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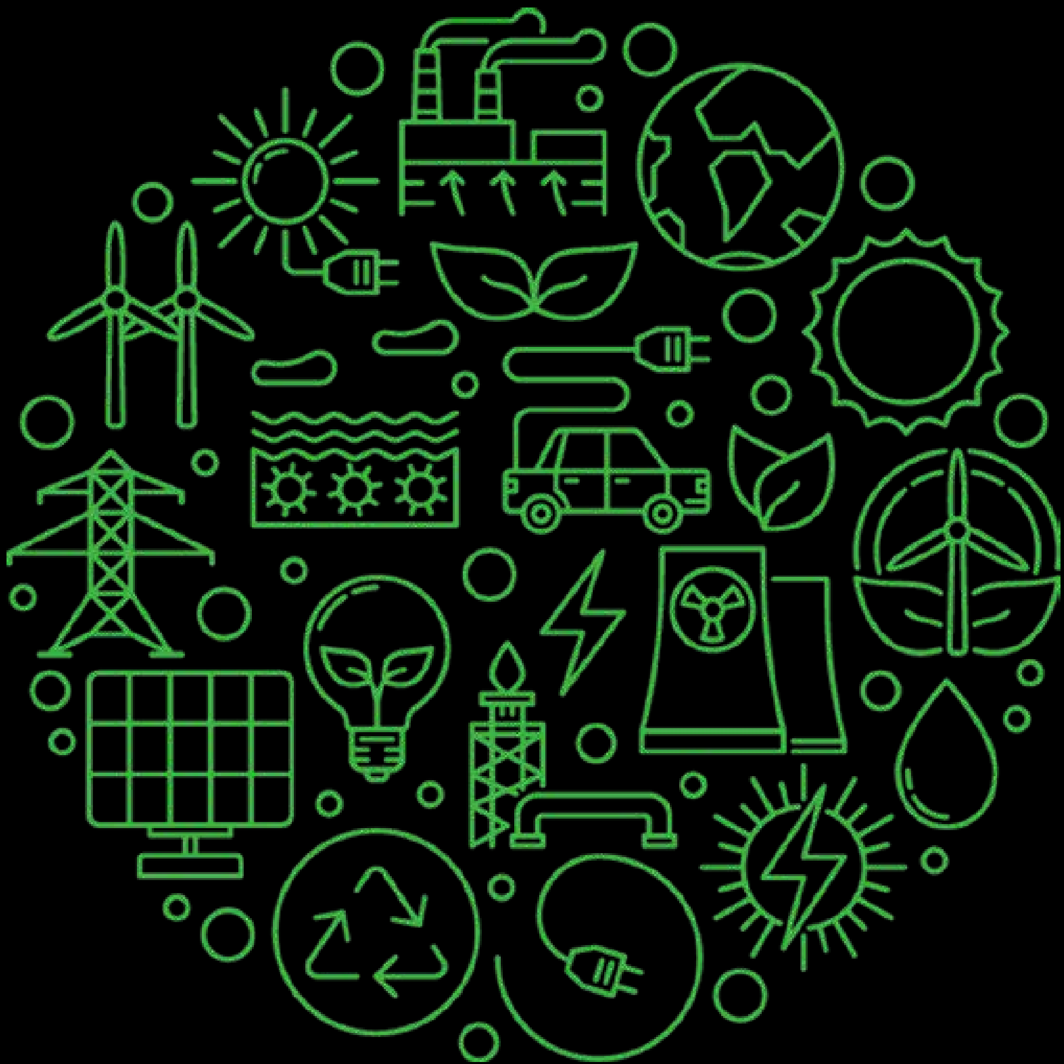

ESG and the role of an internal auditor

April 2023

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What is Environmental, Social, and Governance (ESG)?

ESG is a set of standards used to measure a company's behaviour. It is used by socially conscious investors to screen potential investments. ESG matters of any business are interlinked with each other. Due to the pandemic and new regulatory requirements, ESG has gained greater significance amongst investors, policymakers, and other key stakeholders globally. It safeguards businesses from future risks and focusses on sustainability.

Conversations and a focus on sustainability, which are typically grouped into ESG issues, are quickly evolving. It is clear that strong governance over ESG—along with the support and culture in an organisation to consider ESG issues—will help companies be socially responsible rather than just being regulatory compliant in the long run. To achieve ESG goals, an internal auditor is well-positioned to support a company and its management with objective assurance, insights, and advice on ESG matters.

A brief history of ESG

In 1987, the Brundtland Commission of the United Nations (World Commission on Environment and Development [WCED]) directed nations towards sustainable development goals.

In 1992, the United Nations Environment Programme (UNEP) issued a statement of commitment by financial institutions on sustainable development.

In 2004, the term ESG was coined in a milestone report *Who Cares Wins,* developed by 20 financial institutions from nine countries, with total assets of >US$6 trillion under management.

The two reports *Who Cares Wins* along with *Innovative Financing for Sustainable reporting* (published by the United Nations Environment Program Finance Initiative, formed the backbone for the launch of 'The Principles for Responsible Investment (PRI)' at the New York Stock Exchange in 2006 and the launch of the 'Sustainable Stock Exchange Initiative (SSEI)' in 2007.

Evolution of ESG in India

After the pandemic and with the emergence of new regulations in India, the adoption of ESG guidelines has evolved. Requirements of certain ESG parts were already captured under the 2009 Corporate Social Responsibility (CSR) guidelines. But a stronger focus has been built in and it is now a part of the law through the Business Responsibility and Sustainability Report (BRSR) in 2022. The overall journey of ESG includes the following:

01 In 2009, the CSR guidelines were published and recommended all businesses to formulate CSR centred policies around six core elements.

02 In 2011, the Ministry of Corporate Affairs (MCA) published the National Voluntary guidelines (NVGs) on the social, environmental, and economic responsibilities of a business.

03 In 2012, the Securities and Exchange Board of India (SEBI) issued a circular that made it mandatory for the largest 100 listed companies to publish an annual business responsibility report.

04 In 2018, the Bombay Stock Exchange published a guidance document on ESG disclosures, which served as a comprehensive set of voluntary ESG reporting recommendations.

05 In 2020, the Nifty ESG Index launched the 'National Guidelines on Responsible Business Conduct (NGRBC)' policy to align with Sustainable Development Goals (SDGs) and the 'respect' pillar of the United Nations Guiding Principles (UNGP). BRSR was made mandatory from FY22.

Business Responsibility and Sustainability Report (BRSR)

In line with the global requirements, SEBI, in its continued effort to enhance disclosure requirements on ESG standards, introduced a new reporting requirement named BRSR for listed companies. BRSR aims to link the financial performance results with its ESG performance. It has also been developed in accordance with the nine principles developed by the Ministry of Corporate Affairs (MCA) and stated in the National Guidelines on Responsible Business Conduct (NGRBC), where reporting in each section requires consideration of these principles. In its annual report, SEBI mandated BRSR applicability for the top 1,000 listed entities (by market capitalisation) for reporting on a voluntary basis in FY21-22 and a mandatory basis from FY22-23.

The structure of BRSR

The reporting requirements under BRSR are divided into the following three sections:

Section - A → **General disclosures:** This section contains details of the listed entity, its products/ services, operations, employees, group companies, CSR, transparency, disclosure requirements, etc.

Section - B → **Management and process disclosures:** It contains questions related to policy and management processes, governance, leadership, those responsible for oversight of the policy, etc.

Section - C → **Principle-wise performance disclosures:** All companies are required to report on Key Performance Indicators (KPIs). The KPIs are classified into two sub-categories that companies are required to report on:

- Essential indicators (mandatory): KPIs include data on training, environmental data on energy, emissions, water and waste, social impact on companies, etc.
- Leadership indicators (voluntary): KPIs include data on Life Cycle Assessments (LCAs), details on conflict management policy, energy consumption, etc.

Principles of National Guidelines of Responsible Business Conduct (NGRBC)

Principle	Essential indicator (Mandatory)	Leadership indicator (Mandatory)
Principle 1: Ethical, transparent, and accountable governance	• Last review of performance on guidelines • Percentage of leadership provided with awareness sessions on the guidelines • Percentage of suppliers and distributors (by value) for whom awareness sessions were held and have sustainable business policies in place • Meetings with minority shareholders • NGRBC-related complaints received from stakeholders and their redressal • Value of non-disputed fines and penalties • Details of unmet obligations arising from any grant • Complaints of corruption and conflict of interest received during the year and their redressal	• Percentage of employees covered by awareness session on the guidelines • Percentage of suppliers and distributors provided with social and environmental audits • Details of the previous report on responsible business conduct on international frameworks, availability in public, and assurance by a third party • Details of non-disputed fines and penalties • Examples of corrective actions for complaints received and fines/penalties
Principle 2: Sustainable and safe goods and services	• List of the top three goods/services with their environmental impact disclosed • Details of investments to improve product sustainability • Percentage of procurement from suppliers adhering to sustainability standards or codes • Percentage of raw material consumed that was reused or recycled supplemented with relevant details • Process to safely collect, reuse, and recycle products at the end of their life cycle	• For goods with details, further details on resources used per unit of production, reduction in resource used, sustainability standards adhered to, and product life cycle assessment • Whether the impact of products has been communicated to stakeholders • Feedback received from stakeholders

Principle	Essential indicator (Mandatory)	Leadership indicator (Mandatory)
Principle 3: Employee well-being	• Complaints on discrimination or harassment received during the year and their resolution • Percentage of employees who are part of associations recognised by the company • Percentage of establishment/value chain audited for child and involuntary labour • Number of cases of forced/child labour identified, and action taken during the year • Ratio of highest to the lowest salary paid • Number of delayed payment cases and their resolution • Details of workplace accidents and fatalities/ disabilities caused • Percentage of employees who were provided with training on health and safety issues and upgraded with skills	• Categories of employees covered by affirmative action • Percentage of non-permanent employees linked to any standing platform/association • Percentage of child/involuntary labour remediated • Percentage of suppliers who paid minimum wages • Percentage of supply-chain partners (by value) who were assessed for adherence to health and safety practices • Percentage of accident-affected people integrated back into employment • Steps taken to prevent harassment at work • Work-life balance issues highlighted by employees and their resolutions
Principle 4: Responsiveness and respect of stakeholders	• List of key stakeholders identified during the year • Personnel responsible for interaction with stakeholders • Details of engagement with stakeholders • Percentage of input purchased from local and small vendors	• Frequency of meetings with stakeholders • Examples of incorporation of stakeholder feedback • List of vulnerable and marginalised groups in each stakeholder group • Action taken to address concerns of marginalised groups
Principle 5: Promotion of human rights	• Percentage of employees trained on human rights issues • Percentage of employees (permanent/contractual/ casual) covered under human rights policies • Business agreements reviewed to avoid complicity with human rights violation • Stakeholder groups governed by a grievance committee for human rights issues • Number of stakeholders that reported human rights-related grievances and their resolutions	• Percentage of value chain partners trained on human rights issues • Stakeholders covered by human rights policies of the company and made aware of the human rights issue grievance mechanism • Details of corrective actions taken to eliminate complicity with human rights violations • Details of due diligence related to human rights carried out • Examples of business process modified to address human rights concerns/grievances
Principle 6: Protection and restoration of environment	• Risks of the adverse environmental impact of company's operations identified and steps taken to mitigate these risks • Good practices to reduce, recycle, and reuse natural resources • Examples of collective action taken along with details of other initiatives, to reduce adverse environmental impact • Details of any adverse orders received from Central or State Pollution Control Board (CPCB/ SPCB)/ National Green Tribunal (NGT)	• Details on environment impact assessment undertaken, its communication, and action taken • Risk management strategy for identified risks • New business-products-services created to address material environmental risk • Details of good practices cited for the reduction, recycling, and reuse of natural resources • Details of specific contribution to India's Nationally Determined Contributions (NDC) (submitted at UNFCCC COP21 in 2015)
Principle 7: Responsible and transparent public and regulatory policies	• Details of review of public policy advocacy positions of the company • Details of trade associations and chamber company memberships • Details of any adverse order for anti-competitive practice received • Monetary contribution to political parties	• Public policy position available in public domain • Examples of policy changes because of company's advocacy • Details of corrective actions taken to rectify anti-competitive practices

Principle	Essential indicator (Mandatory)	Leadership indicator (Mandatory)
Principle 8: Promote inclusive growth and equitable development	• Social impact assessments completed during the year • Company's products/ services/ technology that benefit marginalised/ vulnerable groups • Details of Rehabilitation and Resettlement (R&R) activities, people affected, and gross amount paid to such people • Grievances received from local communities and their redressal • Investments in underdeveloped regions • Summary of key themes covered by CSR • Goods and services that incorporate local traditional knowledge • Adverse orders or judgements in intellectual property disputes related to traditional knowledge	• Details on communication of social impact assessment results and actions taken • Numbers benefitting from such beneficial products/ services/ technology • For R&R projects, if local people were consulted • Details of communication of grievances received from community • Examples of social and economic value addition to marginalised communities • Examples of how a company's contribution helped in achieving national development indicators • Examples where benefits of practicing local traditional knowledge (being used by the business), were shared with the community • Number of beneficiaries covered under your CSR projects disaggregated by the vulnerable and marginalised group categories
Principle 9: Value to customers	• Examples where adverse impact of goods and services has been raised in the public domain • Percentage of goods by value that carry information about their environmental impact • Complaints received from customers with respect to data privacy or advertising, and their redressal • Details of consumer complaints received related to the delivery of essential services and their resolutions	• Corrective actions taken to address adverse impact of goods and services • List of product labels and certification being used by a business • Channel platforms where information on goods and services of a business can be accessed • Steps taken to educate vulnerable and marginalised consumers about safe and responsible usage of products • Corrective actions taken to address data privacy and advertising complaints • Process in place to inform customers about disruption of any essential service

The three pillars of ESG

Successful businesses ideally focus on the three core essentials: people, process, and product. Today, more companies (both large and small) are building their long-term strategy according to a higher-level framework surrounding the environment, social responsibility, and governance or ESG.

I. The environmental pillar

Within the environmental pillar, companies tend to measure environmental efficiencies, such as water usage, energy consumption, greenhouse gas emissions, waste management, as well as implement solutions and set goals to minimise their impact on nature.

Today, top companies in India have taken certain steps towards consciously taking care of the environment. The following have now become part of their strategy:

- A large Indian consumer goods company uses post-consumer recycled plastics in packaging. They have installed 'Smart Fill' stations to enable consumers to refill their plastic bottles with home care liquid products and reduce the usage of plastics.
- An Indian multinational bank and financial services company harnesses digitalisation to reduce the usage of paper through online services, such as bank statements, change in account holder details, online transactions, e-KYC. The bank saved about 12 million A4 size paper sheets in FY21-22.
- An Indian multinational steel-making company has enhanced the usage of steel scrap in making steel, utilising 100 percent solid waste and enhancing value from the by-products.
- An Indian multinational information technology company has initiated 'energy as a service' solution. The service is designed to address energy efficiency, embedded generation, sustainable sourcing, grid flexibility, and optimisation.

II. The social pillar

The social pillar deals with providing solutions and enabling opportunities for employees and communities around—not only to better their lives but involve them to participate in progress for all.

The social pillar covers social relationships focussing on management and employee relationships. This includes human rights, worker's rights, workplace policies, employee wellness and training, Diversity, Equity, and Inclusivity (DEI), data privacy, access to career development and wages.

Some of the top companies in India have worked towards defining their social goals, which has become part of their strategy:

- A large Indian consumer goods company has initiated the development of nutritious products. It targets to double the products sold and deliver 'positive nutrition' by 2025.
- An Indian multinational bank and financial services company creates livelihoods in rural areas through their rural livelihood programme. They provide job-oriented training on a pro bono basis in 11 technical and 4 non-technical areas, across 21 states/union territories.
- An Indian multinational steel-making company is creating an inclusive workspace to attract and retain diverse talent, including Persons with Disabilities (PWDs) and LGBTQ+.
- An Indian multinational information technology company has reached 4.8 million people in FY22 through their digital skilling initiative for its employees, clients, students, teachers, and communities.

These initiatives empower the community and improve a companies' reputation, creating value and making it attractive for investors.

III. The governance pillar

The governance pillar refers to a company's governance policies and practices. At the most fundamental level, this pillar is all about trust. Can investors trust that a company will keep up to its promises? Are the goals of the Board and C-Suite in line with those of shareholders, employees, and customers? Are employees confident of their workplace safety and fairness? This pillar is important because it sets the tone for how a company will operate. Good governance practices ensure that a company is running ethically and with integrity. This can lead to increased profits, lowered risks, and improved relationships with employees, customers, and other stakeholders.

Major steps taken by top Indian companies towards the governance pillar (of ESG) include the following:

- In a large Indian consumer goods company, hundred percent of the Audit Committee and Nomination & Remuneration Committee consist of independent directors.
- An Indian multinational bank and financial services company has a Social and Environmental Management Framework (SEMF) to screen new project finance proposals. The framework stipulates environmental and social due diligence for projects above specific thresholds. It has an exclusion list of industries not permitted for financing and a list of highly polluting sectors that require additional due diligence while taking financing decisions.
- An Indian multinational steel-making company has became a member of ResponsibleSteelTM – the steel industry's first global multi-stakeholder standard and certification initiative that helps its members achieve their sustainability goals by providing an independent certification standard and programme.

How does ESG benefit a business?

Today, more businesses are being introduced to multiple benefits of ESG, such as attracting talent, targeting future consumers, facilitating brand-enhancement and innovation. Some of the major benefits and why ESG is more important now than ever, are:

1. **Adds to the top-line growth**
   Companies that are environmentally and socially responsible are more likely to get access, approvals, and licenses giving them fresh opportunities for growth. For example, these companies tend to attract Business-to-Business (B2B) and Business-to-Consumer (B2C) customers with more sustainable products, and gain better access to resources through stronger community and government relations.

2. **Provides increased access to capital**
   Several Asset Management Companies (AMC) have launched ESG funds, which use ESG performance of a company to make investment decisions. This is reflected through various green financial products and instruments (equity, loan bonds) that have evolved and the growing size of their market.

3. **Leads to reduction in costs**
   Companies that switch to more sustainable methods of production tend to be more efficient and reduce their costs. For example, companies with lower energy consumption, reduced water intake, and those that reuse waste generated.

4. **Effective management of regulatory compliances and stakeholders**
   A business with strong ESG measures, especially on governance, invites less scrutiny from regulators and tends to have greater operational freedom. For example, companies with lower fines, penalties, and enforcement actions.

5. **Attracts talent and boosts employee's productivity**
   Strong companies with good ESG scores tend to attract better talent and have longer retention. For example, an ESG compliant company boosts employee morale and attracts talents per a study by Cone Communications on Millennial Employee Engagement in 2016[1]; 64 percent of millennials consider a company's social and environmental commitments when deciding a place to work.

6. **Investment and asset optimisation**
   A strong ESG proposition can enhance investment returns by allocating capital to more promising and more sustainable opportunities. For example, companies with renewables and waste reduction.

1. Source: https://static1.squarespace.com/static/56b4a7472b8dde3df5b7013f/t/5819e8b303596e3016ca0d9c/1478092981243/2016+Cone+Communications+Millennial+Employee+Engagement+Study_Press+Release+and+Fact+Sheet.pdf

Internal audit's role in ESG

With various companies across multiple stages of maturity, ESG is evolving in India. Large multinationals have accommodated themselves to ESG requirements and included it in their audit plans. However, for small organisations, the ESG standards and frameworks are still new.

At present, ESG in India is still considered as a regulatory requirement rather than taking accountability and responsibility towards the environment and society at large. Although mandated, ESG reporting is yet to be applicable for all, with adoption being imminent across large organisations. As a function, internal audit can consider including ESG checkpoints in their audit given the increasing focus of regulators, investors, customers, third-party affiliates, and society at large. The benefits for getting it right may be significant, as 'high ESG performance may translate to better access to capital, talent, and business opportunities.[2]'

The following are the multi-fold challenges for internal audit functions starting out with their ESG journey:

01 Lack of a uniform framework can be challenge to internal auditors on how to check and report the results of their ESG strategies.

02 ESG topics, such as climate change, decarbonisation have not been a part of audit plans earlier and can be a challenge to review.

03 Data required to review ESG reporting are often minimal, unavailable, or scattered across multiple departments and its collection can be a challenge for auditors.

Our recommendation to help mitigate some of these challenges is:

01 Internal auditors need to be familiar with various terms, such as Green House Gas (GSG) calculation frameworks.

02 Internal auditors need to engage with experts within their teams to be able to better understand and review the underlying documents.

03 Internal auditors need to gain expertise in testing various IT systems and reading relevant non-financial data to overcome the challenges of dependency on various departments.

[1.] Source: https://corpgov.law.harvard.edu/2020/09/23/the-seven-sins-of-esg-management/

How can internal auditors support in ESG efforts?

Keeping in mind the internal audit skillset, internal auditor assistance can be useful in developing various facets of the ESG framework and build-in the necessary governance and control aspect. However, internal auditors can be made responsible for review of the following aspects in ESG:

1. **Evaluate an organisation's current ESG maturity** – Internal audit can assess the current maturity of an organisation's ESG strategy by comparing it with other organisations. This will identify the possible improvement areas/opportunities. Internal audit can begin by raising awareness about ESG priorities and its implications, at the Board and senior leadership levels. This awareness may help the Board to develop its ESG strategy and goals.

2. **Ensure proper governance structure and oversight –** Internal audit can review roles and responsibilities assigned within the organisation to execute their ESG strategy and monitor ESG issues.

3. **Validate the ESG risk management goals –** When it comes to measuring progress, internal audit can ensure that the goals set are realistic, measurable, included in the company's strategic objectives, and discussed regularly at Board meetings.

4. **Collaborate with Enterprise Risk Management (ERM) –** It is important for enterprise risk management plans to include significant ESG risks for the management to identify, assess, and manage them throughout an organisation. Internal audit can assist the management by mapping risks and incorporating them as part of their risk registers.

5. **Ensure documentation of ESG policies and procedures –** Internal audit can review ESG policies and procedure manuals, which helps the company to communicate its strategy, goals, and activities to be undertaken to mitigate ESG risks.

6. **Perform risk assessments –** Internal audit can determine whether ESG measures are significant to an organisation and aligned with investors, customers, and other stakeholder expectations.

7. **Evaluate the ESG risk management framework –** Internal audit can review a company's existing frameworks and

standards to ensure they are reasonable, being followed, consistent with industry recommended frameworks and regulatory expectations, and comparable with similar entities.

8. **Evaluate the design and operating effectiveness of control activities –** Internal audit can audit to identify and evaluate key controls needed to mitigate ESG risks and identify gaps or material weaknesses across core business functions in an organisation.

9. **Review ESG financial and non-financial reporting metrics –** One of the most critical areas for internal audit is to review the management's ESG financial and non-financial reporting data used for public disclosures. This is done to avoid unsubstantiated claims that could adversely impact an organisation's reputation.

10. **Collaborate with the legal and compliance department –** Internal audit can work together with the legal and compliance department to validate that ESG reporting disclosures comply with applicable regulations. For example, internal audit can list down the ESG disclosure requirements to identify what disclosures are required, by which agencies (e.g., SEC, AM Best, state governments) and in filing deadlines.

Key checkpoints for an internal auditor to consider

I. Environmental

S. No	Material issues	Checkpoints for consideration
1.	Regulatory compliance	a. Serious incidents/regulatory breach regarding environmental aspects b. Nature of the incident and improvements made/ lessons learnt c. Regulatory action (enforcement/prosecution/fine)
2.	Natural hazards	Is the company subject to flood, seismic, or other natural hazards?
3.	Carbon emissions/exposure to climate change	*Carbon emissions* a. Does the company operate in an energy intensive sector? b. Does the company monitor GHG emissions (inclusive of non-directly generated, for example, outsourced logistics, use of final product, etc.)? c. Is the production (the carbon intensive activities) mainly outsourced? d. Plans or actions to control and/or reduce emissions *Exposure to climate change* Could operations be at risk from the current/evolving climate change regulation and/or physical changes associated with climate change (including increased flooding, drought, or other severe weather events)?
4.	Air emissions	Can the company operations originate significant emissions to air (for example, oil & gas, energy, transportation, chemical)?
5.	Chemicals/ hazardous substances handling the supply chain	a. Are chemicals/hazardous substances used in the production process? b. Is the management aware of any potential disruption to the supply of chemical/ hazardous substances used in the production process through regulatory phase-out? c. Is the company considering the use of more environment friendly and safer raw materials/ chemicals in the production process?

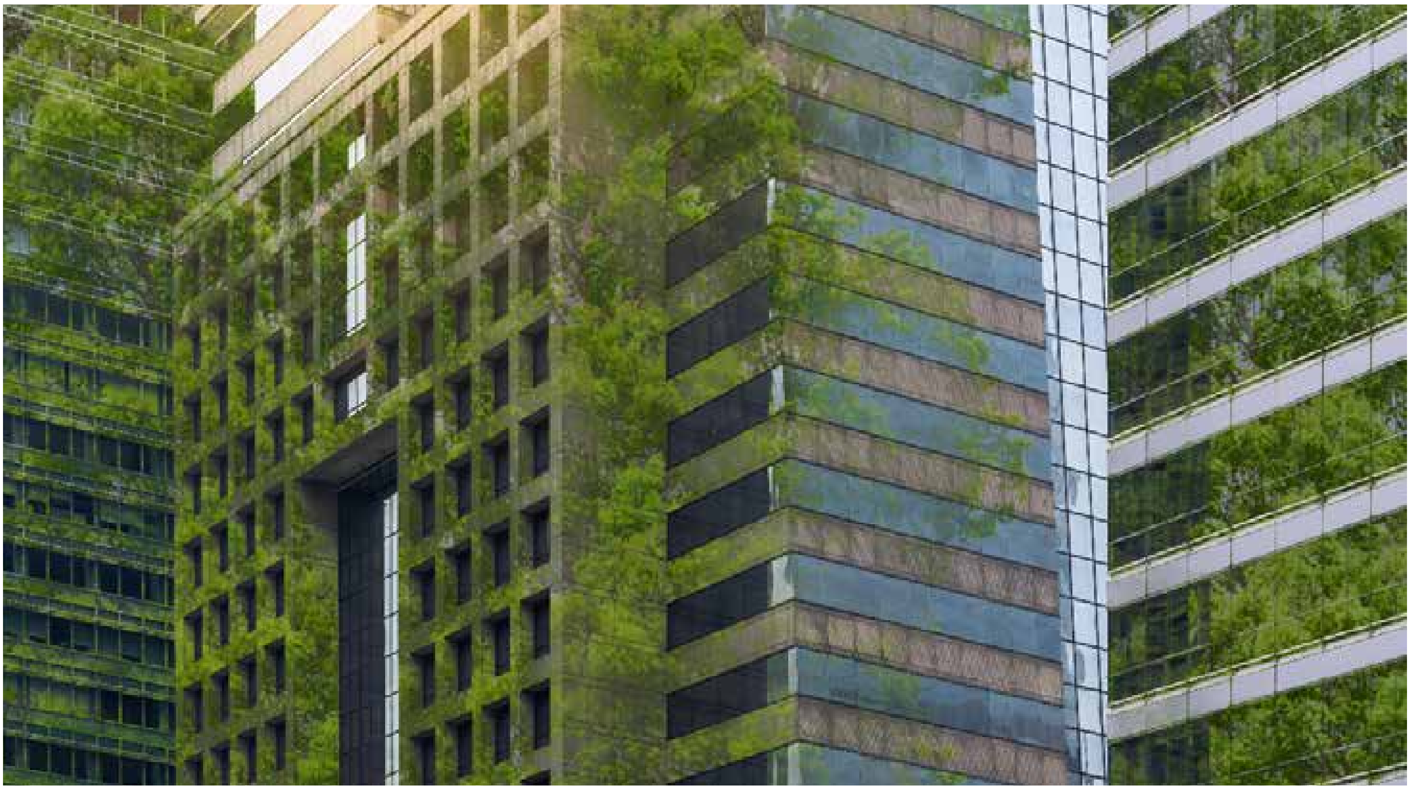
S. No	Material issues	Checkpoints for consideration
6.	Waste management/end life of the products	a. Does the production process originate relevant quantities of waste or hazardous waste? b. Waste management initiatives to minimise or reuse/recycle waste c. Are the products offered, designed to reduce their end-of-life footprint?
7.	Soil and ground water	a. Is there a risk of soil contamination resulting from the activities of the target company? b. Is the company aware of any former or current soil/groundwater contamination issues at the site(s)? C. Is there a need to conduct investigation or remediation activities?

II. Social

S. No	Material issues	Checkpoints for consideration
1.	Human resources	a. Workforce composition (employees, self-employed, trainee, seasonal workers) b. Do all employees have a formal contract of employment? c. Turnover rates and talent retention d. Diversity issues (for example, diversity on boards, pay gap) e. Serious labour related complaints/claims/enforcement actions f. Freedom of association and collective bargaining g. Training h. Benefits provided to employees
2.	Health and safety	a. Is the company operating in an industry that presents a high risk of health and safety? b. Are workers exposed to high incidence or risk of diseases? c. Has the company been subject to enforcement actions by the regulators for breaches of relevant health and safety legislation?
3.	Community involvement	a. Community investments, sponsorships, product donations b. Formal programmes in place to promote company involvement with the community (for example, volunteering, stakeholder engagement, etc.) c. Previous NGO/media negative campaigns, community/workforce unrest
4.	Consumer safety/ products regulations	a. Product- or sector-specific regulations (for example, food safety, pharma Good Manufacturing Practices (GMP)) b. Actions taken to ensure the health and safety of consumers
5.	Customer privacy	a. A company's data security policy and IT security management system b. Sensitivity of information in possession of the company c. Breach in cyber security across the past 2-3 years d. Substantiated complaints regarding breach of customer privacy and loss of customer data
6.	Fair disclosure and labelling/fair marketing	a. Requirements for product and service information and labelling b. Incidents of non-compliance concerning product and service information and labelling c. Incidents of non-compliance concerning marketing communications
7.	Innovation	R&D investment plans, patents, innovative products and/or services

III. Governance

S. No	Material issues	Checkpoints for consideration
1.	ESG systems and processes	**Roles and responsibilities:** a. Has an ESG committee/steering committee been established? b. Commitment and responsibilities on sustainability at a senior management level c. Has a designated reference person for day-to-day ESG matters been assigned?
		Policies and procedures: a. Are ESG values and principles clearly communicated (for example, on the website)? b. Does the company have sustainability or business conduct policies? c. Do polices cover discrimination, child or forced or compulsory labour, health and safety and environmental issues? d. Are there environmental/health and safety procedures or management systems in place? e. What is the level of establishment and embedment of procedures?
		Monitoring and reporting: a. What are the arrangements for monitoring and reporting ESG issues and performance to senior management/the Board? b. Does the company publish an ESG/CSR/sustainability report or a designated section in the annual accounts? c. Is there a sustainability section on the website?
2.	Corruption and business ethics	a. What does the organisation currently do to safeguard themselves against illegal practices? b. Are there any corporate governance and/or ethical related employee claims/ breach/enforcement/litigation actions related to issues, such as anti-bribery and corruption, cases of unfair labour practices, human rights abuses, and other unethical business practices? c. Does the company make financial or in-kind political contributions? d. Does the company participate in public policy development or lobbying activities? e. Are there any anti-trust issues?
3.	Supply chain	a. Are key suppliers located in the emerging markets with high social, human labour, and environmental risks? b. Is the supply chain part of an industry with high social, human labour, and environmental risks? c. Does the company have a responsible purchasing policy/code of conduct for suppliers? d. Are ESG criteria included in the selection and monitoring of key suppliers?



Conclusion

Leaders across businesses, government, and regulatory bodies alike are realising the importance of ESG for an enterprise. An organisation's well-being and long-term value creation are linked with the financial and ESG strategy.

As a social justice movement, investors and regulators have challenged organisations to publicly report on ESG strategies, commitments, and actions. Organisations that can effectively integrate their ESG strategy into their business strategy and risk practices can only communicate effectively through ESG reporting. Such an ability can be achieved through effectiveness of internal controls around accounting, reporting, and communicating ESG information. Applying the same diligence as applied to financial reporting, could lead to greater corporate and investor confidence, organisational value, and capital market effectiveness.

With financial reporting, internal audit can provide independent and objective assurance, insights, and advice on ESG matters.

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