



ESG STRATEGY AND DISCLOSURE FOR ORGANIZATIONS IN UAE

DIPANKAR GHOSH, INDRA GUHA & CHARLES TUNGWARARA

08 February 2023

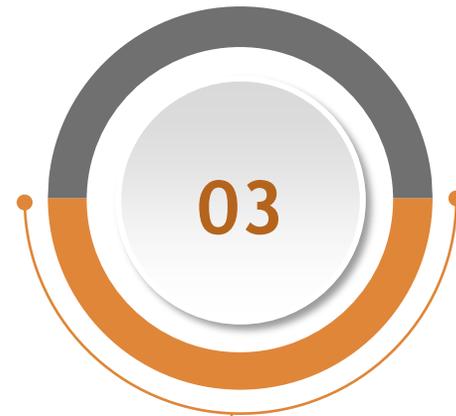
WHAT'S COMING RIGHT UP...



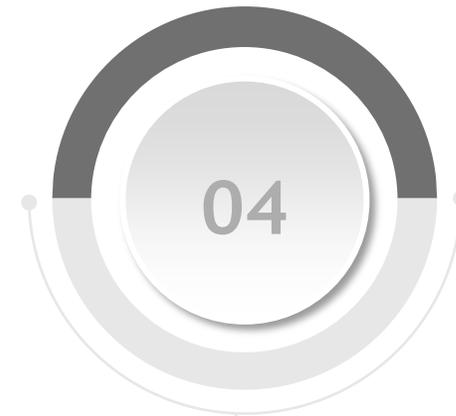
**Introduction
to ESG**



Strategy



Disclosure



Credibility

MEET TODAY'S SPEAKERS....



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Dipankar's professional career spanning three-and-half decades has focused on leading solutions and teams around subject matter of sustainability and human development, climate change, ESG, resource efficiency, sustainable technology, renewable energy and climate financing across sectors and geographies.



Indra Guha

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Indra's career spanning 20+ years has focused on making sustainability actionable and measurable - advising organisations on developing vision, goals, targets and roadmap on sustainability/ESG, assisting with identifying risks/opportunities and integrating ESG into enterprise risk. He has also worked on policy and regulatory areas in the domain.



Charles Tungwarara

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Charles has more than 14 years of professional experience providing consulting services risk advisory services; internal audit, risk management, compliance audits, sustainability audits, business process improvement, corporate governance, policy and procedures. He has served clients in various sectors such as: public sector, mining, manufacturing, media, health care, not for profit, real estate pharma, aviation, financial services and transport.

A young green plant sprout with several leaves is growing out of a crack in asphalt pavement. The background is a blurred asphalt surface. There are two red vertical bars on the left side of the image, one at the top and one at the bottom.

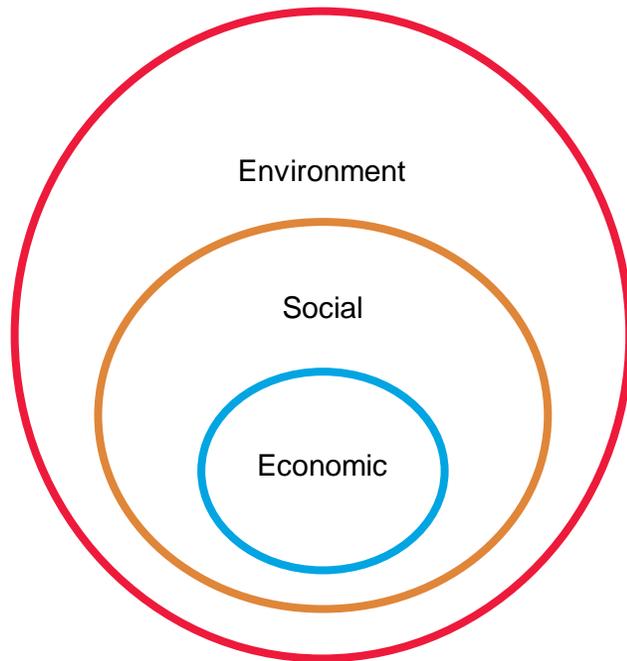
INTRODUCTION TO ESG

WHAT IS SUSTAINABILITY?

“Sustainable development is development which meets the needs of the present without compromising the ability of future generations to meet their own needs.”

- Our Common Future, 1987 Brundtland Commission Report

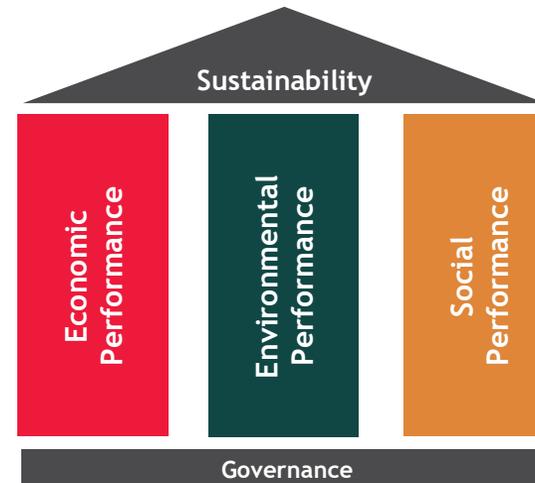
*“Sustainability focuses on the broad challenges that businesses face today, known as the **“triple-bottom-line”***



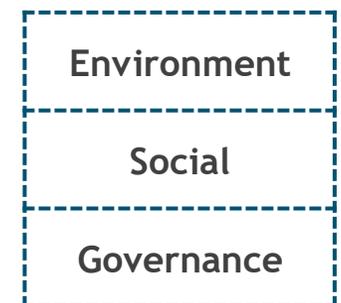
An ecologically realistic model

Economic Performance	Environmental Performance	Social Performance
<ul style="list-style-type: none"> Revenue and profit generation Share prices Ratings from agencies like DJSI, MSCI, FTSE4GOOD, etc. 	<ul style="list-style-type: none"> Energy Water Material usage Pollutants - emissions and discharges Biodiversity impacts 	<ul style="list-style-type: none"> Labor practices Stakeholders' engagement Human rights Health & safety Diversity

Also known as



Covers



GLOBAL DEVELOPMENTS OVER DECADES



1988
Foundation of the IPCC

1992
Earth Summit

1995
COP 1

1997
Kyoto Protocol

2000
Millennial Development Goals

2000
Global Reporting Initiative

2015
Paris Agreement & Adoption of the SDGs

Intergovernmental Panel on Climate Change (IPCC) publishes Assessment Reports which serves as an objective scientific information on climate change.

United Nations Framework Convention on Climate Change (UNFCCC) is a framework for international cooperation to combat climate change.

197 countries (Parties) have signed the UNFCCC and meet annually. First **Conference of the Parties (COP1)** was held in Berlin.

Kyoto Protocol was signed at COP3 in Kyoto, Japan. The Protocol binds developed countries to emission reduction targets by 5% from 1990 levels.

The **United Nations Millennium Development Goals (MDGs)** are 8 goals that UN Member States have agreed to try to achieve by the year 2015.

The **Global Reporting Initiative** is an international independent standards organization that helps businesses, governments and other organizations understand and communicate their impacts on issues such as climate change, human rights and corruption.

COP21 reached the **Paris Agreement**. It aims to limit the global temperature rise to well below 2°C and to further limit the temperature increase to 1.5°C.

Adopted by UN Member states as a universal call to end poverty, protect the planet and enhance peace and prosperity by 2030.

ESG AS A METRICS-DRIVEN APPROACH

Stakeholders such as investors are increasingly looking at integration of environmental, social and governance issues in investment practice and decision-making



Governance and Business Ethics

- Governance approach
- Management systems
- Preventing Corruption
- Transparency of payments
- Public advocacy



Climate Change and Energy

- Climate governance and strategy
- Climate risk and opportunities
- Lower-carbon technology
- Greenhouse gas (GHG) emissions
- Energy use



Environment

- Freshwater intake
- Discharges
- Biodiversity policy and strategy
- Emissions to air
- Spills to the environment
- Materials management



Safety, health and security

- Safety, health and security of workforce
- Occupational injury and illness
- Transport safety
- Product Stewardship
- Process safety
- Security risk management



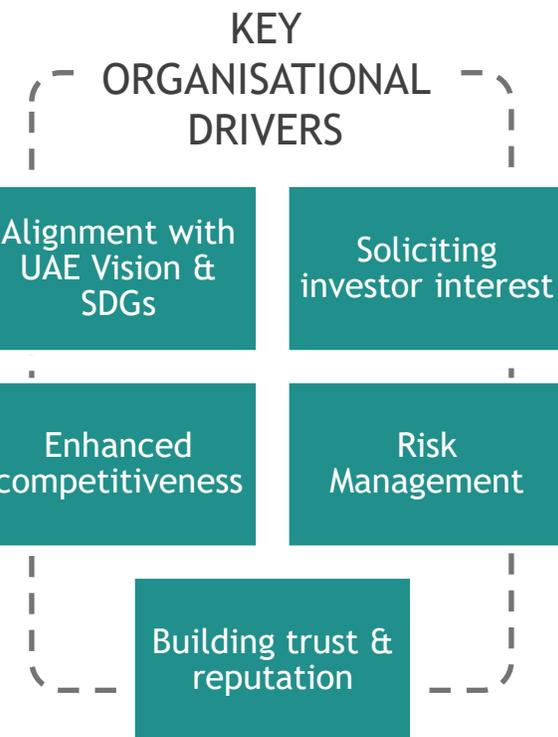
Social

- Human rights - organisational & suppliers
- Workforce diversity and inclusion
- Training and development
- Local Community impacts and engagement
- Local Hiring Practices

TOP ESG TRENDS TODAY



ESG DRIVERS IN UAE



RISE OF ESG IN UAE

The voluntary guidance provides ADX listed companies with 31 ESG indicators that are considered essential to report in alignment with the recommendations of the Sustainable Stock Exchanges (SSE) Initiative and the World Federation of Exchanges (WFE).

- **Promoting sustainability reporting:** Promoting market education through the deployment of a sustainability reporting disclosure guide, group, and individual engagement sessions with the listed companies
- **Promoting sustainable financial products:** Encouraging the development of green financial products such as Green Bonds or ESG indices
- **Promoting responsible investment practices:** Encouraging dialogue between investors and listed companies on responsible investing and promoting the integration of ESG factors in investment decisions

EXAMPLE

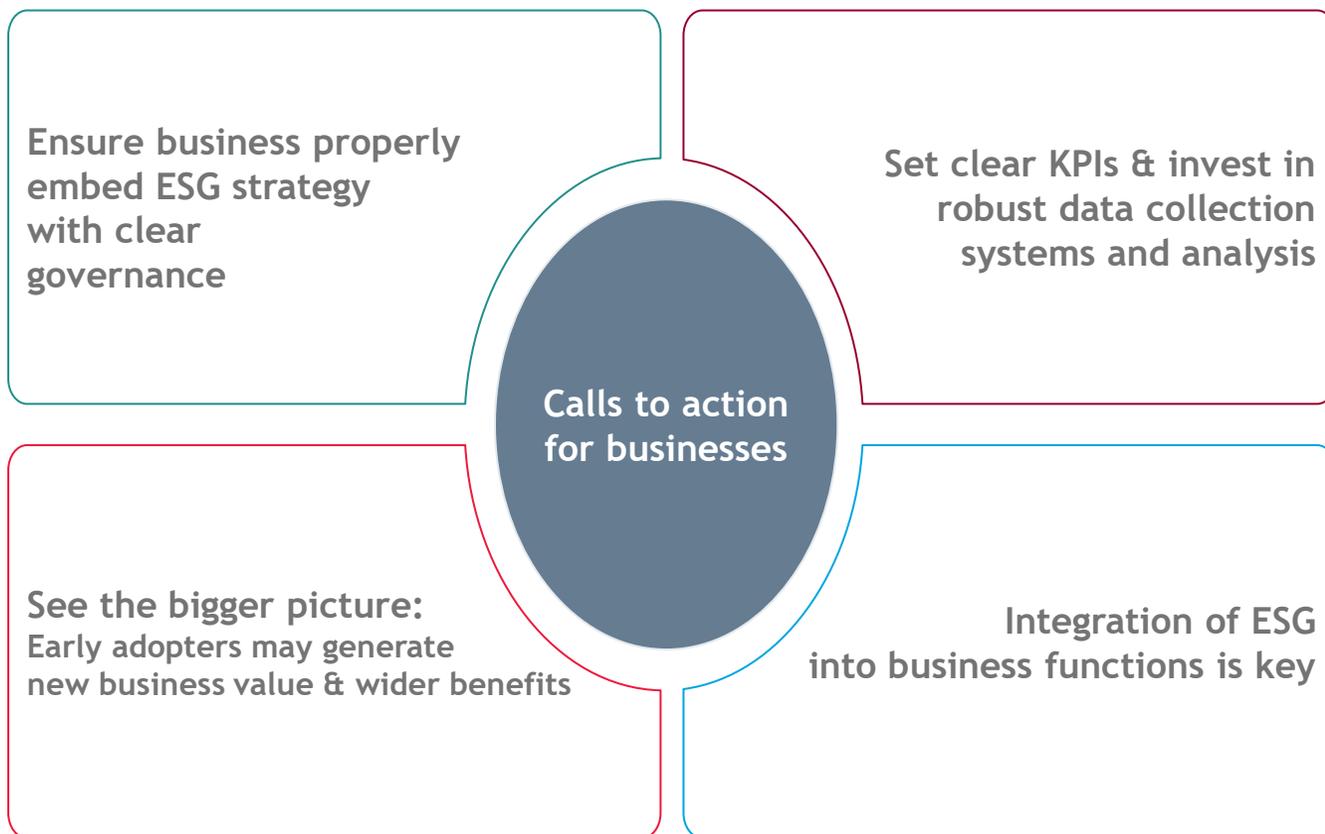
Category	Metric	Calculation	Corresponding GRI Standard	Corresponding SDG
 Environment	E1. GHG Emissions	E1.1: Total amount in CO2 equivalents, for Scope 1 E1.2: Total amount, in CO2 equivalents, for Scope 2 (if applicable) E1.3: Total amount, in CO2 equivalents, for Scope 3 (if applicable)	GRI 305: Emissions 2016	13 CLIMATE ACTION
	E2. Emissions Intensity	E2.1: Total GHG emissions per output scaling factor E2.2: Total non-GHG emissions per output scaling factor	GRI 305: Emissions 2016	13 CLIMATE ACTION
	E3. Energy Usage	E3.1: Total amount of energy directly consumed E3.2: Total amount of energy indirectly consumed	GRI 302: Energy 2016	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
	E4. Energy Intensity	Total direct energy usage per output scaling factor	GRI 302: Energy 2016	12 RESPONSIBLE CONSUMPTION AND PRODUCTION

An example of 4 environment indicators out of a total of 31 ESG indicators prescribed by ADX



CALL FOR ACTION

When it comes to the role of governments and regulators, companies suggest they needed clear guidelines, country roadmaps for decarbonization and a level playing field across industries.



BDO insights



58% UAE investors see obstacles to ESG investing.



91% of bond issuers expect to be reallocating capital towards positive environmental and social outcomes in the next five years.



Both issuers and investors want clearer data and guidance around ESG principles.



UAE market participants see clear opportunities in electric vehicles and charging and carbon capture.

YEAR OF SUSTAINABILITY



HH Sheikh Mohamed Bin Zayed Al Nahyan

UAE President announces 2023 as
'Year of Sustainability'

“TODAY FOR TOMORROW”

- ✓ Focus on environmental sustainability by inspiring collective action
- ✓ Nationwide commitment towards sustainable practices
- ✓ Commitments in addressing current challenges
- ✓ Promoting sustainable practices at an individual and community level
- ✓ Net Zero by 2050 Strategic Initiative

“ 2023 is the Year of Sustainability in the UAE. Effective climate action requires a shared vision and collective will. As host of COP28, we are committed to fulfilling our role as a global convener and will continue to support action and innovation in the field of sustainability.

— محمد بن زايد (@MohamedBinZayed) [January 20, 2023](#)

”

UNFCCC - COP 28 (UAE)

The key/focus areas for UAE:

Mitigation

- Work to triple renewable energy generation from 8 to 23 TW hours by 2030.
- More than double low-carbon hydrogen production to at least 180 million tons for hard-to-abate sectors

Adaptation

- Protect the most vulnerable communities and most critical systems from extreme weather and biodiversity loss
- Double adaptation finance for the Global South to \$40 billion annually by 2025.

Finance

- Require more and need it to be more affordable and accessible.
- Ensure that every concessional dollar is matched by \$2 or \$3 worth of private capital.

Loss & Damage

- Help the most vulnerable to rebuild after climate-related disasters.
- Together with the international community, build on the progress made in Sharm El Sheikh to fully operationalize the loss-and-damage fund.

The 28th session of the Conference of the Parties (COP 28) to the UNFCCC will convene from 30 November to 12 December 2023. It will take place in the UAE



Dr Sultan Al Jaber -
COP28 President-
Designate

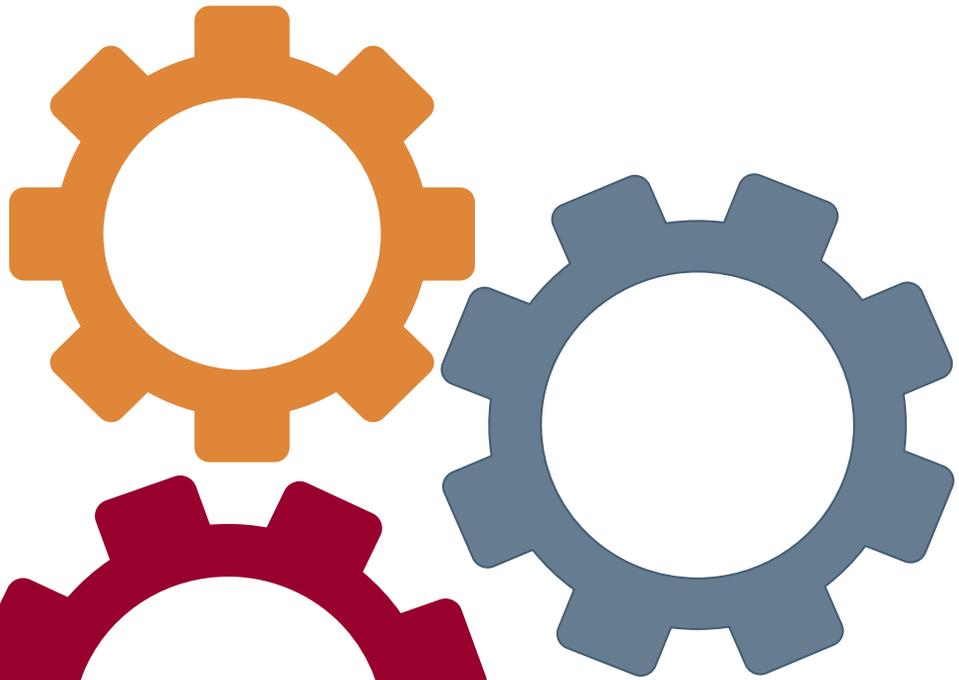
“ We need to reverse emissions while moving economies forward, enable an inclusive and just transition that leaves no one behind. That’s why we are determined to make COP28 a COP for All, and a COP of Action ”

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ESG STRATEGY

HOW SHOULD BUSINESSES RESPOND?

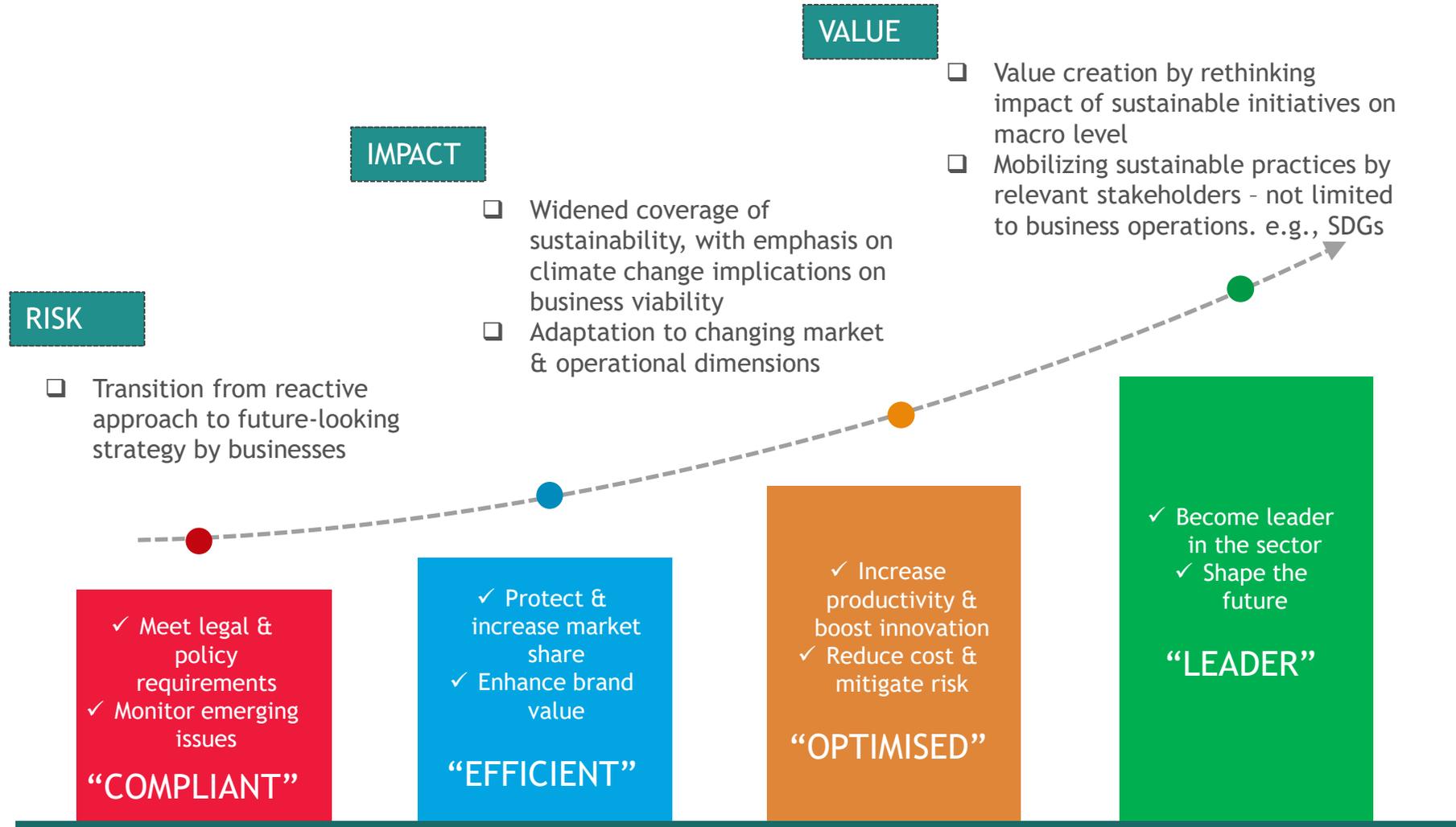
ESG
STRATEGY



ESG
DISCLOSURE/
REPORTING

ESG
ASSURANCE

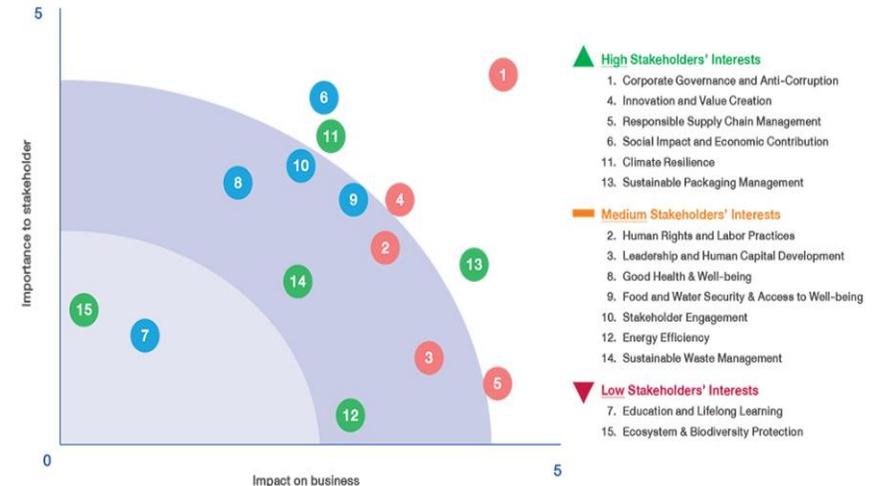
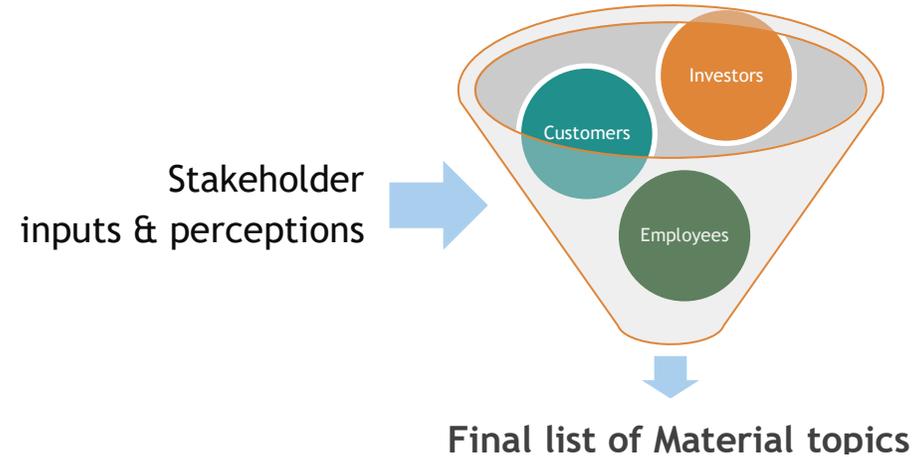
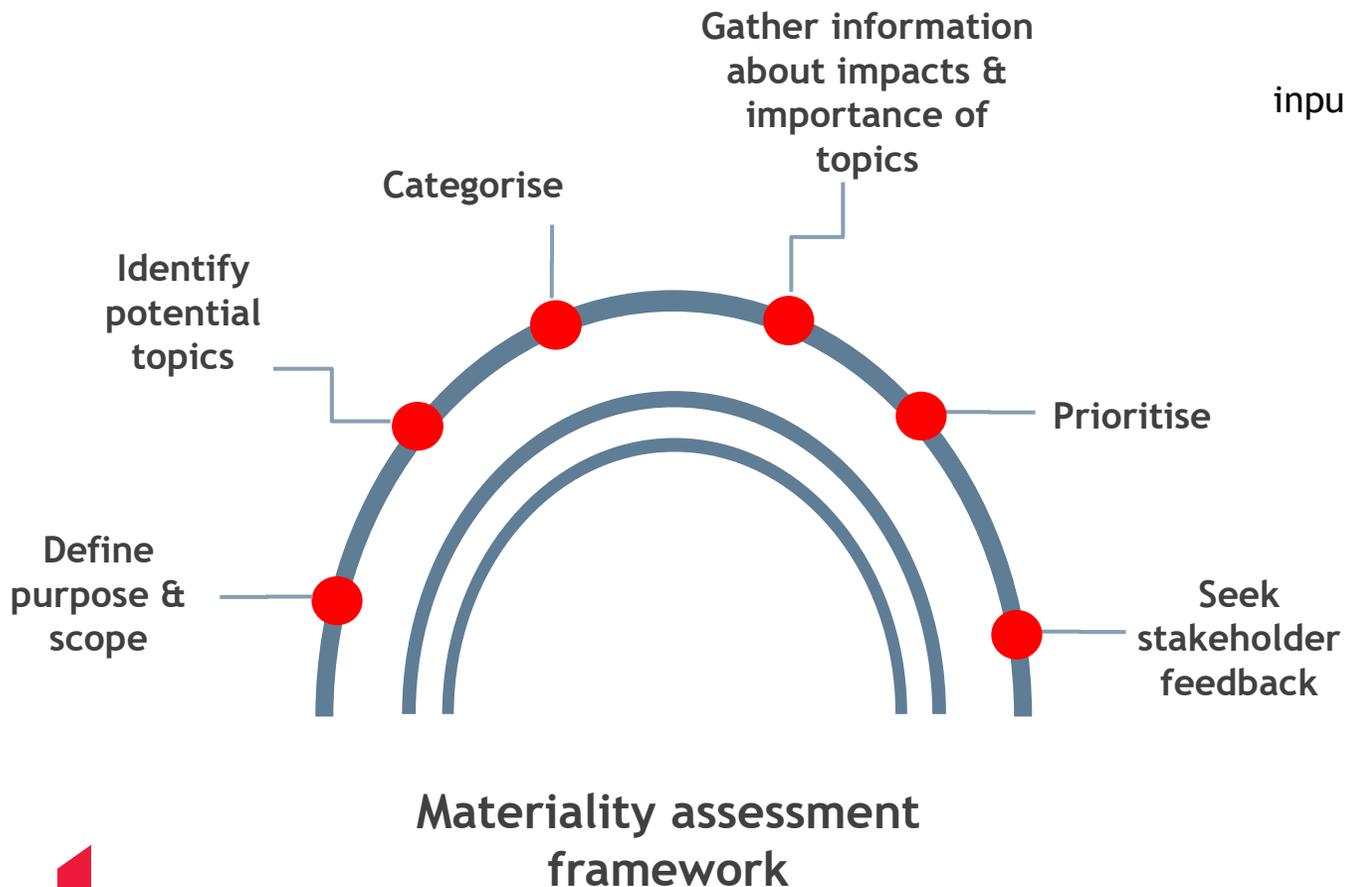
ESG MATURITY OF AN ORGANISATION



Source: Sphera: 2021 snapshot of sustainability maturity

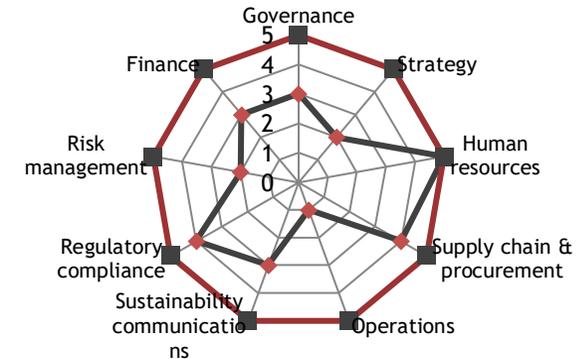
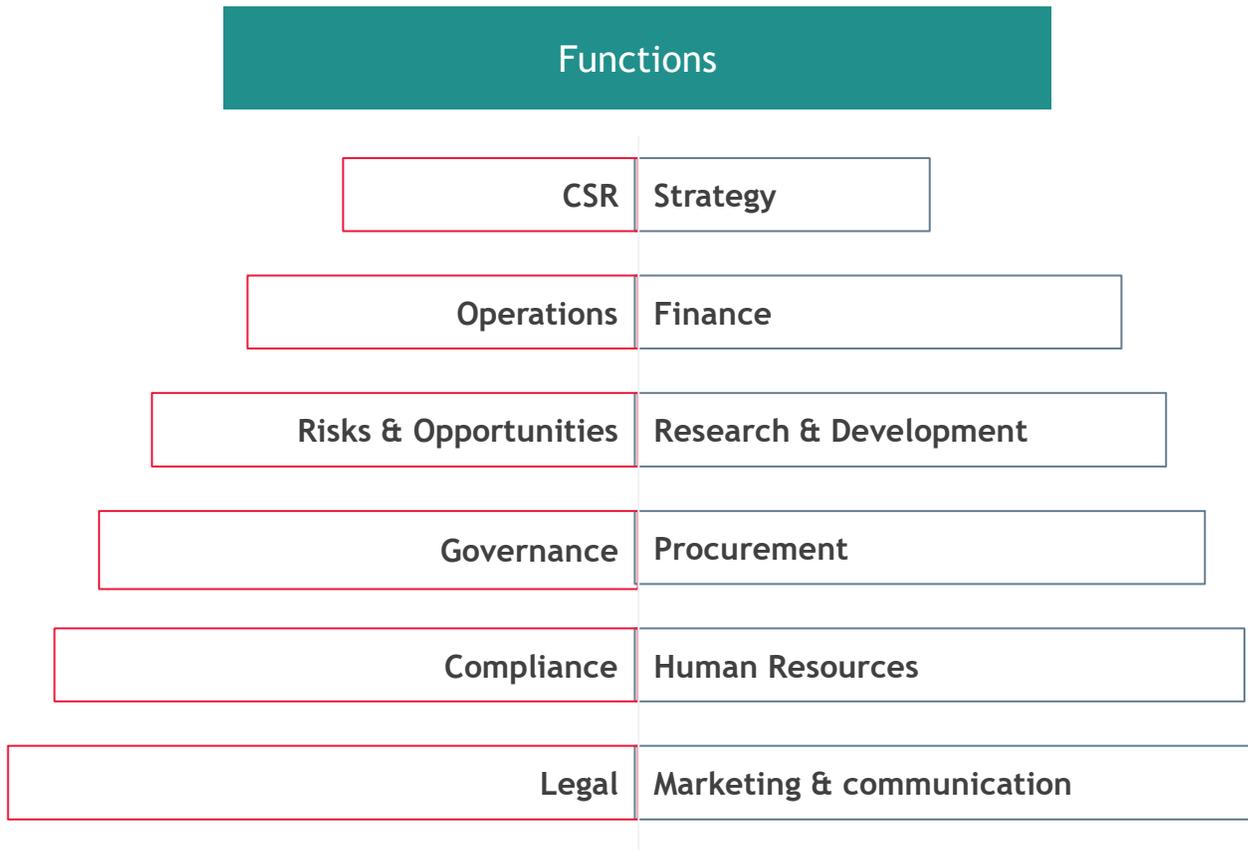
MATERIALITY

Materiality assessment is the process of identifying, refining, and assessing numerous potential environmental, social and governance issues that could affect the business, and/or the stakeholders, and condensing them into a short-list of topics that inform company strategy, targets, and reporting.



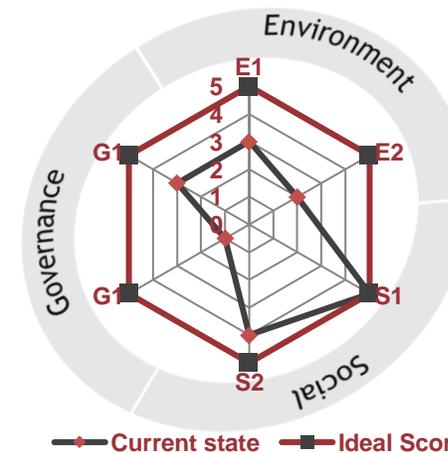
WHERE WE ARE...

- 1) Mapping maturity of functions w.r.t. ESG integration
- 2) Maturity w.r.t. ESG KPIs and data management



◆ Current state ■ Ideal Score

- 5 Leading
- 4 Advanced
- 3 Established
- 2 Developing
- 1 Basic

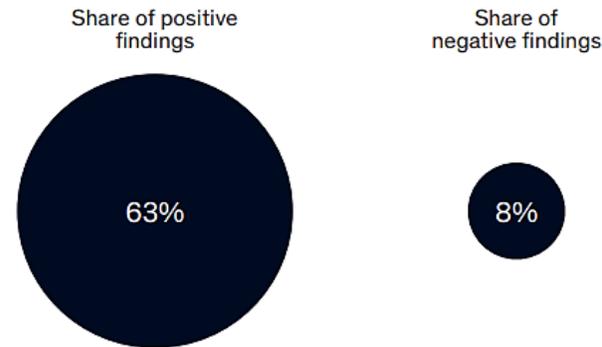


◆ Current state ■ Ideal Score

SUSTAINABILITY REINFORCES BUSINESS STRATEGY



Results of >2,000 studies on the impact of ESG propositions on equity returns



<https://www.mckinsey.com/-/media/McKinsey/Business%20Functions/Strategy%20and%20Corporate%20Finance/Our%20Insights/Five%20ways%20that%20ESG%20creates%20value/Five-ways-that-ESG-creates-value.ashx>

ENTERPRISE RISK MANAGEMENT

ESG-related risks can impact profitability, success and even survival.



Enhanced resilience

Improved resource deployment

Enhanced pursuit of ESG-related opportunities

Realised efficiencies of scale

Improved disclosure

HOW TO MANAGE ESG RELATED RISKS

Setting right Culture

Capabilities and Practices

Strategy setting

Questions to be answered by the Board

- Is the board aware of the ESG-related risks and does it have access to enough information to evaluate them, which may impact company's strategy and objectives ?
- Is there an escalation path within the organization that ensures that material ESG-related risks are brought to the attention of the board, and also the board has relevant capabilities to assess the implications of ESG issues?



Preparing business for risk

Identify risk to business

Assess & prioritize risk

Questions to be answered by the ESG, Risk practitioners

- Has the entity had financial, operational or reputational issues in the past because of an ESG-related event?
- What are the ESG-related trends in entity's markets? Are there risks that coincide with a failure to adhere to these trends or requirements?
- How are relevant regulations, requirements or obligations communicated to leadership and integrated into operations?

Action to mitigate risk

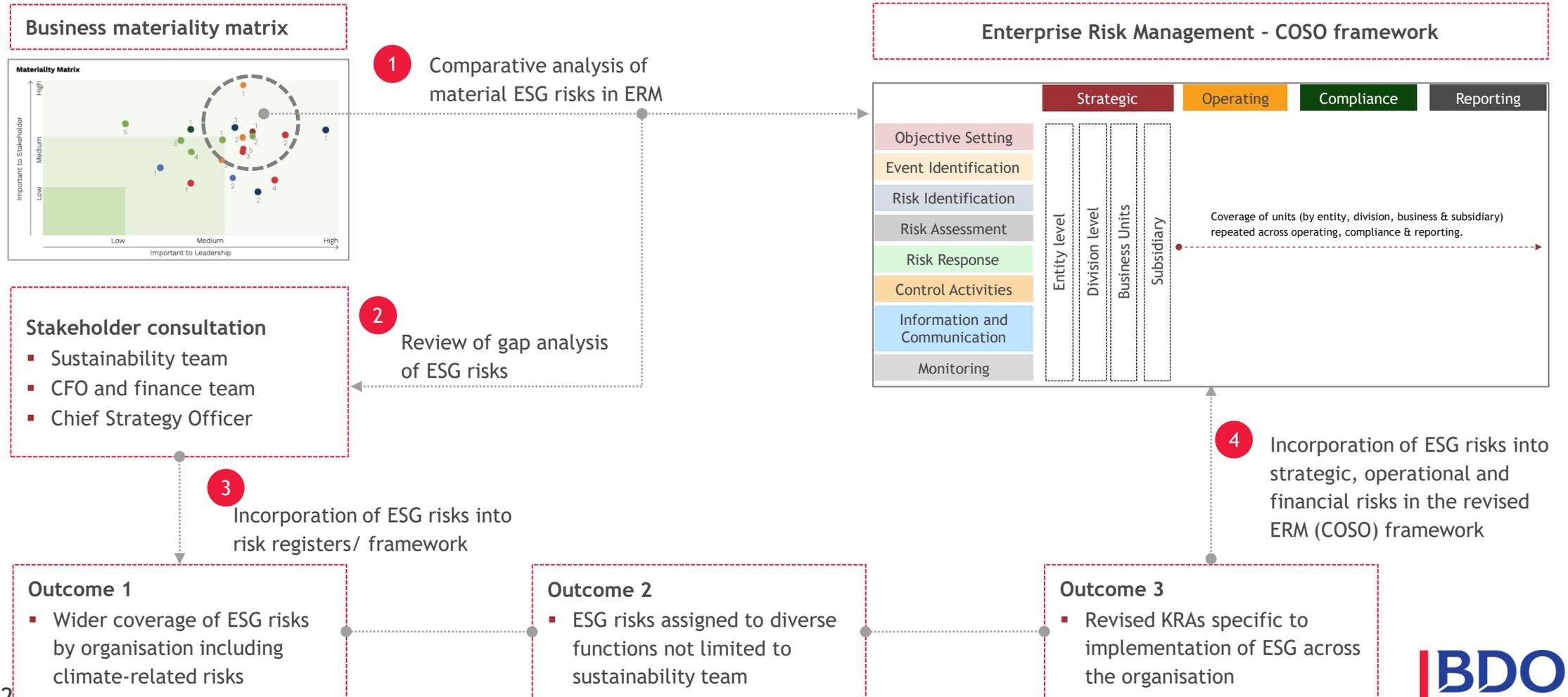
Performance review

Improved governance practice, enhancing business resilience.

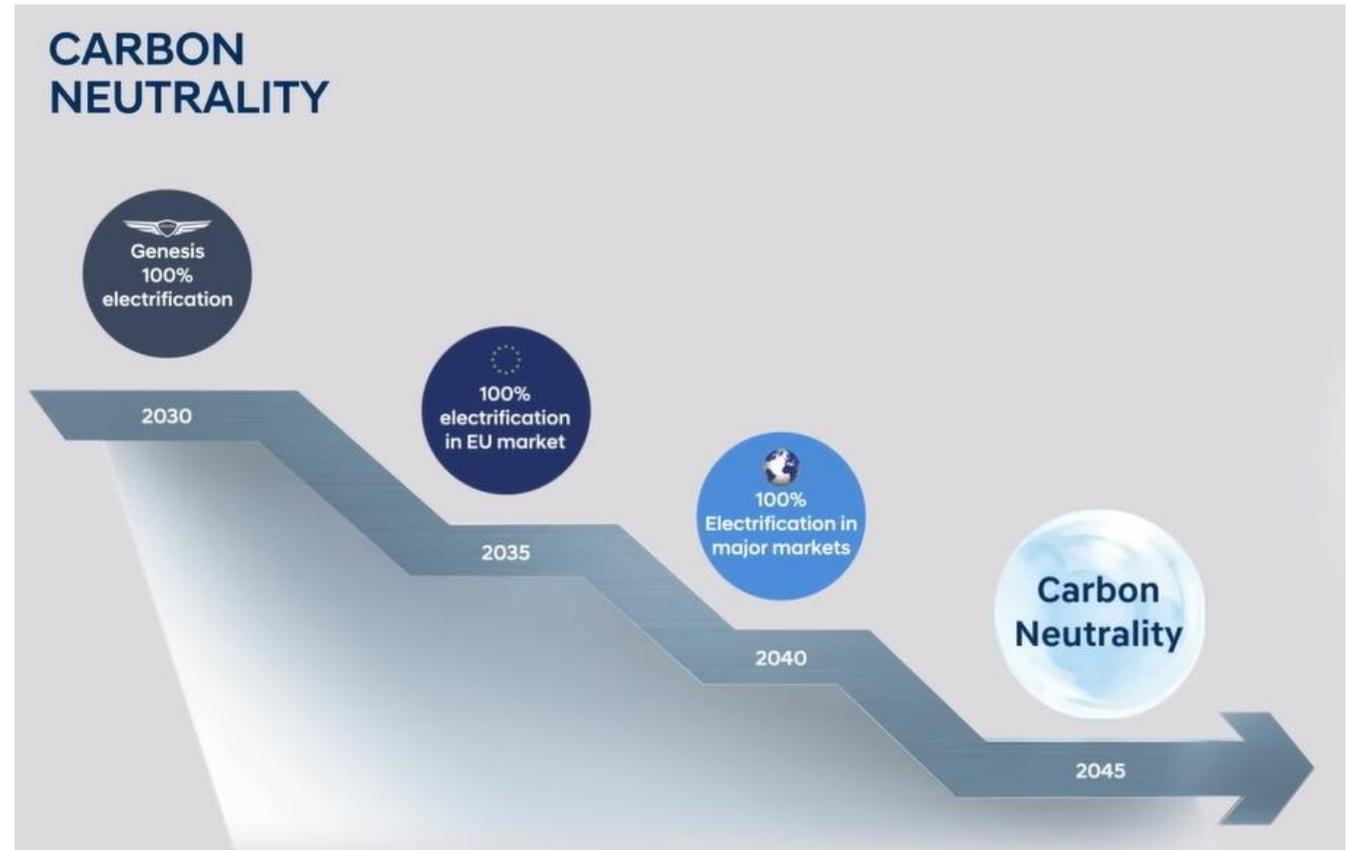
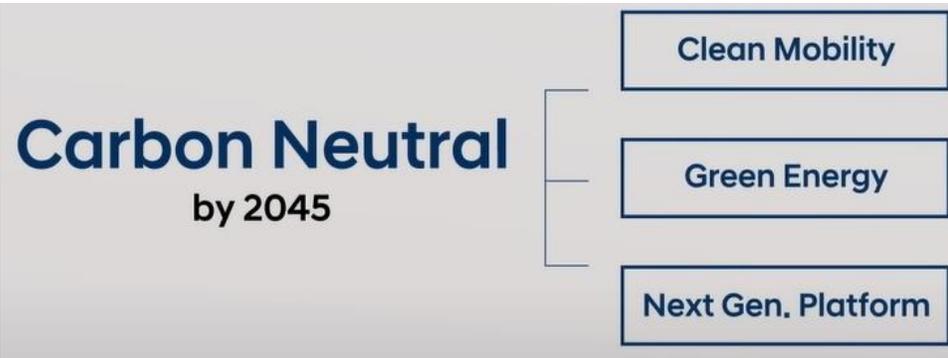


INTEGRATION OF ESG INTO ERM FRAMEWORK

ESG related risks would be integrated with ERM steps; the identification, assessment and mitigation plans would be carried out concurrently for strategic, financial, operating, people, technology and sustainability risks



CASE STUDY: ACCELERATING EV TRANSITION

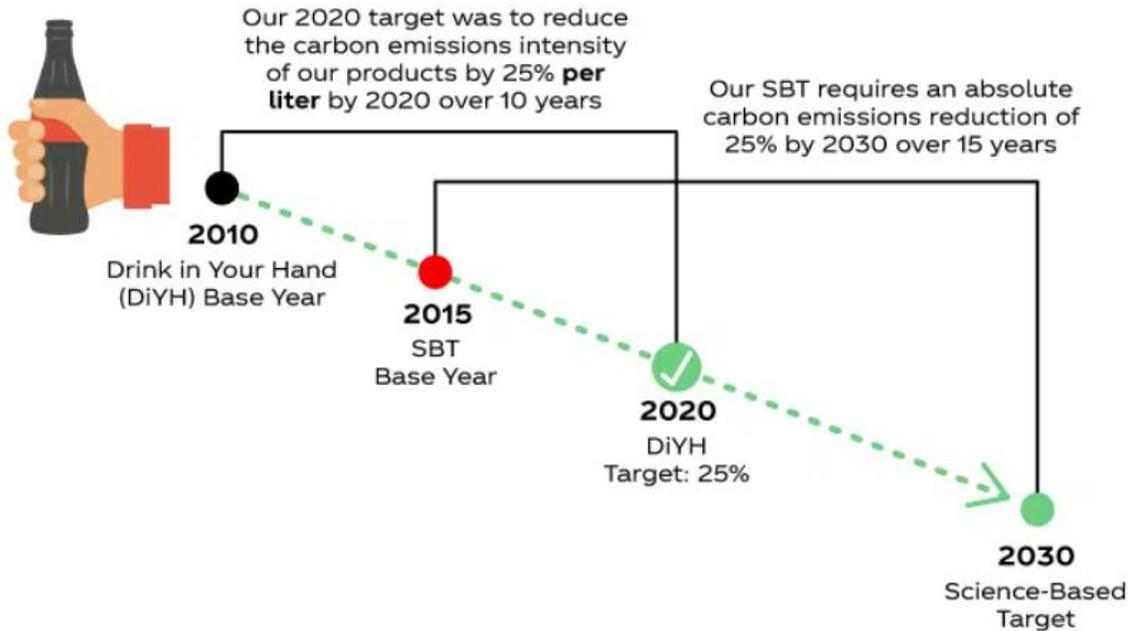


Hyundai Motor accelerates Electrification Strategy, Targeting 7% of Global EV Market by 2030

Road to Net Zero



CASE STUDY: A FUTURISTIC VISION



GOAL	GOAL	GOAL	GOAL
Make 100% of our packaging recyclable globally by 2025	Use at least 50% recycled content in our packaging by 2030	Reduce our use of virgin plastic derived from non-renewable sources by a cumulative 3 million metric tons by 2025	Collect and recycle a bottle or can for each one we sell by 2030
2021 STATUS 90% globally ¹	2021 STATUS 23% ² recycled material in our packaging globally and 13.6% for PET plastic packaging	2021 STATUS We avoided almost half a million tons of virgin plastic usage through our lightweighting, recycled plastic and renewable material efforts in 2021	2021 STATUS 61% ³

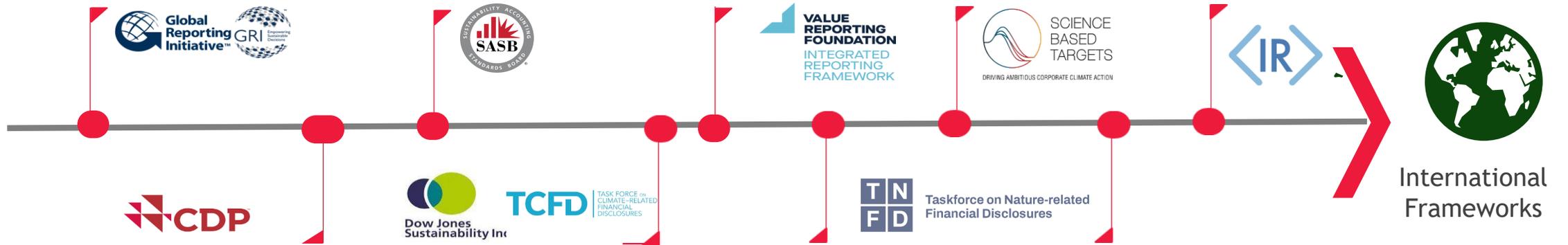
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2021 STATUS 90% globally ¹	2021 STATUS 23% ² recycled material in our packaging globally and 13.6% for PET plastic packaging	2021 STATUS We avoided almost half a million tons of virgin plastic usage through our lightweighting, recycled plastic and renewable material efforts in 2021

TARGET TIMEFRAME	TARGET TYPE	TARGET VALUE	SCOPES COVERED	TARGET COMPLETION	ELAPSED TIMEFRAME
2015 to 2030	Absolute	25%	1+2+3	51%	33%

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ESG DISCLOSURE/REPORTING

FRAMEWORK LANDSCAPE



Sustainability Frameworks

ESG Ratings

ESG Regulations

Sustainability Standards

GRI UNIVERSAL STANDARDS 2021



Prepare sustainability reports based on **Reporting Principles** and focuses on **Material Topics**



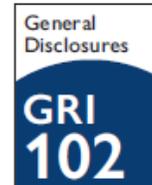
Enhance the global comparability and quality of information on impacts, enabling greater transparency and accountability

A report in accordance with the GRI Standards can be produced as a stand-alone sustainability report, or can reference information disclosed in a variety of locations and formats.



Foundation

Foundation is the starting point for an organization to use the GRI Standards to report about its economic, environmental, and/or social impacts.



General Disclosures

Information about an organization's profile, strategy, ethics and integrity, governance, stakeholder engagement practices, and reporting process.



Management Approach

is used to report information about how an organization manages material topics including those covered by the topic-specific GRI Standards and other material topics



Economic Disclosures 201-207

Contains 6 material topics and covers 13 disclosures as opposed to 9 GRI-G4



Environmental Disclosures 301-308

Contains 8 material topics and covers 29 disclosures as opposed to 34 in G4



Social Disclosures 401-419

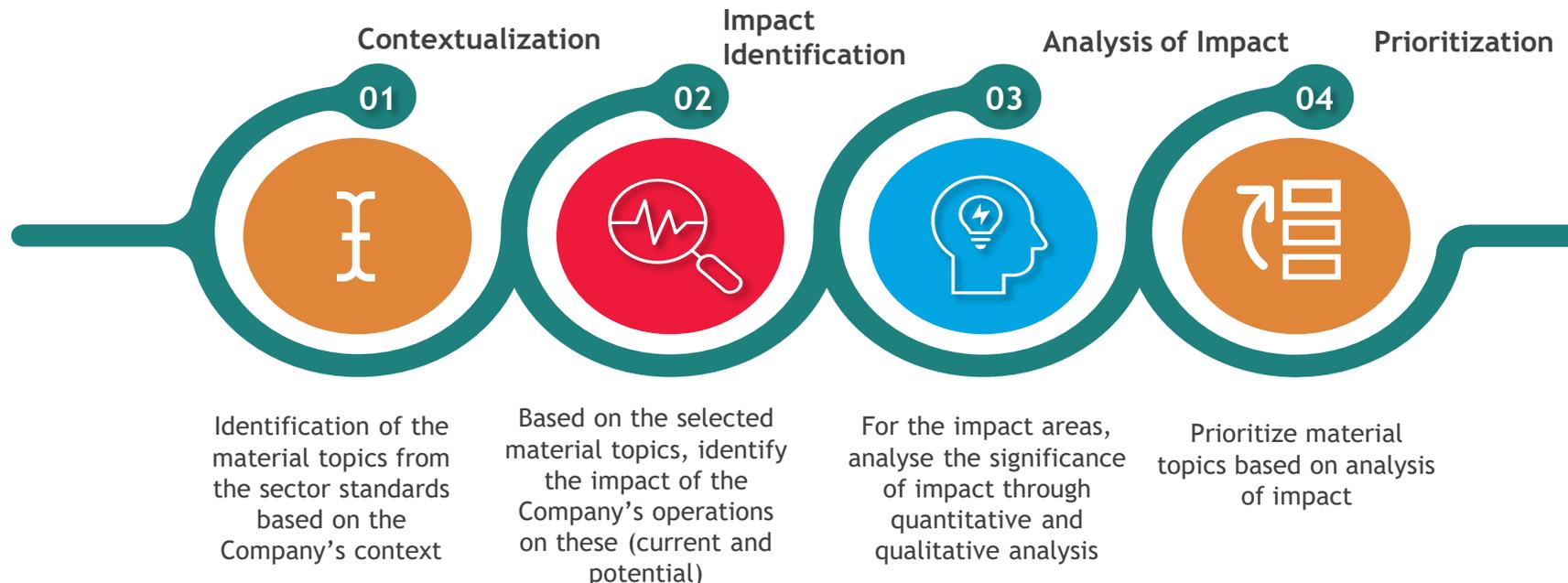
Contains 19 material topics and covers 34 disclosures as opposed to 48 in G4

GRI UNIVERSAL STANDARDS 2021

The Global Reporting Initiative (GRI) is one of the most comprehensive and internationally recognized sustainability standards for corporate reporting. The GRI announced changes in 2021 that are scheduled to be applicable by 2023. These changes are expected to increase the level of transparency in non-financial reporting by Companies. There are two key updates:

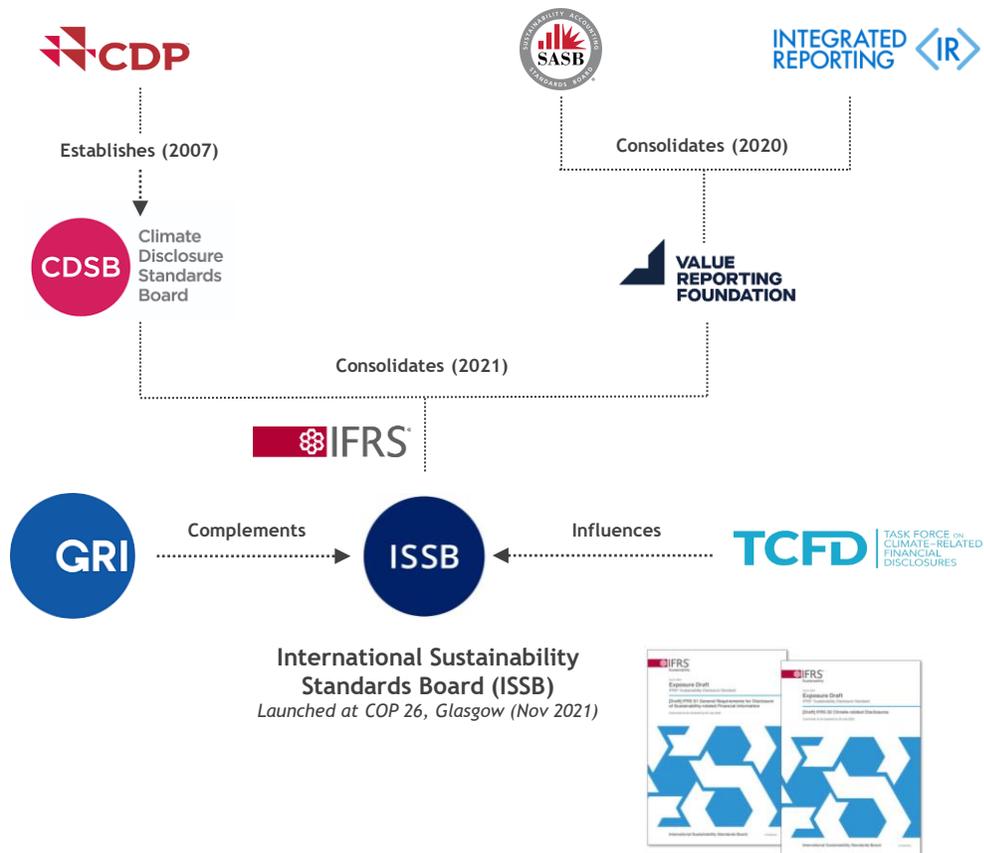
1. Introduction of sector standards that will provide additional guidelines for comparability of companies from the same industries.
2. Revised approach for Companies to conduct their materiality assessment.

Steps involved in revised approach to materiality assessment as per GRI Universal Standards 2021



CURRENT REPORTING TRENDS

Recent developments and efforts to consolidate sustainability reporting for corporates



Formation of ISSB signals towards a global baseline standard for corporate sustainability disclosure that would help:

Make sustainability standards less complex and speed up the adoption of sustainability reporting by corporates, financial institutions and other entities

Enhance understanding of the interaction between financial and sustainability factors, and their effect on the integrity of assets and earnings across sectors

Enable the financial sector to allocate capital towards sustainable investments

Address complexity in sustainability reporting

Dynamic between financial & non-financial mandates

Facilitate sustainable finance

KEY FEATURES: SUSTAINABILITY REPORTING

Illustrative



INTEGRATING ESG INTO BUSINESS: INTEGRATED REPORTING AND THE VALUE CREATION MODEL

Integrated Reporting <IR> is an approach to business reporting that is built around the organisation’s strategy to create and sustain value over the short, medium and long-term.

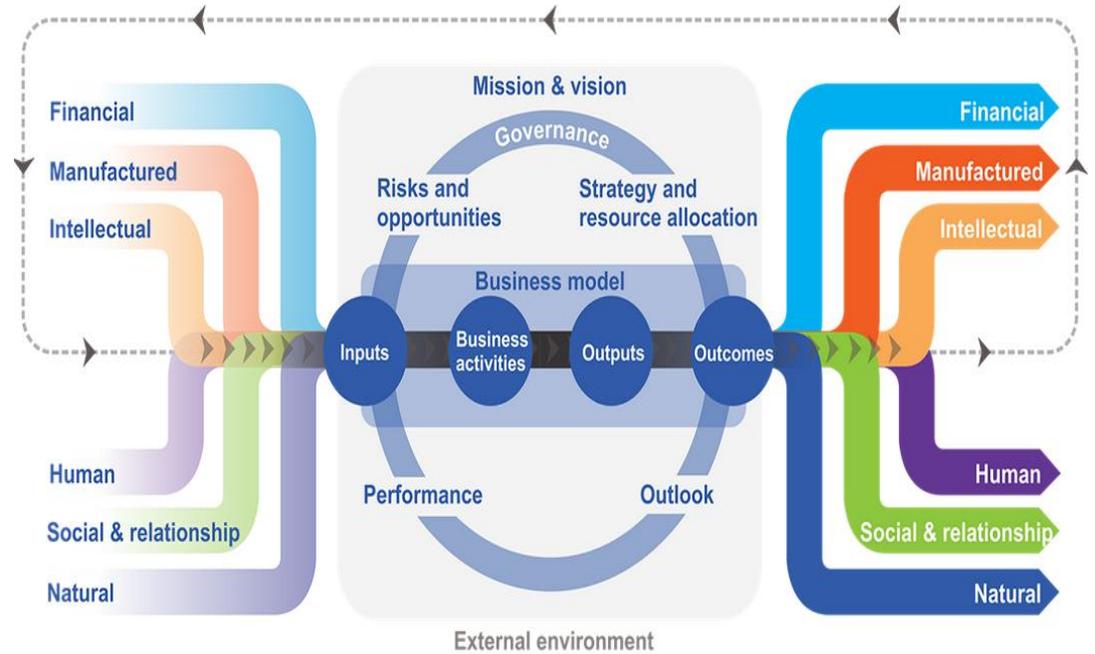
Conciseness | Strategic Relevance | Future orientation



Interconnectedness between financial and non-financial information

Discloses historical performance and lacks forward looking information required for decision-making

The focus on externalities and market forces that affect the business model is not enough



IMPLICATIONS OF EVOLVING DISCLOSURE LANDSCAPE ON BUSINESSES

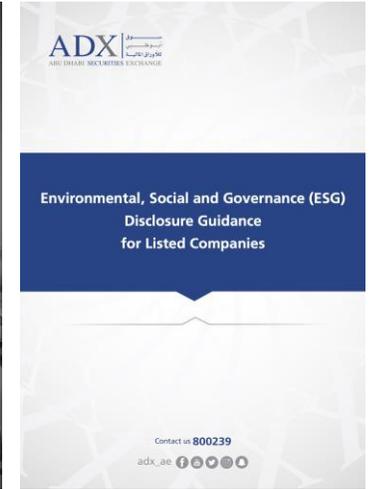


The SSE is a UN Partnership Program of



65

Stock exchanges with written ESG guidance



UAE exchanges (DFM, ADX) move ahead with adoption of ESG in business and trade

Market	STOCK EXCHANGE	YEAR	ESG GUIDANCE	GRI	SASB	TCFD	IIRC	CDSB	CDP
UAE	Dubai Financial Market	2019	ESG Reporting Guide	●	●	●	●		●
UAE	Abu Dhabi Securities Exchange	2019	Abu Dhabi Securities Exchange ESG Disclosure Guidance for Listed Companies	●	●		●		●

IMPLICATIONS OF EVOLVING DISCLOSURE LANDSCAPE ON BUSINESSES



Securities and Exchange Commission

Proposal (Mar 21, 2022) requires public companies to disclose extensive climate-related information in their SEC filings

- *Climate-related risks that are reasonably likely to have a material impact on a public company's business, results of operations, or financial condition*
- *Greenhouse gas ("GHG") emissions associated with a public company that includes, in many cases, an attestation report by a GHG emissions attestation provider; and*
- *Climate-related financial metrics to be included in a company's audited financial statements.*



Impact of climate risk on business & financials

- For **materiality determination** (in MD&A of annual report), management should consider magnitude and probability of risk over short/medium/long term

Effect of climate risks on strategy, business model and outlook

- **Disclosure of role of carbon offsets and scenario analysis** in registrant's climate-related business strategy

Governance disclosure

- **Oversight of functions, management and board** for integration of climate-risks

Risk management disclosure

- Description of plans to manage physical & transition risks and Y-o-Y update on targets and goals

Financial statement metrics

- Disclosure of financial estimates and assumptions - atypical under current reporting

GHG emissions metrics

- Scope 1 & 2: Disaggregate and aggregated coverage of GHGs, and in absolute and intensity terms
- Scope 3: If not **quantitatively material**, registrant should consider if GHG emissions are **qualitatively material**
- Attestation of Scope 1, 2 (by GHG emissions attestation provider)

Targets and goals

- Details of registrant's climate-related T&G to include scope, UoM, defined time horizon, baseline timeline & progress mapping, interim targets, plan to meet T&G

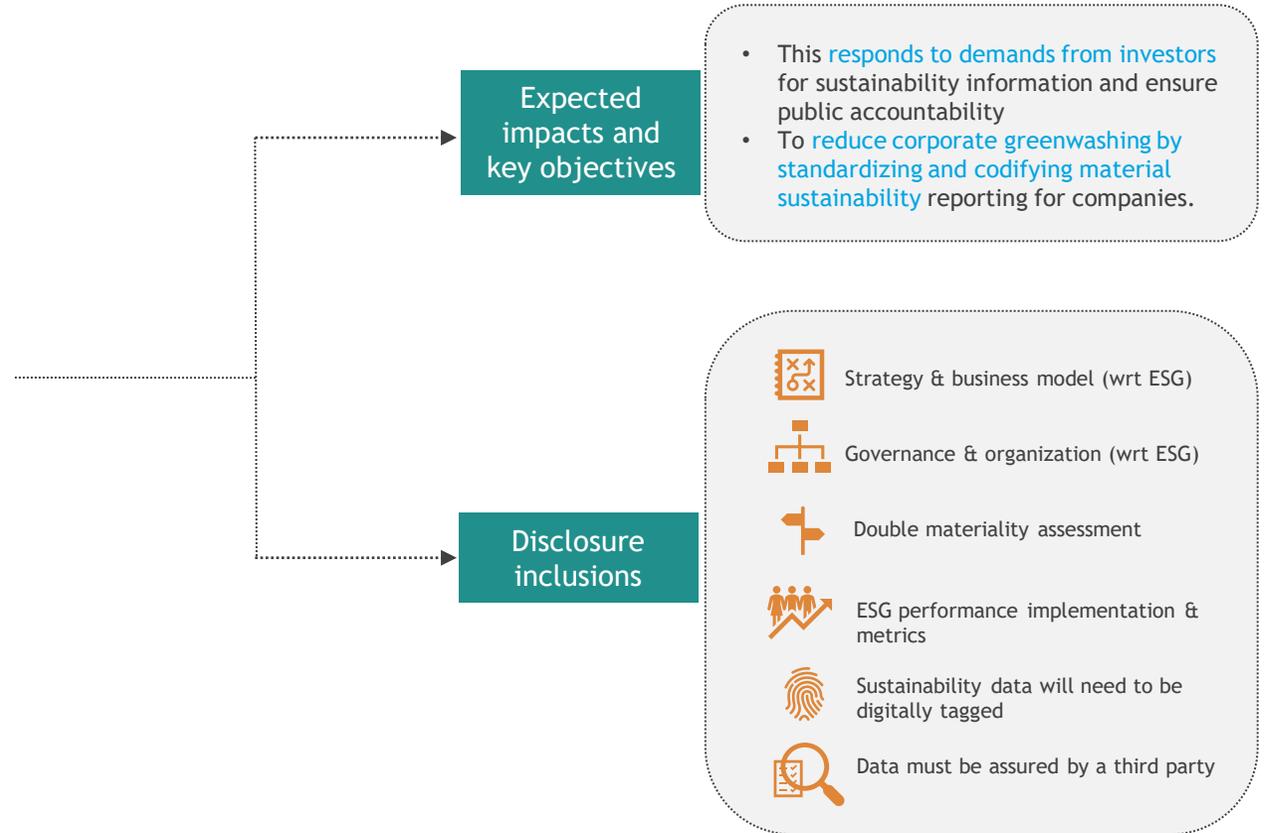
Risk management disclosure

- Description of **plans to manage physical & transition risks** and Y-o-Y update on targets and goals



To be disclosed as part of annual report
(Emphasis on hard-to-abate sectors; Oil & Gas)

IMPLICATIONS OF EVOLVING DISCLOSURE LANDSCAPE ON BUSINESSES



A young green plant sprout with several leaves is growing out of a crack in asphalt pavement. The background is a blurred asphalt surface. A red vertical bar is visible on the left side of the image.

CASE EXAMPLES

CASE STUDY: THE REPORTING UNIVERSE!



Spent **R526,2 million** social investment

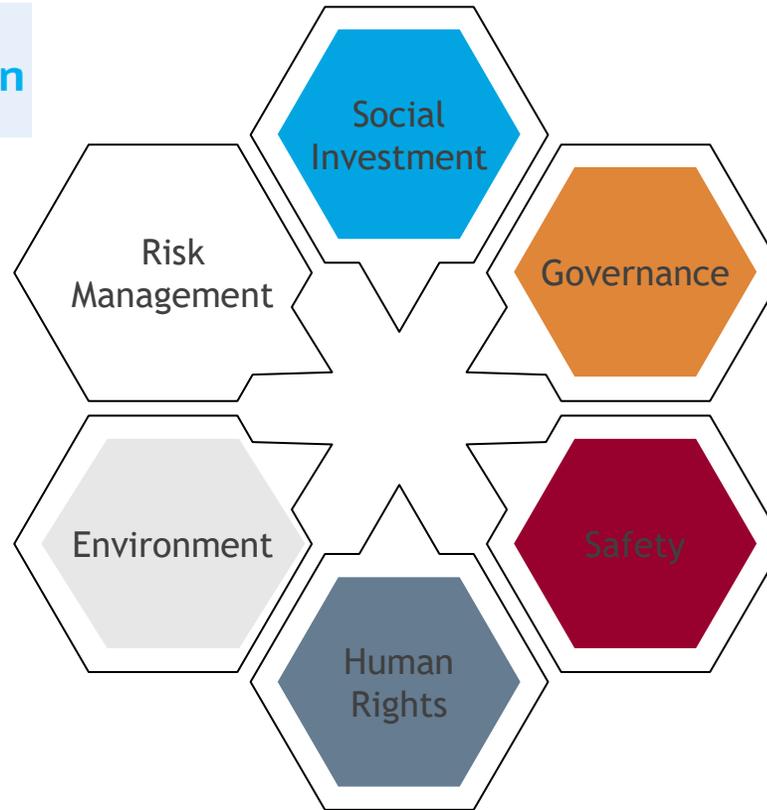
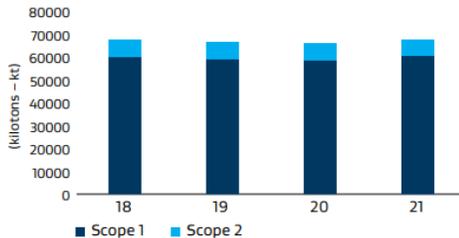


Our key business imperatives, in line with our strategy, guide and inform our top risks. We regularly review our top risks considering our dynamic operating context. We benchmark our top risks against global, industry and peer company risk views.



Recycled **159 681** thousand cubic meters of water and **125** kilotons of waste

Greenhouse gas emissions (kilotons – kt)



ENVIRONMENTAL STEWARDSHIP PROGRAMMES

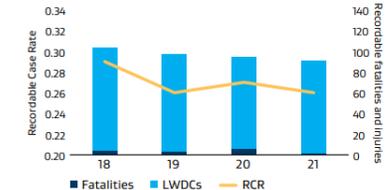
Reached **150 000** community members and school children globally



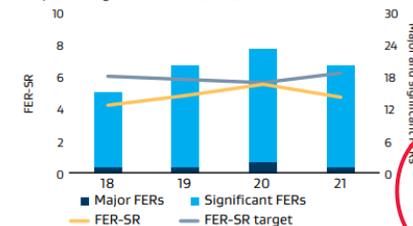
LIVING BY OUR VALUES

New employees provided with ethics training	1 263
Employees provided with Exploring Ethics and Economic Crimes training	351
SASOL ETHICS GLOBAL COMMUNITY	
Officers	28
Coordinators	20
Investigators	78

RCR, fatalities and LWDCs



Major and significant FERs and FER-SR



A diversified way of ESG reporting includes publishing several reports like Sustainability report, climate action report, GHG accounting report, community report etc.



Integrated Report



Sustainability Report



Climate Change Report

CASE STUDY: LEADING THE WAY - REDUCED EMISSIONS

27%
Reduction in total carbon dioxide emissions in 2020 compared to 2019

60%
Reduction in paper consumption compared to 2019

Ramadan Food box initiative

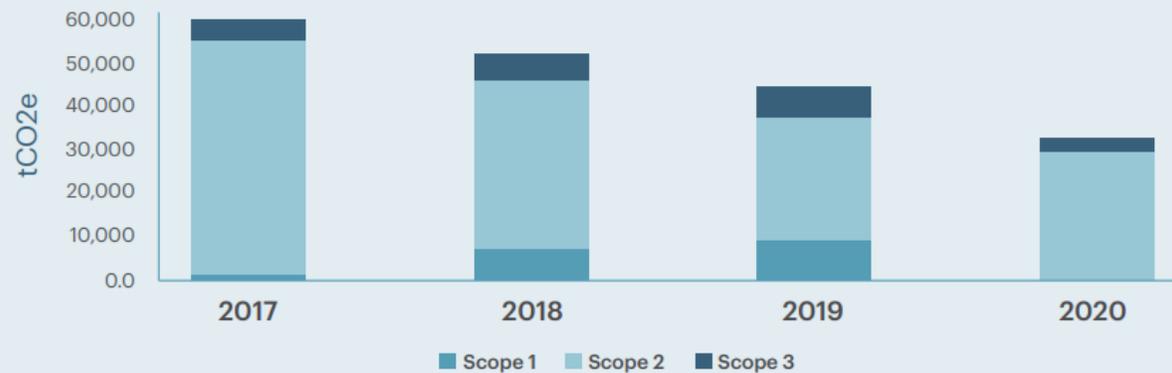
– we helped to provide essentials to low-income households and quarantined communities in the UAE during Ramadan 2020 through the Emirates Foundation.

Women represent 40% of our total workforce and held 30% of senior and middle management positions.

Materials Consumption and Waste

	Unit	Scope	2017	2018	2019	2020
Total paper consumption	Kg	Group	135,803	244,880	245,472	98,625
Total paper recycled	Kg	Group	90,191	114,616	75,056	33,627
Waste produced	Kg	Group	633,715	1,271,300	1,189,476	850,390
Total water consumption	kL	Group	543,404	335,970	205,133	187,454

FAB Group Carbon Dioxide Emissions (tCO2e)



AED 69.3 million

Total sponsorships and donations for 2020 (Group)

4,086 tCO2e

Reduction in scope 3 emissions

CASE STUDY: WOMEN EMPOWERMENT ALL THE WAY!

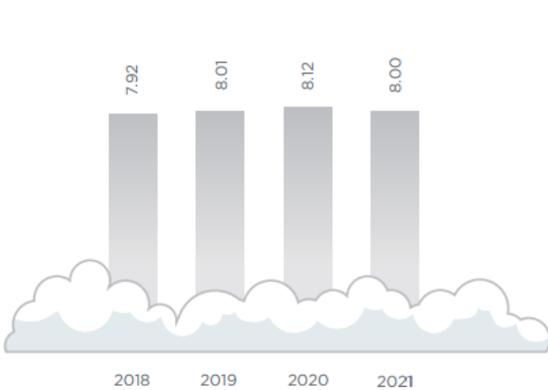
Figure 18: Water withdrawal and discharge in UAE³⁸



EGA's Women's Network

During 2021, the Women's Network has hosted workshops aimed at aiding women's professional and personal growth, highlighted female role models through panel discussions and spotlight sessions.

 **93.9% of SPL recycled**



 In 2021, our SO₂ emissions reduced by **10%**

 In 2021, our NO_x emissions reduced by **20%**

14.29%
decrease in energy intensity associated with bauxite mining

A young green plant sprout with several leaves is growing out of a crack in asphalt pavement. The background is a blurred asphalt surface. A red vertical bar is visible on the left side of the image.

ESG ASSURANCE

HOW DOES ASSURANCE HELP BUSINESSES?

Intelligence

Confidence

Reliability

Credibility/
Stakeholder
trust

Data
Monitoring

Efficiency Gain

ASSURANCE STANDARDS

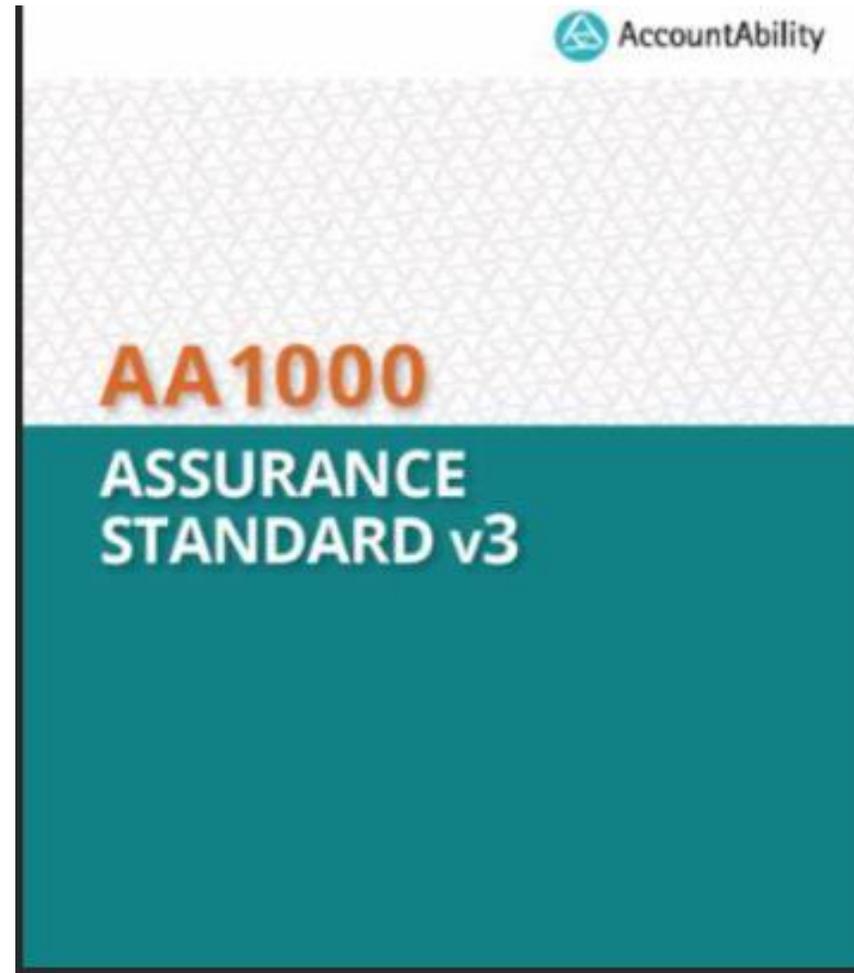
*International Standard on Assurance
Engagements*

ISAE 3000 (Revised),
Assurance Engagements Other
than Audits or Reviews of
Historical Financial Information

International Framework for
Assurance Engagements

and

Related Conforming
Amendments



FRAMEWORKS

Two main assurance standards used in practice are ISAE 3000 (IAASB, 2013) and AccountAbility's AA1000 Assurance Standard (2020).

ISAE 3000

- ISAE 3000 acts as an umbrella standard
- ISAE 3000 provides for either “reasonable” or “limited” assurance
- Underneath this standard are a number of other ISAE standards which, or can be, applied to areas such as performance, internal controls, and behaviors.
- These include at the international level:
 - ISAE 3402 Assurance Reports on Controls at a Service Organization, and
 - ISAE 3410 Assurance Engagements on Greenhouse Gas Statements.

The practitioner who is performing the engagement is a member of a firm that is subject to ISQC 1, or other professional requirements, or requirements in law or regulation, regarding the firm's responsibility for its system of quality control, that are at least as demanding as ISQC 1.

AA1000AS

- AA1000AS provides assurance providers with “principles-based guidance rooted in the effective application of the AA1000 AccountAbility principles of inclusivity, materiality, responsiveness, and impact”
- AA1000AS provides for two types of assurance engagements, “Type 1” and “Type 2.”
 - Type 1 evaluates the extent of adherence to the principles of inclusivity, materiality and responsiveness
 - Type 2 evaluates both the extent of adherence to AA1000 Accountability Principles as well as quality of and reliability of information

LIMITED VS REASONABLE

LIMITED

An assurance engagement in which the practitioner reduces engagement risk to a level that is acceptable in the circumstances of the engagement

Needs less extensive evidence/ audit trail.

.....We are **NOT** aware of any matter that would lead us to conclude that the Company has **NOT**

REASONABLE

An assurance engagement in which the practitioner reduces engagement risk to an ***acceptably low level*** in the circumstances of the engagement ...

Extensive evidence/ audit trails

On the basis of our procedures aimed at obtaining reasonable assurance, we conclude that in our opinion:

The Company has presented, in a reasonably balanced, accurate, complete and transparent manner, the information on Environmental and Social parameters pertaining to the GRI G4 indicators on Strategy and Analysis, Identified Material Aspects and Boundaries, Stakeholder Engagement, Governance, Ethics and Integrity, Materials, Energy, Water, Emissions, Effluents

ASSURANCE CRITERIA AND PRINCIPLES

- Assurance provides a platform to align the non-financial aspects of sustainability with financial reporting and assurance
- It provides a means for assurance providers to go beyond mere verification of data, to evaluate the way reporting organisations manage sustainability, and to reflect that management and resulting performance in its assurance statements

TYPE 1

TYPE 2

Assess the extent of adherence to the principles of inclusivity, materiality and responsiveness

- ▶ **High** - Similar to reasonable assurance. Evidence gathered by communicating with sources including those outside company on
 - Process of identification of stakeholders
 - Mechanism of engaging with them and timing
 - Response to the issues raised by stakeholder
 - Involvement in identification of material issues
 - Corroborating issues identified with independent media and secondary literature review
- ▶ **Moderate** - Similar to limited assurance. Evidence gathering limited to only internal sources of the company. Limited corroborative evidence gathering including secondary literature review

Assess the extent of adherence to the principles along with the reliability of specified sustainability performance information

- ▶ **High** - Similar to reasonable assurance. Same methodology followed as in Type 1 High level. Additional procedures need to be followed for the performance information to be assured.
 - Extensive depth of evidence gathering at all levels of the organisation
 - Detailed corroborative evidences sought
- ▶ **Moderate** - Similar to limited assurance. Same methodology followed as Type 1 Moderate level. Additional procedure to be followed for assurance on the performance information:
 - Limited depth of evidence gathering including inquiry and analytical procedures and limited sampling at lower levels in the organisation as necessary.
 - Emphasis is on the plausibility of the information.

KEY PRINCIPLES OF ASSURANCE STANDARD

Impact - What it means?

Organisation should monitor, measure, and be accountable for how their actions affect their broader ecosystems.

Points to look for

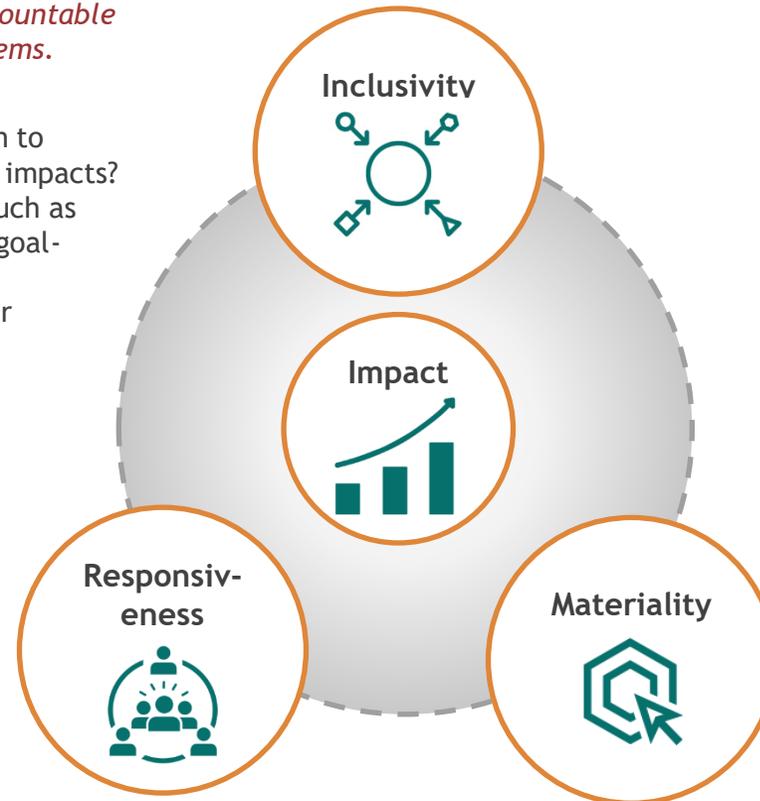
- What is the process followed by the organisation to understand, measure, evaluate, and manage its impacts?
- Is it integrated into key management process, such as materiality assessment, strategy development, goal-setting, etc.?
- What is the governance process related to senior management review?

Responsiveness - What it means?

Organisation should act transparently on material sustainability topics and their related impacts

Points to look for

- Is there an ongoing process for organisation to respond to stakeholder issues?
- Does the organization respond in a comprehensive and balanced way to material issues?
- Is the process 'timely'?



In addition to these principles,

- Data trails of the activity data is reviewed.
- Review of data collection, collation, analysis and reporting procedure is also necessary to be able to check the robustness of the process.

Inclusivity - What it means

People should have a say in the decisions that impact them

Points to look for

- Whether the organization followed a defined and robust stakeholder consultation process?
- Did the process appropriately feed into the purpose of identifying material topics?
- Did the process cover adequate/right stakeholders?
- Is the process documented appropriately?

Materiality - What it means

Decision-makers should identify and be clear about sustainability topics that matter

Points to look for

- Whether comprehensive understanding of sustainability context exist?
- Does the materiality determination process apply across organisation?
- Is the process 'one-off' or 'periodic'?
- Is the process comprehensive and balanced?



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Sector-54, Golf Course Road
Gurgaon-122001, Haryana
INDIA

INDEPENDENT ASSURANCE STATEMENT FOR SUSTAINABILITY REPORT 2021-22

To
The Management of
802, 8th Floor, Hubtown Solaris
N. S. Phadke Marg, Vijay Nagar
Andheri East, Mumbai - 400 069

Introduction and objective of engagement

() has developed its Sustainability Report 2021-22 titled 'Fulfilling
Responsibility, Sustainability and Resilience' (the 'Report') in accordance with GRI Standards: Core Option. BDO India
LLP was engaged by the Company to provide an independent assurance to the Report covering the Company's
sustainability performance during the period 1st April 2021 to 31st March 2022.

Intended users of this Assurance Statement

This Assurance Statement is intended to be a part of IIFL Finance's Sustainability Report for the financial year 2021-
22.

Respective responsibilities

The Report content and its presentation are the sole responsibility of the management () company
management is also responsible for the design, implementation, and maintenance of internal controls relevant to
the preparation of the Report, so that it is free from material misstatement, whether due to fraud or error.

BDO's responsibility, as agreed with the management of the Company, is to provide assurance on the Report content as
described in the 'Assurance scope' and 'Methodology' sections below. We do not accept or assume any
responsibility for any other purpose or to any other person or organization.

Assurance scope

The assurance has been provided for sustainability performance disclosures presented in () report. The
reporting boundary included data and information for the period 1st April 2021 to 31st March 2022 in accordance
with GRI Standards: Core Option. Our scope of assurance included verification of data and information on material
topics reported.

Assurance criteria

The assurance process was conducted in line with the requirements of the AA1000 Assurance Standard v3 (2020). We
applied Type 2 moderate level of assurance.

Methodology

Our assurance processes involved performing procedures to obtain evidence about the reliability of sustainability
performance information. The nature, timing, and extent of procedures selected were based on our professional
judgement, including the assessment of the risks of material misstatement of the performance indicators. The steps
we followed are outlined below:

- Assessment of sustainability reporting procedures for consistency with the adopted reporting criteria.
- Verification of systems and procedures used for quantification, collation, and analysis of sustainability performance data that are included in the Report.
- Understanding the appropriateness of various assumptions and methodologies for estimations used by IIFL for data analysis.
- Discussion with key personnel responsible for data compilation.
- Discussions with the key personnel to understand the risk and opportunities from the sustainability context and the strategy IIFL is implementing to manage the same.
- Review of data trail, on sample basis, to assess accuracy of select reported data/ information.

Appropriate documentary evidence was obtained to support our conclusions on the information and data verified.
Where such documentary evidence was shown to us but could not be retained by us on account of confidentiality, or
other reason, we recorded our observations appropriately after review of such evidence.

Limitations

We conducted our review to express a moderate assurance conclusion. A moderate level assurance engagement
relies on a risk based chosen sample of the selected information and the associated limitations that this entails. Our
work was limited to evidence gathered on sample basis; therefore, this assurance statement is not liable to detect
all errors, omissions or misstatements.



As agreed with the Company, data assurance was done through remote assessments using appropriate web-enabled
tools. We did not conduct physical verification at locations or offices of the Company. Audit trails and review were
conducted through remote discussion with officials of the Company, and gathering of evidence on sample basis.

The assurance scope excludes:

- Aspects of the Report, including data/information, other than those mentioned in assurance scope;
- The Company's statements that describe expression of opinion, belief, aspiration, expectation, aim, or future intentions;
- Information outside the defined reporting period, i.e., 1st April 2021 to 31st March 2022;
- Closure on financial and operational performance, and loan disbursements.

Observations

While the sustainability disclosures of the Company are fairly reliable, the Company has an opportunity to augment
the robustness of its data management systems, especially standardization of data collection protocols and
enhancement of data governance and review mechanisms, to further enhance the accuracy of reporting. The system
should appropriately cover the KPIs linked to material topics.

Nothing has come to our attention that would lead us to believe that the Report is not aligned with the
requirements of GRI Standards: Core Option.

Conclusions

Based on the scope of our review, our conclusions are outlined below:

- **Inclusiveness:**
We are not aware of any matter that would lead us to conclude that the Company has not applied the principle of inclusivity in engaging with key stakeholder groups. The company transparently disclosed its stakeholder engagement approach and activities in the Report.
- **Materiality:**
We noted that the Company has listed the material topics in the Report. Nothing has come to our attention that causes us to believe that any material topic has been excluded from the Report of the Company.
- **Responsiveness:**
We are not aware of any matter that would lead us to believe that the Company has not applied the responsiveness principle for dealing with stakeholders (such as customers and local communities) on material topics covering its sustainability performance.
- **Impact:**
Nothing has come to our attention that causes us not to believe that the data has been presented fairly, in material respects, in accordance with GRI Standards: Core Option and the Company's reporting principles and criteria.

Independence and competencies

BDO India LLP is a professional services firm providing services in Advisory, Assurance, Tax and Business Services, to both domestic and international organisations across industry sectors. Our non-financial assurance practitioners for this engagement are drawn from a dedicated sustainability and ESG Team in the organisation. This team comprises of multidisciplinary professionals, with expertise across the domains of sustainability, global sustainability reporting standards and principles, and related assurance standards. This team has extensive experience in conducting independent assurance of sustainability data, systems and processes across sectors and geographies. As an assurance provider, BDO India LLP is required to comply with the independence requirements set out in International Federation of Accountants (IFAC) Code of Ethics for Professional Accountants. Our independence policies and procedures ensure compliance with the Code.

For BDO India LLP

Dipankar Ghosh, Partner
New Delhi
04 January 2023



AA1000
Licensed Report
000-594/V3-ANL8N



Thank you





QUESTIONS