is the huge disconnect between what the people need, what the government thinks and what is actually done. Social audit is an innovative mechanism that can create the enabling conditions for public accountability. In a welfare State, the government has a total obligation for the well being of the people. This is translated in practical terms into a

concern for the improvement of "quality of life" through improving standards of living, health, and education, earning capacity etc. for the people. Social audit is proposed as a supplement to conventional audit to help government department /public agencies/NGOs for understanding and improving their performance as perceived by the stakeholders.

The key to successful Social Auditing is in knowing which techniques to use and in what sequence. The Social Auditor can choose different methods so as to capture both quantitative and qualitative information from the respondent. It is equally important to ensure the follow-up action taken on the Social Audit report and the receptiveness of the departments/organisations to adopt the recommendations in the Social Audit report. The social auditors should suggest modalities for improving its performance based on the feedback received from different stakeholders. The detailed workplan needs to be identified by the social auditors and the same should be implemented at the earliest.

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The Imperative of Social Impact Assessment, Social Audits, and SROI in Indian Industries

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“When profit walks hand in hand with people and earth, A nation’s true wealth reveals its worth.”

Introduction : India’s Growth, Social Responsibility, and the Industrial Imperative

India’s economic trajectory is nothing short of extraordinary. With a GDP growth rate averaging around 6.5% annually over the last decade and a current nominal GDP exceeding \$3.7 trillion (World Bank, 2023), India is positioned as a future global powerhouse. However, this growth is unevenly distributed and accompanied by stark social and environmental challenges.

- **Socioeconomic Indicators** : According to the latest National Sample Survey Office (NSSO) report (2021), nearly 28% of India’s population lives below the national poverty line, and over 68 million people are classified as multidimensionally poor (UNDP, 2022).
- **Environmental Stress** : Industrial activities contribute to nearly 33% of India’s greenhouse gas emissions (Central Pollution Control Board, 2023), and several regions face critical air, water, and soil pollution issues.
- **Social Displacement** : Land acquisition for industrial and infrastructure projects has displaced over 25 million people in the past two decades (The Hindu, 2022), often disproportionately impacting tribal and marginalized communities.

The Challenge for Industries

Indian industries operate in complex social landscapes. Their operations affect not only economic parameters but also cultural heritage, traditional livelihoods, gender equity, health outcomes, and social cohesion. Failure to address these leads to:

- Protests and delays costing companies millions (e.g., Tata’s Singur and Posco projects).
- Reputational damage impacting investor confidence.

- Regulatory penalties and withdrawal of social licenses to operate.

“True wealth lies not in gold or assets, but in the trust and well-being of the communities we touch.” — Anonymous

Therefore, the adoption of Social Impact Assessment (SIA), Social Audits, and Social Return on Investment (SROI) has become critical—not just as CSR afterthoughts but as integrated strategic tools aligned with Environmental, Social, and Governance (ESG) compliance frameworks

Vedic Roots of Social Responsibility : Historical and Philosophical Context

India’s approach to social equity and sustainability is deeply rooted in its millennia-old ethos, connecting ancient wisdom with modern corporate responsibility.

“सर्वे भवन्तु सुखिनः सर्वे सन्तु निरामयाः।

सर्वे भद्राणि पश्यन्तु मा कश्चिद्दुःखभाग्भवेत्॥”

“May all be happy, may all be healthy; may all experience well-being; may none suffer.”

— Bṛhadāraṇyaka Upaniṣad

Linking Ancient Values to Modern Frameworks

- The principle of ‘**Vasudhaiva Kutumbakam**’ (the world is one family) resonates with contemporary ideas of stakeholder capitalism.
- Indian jurisprudence incorporates **social justice and equity**, as reflected in the Indian Constitution’s Directive Principles (Article 39) focusing on equitable distribution and welfare.
- These values underpin the **National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs, 2011)**, which urge

companies to respect human rights, avoid harm, and contribute to inclusive growth.

Social Impact Assessment (SIA): Comprehensive Understanding and Application

What is Social Impact Assessment?

SIA is a multidisciplinary process designed to identify, predict, and evaluate the social consequences of planned interventions before their implementation. It serves as a decision-support tool to mitigate negative effects and enhance positive outcomes.

Detailed Components and Methodologies

1. Baseline Social Profiling

- Collection of disaggregated data on demographics (age, gender, caste), socioeconomic status, education, health, and cultural attributes.
- Use of mixed methods: quantitative surveys, qualitative interviews, focus groups.

2. Livelihood and Vulnerability Analysis

- Assessment of how interventions impact existing livelihoods, especially of vulnerable groups such as SC/ST populations (constituting ~16.6% and 8.6% of India's population, respectively, Census 2011).
- Evaluation of gender-specific impacts, given women's lower labor participation (~26%, PLFS 2023).

3. Community Health & Education Impact

- Measuring baseline and projected impacts on community health (morbidity rates, access to health services) and educational attainment.

4. Social Risk and Opportunity Mapping

- Identifying risks such as forced displacement, social conflict, cultural erosion, and opportunities for local employment or skills enhancement.

5. Mitigation and Monitoring Plan

- Designing socially responsible mitigation measures (e.g., resettlement, skill development).
- Defining monitoring metrics and participatory frameworks to track impact during and post-implementation.

Legal Mandate and Compliance Context

- The **Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act (2013)** mandates SIA before land acquisition for public/private projects involving more than 5 hectares (Government of India, 2013).
- **Environmental Impact Assessment Notification (2006)** also requires social impact considerations as part of the environmental clearance process for certain sectors.

Industry Adoption and Case Data

- **Mining Sector** : Companies like Vedanta have integrated SIA processes in 85% of new projects to mitigate tribal displacement (Vedanta Sustainability Report, 2023).
- **Infrastructure** : The Delhi Metro Rail Corporation's rehabilitation and resettlement policy is based on detailed SIAs covering over 10,000 families (DMRC Annual Report, 2022).
- **IT and Manufacturing** : Infosys and Tata Consultancy Services conduct voluntary SIAs on campus expansions focusing on urban displacement and labor market shifts.

Social Audits : Evolution and Corporate Integration

Historical Roots

- **Gandhian Philosophy** : Emphasized transparency and community participation in governance.
- **Panchayati Raj Institutions** : Legally mandated social audits for rural employment schemes like MGNREGA since 2015, improving accountability and reducing corruption (Ministry of Rural Development, 2021).

Social Audits in Corporate Governance

Social audits verify the authenticity of social claims and CSR activities, ensuring compliance with ethical labor practices and stakeholder engagement.

Components of Corporate Social Audits

- **Verification of Social Claims** : Cross-checking CSR reports and claims against ground realities through community feedback and independent reviews.
- **Worker Welfare Assessment** : Evaluating labor standards, fair wages, safety compliance, and grievance redressal mechanisms.
- **Community Engagement** : Structured participatory approaches to include community voices in performance evaluation.
- **Third-Party Assurance** : Certification by independent agencies under standards such as :
 - **GRI 413** : Local Communities reporting standard.
 - **SA8000** : Focus on labor rights and working conditions.
 - **AA1000AS** : Stakeholder engagement and assurance standard.

Empirical Evidence of Effectiveness

- A 2023 KPMG India study on 150 listed companies found that firms conducting regular social audits scored 20% higher on ESG ratings and reported 30% fewer social compliance incidents.
- The **Mahindra Group**'s social audits revealed gaps in labor practices in supply chains, enabling targeted improvements and boosting supplier relations (Mahindra Sustainability Report, 2023).

“Accountability is the bridge between intention and impact.”

Why the Urgency? ESG and BRSR Mandates Reshape Indian Corporate Social Responsibility

Evolution of ESG in India

- India’s ESG ecosystem is now one of the fastest-growing globally, driven by investor demands, regulatory mandates, and public expectations.
- SEBI introduced **BRSR in 2021**, effective from FY 2022-23, requiring the top 1,000 listed companies by market capitalization to disclose detailed ESG metrics, including social impact data (SEBI Circular, 2021).

BRSR’s Social Disclosure Requirements

- Community development and welfare initiatives.
- Stakeholder engagement processes and grievance mechanisms.
- Quantitative impact metrics at the project level, including SIA and social audit findings.

Disclosure Challenges: Data from the Field

According to the 2023 NASSCOM-Deloitte ESG Report :

- 73% of Indian firms lack measurable outcome data on social initiatives.
- Only 22% have integrated social risk mapping into supply chain management.
- Less than 15% employ third-party validation or audits for social metrics.

This exposes a critical gap between policy intent and ground realities, emphasizing the need for robust, scalable social impact tools.

Social Return on Investment (SROI): Capturing and Monetizing Social Value

Defining SROI

SROI is a comprehensive methodology that monetizes social, environmental, and economic outcomes to provide a ratio of social value created per unit of investment.

Methodology

Step	Description
1	Define scope, identify and engage stakeholders through workshops and consultations.
2	Map outcomes, both intended (e.g., job creation) and unintended (e.g., social cohesion).
3	Evidence gathering through surveys, monitoring data, and independent assessments.
4	Assign monetary values using proxies (e.g., cost savings in healthcare, increased earnings).

5	Impact calculation adjusting for deadweight (what would have happened anyway), attribution (other actors' contributions), and drop-off (reduction over time).
6	Reporting results and embedding findings into corporate strategy and reporting.

Data-Backed Example: Women's Entrepreneurship Program in Gujarat

- **Investment:** ₹1.5 crore.
- **Outcomes:** 420 women trained; 180 new businesses; household income increased by 35%.
- **Societal Benefits:** Improved school attendance (+20%) and community health indicators.
- **Calculated SROI:** 3.6 — i.e., every ₹1 invested yielded ₹3.6 in social value (Social Value International, 2023).

Interrelation of SIA, Social Audits, and SROI: A Holistic Framework

Aspect	Social Impact Assessment (SIA)	Social Audit	Social Return on Investment (SROI)
When	Pre-project (planning phase)	Mid and post-project	Post-project (evaluation phase)
Purpose	Predict impacts and risks	Verify social claims and compliance	Quantify social value created
Approach	Research, modelling, community consultations	Participatory verification with stakeholders	Financial valuation and metrics analysis
Outputs	Social risk maps, mitigation strategies	Verification reports, corrective actions	SROI ratio, impact monetization report
Compliance Links	Regulatory approvals, land acquisition	ESG disclosure validation, CSR audits	Investor reporting, sustainability ratings

Together, these tools provide a 360° view of social sustainability, facilitating evidence-based decision-making, transparency, and continuous improvement.

Sectoral Application: Tailoring Social Impact Tools Across Industries

Sector	SIA Focus	Social Audit Focus	SROI Application
Mining & Metals	Displacement, tribal rights, cultural heritage	Worker welfare, occupational health, land restoration	Community livelihoods, health improvements
Pharma & FMCG	Supply chain labor conditions, community health	Fair wages, occupational safety audits	Healthcare outreach, nutritional programs

Infrastructure & Urban Development	Urban migration, resettlement, social equity	Rehabilitation & Resettlement (R&R) compliance audits	Urban livelihood enhancements, education
Renewable Energy	Land leasing, local employment, ecological impact	Consent and grievance redressal audits	Income stability, reduced migration
IT & Services	Urban expansion, digital inclusion, skilling	Inclusion audits, workforce diversity assessment	Capacity-building, social mobility

Case Study: Renewable Energy Project in Andhra Pradesh

- **Project:** 250 MW solar park developed by a major Indian renewable energy firm.
- **SIA Findings:** Low local youth skill levels, high out-migration risk.
- **Intervention:** ₹75 lakh investment in electrical equipment training for 300 youth.
- **Social Audit:** Verified 67% job placement locally within 12 months.
- **SROI:** Estimated 2.9 over 18 months, driven by income stabilization and reduced migration costs.
- **Outcome:** The project’s transparent social reporting strengthened its ESG rating and investor confidence (Company Sustainability Report, 2023).

Challenges to Implementation and Proposed Solutions

Challenge	Solution
Data quality and consistency	Use digital data collection tools (Kobo Toolbox, Survey CTO) and real-time dashboards
Lack of expertise in SIA/ESG	Build internal ESG teams; partner with certified external agencies and academic institutions
Misaligned KPIs	Align with international standards (GRI, SASB), SDGs, and Indian national frameworks (NITI Aayog’s SDG India Index)
Perceived high costs	Demonstrate ROI through case studies; highlight risk mitigation and enhanced social license benefits
Absence of standardized audit protocols	Adopt frameworks like AA1000AS and ISAE 3000; promote industry consortiums for shared best practices

The Role of Technology in Advancing SIA and Social Auditing

- **GIS and Remote Sensing** : Map demographic changes, environmental overlaps, and land use in real time.
- **Artificial Intelligence and Machine Learning** : Analyze large-scale social media data, sentiment analysis from stakeholder consultations, and predict social risks dynamically.
- **Blockchain Technology** : Secure and transparent audit trails for CSR and social data verification, preventing manipulation.
- **Integrated SROI Calculators** : Embedded within ESG management platforms for continuous impact valuation.

Technology is transforming social impact assessment from static reports to dynamic, participatory, and transparent processes.

Policy and Market Drivers Accelerating Social Impact Accountability in India

- **National Voluntary Guidelines (NVGs, 2011)**: Emphasize inclusive growth and respect for human rights.
- **SEBI's BRSR (2022)**: Mandatory ESG disclosures for large companies, with growing penalties for non-compliance.
- **Social Stock Exchange (SSE)**: Operational since 2022, enabling social enterprises to raise capital based on social impact performance.
- **Impact Investors and Green Bonds**: Increasingly require robust impact measurement, verified by third-party social audits and SROI reports.
- **Government Initiatives**: Programs like “Azadi Ka Amrit Mahotsav” and “Viksit Bharat 2047” emphasize sustainable and inclusive growth, encouraging industries to integrate social impact tools.

Conclusion: Capital in Karma — The Ethical and Strategic Imperative

“धर्म एव हतो हन्ति धर्मो रक्षति रक्षितः।
तस्माद्धर्मो न हन्तव्यो मा नो धर्मो हतोऽवधीत्॥”

“Dharma protects those who protect it. If you destroy Dharma, it will destroy you.”

— Manusmṛiti 8.15

This ancient wisdom encapsulates the core truth of corporate social responsibility: industries prosper sustainably only when they uphold social and ethical duties. Social Impact Assessments, Social Audits, and SROI are not mere compliance checkboxes; they are strategic tools that build trust, enhance reputations, and attract capital in a competitive global economy.

“The true measure of progress is the positive footprint a business leaves on humanity.” — Rupam Baruah

As India aims to realize its vision of a Viksit Bharat by 2047, industries must lead by integrating compassion with data-driven social governance. Businesses that prioritize social value creation will not only comply with regulations but will anchor themselves firmly in purpose and community resilience.

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OTHER READINGS



ICMAI Social Auditors Organisation

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J.P.Morgan

Building Resilience Through Climate Adaptation

Overcoming biases to position for new opportunities while minimizing losses





Executive Summary

Board rooms, investors and policymakers have mainly focused on climate mitigation (i.e., lower emissions or decarbonization) over climate adaptation (adjusting for present and future levels of climate change impacts). Spending for climate mitigation historically has accounted for more than 90% of total climate finance worldwide; globally climate adaptation finance has been below \$65 billion a year, only 1/6th of expected needs by 2030.¹ There are two main reasons for this:

- Much of the historical climate action discussion has been on slowing or stopping climate change with the hope of avoiding climate impacts, focusing dollars and efforts toward addressing the highest upstream source of climate change
- Sufficient climate change to experience financial effects from extreme weather and climate events is only starting to be felt, with the science of attribution growing over the past 10 years to quantify how much climate change has occurred and its influence on damages^{2, 3}

Put another way, changes in the risk of extreme events from the past, present and future can now be quantified, with the body of research and data available showing financial risk also growing along with the probability and magnitude of extreme weather and climate events. The future risks of climate change are now finding the bottom line in the present. Climate adaptation is needed to build resilience to the effects felt today and into the future. It is not just a risk management tool, but can also be a strategic investment opportunity that can yield financial benefits over time.

When I first started speaking about climate adaptation to business leaders, many were confused by the admittedly

complex technical terminology that scientists developed. With a light bulb, I've heard many call it "climate adoption," stating a need to "adopt new management strategies in response to climate." Others have defined it as business resilience to extreme weather and supply chain shocks, fundamental to everyday operations already underway, with a climate lens added to make sure they are properly calculating present and future statistics of revenues and losses. Others have shared how a single acute event or multi-year chronic event has driven new R&D for products to meet evolving consumer preferences driven by how a changing climate is already affecting everyday temperature, humidity and water availability. The effects of climate change vary, but leaders need that light bulb moment to build their climate intuition for climate adaptation.

Adaptation strategy is a management challenge: Under varying levels of uncertainty of present and future risk, at what point should we act? Does this change when the source of uncertainty is due to physics or human behavior? How does this calculus change when accounting for risk management or emerging opportunities? This article delves into frameworks for developing adaptation strategy, where action is taking place, the financial costs and investment opportunities at stake, and what sectors and geographies are adopting climate adaptation plans.

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What are climate adaptation and resilience?

We start with some definitions:

- **Climate adaptation:** The process of adjustment for experienced (present) or projected (future) climate and its impacts.¹⁴
- **Climate adaptation in practice:** Actions made to position for opportunities and to reduce financial loss and operational exposure to extreme weather and climate events. Systematically, various adaptation measures build resilience to disruptions from the natural world. Done strategically, leaders can transform potential threats into catalysts for innovation and long-term success.
- **Resilience:** Confusingly, resilience is defined either as an umbrella term when one combines many adaptation actions to build resilience across social, economic and ecological systems¹⁵ or used commonly interchangeably with adaptation. Here we will think of resilience as the end goal, which can comprise one or more climate adaptation actions (to build climate resilience), but also non-climate-related initiatives (to build general resilience). Put plainly: Climate adaptation always leads to resilience, but resilience in some cases may not be from climate adaptation.

Climate change effects are being felt on every continent and ocean. However, both society and ecosystems developed under assumptions of a stationary climate. As a result, varying levels of adaptation will be needed across industries and geographies to adjust to new conditions presented by climate change.

When to adapt? A question of risk tolerance for loss and opportunity

Climate science provides us an understanding of how the probability of certain conditions may change over time. These include:

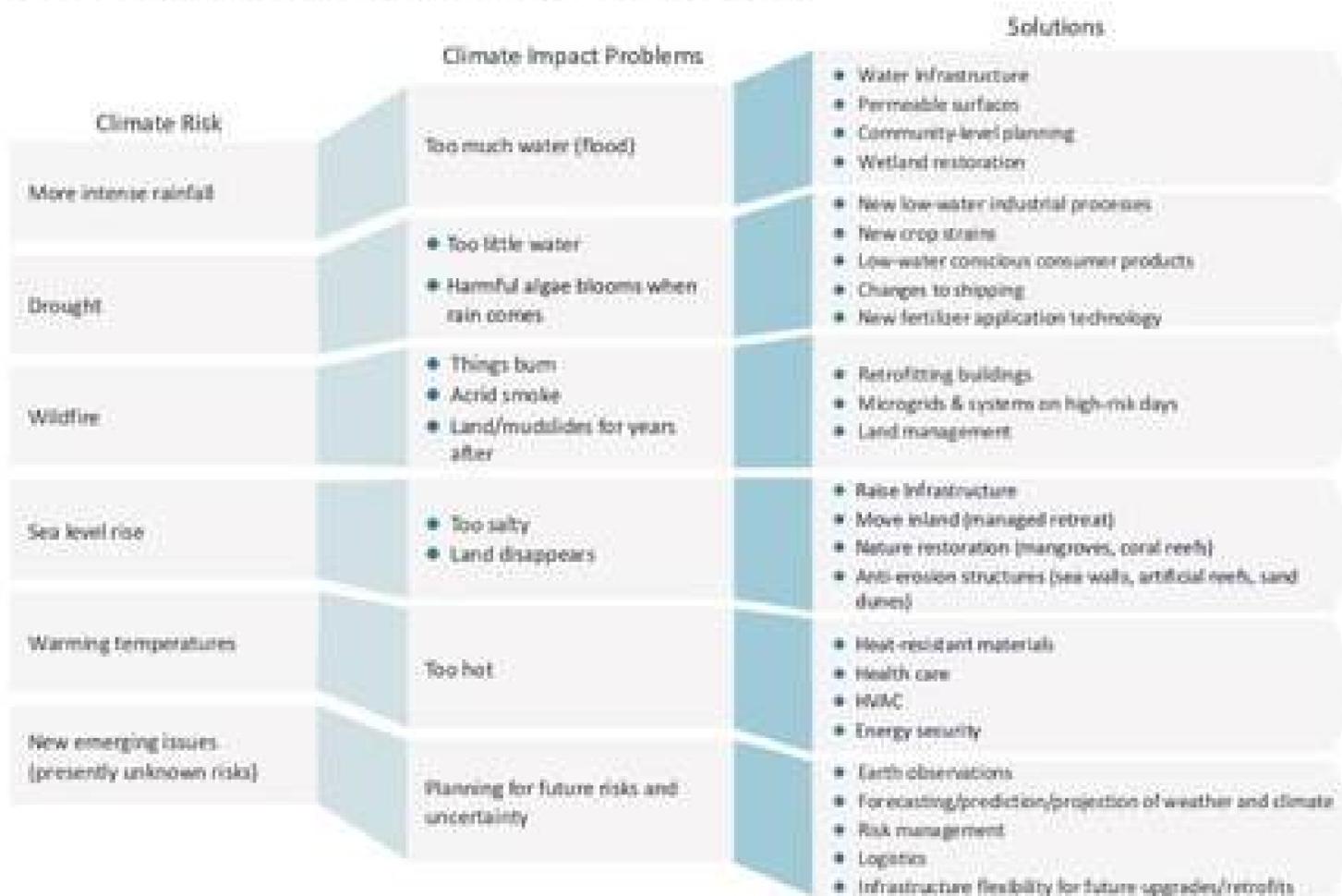
- **Acute risk:** extreme events or “tail risks” that happen infrequently, but are a major deviation from average conditions (e.g., heat wave on land or in the ocean, wildfire, extreme rainfall inducing floods and landslides). As additional climate change happens, these tail risks can even get “fatter,” meaning once infrequent risks happen more often.¹⁶
- **Chronic risk:** gradual changes in average conditions. However, these gradual changes can cause sudden impacts (e.g., sea level rise, while gradual, can overwhelm a pier at a specific level and cause failure).

Climate science provides predictions and projections of the future in the form of physical, biological and chemical risks. Some lend themselves more easily to action than others due to:

- The difficulty of translating these scientific outcomes into financial or business outcomes
- Varying levels of uncertainty of their impact over time due to a combination of physical differences and human activities

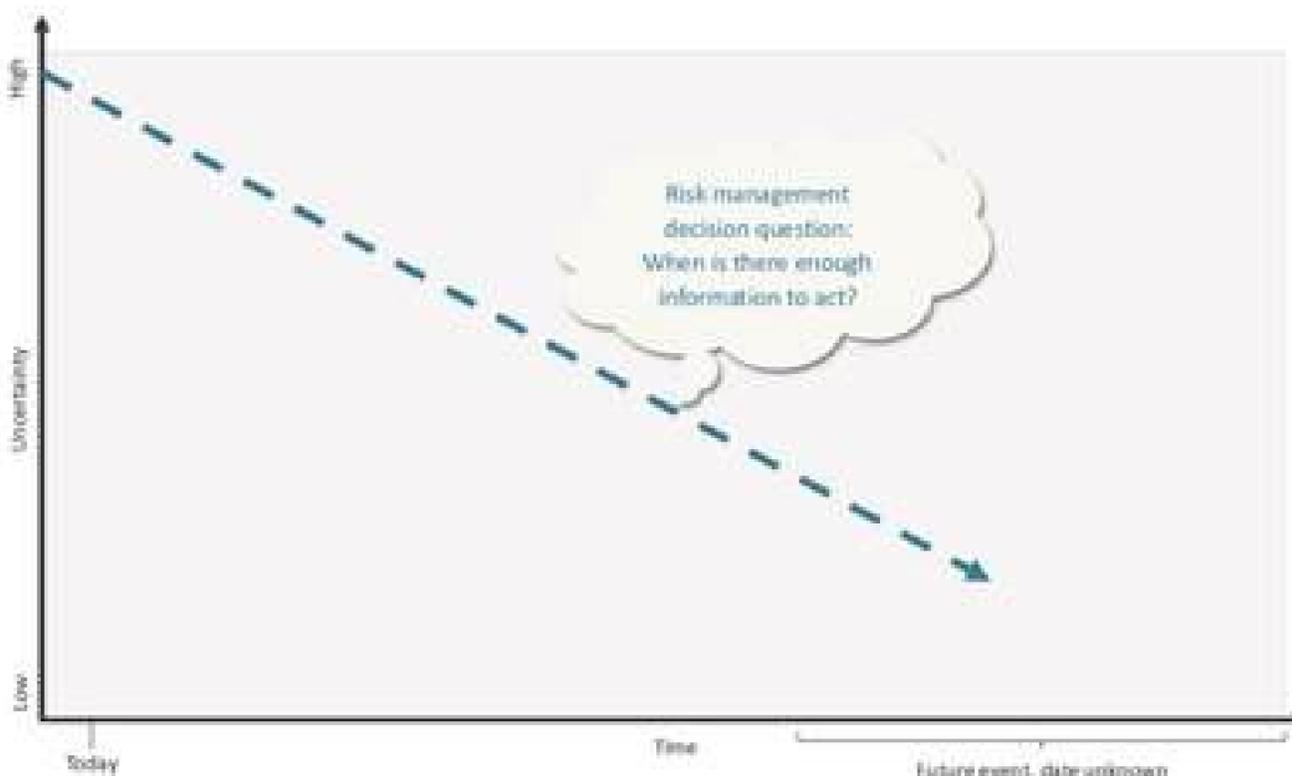
To visualize risks and adaptation responses, one way is to create a flowchart of climate risks into specific climate impact problems and then solutions to think through known ways to adapt. An example:

Figure 1: Flowchart of climate risks, climate impact problems, solutions



After doing this, we are faced with potential probabilities of an event to figure out how to act. Let's conceptualize this problem of planning for extreme weather and climate events that have never happened before. Imagine you have information that a flood will likely happen at some point in the next 30 years, destroying a critical physical asset and part of a material supply chain. A flood has never happened in this location. Today you know that an event is very likely to occur, but you have high uncertainty about when exactly (to the day, week, month, year) it will occur over the 30-year period. As time progresses, uncertainty declines as the risk of an event grows due to climate change. There may be a seasonal forecast saying it is more likely than not (with a 3- to 12-month window). Or show up in a weather forecast (within -14 days) when there is limited time to reduce impacts. You have perfect certainty when the event is unraveling.

Figure 2: Climate adaptation is a risk management decision



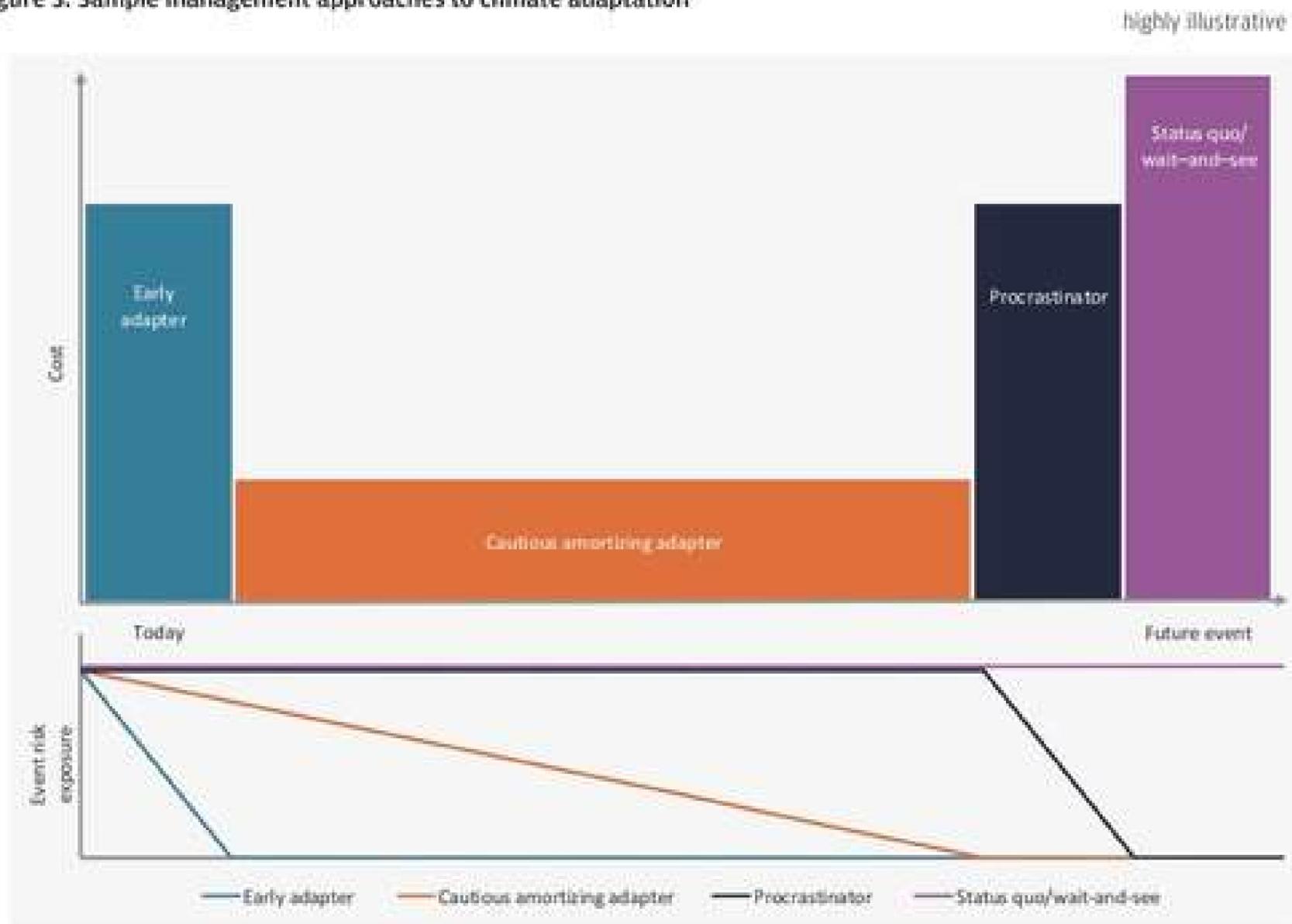
At what point do you have enough information to act to protect your business? Given this can be a material risk, when do markets react to the information as uncertainty declines? When will credit ratings be downgraded without taking action to adapt? When will the asset lower in value due to its risk exposure?

Would your decisions have changed if I told you this flood will be from saltwater storm surge along the coast? Or a flood along a river? In those scenarios, people generally know a flood is possible and there may have been historic floods in that location or ones like it. What if it is a flood that has never happened before due to a 1-in-1,000-year rainfall event, overwhelming storm sewers in a recently paved and highly developed town, concentrating floodwaters in a way never seen before?

We saw this recently with the 2024 flood in Asheville, North Carolina, from hurricane Helene. Previous major floods have happened, with a devastating one in 1916. Analysis of regional precipitation risk showed increasing risks due to climate change that large quantities of water could fall from the sky. The city even developed a climate adaptation plan in 2023 to guide future activities and spending.¹⁰ Seasonal forecasts for hurricanes made in May predicted an active season with more storms than average.¹¹ And the weather forecasts from the National Weather Service in Greenville-Spartanburg, South Carolina, warned of historic flooding comparable to or greater than the 1916 event in the days before it happened.¹²

There are deferring risk management approaches to climate adaptation. I have observed four general behaviors emerge in my discussions across public and private sector leaders.

Figure 3: Sample management approaches to climate adaptation



- Early adapters** work to adapt when they are made aware of a future risk. Their risk tolerance or analysis of future financial exposure leads to a decision to be ready early. They may even have an opinion that the ability to adapt may get more difficult closer to an event—due to the time to prepare or scarcity of supplies or funding to adapt when they need to. They may feel a moral obligation to adapt to avoid the worst outcomes. This comes with an up-front cost to avoid future losses of uncertain timing. Or in seeking opportunities, to pre-position to be ready before anyone else.

- **Cautious amortizing adapters** take a gradual approach, building adaptation over time. They decide to budget their adaptation actions over a longer time and allow for changing their plans as uncertainty declines and new adaptation solutions become available.
- **Procrastinators** wait until much closer to an event to do something. They fear investing in action too early. This may be due to competing financial interests and priorities. It can also be a high-risk threshold before action takes place. They may see opportunities emerging, but want more certainty about how events will unfold. They may want to learn from the mistakes of others how to efficiently manage adaptation spending.
- **Status quo/wait-and-see** actors have a different approach. They may think the safest path is to choose to maintain the status quo. They may assume an event will never happen, or they want more certainty before starting to invest in adaptation—bringing themselves closer to missing out on a market shift if others act. If nothing happens, they are validated that they saved money and did not adapt. But if an event happens without adaptation, they can experience high costs with few (or no) options to reduce exposure during an event.

To determine how much adaptation to undertake requires quantifying present and future exposure to climate change—and setting risk tolerances for specific outcomes (losses or opportunities) to determine when to act.

Takeaway: When to adapt is a management question. Entities respond based on their risk tolerance and cost-benefit analysis of adaptation, requiring a mapping of risks, impacts and potential solutions. Maintaining the status quo may seem like the lowest cost option—and one can be lucky and miss impacts—until an event occurs leaving few (or no) options to avoid costs.

Recency bias and unintuitive statistics lulls us into finding false safety in the status quo

Recency bias is a cognitive bias where a decision-maker strongly remembers recent events over other longer-term data. Even if climate data suggests a growing risk in a region, individuals may remember recent events (where no events have occurred) and assume this will be maintained into the future, when it may just be luck that an event was avoided. While the risk of an event may be low, over time those risks can accumulate, making an event more likely. To visualize this, we can compare the likelihood of an individual event in a given year versus a multi-year time horizon.

Figure 4: Likelihood of a flood over several years

using binomial cumulative risk formula

Common-Name Flood	Probability in a given year	Probability of occurring at least once in			
		5 years	10 years	20 years	30 years
1-in-100yr	1%	4.9%	9.6%	18.2%	26.0%
1-in-20yr	5%	22.6%	40.1%	64.2%	78.5%
1-in-5yr	20%	67.2%	89.3%	98.8%	99.9%

While a 1-in-100-year flood has a chance of occurring only 1% every year, it has a 26% chance of happening over a 30-year period.

Going back to Figure 2, when you choose to follow the status quo and no event happens, it enforces the belief that the status quo is the lowest cost option. This recent experience creates a bias into expecting past experiences being maintained. Even if the risk of an event is low in a given year, if a planning horizon is over a longer period, that risk is actually cumulative and therefore risk of loss is much higher.

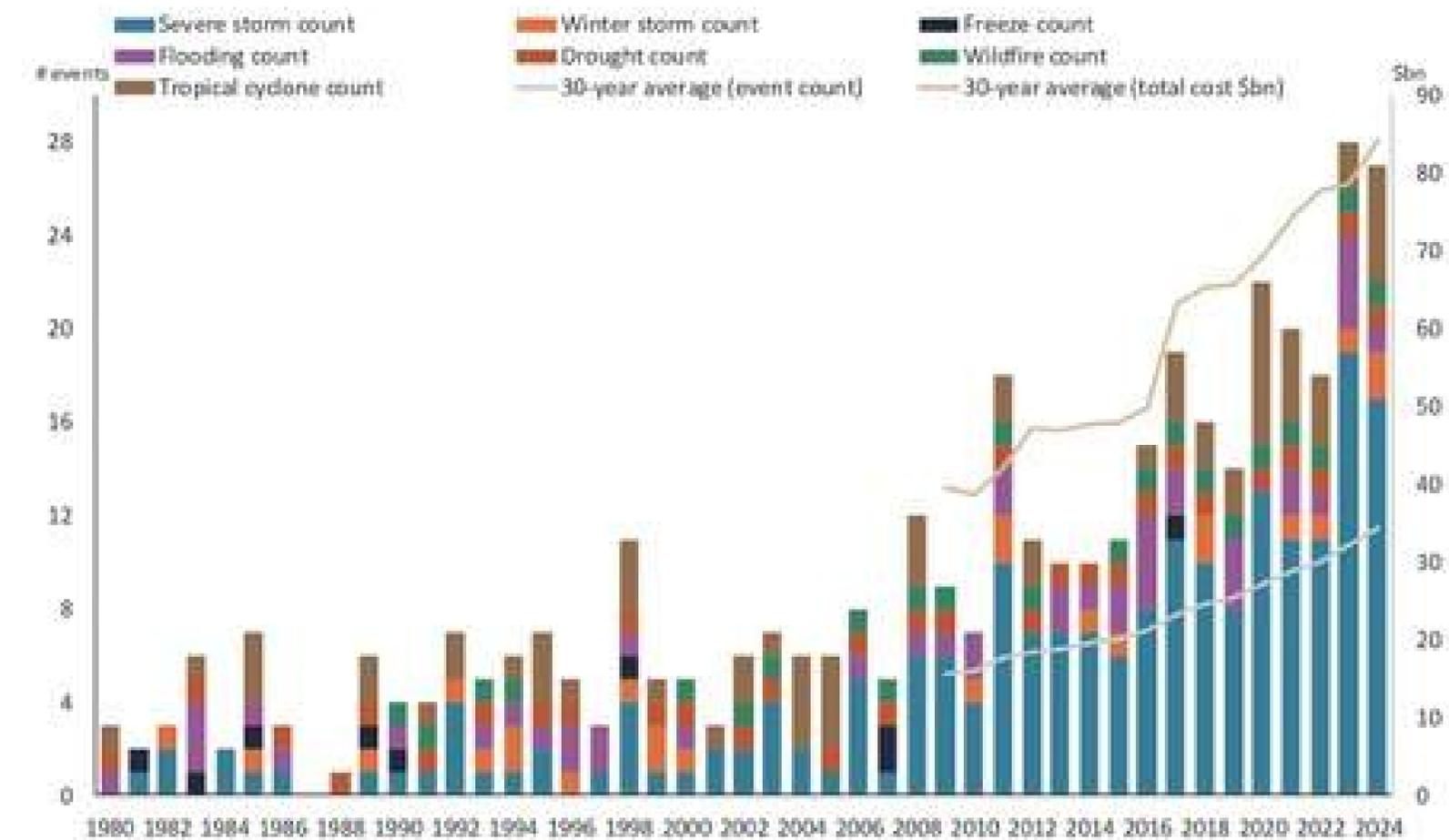
Further complicating this, the above analysis is for a static climate. Over time, the risk of extreme events may be growing, increasing the likelihood of risks over a multi-year time horizon. Many readers know the investment disclaimer: past performance is not indicative of future results. Here we have physics telling us the world is changing. We just don't always know when an event will happen precisely.

Takeaway: Unintuitive statistics and recency bias can lull us into finding false safety in the status quo.

The hidden cost of maintaining the status quo: financial estimates of extreme weather and climate events

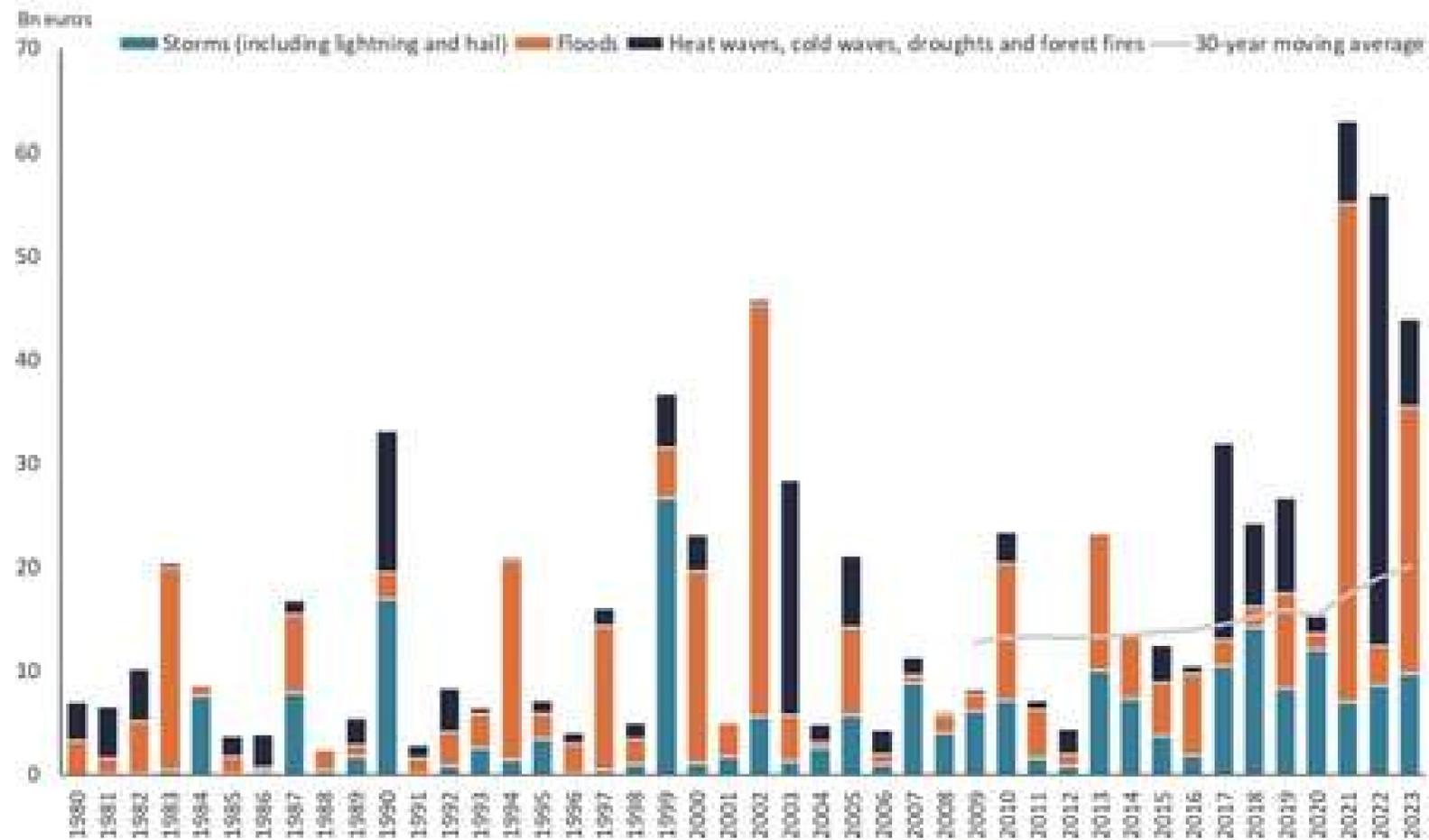
The U.S. and the European Union have catalogued both the economic losses and types of extreme weather and climate over the past several decades. In the U.S., the costliest individual events have historically been from tropical cyclones (hurricanes, when winds reach >74 mph), but severe convective storms have been happening more frequently in recent years. In Europe, flood events have historically caused the greatest economic losses.

Figure 5: U.S. billion-dollar weather disasters 1980-2024 (CPI adjusted)
 Frequency of extreme weather and climate events (bars) and related financial costs (line)



Source: NOAA "Billion-Dollar Weather and Climate Disasters" as of April 2025 (2025 data not available). Note that inflation impacts the ability to compare costs over time. To reflect this, the graphic shows events with size from \$25 in damage at the time of the event, but after adjusting inflation using Consumer Price Index, now exceed \$25 in damage.

Figure 6: EU states' economic losses from weather and climate related events with 30-year running average



Source: European Environment Agency, "Annual economic losses caused by weather and climate-related extreme events in the EU Member States" (2023)

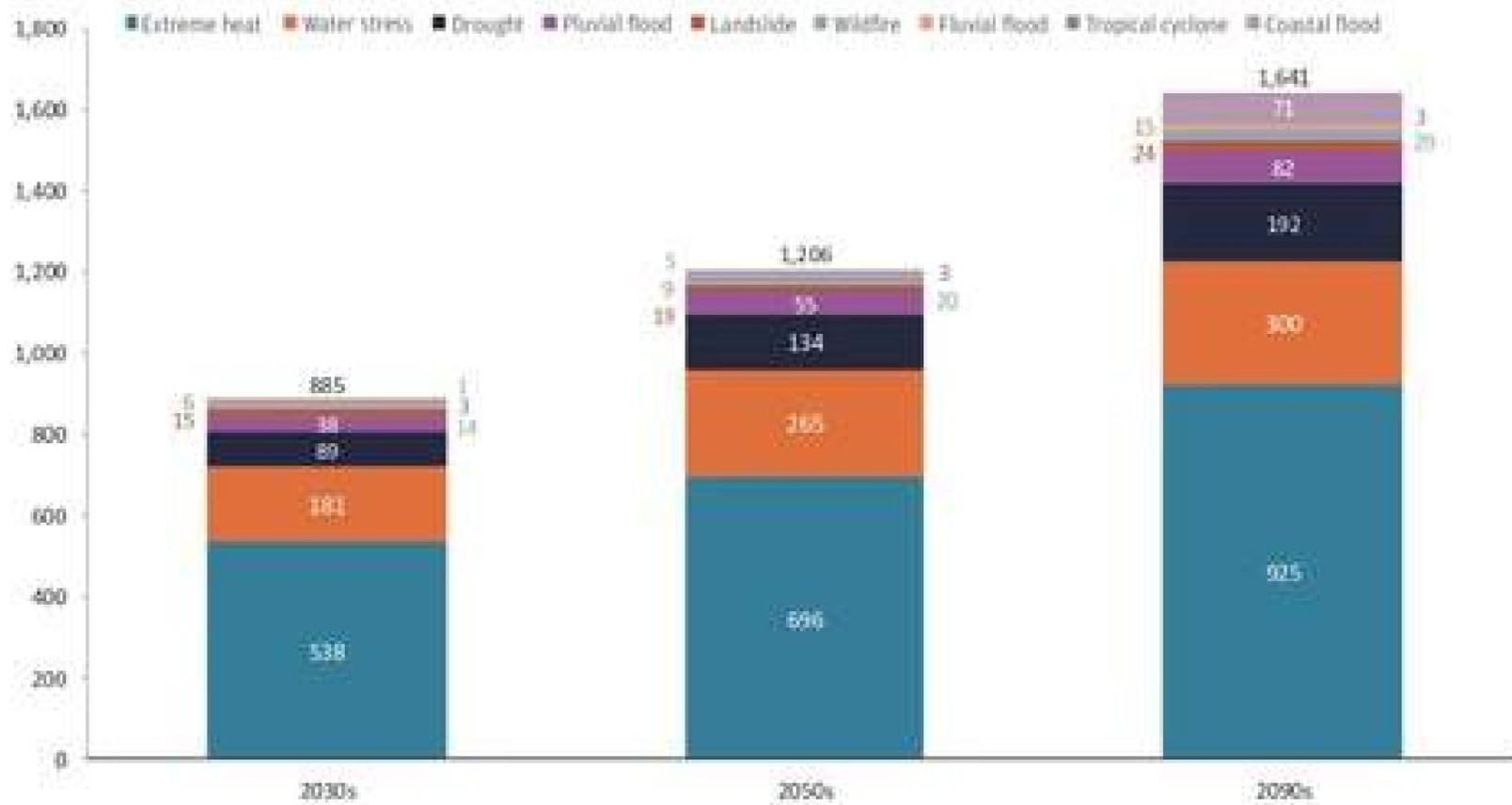
The frequencies and costs of these events have been growing. To have a financial impact, an extreme weather and climate event must occur in a place of economic value that is also vulnerable to economic losses. To reduce these growth trends, we need to reduce the sources of change:

- Climate change can be curtailed through emissions reductions
- Investment in resilience can reduce vulnerability

These trends mirror observed losses emerging and attributable to climate change in the insurance industry that we recently explored in depth.¹¹

Observed data can also drive analyses to project corporate exposures to climate change. As financial impacts become measurable today, they can be used to provide empirical analysis of exposure to build financial models of the future. S&P has built such a model for the S&P Global 1200, projecting future losses if no adaptation measures are taken and without adjustment for future inflation.¹² These costs are broad, measuring the exposure of physical assets (e.g., increased operational expenses to lost revenues due to business interruption through to physical damage and costs to repair assets). By the 2050s, costs reach \$1.2 trillion per year with utilities representing the largest sector of losses (\$244 billion).¹³ To put this in perspective, total damage from major extreme weather and climate events in the U.S. since 1980 have totaled \$2.9 trillion.¹⁴ Projected annual exposure far exceeds multi-decade levels of damages.

Figure 7: Large companies are projected to face \$1.2 trillion yearly in physical risk costs in the 2050s
That's the likelihood if we maintain the current trajectory toward a 2.7°C world by 2100



Source: S&P Global Sustainability: 2023 S&P Global Water, as of Feb. 24, 2023. S&P Global Sustainability Pathway: SSP2-4.3 is a medium climate change scenario that contemplates strong mitigation, in which total greenhouse gas emissions stabilize at current levels until 2050 and then decline to 100%. This scenario is expected to result in global average temperature rising by 2.7°C (2.2°C - 3.3°C) by the end of the century. No inflation assumptions are applied, and results are presented in nominal 2024 prices.

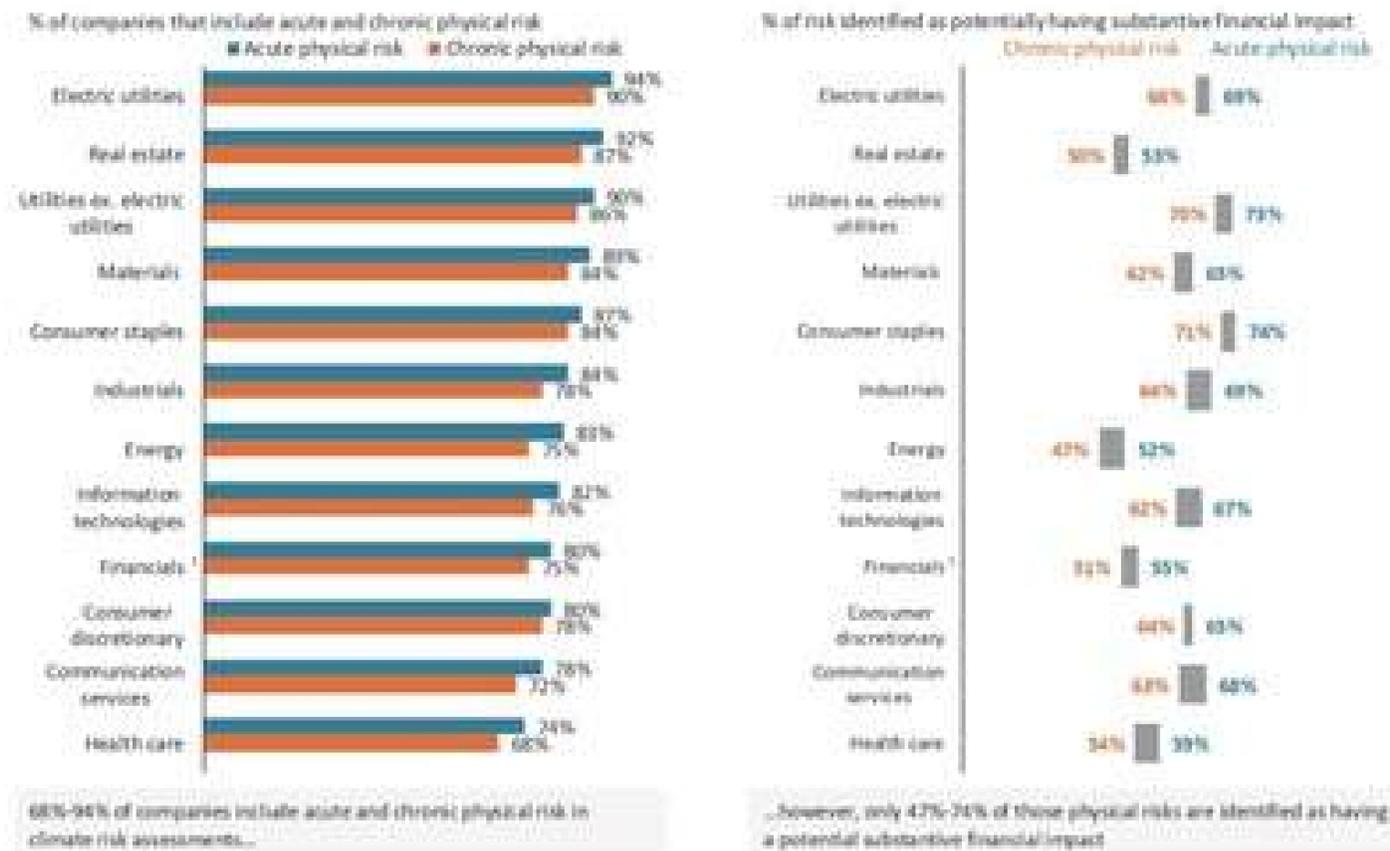
Takeaway: Economic losses due to extreme weather and climate events have been growing in the U.S. and European Union. As more climate change develops and the effects of climate change are manifested financially, data grows to build quantitative exposure models to project future exposure. They currently show \$1.2 trillion of potential loss a year in large corporates by the 2050s without adaptive measures. Put simply: Maintaining the status-quo without adaptation destroys value.

Are companies taking action today? Which sectors are investing in climate adaptation?

There are no uniform standards for reporting climate adaptation, where climate mitigation can be reduced to changes in carbon dioxide equivalent emissions, climate adaptation relates to any adjustment in response to climate that reduces vulnerability. This is also showing up with the plethora of climate adaptation investment guides and frameworks being developed by investors, business groups and non-profits.^{36, 37}

The S&P Global Corporate Sustainability Assessment clearly surveys companies to see if they have assessed climate-related physical risks and whether they have financial materiality. It includes ~13,000 companies globally.³⁸

Figure 8: Physical risk assessments have become common practice however fewer companies are identifying a substantive financial impact



Source: S&P Global Sustainability, 2021 S&P Global News. Financial Impact for the Financial sector does not reflect portfolio exposure. As of March 3, 2022. Results based on responses from participating companies in the 2021 CSA assessed on the basis of climate risk management and financial risks of climate change. The sample sizes are 3,200 companies assessed on climate risk management and 2,600 companies assessed on the financial risks of climate physical hazards.

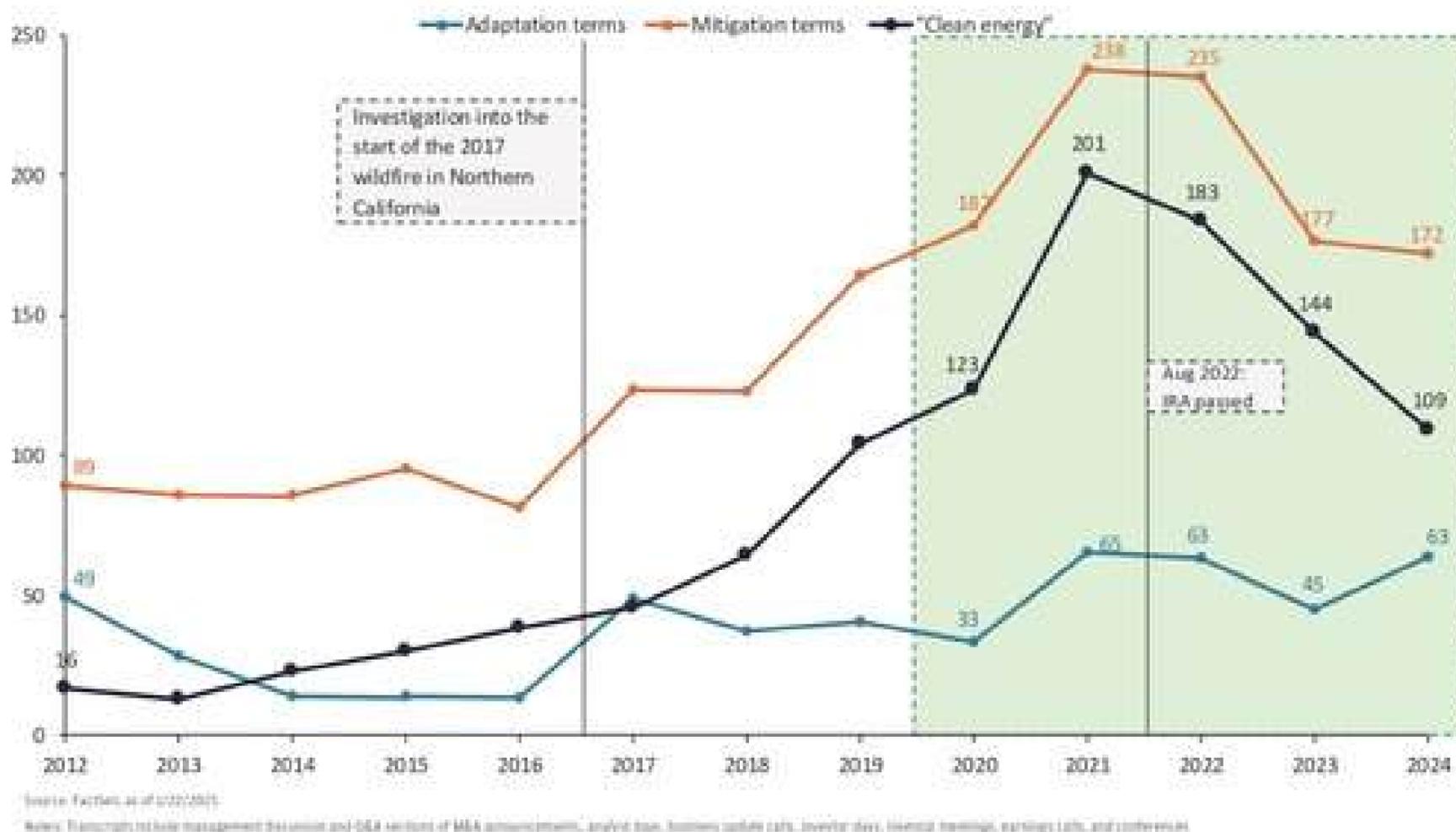
A few observations from these results:

- Real estate, utilities and consumer are the usual sectors people think have exposure to climate due to physical assets, and agriculture has exposure from weather and climate extremes, but all sectors include exposure to acute (extreme events) and chronic (gradual change) risks.
- Extremes events (acute risk) affect companies more than do gradual changes (chronic risk). This may be due to the capacity being higher to adjust activities to gradual change versus shocks.
- A smaller subset identified substantive financial impacts from physical risk. Of those identifying risks, the majority found substantive financial impact. This may be due to adaptive measures already in place, or companies have been well suited to current climate conditions.

In summary, 68% to 94% of companies include acute and chronic physical risk in climate risk assessments, but only an estimated 47% to 74% of those physical risks are identified as having a potential substantive financial impact.

Since these surveys are static, we were curious how companies have been talking about climate adaptation and mitigation over time. Choosing the sector with the greatest self-identified risks, we focus on S&P 1500 utility firm transcripts.

Figure 9: Tracking transcripts for discussions of climate-related terms
 Keyword frequency in S&P 1500 Utilities firms' transcripts (# per 100 meetings)



Since 2012, climate mitigation terms,¹⁴⁴ climate adaptation terms¹⁴⁵ and "clean energy" have regularly been found in call transcripts. However, noticeable changes appeared around specific events.

- After investigations into PG&E for the start of the 2017 wildfire in Northern California, there was a noticeable increase in adaptation terms being used in utility transcripts.
- Mitigation terms and "clean energy" clearly increased after 2015 (potentially responding to investor interest in the 2015 Paris Agreement), peaking in 2021 before passage of the Inflation Reduction Act.
- While mitigation terms have reduced in use since 2021, climate adaptation terms have remained steady, more than doubling in usage from a decade prior.
- Mentions of mitigation happened 2.7x more frequently than adaptation in 2024.

So while utilities have physical risk exposure today with financial impact, the majority of conversation relates to mitigation.

Takeaway: A significant number of companies across various sectors are assessing both acute and chronic climate physical risks, but fewer are identifying these risks as having a substantive financial impact, possibly due to existing adaptive measures or suitability to current conditions. This may change with shifting climate conditions; in the utility sector, while mentions of mitigation are declining, those of climate adaptation have been growing.

Where have local governments analyzed their physical risk exposure to develop adaptation plans?

An individual entity can quantify its physical risk exposure and take adaptation measures, but the surrounding community and infrastructure also matter for keeping supply chains open post disaster, allowing people to get back to work after an event, maintaining infrastructure and attracting new business exiting other physically risky locations.

Figure 10: Locations of global city adaptation plans



Around the world, cities announcing climate adaptation plans are typically located along coasts, but also include some inland cities concerned about future impacts (e.g., extreme heat, drought, wildfire). In the United States, adaptation plans have been developed at the state and local levels. The majority of state plans are along the salty coasts, but city plans are spread across the U.S. with new state efforts inland.

Figure 11: Locations of U.S. state and city adaptation plans and efforts



Source: Georgetown Climate Center

It remains to be seen if this information will percolate into the markets. Slight bond rating score increases have been seen in cities developing adaptation plans, from below average to comparable scores from 1995 to 2018, but the sample size was small.¹¹ Despite known risks for wildfire in Los Angeles, municipal bonds were downgraded after the wildfires when reports of potential liability surfaced with additional questions raised about adequacy of insurance coverage.¹²

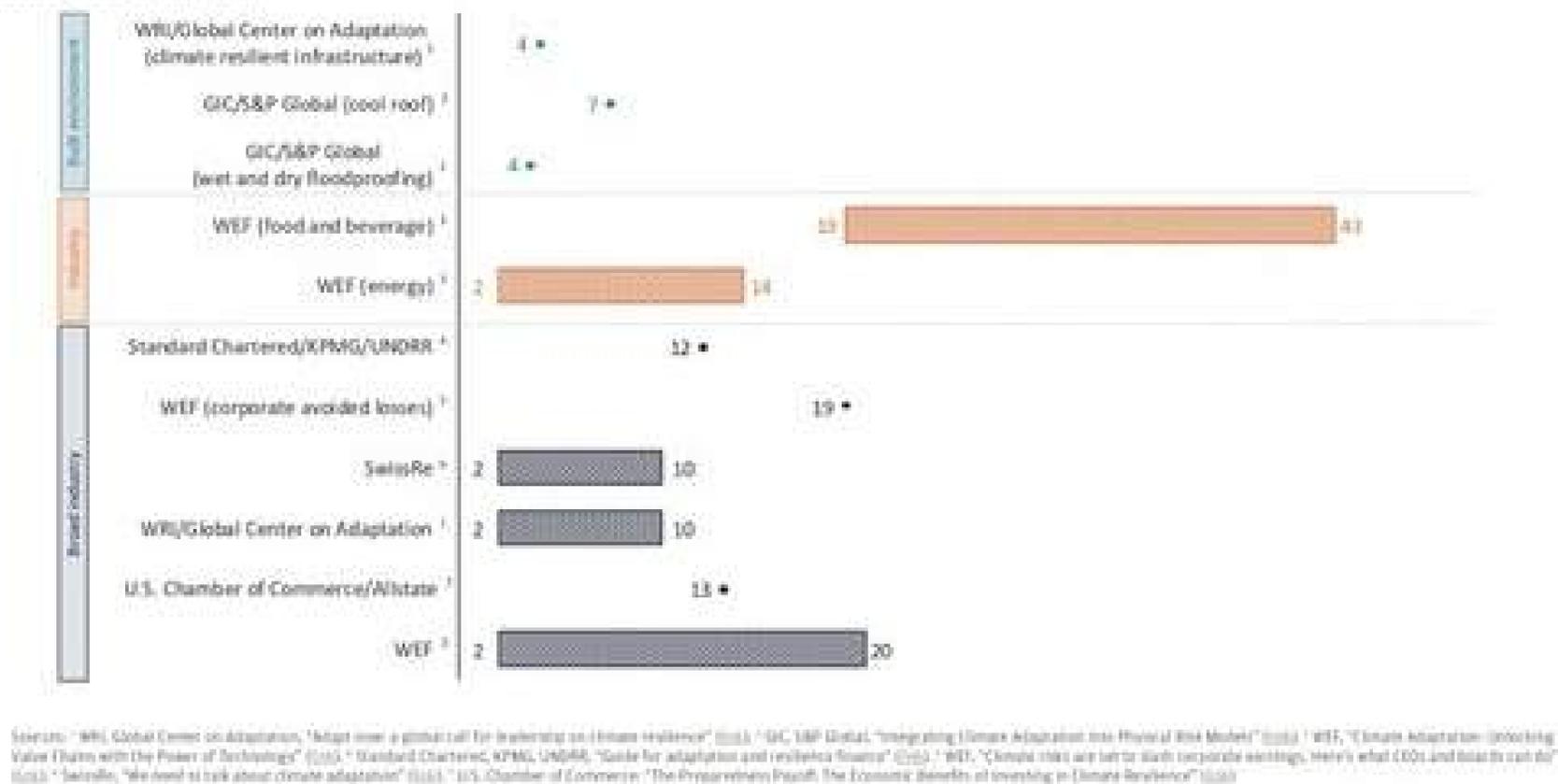
Takeaway: Cities and states worldwide are developing adaptation plans to address climate risks, with many located along coasts. There is limited evidence of its impact on municipal markets.

What is the return on investment of climate adaptation and resilience?

Much discussion about financial impacts of climate change focuses on potential future losses. It's a pure risk framework—adapt now or avoid negative impacts tomorrow. But is there a financial return to adapting?

With increased awareness of the growing financial exposure to climate change, attitudes are now shifting. Insurers, the World Economic Forum, investors, data providers and think tanks have recently put out analyses with estimates of the ROI of climate adaptation and resilience. Across recent studies, spending \$1 has an ROI of \$2 to \$43.

Figure 12: Comparisons of ROI of climate adaptation and resilience studies (economic benefit per \$1)



Adaptation spending to achieve resilience is also starting to be rewarded. On March 27, 2025, Moody's upgraded PG&E Corp. and its Pacific Gas & Electric subsidiary, citing "the organization's continued improvement in mitigating wildfire risk over the last few years as well as its ability to strengthen both its financial profile and its relationships with key stakeholders."¹⁴

Academic research is also now balancing mitigation and adaptation scenarios to understand how costs associated with investments in both leads to positive economic outcomes. In recent research, Duan et al. 2025 used a macroeconomic model to model climate investment strategies. They found that compared to spending on reducing emissions, investing in adaptation brought economic benefits much sooner (12-24 years for their scenario).¹⁵

Takeaway: Investments in climate adaptation do offer returns. For our original conceptual framework in Figure 2, this means a status quo/wait-and-see approach can also come with missing out on future opportunities and growth. The returns may be more than a decade off (if using the academic average), or earlier if a physical event occurs or the market responds to perceptions of growing risk.

Look out for curveballs

Surprising or disruptive conditions present uncertainty in building adaptation plans without knowing how much adaptation will be needed.

- **Migration:** You only need to adapt if you have people and commerce that need to respond. If people and businesses leave a region, the need to adapt reduces. Financially, this leads to property devaluation, stranded assets, reduced tax bases.
- **Maladaptation:** Even with best intentions, decision-making under uncertainty can lead to mistakes. Adaptation that makes an entity worse off instead of better is referred to as maladaptation. This is an argument against early adaptation to allow for adjustment as more information is received and uncertainty reduced.
- **Fortress of solitude:** If you build your own facility to be resilient, but the surrounding infrastructure community doesn't follow, you can end up with a fortress of solitude. It may be operational, but workers and supplies cannot reach it post disaster. For example: Buildings with backup generators on high floors and flood-allowing bottom infrastructure may keep a building standing and power on after a major storm, but if the infrastructure of roads and transportation are destroyed, it may be open but not accessible. City and state adaptation matters in these cases.

- **Tipping points:** It's possible that future climate change and impacts will not follow gradual shifts in probabilities, but abrupt shifts from one state to another with extreme difficulty to return. This is an emerging scientific field. We will explore this thinking in a future piece.

Final word

While the focus has historically been on mitigation, there are opportunities to build resilience to climate impacts. This requires overcoming recency bias and understanding the statistics of extreme events over varying time horizons. Losses from extreme weather and climate events are growing, with corporate annual exposures (without adaptation) of over \$1 trillion by the 2050s. Adaptation assessments and action plans are expanding, but not necessarily showing up in markets.

Given the direction of travel, as more losses are experienced, calls for adaptation and resilience should grow. We are already seeing this in the insurance and homeowner markets. Increased awareness of risks and opportunities may push a shift in the market toward rewarding adaptation. There are early indications of this in cities adopting climate adaptation plans, and emerging frameworks for investing in adaptation. Analyses of returns of investment in climate adaptation and resilience range from \$2 to \$43 for every dollar spent.

As the market begins to recognize and reward these efforts, businesses that invest in adaptation will not only protect themselves from escalating climate risks but also position themselves to capitalize on new opportunities. Developing strategies for climate adaptation does not just help avoid risk; it's emerging as a forward-thinking action to realize returns. There will be arbitrage for those who can identify well positioned adapters across the early to wait-and-see adapter profiles.

Integrating climate adaptation into your strategic evaluations can unlock value. By identifying businesses for investment, acquisition or supply chain sourcing that are proactively adapting, one can diversify for resilience and capitalize on emerging market shifts. This approach not only hedges potential risks but also positions to leverage new growth opportunities shifting in response to a changing climate. Adaptation may act as a key differentiator, allowing those who act earlier to gain a competitive edge, facilitating long-term success in a changing world.

FOOTNOTE

¹ <https://www.climatepolicyinitiative.org/publication/global-landscape-of-climate-finance-2024/>

² <https://www.jpmorgan.com/insights/sustainability/climate/navigating-the-new-climate-era>

³ Callahan, C.W., Mankin, J.S. Carbon majors and the scientific case for climate liability. *Nature* 640, 893-901 (2025).

⁴ Adapted from: IPCC, 2022: Annex II: Glossary [Möller, V., R. van Diemen, J.B.R. Matthews, C. Méndez, S. Semenov, J.S. Fuglestvedt, A. Reisinger (eds.)]. In: *Climate Change 2022: Impacts, Adaptation and Vulnerability. Contribution of Working Group II to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change* [H.-O. Pörtner, D.C. Roberts, M. Tignor, E.S. Poloczanska, K. Mintenbeck, A. Alegría, M. Craig, S. Langsdorf, S. Löschke, V. Möller, A. Okem, B. Rama (eds.)]. Cambridge University Press, Cambridge, UK and New York, NY, USA, pp. 2897-2930, doi:10.1017/9781009325844.029.

⁵ Ibid.

⁶ <https://www.jpmorgan.com/insights/sustainability/climate/navigating-the-new-climate-era>

⁷ <https://www.ashevillenc.gov/department/sustainability/climate-initiatives/municipal-climate-action-plan/>

⁸ <https://www.noaa.gov/news-release/noaa-predicts-above-normal-2024-atlantic-hurricane-season>

⁹ "This will be one of the most significant weather events to happen in the western portions of the area in the modern era. Record flooding is forecasted and has been compared to the floods of 1916 in the Asheville area." Captured in: <https://www.charlotteobserver.com/news/weather-news/article293109734.html>

¹⁰ The calculated probabilities assume a stationary probability in a given year for flood over time with every year being an independent event and a binomial distribution. (No climate change altering probability in a given year from year 1 to n). So the probability of occurring at least once over n years is found by the formula: Probability = 1-(1-probability_in_a_given_year)^n. So a 1-in-100 yr flood has a probability in a given year of 1/100 = 1%. Over a 30-yr period, the probability of happening at least once is therefore: 1-(1-1%)^30 = 1-.99^30 = 26%.

Calculator from the NOAA National Weather Service: https://www.weather.gov/epz/wxcalc_floodperiod

¹¹ <https://www.jpmorgan.com/insights/sustainability/climate/homeowners-insurance-future>

¹² <https://www.spglobal.com/esg/insights/featured/special-editorial/ceraweek-physical-risk>

¹³ Ibid.

¹⁴ <https://www.ncei.noaa.gov/access/billions/time-series>

¹⁵ <https://www.tailwindclimate.com/>

¹⁶ GARI released its climate adaptation and resilience report and investor toolkit for climate resilience solutions at the Financial Times Climate Capital Live conference in March 2024 in partnership with MSCI Sustainability Institute, The Lightsmith Group, the Bezos Earth Fund and ClimateWorks Foundation. <https://garigroup.com/investor-guides>

¹⁷ <https://www.spglobal.com/esg/insights/featured/special-editorial/ceraweek-physical-risk>

¹⁸ Climate mitigation terms include: alternative refrigerants, biogas, carbon capture, carbon neutral, carbon sequestration, decarbonization, photovoltaic, electric cars, electrification, energy efficiency, fuel cell, geothermal, hydropower, offshore wind, renewable energy, virtual power plant.

¹⁹ Climate adaptation terms include: burying lines, cable trenching, climate adaptation, climate risk assessment, climate scenario, coastal defense, coastal flood, coastal resilience, coastal zone, disaster recovery, emergency preparedness, flood defense, grid resilience, hail, heat wave, heatwave, hurricane, line burial, line resilience, living shorelines, microgrids, operational flexibility, resilient infrastructure, saltwater intrusion, prevention, sea wall construction, severe weather response, shoreline stabilization, smart grids, storm hardening, storm preparedness, storm surge, storm-resilient, stormwater management, subsurface infrastructure, subsurface lines, subterranean lines, subterranean utilities, supply chain resilience, tornado, tropical cyclone, underground cabling, underground lines, underground power, undergrounding, weatherization.

²⁰ Ko, I., Prakash, A. Signaling climate resilience to municipal bond markets: does membership in adaptation-focused voluntary clubs affect bond rating?. *Climatic Change* 171, 9 (2022).

²¹ <https://disclosure.spglobal.com/ratings/pt/regulatory/article/-/view/sourceId/13382294>

²² <https://www.utilitydive.com/news/moodys-upgrades-pge-pacific-gas-credit-wildfire/743811/>

FOOTNOTE

¹⁴⁸ Duan, Lei, Angelo Carlino, and Ken Caldeira. "Near-term benefits from investment in climate adaptation complement long-term economic returns from emissions reduction." *Communications Earth & Environment* 6, no. 1 (2025): 14.

¹⁴⁹ The term "fortress of solitude" references the fictional headquarters for Superman, only reachable by him.

¹⁵⁰ <https://www.jpmorgan.com/insights/sustainability/climate/homeowners-insurance-future>

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J.P.Morgan

Environmental and Social Risk Management Framework



standard
chartered



1.0 Introduction

1.1 Overview

Achieving economic, social and environmental sustainability is one of the greatest challenges of our generation and a priority for **Standard Chartered** ("SCB" or "the Group"). We are committed to supporting sustainable social and economic development across our business, operations and in the communities in which we operate, including financing and facilitating the transition to net zero and supporting the ambitions of the UN Sustainable Development Goals.

1.2 Our approach

We recognise that the activities of our clients may have environmental and social impacts and that there can be challenges in balancing environmental, social and economic needs.

Risk management is at the heart of our business and is core to achieving sustainable growth and performance whilst seeking to safeguard the environment and the communities it sustains. Reputational and Sustainability Risk is a Principal Risk Type within the Group's Enterprise Risk Management Framework; and the Sustainability Risk Policy sets out the requirements and responsibilities for managing environmental and social risks across our business.

This **Environmental & Social Risk Management Framework** ("Framework") provides an overview of our approach to identifying, assessing, and managing the **environmental and social** ("E&S") risks associated with our client relationships.

1.3 Governance structure

At the board level, the Culture and Sustainability Committee provides oversight and review of the Group's sustainability strategy, while the **Board Risk Committee ("BRC")** oversees reputational and sustainability risk pursuant to the Enterprise Risk Management Framework.

At the executive level, the **Group Risk Committee** reports into the BRC and delegates authority to ensure effective management of reputational and sustainability risk to the **Group Responsibility and Reputational Risk Committee ("GRRRC")**. The GRRRC has responsibility for reviewing and approving this Framework and the related cross sector and sector specific **Position Statements** that set out our E&S specific criteria ("Position Statements"), and for overseeing the risk appetite metrics and escalations associated with E&S risk.

At the management level, the **Corporate, Commercial and Institutional Banking Client Review Committee ("CRC")** is authorised to evaluate new and existing client relationships for reputational and sustainability risk, and approve them subject to the delegated authority by BRC or to escalate to GRRRC for further consideration.

This Framework and our Position Statements are reviewed regularly to reflect emerging E&S risks, industry best practice and our evolving risk appetite.



1.4 Roles and responsibilities

We allocate roles and responsibilities for E&S risk management in a manner consistent with the Three Lines of Defence Model.

First line

- Client-facing **Relationship Managers ("RMs")** and transaction origination and execution ("deal teams") teams, who, using the E&S risk management tools and training provided to them, are responsible for identifying and managing E&S risk in relation to their clients and their clients' transactions.
- The **Environmental and Social Risk Management ("ESRM") team** are subject matter experts who provide support, guidance and challenge to RMs and deal teams on client and transaction level E&S risks. The ESRM team are the point of escalation, including for client discussions and contractual negotiations, on E&S risk matters. The ESRM team is responsible for developing and maintaining this Framework and leads the regular reviews of the Group's sector specific Position Statements.

Second line

- The **ESG & Reputational Risk team** within the Risk function are responsible for setting the overall risk management approach for reputational and sustainability risks and providing oversight and challenge of this Framework.
- **Credit officers** ensure that all in scope credit applications (including annual renewals) and credit requests for projects / assets are accompanied by a valid and appropriately completed **Client or Transaction Environmental and Social Risk Assessment ("ESRA")**.

Third line

- Our **Group Audit** function, audits the Framework and application of it globally, including application at a country, product and department level.

2.0 Addressing E&S risks

2.1 Defining E&S risk

We define **environmental risk** as the potential material harm or degradation to the natural environment occurring through the actions or inactions of the Group's operations, its clients, or third parties.

We define **social risk** as the potential material harm to individuals or communities occurring through the actions or inactions of the Group's operations, its clients, or third parties. This includes aspects relating to labour and human rights.

This Framework focuses on the management of E&S risk associated with our client relationships and transactions.

2.2 Our Position Statement criteria

Our approach to managing E&S risk is informed by international conventions, national laws and regulations and industry standards and best practices. These requirements are translated into cross sector and sector specific criteria, which we articulate in our [Position Statements](#) that we assess our clients and transactions against.



These criteria are grouped into the following categories:

Position Statement criteria	Examples
Negative threshold criteria - mandatory criteria that must not be contravened by a client or in relation to a transaction	"We will not provide financial services directly towards..." "We will not provide financial services to clients who..."
Positive threshold criteria - mandatory criteria that must be met by a client or in relation to a transaction	"We will only provide financial services to clients who..."
Standards - non-mandatory criteria we expect clients to meet or move towards over time	"We expect clients to..."
Best Practice - non-mandatory criteria we encourage clients to consider as industry practices evolve	"We encourage clients to..."

Although we require our clients to meet our **Position Statement criteria**, we are also aware that some clients will not meet all of our requirements all of the time. This may be due to operational issues outside of their control, or due to changes we've made which a client will need time to implement. Where this happens, we seek to engage with our clients and where necessary agree a specific, time-bound action plan to address any issues. For further detail on our escalation process, please refer to [section 4.4](#) below.



2.2.1 Cross sector Position Statements

Irrespective of the industry sector our clients operate in, we have a series of cross sector Position Statements that we expect clients to meet in order to continue working with them. These cover the following overarching themes:



Climate change



Nature



Human rights

In addition to these overarching themes, we expect our clients to comply with applicable laws and regulations and, where relevant, to align their practices with International Finance Corporation ("IFC") Performance Standards as well as the IFC Environmental, Health & Safety Guidelines.

2.2.2 Sector specific Position Statements

For clients operating in sensitive sectors where E&S risks are heightened, we have established sector specific **Position Statements**, drawing on industry standards and best practices, that are applied in addition to our cross sector criteria to manage sector specific risks. Clients in these sensitive sectors must meet both our cross sector and applicable sector specific threshold criteria for us to work with them. Sensitive sectors with sector specific Position Statements are listed below:



Negative threshold criteria from our cross sector and sector specific Position Statements are captured within the [Prohibited Activities Position Statement](#). Each of our Position Statements can be accessed via the link provided below:

[Our Position Statements](#)

2.3 Other sectors and issues

For other sectors that present heightened sensitivity across various other risk types in the Group's Enterprise Risk Management Framework (such as financial crime compliance), the Group defines specific standards against which we assess our clients. For example, we have statements for gambling and defence sectors – please refer to our [Sustainability Library](#) for details.

Our approach to the gambling sector is guided by industry standards such as The Financial Action Task Force Recommendations related to the gambling sector, The International Association of Gaming Regulators eGambling Guidelines, UK Gambling Act and UK Gambling Commission Legislation.

Our approach to the defence sector involves stringent approval requirements with assessments taking place at a client level and transaction level. This includes a number of prohibitions, for example relating to lethal goods, or embargoed goods or where there are concerns of proliferation pursuant to The UK Money Laundering Regulations and UK National Risk Assessment of Proliferation Financing.

3.0 Scope of application

Our Position Statements apply to all clients to whom we provide financial services. However, they are focused on sensitive sectors and cross sector issues that may not be directly applicable to individual clients in our **Consumer / Retail Banking Business**.

We perform client screening against our Position Statements commensurate with E&S risk considerations for particular client segments and transactions. This is predominantly achieved through our E&S risk assessment processes, including the ESRA process. Other channels, including adverse media checks and financial crime compliance checks (as examples) assist us in identifying a client or transaction which may be connected to an actual or potential adverse E&S impact.

We inform clients of our E&S criteria through:

- Our Regulatory Compliance Statement, whereby we set out that our provision of financial services will be undertaken in accordance with this Framework and our Position Statements.
- For project financing transactions, E&S risk mitigation clauses are incorporated into financing agreements with reference to industry best practice, including the Equator Principles where applicable.

3.1 Corporate and Investment Banking (“CIB”) clients

CIB supports local and large corporations, governments, banks and investors with their transaction banking, financial markets and borrowing needs. In CIB, where we refer to clients in our Position Statements, we are referring to individual client entities.

We assess the E&S risks of our CIB clients and CIB client transactions (excluding financial institutions clients and their transactions), against our cross sector and sector specific Position Statements utilising a risk-based approach. This assessment occurs:

- At a **client entity level**, using the **Client ESRA** where we provide the following products or services:

<p style="font-size: 2em; font-weight: bold; margin: 0;">01</p> <p style="margin: 0;">Credit limits / credit facilities such as revolving credit, working capital facilities, term lending and hedging</p>	<p style="font-size: 2em; font-weight: bold; margin: 0;">02</p> <p style="margin: 0;">Merger and acquisition (“M&A”) advisory services (if the client operates in a sensitive sector)</p>	<p style="font-size: 2em; font-weight: bold; margin: 0;">03</p> <p style="margin: 0;">Debt capital markets underwriting (if the client operates in a sensitive sector)</p>
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- At a **transaction level**, for transactions relating to projects or assets in sensitive sectors or transactions where the **Equator Principles (“EP”)** need to be applied. The **Transaction ESRA** tests that the EP process has been followed and requires information on any material E&S risks identified during the EP assessment, in line with the **IFC Performance Standards**, such as whether the project will trigger resettlement, impact biodiversity or affect cultural heritage or indigenous peoples.

Where we become aware or are informed of a potential heightened E&S risk in relation to a client entity or transaction, based on information gathered or received from various sources, including regulators, non-governmental / civil society organisations or the media, we will review and/or re-assess that client entity or transaction against our relevant Position Statements. This review and/or re-assessment of the client entity or transaction may involve further client entity engagement, due diligence monitoring and/or a review of client entity relationship.

3.2 Wealth and Retail Banking (“WRB”) clients

Our WRB business supports individual and business banking clients with solutions spanning across deposits, payments, financing and wealth management.

For our **Business Banking** clients, which are comprised of small and medium sized corporate entities, E&S risk is managed by screening at onboarding and annually through the credit approval process against our cross sector and sector specific Position Statements, where applicable, and other heightened sensitivity sectors and issues.

Individual clients in our **Consumer / Retail Banking Business** are not subject to routine E&S risk assessments, but where adverse E&S events are brought to our attention, we may review these clients on a case by case basis.

For individual clients in our **Private Bank**, an E&S assessment is only required where we are lending money and taking collateral in the form of equity from a company, or where E&S risks are identified through a cross banking relationship in the CIB segment to support consistent application of our E&S criteria to companies with a link to our CIB and WRB clients.

We also apply E&S risk screening against our negative threshold criteria across our **Wealth Management** products, to ensure the equity and debt instruments meet the Bank’s E&S requirements, where relevant.

Across WRB, should heightened E&S risks or adverse events be brought to our attention, these may be escalated and reviewed at the relevant committees.



4.0 E&S risk assessment process

This section focuses on CIB clients and transactions

4.1 Overview

There are four stages to our ESRM process for CIB clients:



4.2 E&S risk assessment

4.2.1 Client assessments

For lending clients, a Client ESRA is completed as part of the credit initiation and periodic review process. This allows E&S risk considerations to be included within financing decisions and captures changes to the client's E&S risk profile on a periodic basis.

The Client ESRA comprises a series of questions related to a client's commitments, operations and track record in managing E&S risks and provides an overview of the degree of a client's alignment with our cross sector and where applicable, sector specific Position Statements.

In completing the Client ESRA, RMs assess a client's overall E&S practices and alignment with our cross sector and additionally, any sector specific Position Statement where the client undertakes activities falling within the scope of one or more sensitive sectors.

For example, where a client operates in both the Mining & Metals sector as well as the Manufacturing sector due to being both a mining operator and processor of raw materials for steel manufacturing, assessment against both relevant sector specific Position Statements would be undertaken.

For clients with whom we do not have a lending relationship (including mergers & acquisitions and debt capital market clients), we assess whether their business is aligned with our cross sector and any applicable sector specific Position Statement prior to entering into the client relationship or relevant transaction.

4.2.2 Transaction assessments

For specific transactions, including lending, debt capital markets and mergers and acquisitions transactions, where an identifiable project or asset in a sensitive sector is involved, the ESRM team will assess the project or asset to ensure it is developed or operated according to our E&S criteria.

If a project meets the scope for the EP to be applied, the assessment process will follow the EP Framework. This typically includes large infrastructure and industrial projects with the potential for more significant environmental and social risks. Please [see here](#) for further information about EP and the scope of application. All EP transactions have oversight from the ESRM team to ensure appropriate categorisation and use of Independent Environmental & Social Consultants ("IESC") and to provide guidance to the deal team on incorporating E&S considerations into relevant contractual documentation.

For projects that do not fall within the scope of EP, a similar approach is followed where we require an Environmental and Social Impact Assessment ("ESIA") proportionate to the expected E&S risks and impacts of the project and in line with the IFC Performance Standards guidelines. If the ESIA identifies significant risks and impacts, we would request an additional review of the project by an IESC to assess not only the impact of the project but also the developer's capacity to manage and mitigate the E&S risks during the construction process and determine what additional systems or mitigants may be required. The outcome of the IESC review is an Environmental and Social Action Plan ("ESAP") which documents where there are gaps that the developer needs to close to meet the E&S requirements and standards. This may include additional studies, where relevant, on a range of issues including land acquisition, human rights, climate or biodiversity. Closure of ESAP items and management of E&S risks and impacts on site is tracked through regular reporting by the client or IESC through the life of the loan for high risk or EP projects.

A Transaction ESRA is completed for lending and debt capital market transactions prior to credit approval to confirm and document that the project has met our E&S criteria and has appropriate systems in place to manage and mitigate E&S impacts. For transactions that fall under the scope of EP the Transaction ESRA assesses compliance against these criteria.

4.3 E&S risk rating and escalation

4.3.1 Client assessments

Upon completing a **Client ESRA**, a rating is assigned that denotes whether a client is:

Compliant: aligned with our E&S criteria, including availability of supporting evidence. Compliant Client ESRAs do not require further review by or escalation to the ESRM team and can be risk accepted by a Credit Officer (or Group Account Manager for non-borrowing clients).

Near Compliant: partially aligned with our E&S criteria, generally indicating that further information or assurances are required in relation to a client's E&S practices and performance. Near Compliant Client ESRAs will be reviewed by the ESRM team where specialised input is required, otherwise they can be risk accepted by the relevant Credit Officer (or Group Account Manager for non-borrowing clients).

Non-Compliant: not aligned with our E&S criteria, indicating that either the client is not aligned to one or more of our Position Statements or does not have the expected policies and processes in place to effectively manage their E&S risks. Non-Compliant Client ESRAs must be referred to the ESRM team to conduct further due diligence (refer to section 4.4 below).

4.3.2 Transaction assessments

Upon completing a Transaction ESRA, a rating is assigned that denotes whether the transaction is aligned with our E&S criteria:

- **Compliant or Near Compliant:** Compliant or Near Compliant Transaction ESRA's can be risk accepted by the deal team lead or may be referred to the ESRM team for specialist review. In both instances suitable accompanying evidence will be provided in line with model answer guidance.
- **Non-Compliant:** Non-Compliant Transaction ESRA's must be referred to the ESRM team to conduct further due diligence (refer to section 4.4 below).

4.4 Further due diligence and escalations

The ESRM team review clients and transactions referred to them via the ESRA processes or where necessary in relation to an E&S risk affecting a client or transaction which the Group has been made aware of or otherwise informed. As part of this review, the ESRM team may seek additional information including through client engagement and will evaluate the E&S risk by considering whether the potential impacts are:



For Client or Transaction Assessments referred to the ESRM team, the team's support is required before approval to proceed or continue with a client relationship or transaction is granted. The ESRM team may set conditions for support, including proposed corrective actions or a time-bound remediation plan. ESRM may also engage or refer to other specialist risk teams in the second line for review, including reputational risk, climate risk or compliance where required.

Our approach is to engage with clients (where possible) and work with them to seek to prevent adverse E&S impacts that may arise in connection with our financing. We aim to initiate and support real change by helping our clients to improve their E&S performance. However, we are also aware that:

- A limited number of clients will not meet all of our E&S criteria all the time. This may be due to operational issues outside of their control, or due to new criteria being introduced to the Position Statements which a client may need time to implement – such as requiring clients to become a member of an industry body or obtain certain certifications. In these limited circumstances, we will agree with our clients a specific, time-bound action plan to reach alignment. However, if a client is unable or unwilling to meet the mandatory E&S criteria set out in our Position Statements, we will seek to exit the client relationship (or relevant transaction) subject to existing contractual obligations.
- With respect to activities in the thermal coal sector, there may be limited instances where the provision of a financial service does not necessarily align to the criteria set out in our Thermal Coal Position Statement, but does align with our commitment to support Transition Finance in accordance with and as defined in our [Transition Finance Framework](#). In these cases, we will assess and consider our involvement on a case-by-case basis, taking into consideration various factors including the relevant client entity's transition strategy.

There are also some instances where, following further due diligence, the E&S risk identified will need to be escalated to CRC to opine on a course of action. Triggers may include, but are not limited to:

- Where an ESRA indicates a client or transaction does not align to the Position Statements.
- Allegations are made against an existing client which may indicate a potential misalignment with the mandatory E&S criteria set out in the Position Statements.

4.5 Monitoring

4.5.1 Client level

Each RM is required to periodically refresh a Client ESRA, capturing any changes to the client's management of E&S issues over the previous 12 months. The client will be re-assessed to determine whether a new risk rating needs to be assigned or additional information is required on their E&S performance. Each RM is also required to update the Client ESRA in between periodic renewals if there have been any material incidents, including E&S related negative media reports or legal cases against the client. For these clients with elevated E&S risks, re-acceptance by the ESRM team as well as by second line risk teams (or in some cases, relevant committee) may be required in line with the process described above.

4.5.2 Transaction level

In relation to those transactions which require the completion of a Transaction ESRA, once a transaction has reached financial close, it moves into the monitoring phase. For EP high impact projects, the IESC will commence quarterly or semi-annual monitoring to confirm that all the risks and impacts are being fully managed and mitigated and the project is operating according to international standards. For projects that are lower risk or not EP the client may provide self-monitoring reports on an agreed basis to confirm the project remains in compliance with E&S criteria.

4.5.3 Portfolio level

On a portfolio level, we monitor our exposure to each sensitive sector. In addition, we monitor our exposure to clients with Non-Compliant ESRA's i.e. those who are not in alignment with the threshold criteria set out in our Position Statements, but are in the process of establishing agreed action plans to bring them into alignment. This monitoring is conducted on a quarterly basis, with initial analysis by the ESRM team, review and challenge by the ESG & Reputational Risk Team and subsequent reporting to BRC. At the Board level, we monitor Risk Appetite metrics ensuring clients are brought into alignment with our criteria when found to contravene mandatory Position Statement criteria as well as sector-level divergence from the Group's net zero pathway. Regular thematic reviews are also conducted by the first and second line risk teams, results of which are reported to relevant governance committees.

4.6 Grievance mechanisms and remediation

E&S grievances or allegations are generally received through official industry channels such as the IFC's Complaints Ombudsman, the OECD National Contact Point ("NCP") or Roundtable on Sustainable Palm Oil ("RSPO") complaints panel. If an E&S related grievance or allegation is made in relation to a client or transaction we are involved with, we will track the progress of the complaint through these industry grievance mechanisms and assess whether they deliver outcomes satisfactory to concerned stakeholders, including delivering an appropriate remedy. If we discover issues or have concerns brought to our attention outside of these industry channels, we will investigate these and engage with the client directly.

The ESRM team and RM will directly engage with the client on a remediation process. Clients are expected to share their process for investigating E&S grievances and allegations and keep us informed of the outcomes by reporting on a regular basis until the issue is resolved to the satisfaction of all parties.

5.0 Training

Our RM, origination and deal execution teams receive E&S risk management training to help them engage with clients on E&S issues. The trainings are delivered in-person and online. Employees targeted for training are those in client-facing roles and relevant support teams across the first and second lines of defence.

5.1 Further information



For more information about our approach to E&S risk please see our [Sustainability Library](#).

Important notice

Our Framework, Position Statements and their application are informed by a wide range of factors available at the time of their publication including, but not limited to:

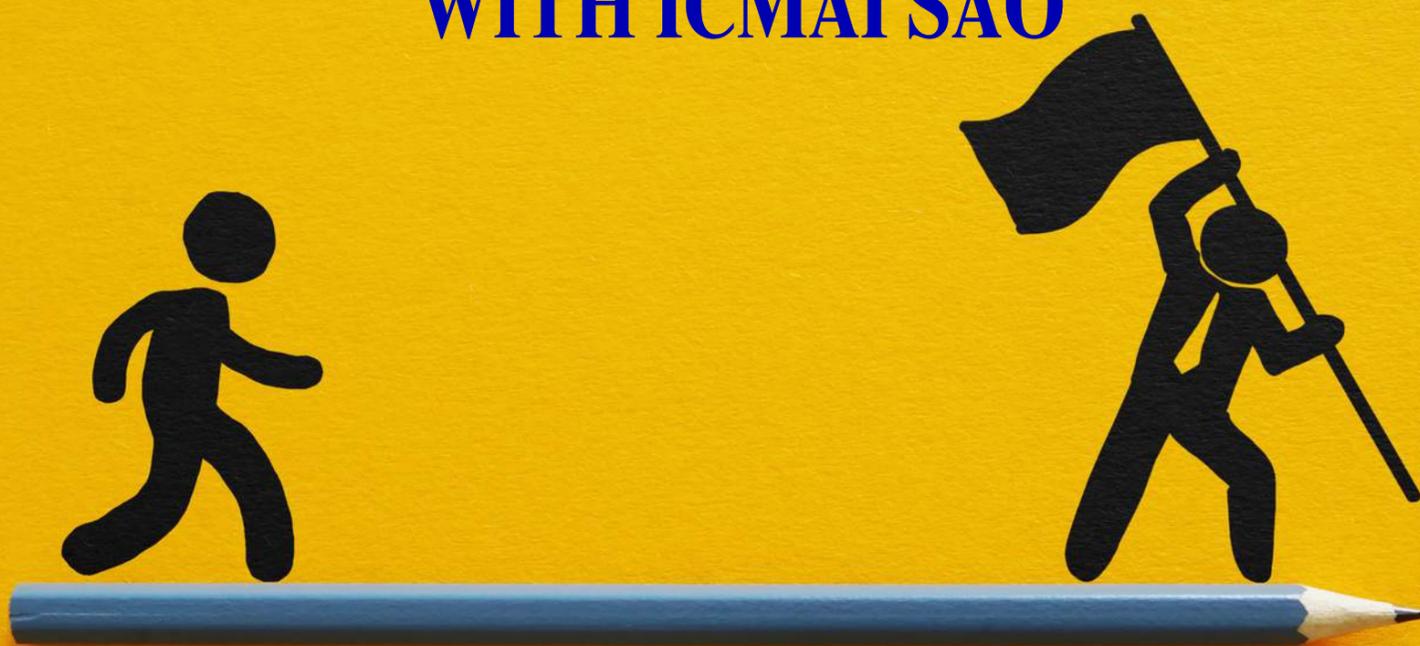
- applicable law, regulation, guidance and best practice;
- our broader approach to sustainability;
- third party data (including, but not limited to, information provided by clients); and
- actions of our clients.

These factors may change and evolve over time, particularly as law, regulation, guidance and best practice develop, and new information becomes available, and this may, in turn, impact the Framework and our Position Statements. Accordingly, we reserve the right to update or modify the Framework and our Position Statements from time to time, without notice.

With respect to third party data, whilst the Group believes the information on which it has relied in formulating the Framework and our Position Statements to be reliable, the information has not been independently verified by the Group and no representation or warranty is made by the Group as to its quality, completeness, accuracy, or fitness for any particular purpose. Third parties or stakeholders should not place reliance on our Framework or on our wider Position Statements. We disclaim any and all liability and responsibility to the fullest extent possible for any decisions or actions which any person may take, and for any damage or losses which any person may suffer, in each case resulting directly or indirectly from use or reliance on the Framework, our Position Statements and/or any information contained or referred to in any of them.



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 thereof to imprisonment for a period of seven years or more, he shall not be eligible to be registered;

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

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

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

Procedure for Enrolment as a member

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

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

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

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

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

- Registered form – duly completed
- Passport-size photo

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

Verifying Qualification and Experience

Copies of documents demonstrating qualification, employment and practice as –

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

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

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

External Verification

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

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

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

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

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

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

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

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

Issuance of Certificate of Enrolment/Registration

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

Details regarding Social Auditors Examination conducted by NISM



ICMAI Social Auditors Organisation

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

Social Auditors Certification Examination

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

Examination Objectives

On successful completion of the examination the candidate should:

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

Assessment Structure

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

Multiple Choice Questions[85 questions of 1 mark each]

85*1 = 85

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

3*5*1 = 15

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

Test Details

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

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

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

+ Payment Gateway Charges extra.

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

Frequently Asked Questions (Social Auditors)

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

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

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

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

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

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

3. What is the fee structure?

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

4. What is the assessment structure?

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

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

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

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/served by NISM.” Subject to the above request/s received from a candidate for resolution of doubts about a question forming part of such examination will be considered as per the following policy.

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

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

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

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

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

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

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

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

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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