



Stakeholders Empowerment Services

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ESG EVALUATION MODEL



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SES licenses and uses the SASB
Materiality Map® Disclosure
Topics and SICS in ESG work.



COMMUNITY MEMBER

2023

ESG EVALUATION MODEL

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ESG EVALUATION MODEL

ABOUT ESG MODEL

EVALUATION FRAMEWORK

The ESG Model has been designed to evaluate objectively Company’s disclosure and performance on ESG front. Any evaluation which aims to bring differentiation and separate aspiration to do better from run of the mill compliances alone, must necessarily have benchmarks beyond legal compliance parameters. As a result, evaluation parameters in SES Model under Policy Disclosures and three main factors viz. Environment, Social and Governance are not only based on mandatory legal requirements to be followed by listed Indian Companies, but also incorporate best practices followed around the World and few SES created benchmarks.

For example, disclosures under Environment & Social parameters are evaluated not only based on Business Responsibility & Sustainability Reports, but also on key disclosure requirement of Sustainability Reports and/or Integrated Reports (GRI/ IIRC), TCFD, etc. Similarly, for Governance factor, parameters are set as required under the Companies Act, 2013, SEBI (LODR) Regulations, 2015 and other applicable laws as well as the best practices followed around the World (such as ICGN governance principles) along with SES’ own Benchmarks.

Further, as per the recommendations of SEBI appointed ESG Advisory Committee and SEBI Consultation Paper on ESG Disclosures, Ratings and Investing; SES has also incorporated the following key developments in its ESG Evaluation Framework;

- BRSR Core framework (Read for details at [Annexure II](#))
- ESG parameters relevant to Indian Context (Read for details at [Annexure III](#))

ESG MODEL- SCORING & EVALUATION CRITERIA



The Model is designed based on the framework of the **United Nations Principles for Responsible Investing (“PRI”)**. PRI has laid down steps to embed responsible investment into organisational structure and processes.

POLICY	TARGETS	TRAINING	ESG TEAMS AND COMMITTEES	INVESTMENT CONSULTANTS	MONITORING AND REPORTING	REVIEW
The purpose of a policy and its key components	Turning policy commitments into concrete goals	Identifying skills gap and staying abreast of latest developments	Standalone ESG and investment teams versus integrated teams	How to align external help with policy	Monitoring progress towards targets and reporting that information to stakeholders	Evaluating successes and failures

The Model developed by SES has taken into account process outlined by UN PRI.

The model evaluates whether the Company has formulated a policy if yes, whether established targets, provided disclosure on steps and initiatives taken to meet the targets, are the initiatives restricted to the Company or includes in the scope Company’s subsidiaries, suppliers’ associates. Further, the model also objectively evaluates the performance of the Company across the initiatives taken and if Company has succeeded in the initiatives to meet the targets as also measures.

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The model has also considered many other voluntary disclosure frameworks, guidelines such as Global Reporting Initiative (“GRI”), International Integrated Reporting Council – IR Framework (“IIRC”), Task Force on Climate-Related Financial Disclosures (“TCFD”), UN Sustainable Development Goals (“SDG”), Sustainability Accounting Standards Board (“SASB”)¹, UN Global Compact etc., and included some of the disclosure/ performance parameters.

REPORTING FRAMEWORKS

ESG factors having become key areas of interest for investors, framework and guidelines for disclosure and assessment of key ESG factors have assumed critical importance. Investors are incorporating ESG parameters for evaluating their portfolios, look for metrics to assess ESG performance of their investee companies and all potential investee companies. A standardised set of guidelines which could help corporations in their assessment of ESG is a perfect answer to understand disclosure and performance of companies on most ESG parameters, most of which are directly non-financial in nature. (Read More at [Annexure IV](#))

ESG SCORING

SES ESG Model is divided into four sections Policy Disclosures, Environment, Social & Governance.



POLICY DISCLOSURES



ENVIRONMENT

- ❖ General Disclosures
- ❖ Product / Services disclosures
- ❖ Energy Consumption
- ❖ Renewable Energy
- ❖ Air Emissions
- ❖ Water Consumption
- ❖ Effluents Management
- ❖ Waste Management
- ❖ Environmental Incidents



SOCIAL

- ❖ Workforce Diversity & Management
- ❖ Health & Safety
- ❖ CSR
- ❖ Community Engagement
- ❖ Product / Service Quality
- ❖ Customer Orientation
- ❖ Cyber Security
- ❖ Customer Privacy



GOVERNANCE

- ❖ Board Composition
- ❖ Board Committees
- ❖ Director’s Remuneration
- ❖ Statutory Auditors
- ❖ Audit & Financial Reporting
- ❖ Stakeholders Engagement, Ownership & Control
- ❖ Ethics, Bribery & Other Governance Factors

Further details at [Annexure I](#)

EVALUATION FRAMEWORKS:

- **National Voluntary Guidelines, Business Responsibility & Sustainability Reports, Business Responsibility Report, Legal requirements relating to Environment & Social, Companies Act, 2013, various Regulations / legal requirements of SEBI and relevant other applicable legal requirements or voluntary frameworks.**
- **United Nations Principles for Responsible Investing; Global Reporting Initiative – GRI Standards; IFRS / ISSB [Value Reporting Foundation: International Integrated Reporting Council – IR Frameworks & SASB Standards]; Sustainable Development Goals; Task Force on Climate-Related Financial Disclosures; UNGC Principles, International Organization for Standardization and relevant frameworks.**

Policy Disclosures: A question is asked quite often to SES, why Policy Disclosures is a separate parameter for evaluation? Firstly, Policy has been included as separate section as policy is the seed which eventually results into full-fledged fruit bearing tree and acts as catalyst. Policy is a first step towards achieving desired level of ESG foot print. Policy section analyses BRR/ BRSR disclosures and other policy disclosures provided and reporting framework adopted by the Company,

¹ **SASB:** The ISSB has committed to building on the industry-based SASB Standards and embedding SASB’s industry-based approach to standards development.



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relating to ESG factors. Secondly, a separate score for policy reveals that policy making is easiest and is a low hanging fruit, however following policy and achieving good scores on all the three ESG factors is a very different game. This is corroborated from generally near perfect score by all under policy section but low scores across ESG factors.

Lastly a separate score somehow, set an agenda for achieving a better score all across.

This section of analysis will be removed effective 2024-25 as by that time policy disclosures must get translated to action.

ESG - WHAT IS BEING SCORED?

SES Model scores policy disclosures, targets set, adequacy of disclosure, initiatives taken and performance for three factors viz. E S & G, through 500+ well researched questions, these questions are aimed to get binary answers based on disclosures made by a company. These binary answers are used to give section wise numerical score and then finally giving the company a grading. In order for model to work and reflect true picture, absolute precondition is that the relevant **information or data** on key ESG factors is disclosed properly.

SES ESG Score (“ESG Score”) does not only look into disclosures practices of the Company but also takes into account factual position and future targets (based on disclosures) of the Company on ESG factors. The Model also evaluates the **performance** of the Company for given policy or target over a period of time.

For instance: under Health & Safety Policy, not only existence of policy is examined but also whether the Company follows Health & Safety Policy, any standards applied for Health & Safety, number of fatalities / injuries Y-o-Y, steps taken to reduce such fatalities / injuries etc.

Overall, **ESG Score** is an outcome of the analysis of the Company’s disclosure practices, policies, present/ actual position and future prospects of the Company. Further, the Model also provides positive scores based on implementation of sustainable practices and meeting the parameters of performance evaluation.

SECTION WEIGHTAGE – ONE SIZE DOES NOT FIT ALL IS WHAT SES BELIEVES.

Industry Differentiator

A common question is how can you have same parameter for evaluating a mining company and a service company or a consumer product company?

Conscious of the fact that one size does not fit all, SES has taken care to ensure that proper rationale and logic is applied while assigning weightage between three factors E, S & G in an objective manner. The weightage of Environment, Social and Governance factors in Model vary based on industry classification. While arriving at the weightage of each of the heads and sub-heads within three factors, SES has taken into account the weightage of each of the sub-heads considered in the **‘Standards set by the Sustainable Accounting Standards Board’** and **‘SASB Materiality Map’** (SASB) are considered.

Based on **SASB Standards** and **SASB Materiality Map**, SES has determined the weightages, which varies from the industry to industry based on materiality of issues to the relevant industry.

It may be noted that:

“SES licenses and uses the SASB Materiality Map® Disclosure Topics and SICS in ESG Work”

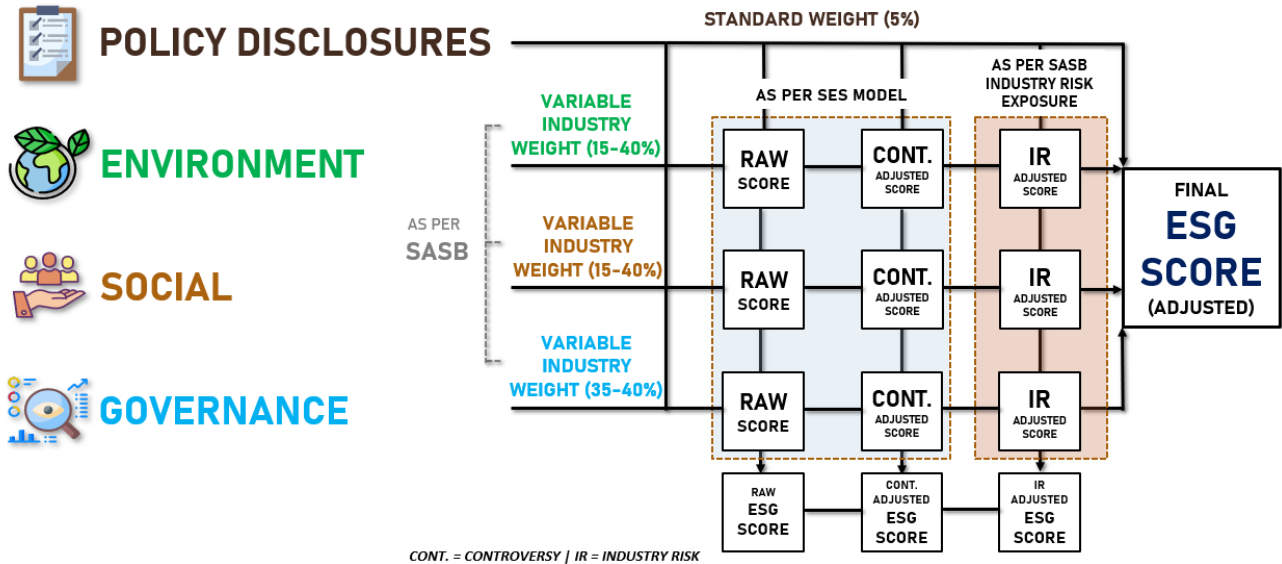


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Division into 4 sections:

The overall ESG score is arrived based on weightage assigned to each of three factors E, S&G [excluding Policy Disclosures (which is standard at 5% for all industries)], depending on the Industry to which assessed company belongs.

Generally, the weightage of each industry changes based on material issue. For instance, a Chemical Industry has higher environment weightage as compared to a pure service company.



Raw Scores - The first section of the Model analyses Company’s Policy Disclosure, which forms the base for its scoring Model.

Under E, S & G heads, set parameters or indicators which reflect the Company’s performance towards their ESG factors are evaluated. Under each parameter, various sub-parameters are analysed and scored. The weightage of each sub-parameter also varies based on the type of industry and is based on the materiality of each sub-parameter for that type of industry, based on the SASB Materiality Map for that industry. Materiality of each parameters is either High, Medium or Low based on SASB materiality map within the ESG Model. The weightage within the same industry group is fixed and applied uniformly to all companies in same industry. **No individual company wise weightage adjustment is done.**

For instance, a Chemical Industry has higher environment weightage as compared to a pure service company. For companies operating in a particular industry, following are the range of weightages:

POLICY DISCLOSURES	ENVIRONMENT	SOCIAL	GOVERNANCE
5%	15-40%	15-40%	35-45%
Standard	Varies from Industry to Industry		

The weightage of each question in the model is assigned based on the assumption that all the questions under each sub-category are applicable to the company being evaluated. If any question is not applicable for a particular industry/company, the weightages of such questions are automatically redistributed on the remaining applicable questions. Each ESG parameter is analyzed not only based on the mandatory legal requirements but also based on the best practices followed around the globe.

Disclosures made by companies are evaluated for their adequacy of information. Higher score is awarded for disclosures which are informative, meaningful and considered adequate and serve the objective behind disclosure. Thus, model is designed to value “disclosure in spirit” higher compared to “disclosure in letter”. The Model evaluates the quality of

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disclosure practices and quantifies them in the form of sectional / sub-sectional scores, which are collectively viewed by applying appropriate weights.

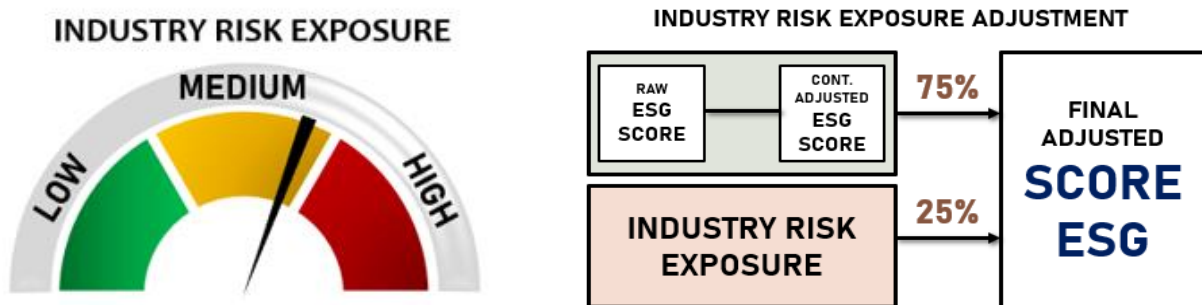
Each question has a highest absolute score of 5 and lowest of 0 (or highest score of 100 and lowest of 0). SES has set criteria and information disclosed is mapped against the criteria. Verified information forms the basis of score for each of the question.

The raw ESG score is a culmination of section wise scores obtained by the company on policy disclosures, Environment, Social and Governance score based on weightage of each of these sections. The ESG score objectively depicts the company’s awareness of ESG issues, steps and initiatives taken by the Company to imbibe sustainable and good governance practices and lastly the effectiveness in incorporating these practices.

Controversy Exposure: SES as a policy adjusts scores (negative adjustment up to 25% based on severity) of a factor whenever there is an extra-ordinary issue / concern, which is highly subjective, and cannot be covered under model evaluation i.e. raw scores. For instance, cases such material irregularities / negative controversy(ies) / regulatory action etc.

Note: Users may accept or ignore or reduce/increase the controversy adjustment score

Industry Risk Exposure: To determine the risk exposure of an Industry, SES has referred to SASB Materiality Map or Materiality Finder. Based on the issue, materiality information and inputs, SES through its methodology has arrived at E&S Risk Exposure Score of a particular Industry. Based on the E&S Risk Exposure score, the ESG Score of the Company will be accordingly adjusted in the following manner. G factor is taken as agnostic to industry/ sector classification.



Overall ESG Score (Final Adjusted ESG Score) / Combined ESG Score: Score depicts final adjusted ESG Score of the Company (based on analysis on parameters under Policy Disclosures, Environment, Social and Governance) with all adjustments.

Overall ESG Grade: Overall ESG score is given in Numeric form out of 100 as also converted to “Alpha Grades”.

In Addition to the above, following additional Statutory Scores will also be given:

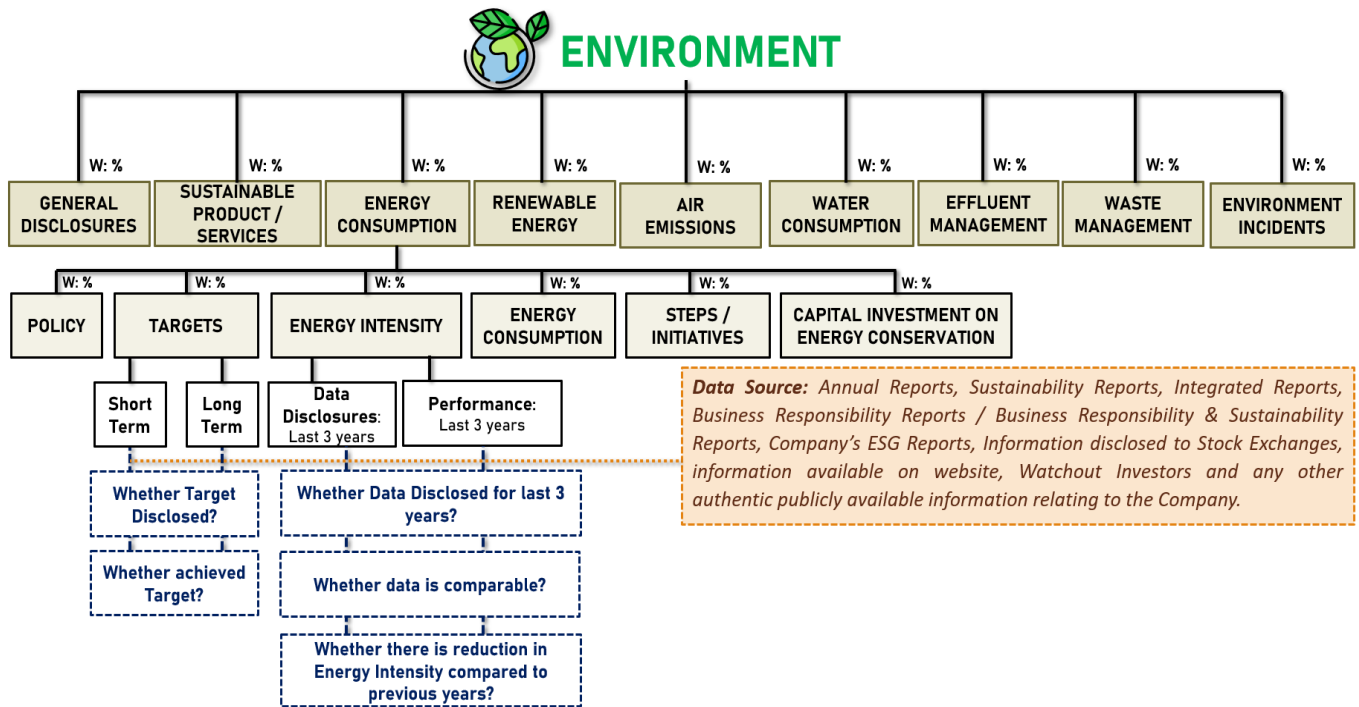
Core ESG Score: It analyses the parameters as identified / will be identified by the SEBI as part of CORE ESG Framework.

Parivartan Score: It analyses the quantitative parameters and reflects the incremental changes that the company has made in its transition story.

ESG	FOOTPRINT →	HIGH		MEDIUM			LOW		
	SCORE →	90-100	80-90	70-80	60-70	50-60	40-50	20-40	0-20
	RISK →	LOW		MEDIUM			HIGH		
ESG GRADE		A+	A	B+	B	B-	C+	C	D

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EXAMPLE: FLOWCHART FOR ARRIVING AT ENVIRONMENT SCORE



- The above example showcases salient parameters of Energy Consumption.
- Based on different Sectors / Industries, the weightage of a particular company is changed considering the level of ESG impact on that company being a particular Sector / Industry (E.g. Manufacturing Companies may have High weightage for E, whereas in case of finance companies, the same will be low)
- The category score is given based on various questions and parameters forming part of that category, in the scale of 0-100%.
- Weighted Score is calculated based on the weight given to each category [For Example: Category Score is 75, Weight is 20% then Weighted Score would be 15 (i.e. 75*20%)]
- The sum of each Weighted Score represents the total score of that section / factors (viz. Policy Disclosures / Environmental Factors / Social Factors / Governance Factors) [For Example: Weighted Score 1 = 15, Weighted Score 2 = 20 and Weighted Score 3 = 30, then total score for that Section / Factor would be 65]
- In case of any negative controversies, 25% shall be deducted.

EVALUATION MODEL - DYNAMIC

With various changes in Regulatory and Voluntary requirements in ESG space, SES has always considered the developments and incorporated them into the Model, i.e. SES Model is not static, rather it evolves and incorporate important & relevant developments from time to time. Therefore, when evaluation is done on modified or added parameters along with existing parameters, the scores of the Company may vary compared to previous year. For e.g. the score of a Company may get reduced due to non-meeting the added parameter.

However, with introduction of BRSR and various other ESG related developments & recommended, SES expects that in next couple of years, ESG disclosures may settle down. Meanwhile, at present, with frequent changes in ESG space, SES has no choice but to adopt the developments so as to do meaningful evaluation & analysis. SES believes that evaluation cannot be done and if done will not be relevant/ useful if carried out on the basis of historical model. Since any change in model is agnostic to any company in particular, its impact is uniform across all companies.

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INFORMATION SOURCE

SES uses only public data (soon to be mandated by SEBI) using following sources of information: Annual Reports, Sustainability / Integrated / ESG Reports, Business Responsibility & Sustainability Reports, Business Responsibility Reports, information disclosed to stock exchanges, information available on website of the Companies, Watchout investors, Capitaline database and any other authentic publicly available information relating to the Companies.

The scores are worked out only on the basis of published information available in public domain and no forensic work has been done. As a result, any information which has not been disclosed in the public domain has not been taken into consideration. As SES believes that disclosure must be adequate and in public domain, therefore as a matter of principle and to maintain absolute independence and fairness to all company's SES extracts information available in public domain only and no interaction is done with the companies.

LIMITATIONS OF THE MODEL

SES ESG Model has been developed with utmost care, objectivity and diligence. Our intention is to bring to focus the importance of good ESG practices. SES understands that stakeholders take decisions based on multiple factors, ESG being an important factor. SES ESG scores alone cannot be used for decision to invest and are to be used as a supplement / an additional tool to help stakeholders to make a considered and holistic view about the company. SES ESG scores in isolation cannot be a predictor of company's future performance.

The scores are calculated from publicly available data and are dependent on information made available by company and taken as true in good faith. For instance – BRSR / BRR, Sustainability Reports, reports by Auditors, certificate of compliance of mandatory requirements and directors' statements and information as disclosed in Annual Reports is used as it is at its face value without any further cross verification for the scoring purpose. Independent analysts like SES do not know the internal happenings of a company, nor do we have an inside view of the company's practices. It may be possible that while on paper based on available information everything might appear to be in order but in reality, there could be concerns plaguing the company or vice versa. It is beyond scope of our work, nor we possess such expertise to cross verify the public documents and / or visit the company to check its internal controls, checks and practices. Users may take a note of same and read our scores accordingly.

As disclosures are not standardized yet (which hopefully may not be a case once BRSR regime gets stabilized), there is a distinct possibility that a particular company may have done better, yet due to lack of a mandated format and mandatory requirements, its disclosures may fall short, resulting in a score which may not reflect true position. While these scores are indicative, however one score alone cannot be used to draw any definite conclusion whether a company is good or bad. However, SES is confident that in coming years with mandate of BRSR, disclosure will improve reflecting true picture. A near static ESG Scores year on year for any company/ industry or entire sample would indicate lack of concern/ focus for ESG, unless the score is already at top. SES ESG scores should only be seen as current assessment and indicator of the potential for improvement rather than a standalone assessment of the company.



ANNEXURE I – EVALUATION PARAMETERS

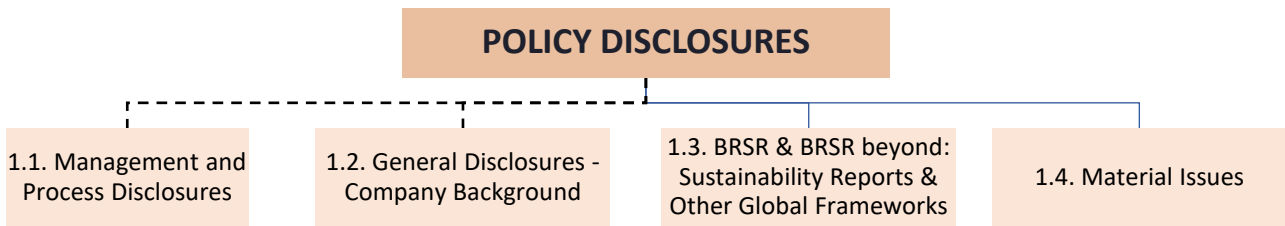
ESG MODEL: EVALUATION & ASSESSMENT FACTORS



POLICY DISCLOSURES

About: This section analyses Company's disclosures in Business Responsibility which comprises of 9 principles and other general ESG practices.

Note: This section of analysis will be removed effective 2024-25 as by that time policy disclosures must get translated to action.



✿ 1.1. MANAGEMENT AND PROCESS DISCLOSURES

Assessment Factors: Section B of BRSR aims at helping businesses demonstrate the structures, policies and processes put in place towards adopting the NGRBC Principles and Core Elements. Accordingly, entities are analysed based on their disclosures and practices.

Principles:

- P1 - Businesses should conduct and govern themselves with Ethics, Transparency and Accountability.*
- P2 - Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.*
- P3 - Businesses should promote the well-being of all employees.*
- P4 - Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.*
- P5 - Businesses should respect and promote human rights.*
- P6 - Business should respect, protect, and make efforts to restore the environment.*
- P7 - Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.*
- P8 - Businesses should support inclusive growth and equitable development.*
- P9 - Businesses should engage with and provide value to their customers and consumers in a responsible manner.*

- **Questions:** Following questions / parameters are analysed:

- Q1. a.** Whether your entity's policy/policies cover each principle and its core elements of the NGRBCs. (Yes/No)
- Q1. b.** Has the policy been approved by the Board? (Yes/No)
- Q1. c.** Web Link of the Policies, if available
- Q2.** Whether the entity has translated the policy into procedures. (Yes / No)
- Q3.** Do the enlisted policies extend to your value chain partners? (Yes/No)
- Q4.** Name of the national and international codes/certifications/labels/ standards (e.g. Forest Stewardship Council, Fairtrade, Rainforest Alliance, Trustea) standards (e.g. SA 8000, OHSAS, ISO, BIS) adopted by your entity and mapped to each principle."
- Q5.** Specific commitments, goals and targets set by the entity with defined timelines, if any.
- Q6.** Performance of the entity against the specific commitments, goals and targets along-with reasons in case the same are not met.



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Q7. Statement by director responsible for the business responsibility report, highlighting ESG related challenges, targets and achievements (listed entity has flexibility regarding the placement of this disclosure)

Q8. Details of the highest authority responsible for implementation and oversight of the Business Responsibility policy (ies).

Q9. Does the entity have a specified Committee of the Board/ Director responsible for decision making on sustainability related issues? (Yes / No). If yes, provide details.

Q10. a1. Performance against above policies and follow up action: Indicate whether review was undertaken by Director / Committee of the Board/ Any other Committee

Q10. a2. Performance against above policies and follow up action: Frequency Disclosed

Q10. b1. Compliance with statutory requirements of relevance to the principles, and, rectification of any non-compliances : Indicate whether review was undertaken by Director / Committee of the Board/ Any other Committee

Q10. b2. Compliance with statutory requirements of relevance to the principles, and, rectification of any non-compliances : Frequency Disclosed

Q11. Has the entity carried out independent assessment/ evaluation of the working of its policies by an external agency? (Yes/No). If yes, provide name of the agency.

- **Reasons for negative response:** In case where the Company does not have policy, has the Company provided reason(s) for the same?

R1: The entity does not consider the Principles material to its business (Yes/No)

R2: The entity is not at a stage where it is in a position to formulate and implement the policies on specified principles (Yes/No)

R3: The entity does not have the financial or/human and technical resources available for the task (Yes/No)

R4: It is planned to be done in the next financial year (Yes/No)

R5: Any other reason (please specify)

✿ 1.2. GENERAL DISCLOSURES – COMPANY BACKGROUND

Assessment Factors: BRSR requires companies to disclose certain information about company operations.

- Products / Services details
- BRSR Reporting (Standalone v. Consolidated)
- Company operations
- Locations / Market served

✿ 1.3. SUSTAINABILITY REPORTS & OTHER GLOBAL FRAMEWORKS

Assessment Factors: Company's reporting practices is analysed in this category

- BRSR Reporting
- External Assurance
- GRI
- IIRC
- TCFD
- SDGs
- Others (UNGC, CDP etc)

✿ 1.4. MATERIAL ISSUES

Assessment Factors: BRSR requires companies to indicate material responsible business conduct and sustainability issues pertaining to environmental and social matters that present a risk or an opportunity. Accordingly, company's disclosures practices are analysed.

Following questions / parameters are analysed separately for each Environmental & Social Pillar:

- Whether material issues identified?
- Whether indicated risk or opportunity?
- Whether provided rationale for identifying the risk / opportunity?
- In case of risk, whether disclosed approach to adapt or mitigate such risk?
- Whether disclosed Financial implications of the risk or opportunity?

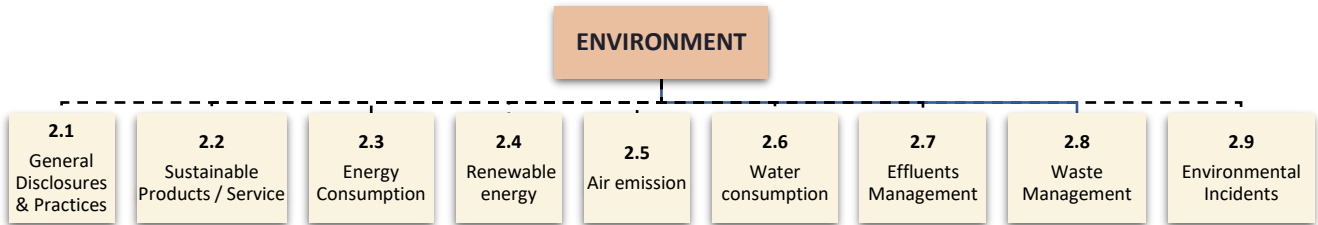


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ENVIRONMENT

About: SES analyses Company's disclosure regarding impact of operations on the environment and steps being taken by the Company to mitigate its effect on the environment. Additionally, it also analyses, whether the Company managed to reduce its impact on environment and was meeting the targets set.



2.1. GENERAL DISCLOSURES & PRACTICES

Assessment Factors: Company's general disclosures and practices relating environment are analysed;

- PAT Scheme
- Green or environmentally friendly offices or buildings
- Board-level oversight of climate-related issues
- Environment Impact Assessments of the projects
- Ecologically Sensitive Area / Bio-Diversity
- GHG Emissions projects
- Waste Management Strategies
- Business Continuity / Disaster Management Plan
- Environment related certifications
- Environment Policies / Climate Change policies

2.2. SUSTAINABLE PRODUCT OR SERVICES

Assessment Factors: Company's disclosures and practices relating to products or services impacting environment due to;

- Sustainable Sourcing / Resource Efficiency
- Product packaging
- Product life cycle assessment (LCA)
- EPR
- Value Chain

2.3. ENERGY CONSUMPTION

Assessment Factors: Company's disclosures & practices related to energy consumption;

- Targets set and its achievements
- Disclosure of data on total energy consumption / energy intensity (*Turnover and Volume*)
- Reduction in total energy consumption / energy intensity
- Steps taken to conserve energy or reduce energy consumption
- Investment on energy conservation equipment

2.4. RENEWABLE ENERGY

Assessment Factors: Company's disclosures & practices on usage of renewable energy in its total energy mix;

- Targets set and its achievements
- Renewable energy usage data – Absolute and % share in Energy Mix
- Steps or initiatives for increasing renewable energy usage

2.5. AIR EMISSIONS

Assessment Factors: Company's disclosures & practices on Air / GHG emissions;

- Targets set and its achievements
- Disclosure of data on total GHG/ Carbon emissions or GHG/ Carbon intensity
- Carbon Neutral or Net Zero Emissions.
- Disclosure of data on other emissions such as PM, Sox, VOC etc
- Steps or initiatives taken to reduce GHG / Carbon emissions



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2.6. WATER CONSUMPTION

Assessment Factors: Company's disclosures & practices on water usage or consumption;

- Targets set and its achievements
- Disclosure of data on total water consumption / water intensity
- Water Management in Water Stress areas or regions
- Water Neutrality / Water Positive
- Steps or initiatives taken to reduce / recycle / re-use water

2.7. EFFLUENTS WASTE MANAGEMENT

Assessment Factors: Company's disclosures & practices on effluents generation & its management;

- Targets set and its achievements
- Disclosure of data on total effluents / effluents intensity
- Steps or initiatives taken to reduce / recycle / re-use waste water
- Zero Liquid Discharge

2.8. WASTE MANAGEMENT

Assessment Factors: Company's disclosures & practices on Waste generation & its management;

- Targets set and its achievements
- Types of waste: Waste (Hazardous / Non-Hazardous / E-Waste / Battery Waste / Plastic Waste etc.)
- Status of Plastic Positive / Zero Waste
- Disclosures on mode of waste disposal viz. waste to landfill, incineration etc
- Steps or initiatives taken to reduce / recycle / re-use

2.9. ENVIRONMENTAL COMPLIANCE & CONTROVERSIES & INCIDENTS

Assessment Factors:

- Compliance with environmental laws
- Environmental incidents which may pose a risk for the Company or its reputation.
- Controversies

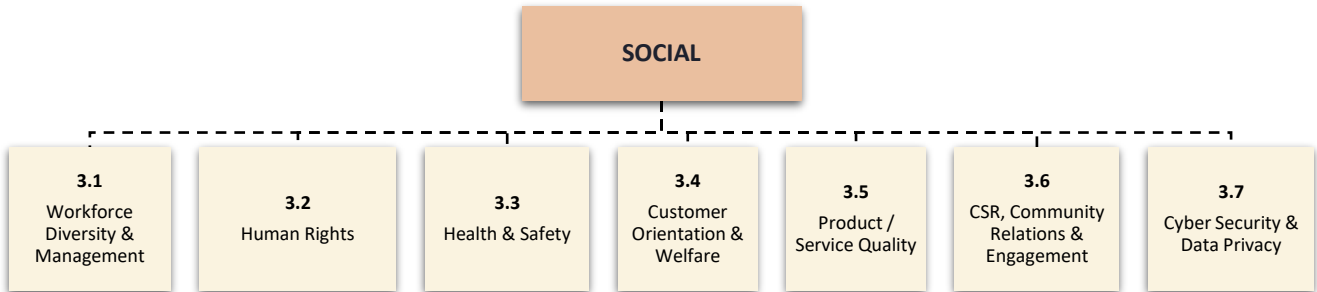


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SOCIAL

About: Scores obtained by sample companies on S factor have been analysed under this head, mainly covering Company’s disclosure regarding its relationship with its human capital and relationship with its stakeholders. Analysis included evaluation of practices and policies adopted by the Company for fair and equitable treatment of all stakeholders.



3.1 WORKFORCE DIVERISTY & MANAGEMENT

Assessment Factors: Disclosure on workforce and various workforce related practices;

- Workforce details
- Employees with Disability
- Parental Leave: Return to Work / Retention
- Workforce Development & Training
- Workforce Grievance Mechanism
- Gender Diversity
- Workforce Turnover Rate
- Retirement Benefits
- Equal Opportunity
- Strikes or wage disputes

3.2. HUMAN RIGHTS

Assessment Factors: Disclosure on Human Rights and related practices;

- Training on Human Rights
- Median Remuneration & Gender Pay Gap
- Child Labour / Discriminatory Employment
- Committee for Human Rights
- Value Chain Assessment – Human Rights
- Payment of Minimum Wages
- Anti-Sexual Harassment Practices & Complaints
- Wages related complaint
- Human Rights grievances mechanism
- Actions on Human Rights issues

3.3. HEALTH & SAFETY

Assessment Factors: Disclosure & practices on Health & Safety of the Company;

- Health & Safety practices
- Training on Health & Safety
- Complaints: Working Conditions
- Wellbeing of Workforce (Insurance, Maternity leave etc)
- Safety Records
- Other Disclosures & Practices

3.4. CUSTOMER ORIENTATION & WELFARE

Assessment Factors:

- Mechanism to receive and respond to consumer complaints and feedback
- Steps taken to educate / inform customers about products / services
- Channels / platforms where information on products and services of the entity can be accessed
- Mechanisms in place to inform consumers of any risk of disruption/discontinuation of essential services.
- Customer related surveys
- Complaints: Advertising; Delivery of Essential Services; Restrictive Trade Practices; Unfair Trade Practices

3.5. PRODUCT / SERVICE QUALITY

Assessment Factors:

- Product / Service Quality, Safety and any product / service related incidents



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- Instances of Product Recall: Forced or Voluntary
- Instances of Product Ban

3.6. CSR, COMMUNITY RELATIONS & ENGAGEMENT

Assessment Factors:

- Mechanisms to receive and redress grievances of the community
- Company's Corporate Social Responsibility (CSR) spending
- Disclosures relating to initiatives taken by the Company to improve communities
- Social Impact Assessments (SIA) of projects
- Rehabilitation and Resettlement (R&R)
- Political donations
- Financial Inclusion (for Banks)

3.7. CYBER SECURITY & DATA PRIVACY

Assessment Factors:

- Cyber / Data security practices of the Company
- Policy on Cyber Security
- Risk Management function on Cyber Security
- Instances of data breaches
- Data breaches involving personally identifiable information of customers
- Steps taken to ensure safe security system (IT security, firewalls, initiatives etc)
- Complaints: Data Security / Data Privacy

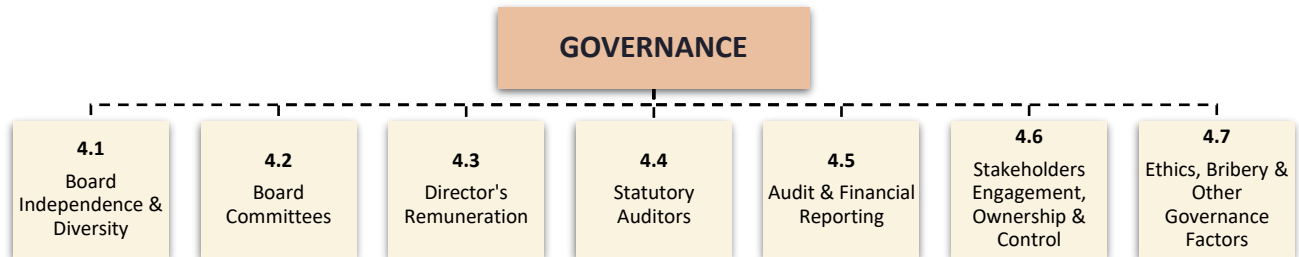


ESG EVALUATION MODEL



GOVERNANCE

About: Scores obtained by sample companies on G factor have been analysed under this head, mainly covering Company's Board related practices such as Board Composition, remuneration, committee composition and performance. Further, section also analyses Statutory Auditors, Audits, Financial Reporting and Stakeholder Engagement functions.



4.1 BOARD INDEPENDENCE & DIVERSITY

Assessment Factors: Companies Board structure including;

- Board Expertise
- Association and Independence of Directors
- Combination of Independent & Non-Independent Directors
- Woman Director(s)
- Board Diversity – Gender, Expertise
- Attendance & Time Commitments
- Age profile of directors

4.2. BOARD COMMITTEES

Assessment Factors:

- Composition of various committees: Audit, Nomination and Remuneration, Stakeholders Relationship, Corporate Social Responsibility (“CSR”) and Risk Management
- Director’s attendance in those committee meetings

4.3. DIRECTOR’S REMUNERATION

Assessment Factors: Remuneration comparison with respect to;

- Total Board Remuneration & Practice
- Promoter and Non-Promoter
- Sustainability related payments
- Board Evaluation
- Executive & Non-Executive Directors
- Independent Directors
- Clawback & Malus

4.4. STATUTORY AUDITORS

Assessment Factors: Disclosure & practices on;

- Appointment of Statutory Auditor
- Exit of Auditors
- Association of Audit Partner
- Fees of Auditors
- Regulatory Action on Statutory Auditors

4.5. AUDIT & FINANCIAL REPORTING

Assessment Factors:

- Audit qualifications
- Contingent Liabilities
- Related party transactions
- Fraud Reporting
- CARO Disclosures & Analyses
- Other financial parameters

4.6. STAKEHOLDERS ENGAGEMENT, OWNERSHIP & CONTROL

Assessment Factors: Companies’ stakeholder’s engagement practices including;

- Shareholder Complaints & Communications
- Voting in Shareholder Meetings
- Regulatory Actions relating to Capital Markets
- Pledging of shares
- Dividend Distribution Policy



ESG EVALUATION MODEL

4.7. ETHICS, BRIBERY & OTHER GOVERNANCE FACTORS

Assessment Factors: Disclosures & practices on;

- Code of Conduct
- Whistle Blower / Vigil Mechanism
- Conflict of Interest
- Insider Trading
- Ethics, Anti-Bribery or Anti-Corruption practices
- ESOPs / Issues of Securities



ESG EVALUATION MODEL

ANNEXURE II – CORE ESG PARAMETERS

SEBI CONSULTATION PAPER ON ESG DISCLOSURES, RATINGS AND INVESTING

SEBI in its consultation paper has mentioned that in order to achieve the twin objectives of improving credibility and limiting the cost of compliance, BRSR Core has been developed for reasonable assurance which consists of select Key Performance Indicators (KPIs) under each E, S and G attributes / areas that needs to be reasonably assured. The BRSR Core framework also specifies the methodology to facilitate reporting by corporates and verification of the reported data by an assurance provider.

Refer weblink for SES Comments on SEBI Consultation Paper ([Weblink](#))

The following are the identified core parameters:

SR.	ATTRIBUTE	PARAMETERS	MEASUREMENT	SES COVERAGE SECTION
1	Change in GHG footprint	Total Scope 1 emissions	Mn MT / KT / MT	2.5.3.
2	Change in GHG footprint	Total Scope 2 emissions	Mn MT / KT / MT	2.5.3.
3	Change in GHG footprint	GHG Emission Intensity (Scope 1 + 2)	Total Scope 1 and Scope 2 emissions (MT) / Total Revenue from Operations adjusted for PPP	2.5.4. ^[3]
4	Change in GHG footprint	GHG Emission Intensity (Scope 1 + 2)	Total Scope 1 and Scope 2 emissions (MT) / Total Output of Product or Services	2.5.4.
5	Change in GHG footprint	GHG Emission Intensity (Scope 1 + 2)	Total Scope 1 and Scope 2 emissions (MT) / Revenue from Operations (Rs. Cr) / Unit (Adjusted for Price Volume Parity)	^[3]
6	Change in water footprint	Water consumption from (i) Surface water	Mn Lt / KL	2.6.3.
7	Change in water footprint	Water consumption from (ii) Groundwater	Mn Lt / KL	2.6.3.
8	Change in water footprint	Water consumption from (iii) Third party water	Mn Lt / KL	2.6.3.
9	Change in water footprint	Water consumption from (iv) Seawater / desalinated water	Mn Lt / KL	2.6.3.
10	Change in water footprint	Water consumption from (v) Others	Mn Lt / KL	2.6.3.
11	Change in water footprint	Total volume of water consumption	Mn Lt / KL	2.6.3.
12	Change in water footprint	Water consumption intensity	Mn Lt or KL / Rupee adjusted for PPP	2.6.4. ^[3]
13	Change in water footprint	Water consumption intensity	Mn Lt or KL / Product or Service	2.6.4.
14	Change in water footprint	Water consumption intensity	Water Consumption / Revenue / Unit of Product or Services	2.6.4. ^[3]
15	Change in water footprint	Water Discharge by levels of Treatment	Mn Lt or KL	2.7.3.
16	Change in water footprint	Water Discharge by levels of Treatment	Mn Lt or KL / Rupee adjusted for PPP	2.7.4. ^[3]
17	Change in water footprint	Water Discharge by levels of Treatment	Mn Lt or KL / Product or Service	2.7.4.
18	Investing in reducing its environmental footprint	R&D and capital expenditure (capex) investments in specific technologies to improve the environmental and social impacts of product and processes	R&D for Env & Social Impact / Total R&D (%)	2.2.1.
19	Investing in reducing its environmental footprint		Capex for Env & Social Impact / Capex Investment (%)	2.2.1.
20	Embracing circularity - details related to waste management by the entity	Plastic waste (A)	Kg / MT	2.8.3.
21	"	E-waste (B)	Kg / MT	2.8.3.
22	"	Bio-medical waste (C)	Kg / MT	2.8.3.
23	"	Construction and demolition waste (D)	Kg / MT	2.8.3.
24	"	Battery waste (E)	Kg / MT	2.8.3.
25	"	Radioactive waste (F)	Kg / MT	2.8.3.
26	"	Other Hazardous waste (G)	Kg / MT	2.8.3.
27	"	Other Non-hazardous waste generated (H)	Kg / MT	2.8.3.
28	"	Total waste generated	Kg / MT	2.8.3.
29	"	Waste intensity	Kg or MT / Rupee adjusted for PPP	2.8.4. ^[3]
30	"	Waste intensity	Kg or MT / Unit of Product or Service	2.8.4.



ESG EVALUATION MODEL

SR.	ATTRIBUTE	PARAMETERS	MEASUREMENT	SES COVERAGE SECTION
31	“	Each category of waste generated, total waste recovered through recycling, re-using or other recovery operations	Kg or MT	2.8.4.
32	“		Intensity: Kg of Waste Recycled Recovered /Total Waste generated	2.8.4.
33	“	For each category of waste generated, total waste disposed by nature of disposal method	Kg or MT	2.8.4.
34	“		Intensity: Kg of Waste Recycled Recovered /Total Waste generated	2.8.4.
35	Enhancing Employee Wellbeing and Safety	Spending on measure towards well-being of employees and workers – cost incurred as a % of total revenue of the Company	In % terms	3.1.8.
36	Enhancing Employee Wellbeing and Safety	Details of safety related incidents for employees and workers	Number of Permanent Disabilities	3.3.4.
37	Enhancing Employee Wellbeing and Safety	Details of safety related incidents for employees and workers	Lost Time Injury Frequency Rate (LTIFR) (per one million-person hours worked)	3.3.4.
38	Enhancing Employee Wellbeing and Safety	Details of safety related incidents for employees and workers	No. of fatalities	3.3.4.
39	Enabling Gender Diversity in Business	Gross wages paid to females as % of wages paid	In % terms compared with female staff %	[1]
40	Enabling Gender Diversity in Business	Complaints on POSH	Total Complaints on Sexual Harassment (POSH) reported	3.2.4.
41	Enabling Gender Diversity in Business	Complaints on POSH	Complaints on POSH as a % of female employees / workers	3.2.4.
42	Enabling Gender Diversity in Business	Complaints on POSH	Complaints on POSH upheld	3.2.4.
43	Enabling Inclusive Development	Input material sourced from following sources as % of total purchases, – Directly sourced from MSMEs/ small producers, and Sourced directly from within the district and neighbouring and / or aspirational districts	In % terms – As % of total purchases by value	3.6.5.
44	Enabling Inclusive Development	Job creation in smaller towns – Wages paid to people employed in smaller towns (permanent or non- permanent /on contract) as % of total wage cost	In % terms – As % of total wage cost	3.6.5.
45	Fairness in Engaging with Customers and Suppliers	% of negative media sentiment	In % terms	3.4.3. [2]
46	Fairness in Engaging with Customers and Suppliers	Number of days of accounts payable	(Accounts payable *365) / Cost of goods/services procured	[3]
47	Open-ness of business	Concentration of purchases & sales done with trading houses, dealers, and related parties Loans and advances & investments with related parties	Purchases from trading houses as % of total purchases	[3]
48	Open-ness of business		Number of trading houses where purchases are made from	[3]
49	Open-ness of business		Purchases from top 10 trading houses as % of total purchases from trading houses	[3]
50	Open-ness of business		Sales to dealers / distributors as % of total sales	[3]
51	Open-ness of business		Number of dealers / distributors to whom sales are made	[3]
52	Open-ness of business		Sales to top 10 dealers / distributors as % of total sales to dealers / distributors	[3]
53	Open-ness of business		Share of RPTs - % of Purchases	4.5.7. [4]
54	Open-ness of business		Share of RPTs - % of Sales	4.5.7. [4]
55	Open-ness of business		Share of RPTs - % of Loans & advances	4.5.7. [4]
56	Open-ness of business		Share of RPTs - % of Investments	4.5.7. [4]



ESG EVALUATION MODEL

[1] At present, there is no disclosures requirement to publish information in public domain. Therefore, until final outcome of SEBI Consultation paper or next FY i.e. 2023-24, SES will not analyse 'Gross wages paid to females as % of wages paid' and will only analyse whether data point on gross wage gender wise have been disclosed as good disclosure practice.

[2] SES covers negative controversies or incident in each category. Accordingly, negative media sentiment is covered under "3.4. Customer Orientation & Welfare"

[3] At present, there is no disclosures requirement to publish information in public domain for few core parameters. Therefore, until final outcome of SEBI Consultation paper or next FY i.e. 2023-24, SES will not score and will only analyse practices as good disclosure practice.

[4] If the company has adequately justified material transactions and no concern is identified on the said RPTs, no negative scoring will be done by SES. However, if there are concerns on RPTs then SES will also analyse on % share of RPTs.



ESG EVALUATION MODEL

ANNEXURE III – ESG PARAMETERS RELEVANT TO INDIAN CONTEXT

SEBI CONSULTATION PAPER ON ESG DISCLOSURES, RATINGS AND INVESTING

The ESG Advisory Committee identified ESG parameters that are relevant to Indian context that may be integrated in at least one of the ESG ratings for an Indian company. The following are the identified parameters:

E/S/G PILLAR	FACTORS	PARAMETERS	SES COVERAGE SECTION
E	Energy	Perform, Achieve and Trade (PAT) - Does the entity have any sites / facilities identified as designated consumers (DCs) under the Performance, Achieve and Trade (PAT) Scheme of the Government of India? (Y/N) If yes, disclose whether targets set under the PAT scheme have been achieved. In case targets have not been achieved, provide the remedial action taken, if any.	2.1.1.
E	Water	Zero Liquid Discharge - Has the entity implemented a mechanism for Zero Liquid Discharge	2.7.2. 2.7.5.
E	Waste Management	Extended Producer Responsibility (EPR) - Extended Producer Responsibility (EPR) is applicable to the entity's activities (Yes / No). If yes, whether the waste collection plan is in line with the Extended Producer Responsibility (EPR) plan submitted to Pollution Control Boards?	2.2.4.
E	Land Use and Biodiversity	Does the company have operations in or around ecologically sensitive areas (such as national parks, wildlife sanctuaries, biosphere reserves, wetlands, biodiversity hotspots, forests, coastal regulation zones etc.)?	2.1.2.
E / S	CSR	Amount spent in CSR as a percentage of regulatory requirement on a look-through basis i.e. where CSR activities are undertaken by trusts / foundations, whether the funds have been actually utilized by these entities	3.6.3.
S	Inclusive development	Job creation in smaller towns	3.6.5.
S	Inclusive development	Sourcing from MSMEs and aspirational districts - Input material sourced from following sources as % of total purchases	3.6.5.
S	Diversity	Disclosure of wages and salary by gender (%)	3.2.3.
S	Diversity	Job creation and availability of infrastructure conducive for differently abled	3.1.3.
G	Compliance	Does the company have a RegTech / Systems solution for monitoring and evidencing compliance	4.5.2.
G	Governance	Percentage of "against" votes amongst non-promoter shareholders on appointment of independent directors	4.1.6.
G	Related Party Transactions	Percentage of "against" votes amongst non-promoter shareholders on RPTs	4.5.7.
G	Royalty	Royalty payments - Is the increase in royalty over the last five years higher than increase in PBT? If yes provide values for last 5 years and the reason for increased royalty.	4.5.7.
G	Related Party Transactions	Share of RPTs (as respective %age) in - <ul style="list-style-type: none"> • Purchases • Sales • Loans & advances' • Investments (except for PSUs) 	4.5.7. [1]

^[1] If the company has adequately justified material transactions and no concern is identified on the said RPTs, no negative scoring will be done by SES. However, if there are concerns on RPTs then SES will also analyse on % share of RPTs.



ANNEXURE IV - REPORTING FRAMEWORKS

INDIA

REPORTING FRAMEWORKS

NATIONAL VOLUNTARY GUIDELINES (“NVG”)

- This was India's first pilot regarding ESG. MCA introduced the NVG Guidelines.
- Companies are required on voluntary basis to adopt the principles of Business Responsibility and Report on their initiatives.

BUSINESS RESPONSIBILITY REPORTING (“BRR”)

- After MCA, SEBI in 2012 mandated top 100 Companies by market capitalisation to Report their initiatives on Business Responsibility in the Annual Report.
- SEBI also provided a specific format in which companies are required to respond to series of questions on Business Responsibility practices.
- This was further extended for top 500 companies. Also, advised on adoption of Integrated Reporting by top 500 companies on voluntary basis.

NATIONAL GUIDELINES ON RESPONSIBLE BUSINESS CONDUCT (“NGRBCS”)

- **March, 2019:** In order to align the NVGs with the emerging global concerns, the Sustainable Development Goals (SDGs), and the United Nations Guiding Principles on Business & Human Rights (UNGPs), the NVGs were revised and released as the National Guidelines on Responsible Business Conduct (NGRBCs).

EXTENSION OF BRR REPORTING TO TOP 1,000 COMPANIES

- **December, 2019:** SEBI extended the mandate to provide BRR to top 1,000 Companies from the financial year 2019-20.

BUSINESS RESPONSIBILITY AND SUSTAINABILITY REPORT (“BRSR”)

- **August, 2020:** In 2018, the Ministry of Corporate Affairs (MCA) had constituted Committee on Business Responsibility Reporting for finalising Business Responsibility Reporting formats for listed and unlisted companies, based on the framework of the NGRBCs. SEBI was also part of this Committee and worked on the report. In August, 2020, post release of Committee Report, SEBI had published consultation paper on the format for Business Responsibility and Sustainability Reporting.
- **May 2021:** SEBI amended SEBI LODR with respect to requirement of publishing BR Report, and replaced it with BRSR Report. It stated that **with effect from the financial year 2022-2023, filing of BRSR shall be mandatory for the top 1000 listed companies (by market capitalization) and shall replace the existing BRR. Filing of BRSR was voluntary for the financial year 2021-22.**
- **2023:** SEBI had released following consultation papers with respect to ESG space:
 - **February, 2023:** Consultation Paper on Regulatory Framework for ESG Rating Providers (ERPs) in Securities Market ([Weblink](#))
 - **February, 2023:** Consultation Paper on ESG Disclosures, Ratings and Investing ([Weblink](#))

ESG EVALUATION MODEL

OVERALL COMPLIANCE FRAMEWORKS

The questions in the model are designed to extract factual position of a company on its ESG performance. The questions are based on the disclosure requirements under various regulatory frameworks. In India, ESG regulatory framework can be broadly categorised into two parts, viz., the Compliance framework and the Reporting framework (as mentioned above).

ENVIRONMENT

Companies, especially manufacturing companies are known to face the most environmental risk and exposure. Following Acts and Regulations relate to environment practices in India:

- Environment (Protection) Act, 1986
- Air (Prevention and Control of Pollution) Act, 1981
- Water (Prevention and Control of Pollution) Act, 1974
- The Indian Hazardous Wastes Management Rules Act 1989
- National Environment Tribunal Act, 1995

SOCIAL

The social responsibilities of the Company emanate from its relations with various stakeholders such as the employees, customers, vendors, service providers, shareholders, etc. The social responsibilities of the Company are governed by various Acts and Regulations

- Factories Act, 1948
- Minimum Wages Act, 1948
- Sexual Harassment of Women at Workplace Act, 2013
- Applicable provisions of the Companies Act, 2013 and SEBI Regulations.
- Various other laws with respect to the payment of salaries/ wages, bonus, gratuity, welfare activities, insurance, health and safety, etc.

New Codes:

- The Code on Social Security, 2020
- The Industrial Relations Code, 2020
- The Code on Wages, 2019
- The Occupational Safety, Health and Working Conditions Code, 2020

GOVERNANCE

The Governance indicators are related to the compliance practices of the Company with respect to the statutory norms as laid down under the Companies Act, 2013 and SEBI Regulations; which includes adequate Board structure, Board Remuneration, Independence of the Director, Board Committees and its functionality, Corporate policies, Auditors of the Company, Stakeholders engagement, etc

- The Companies Act, 2013, and Rules framed thereunder.
- SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
- SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018
- SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
- SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021
- SEBI (Prohibition of Insider Trading) Regulations, 2015
- SEBI (Buy-back of Securities) Regulations, 2018



ESG EVALUATION MODEL

Apart from the above-mentioned legal requirements, sector specific laws are also considered. For example, in case of Banks, The Banking Regulation Act, 1949 & circulars issued by RBI etc.

INTERNATIONAL

Various voluntary independent organisations have emerged in the last two decades which have provided globally accepted standards for reporting on ESG factors.

Sustainability reporting is designed to facilitate organizations to set goals, measure performance, and manage change in order to make their operations more sustainable and enable investors and other stakeholders to compare performance. A sustainability report conveys disclosures on an organization's impacts positive or negative – on the environment, society and other stakeholders. In doing so, sustainability reporting converts abstract issues to tangible and concrete measurable parameters, thereby assisting in understanding and managing the effects of sustainability developments on the organization's activities and strategy.

Internationally agreed disclosures and metrics enable information contained within sustainability reports to be made accessible and comparable, providing stakeholders with enhanced information to inform their decisions.² Two most prominent sustainability reporting formats are GRI & IIRC (now Value Reporting Foundation – IIRC).

GLOBAL REPORTING INITIATIVE (“GRI”)

The Global Responsibility Initiative's Sustainability Reporting Standards ([GRI Standards](#)) were the first and as per their disclosure, these are most widely adopted global standards for sustainability reporting.

GRI is a voluntary initiative established in 1997 to develop a framework for companies to report across non-financial parameters. The GRI Sustainability Reporting Standards are developed with true multi-stakeholder contributions and rooted in public interest.³

“Developed by the Global Sustainability Standards Board (GSSB), the GRI Standards enable all organizations to report publicly on their economic, environmental and social impacts – and show how they contribute towards sustainable development.”

- Source: GRI website

In a period of almost two decades GRI reporting format has undergone many changes, starting from first version of global standards G1 launched in year 2000, GRI G4 was launched in May 2014. Further, in October 2016, GRI launched the most recent guidelines on Sustainability Reporting which is known as the GRI Standard and this has now been upgraded from the GRI-G4 guidelines.

The GRI has also incorporated principles enunciated and has harmonized guidelines with United Nations Global Compact's Ten Principles, 2000; the OECD's Guidelines for Multinational Enterprises, 2011; and the UN's Guiding Principles on Business and Human Rights, 2011.

Organizations that report on sustainability initiatives as per GRI framework can prepare a report in accordance with two options under the GRI Standards: Core and Comprehensive.

Core: This option indicates that a report contains the minimum information needed to understand the nature of the organization, its material topics and related impacts, and how these are managed.

Comprehensive: This builds on the Core option by requiring additional disclosures on the organization's strategy, ethics and integrity, and governance. In addition, the organization is required to report more

² G4 Sustainability Reporting Guidelines

³ Global Reporting Initiative: <https://www.globalreporting.org/Information/about-gri/Pages/default.aspx>



ESG EVALUATION MODEL

extensively on its impacts by reporting all the topic-specific disclosures for each material topic covered by the GRI Standards.

These options do not relate to the quality of the information in the report or the magnitude of the organization's impacts. Instead, they reflect the degree to which the GRI Standards have been applied. An organization is not required to progress from Core to Comprehensive; it can choose the option that best meets its reporting needs and the information needs of its stakeholders.⁴

Recent Development - GRI: Reporting with the Sector Standards

The GRI Sector Program will develop standards for 40 sectors, starting with those that have the highest impact. As a new addition to the family of GRI Standards, the Sector Standards are designed to help identify a sector's most significant impacts and reflect stakeholder expectations for sustainability reporting. They describe the sustainability context for a sector, outline organizations' likely material topics based on the sector's most significant impacts, and list disclosures that are relevant for the sector to report on. The revised Universal Standards 2021 will remain the starting point for all GRI reporting and for the use of the Sector Standards, thereby increasing transparency and relevancy of the sustainability reporting for organizations in the sector.

IFRS FOUNDATION (IFRS)

The IFRS Foundation is a not-for-profit, public interest organisation established to develop high-quality, understandable, enforceable and globally accepted accounting and sustainability disclosure standards.

Standards are developed by two standard-setting boards, the International Accounting Standards Board (IASB) and International Sustainability Standards Board (ISSB).

The IFRS Foundation completed the consolidation of the Value Reporting Foundation (VRF) into the IFRS Foundation. It follows the commitment made at COP26 to consolidate staff and resources of leading global sustainability disclosure initiatives to support the IFRS Foundation's new International Sustainability Standards Board's (ISSB) work to develop a comprehensive global baseline of sustainability disclosures for the capital markets.

Further,

VALUE REPORTING FOUNDATION (*now part of IFRS Foundation*)

The Value Reporting Foundation has a structure that includes a governing board of directors (the 'Value Reporting Foundation Board') and two independent boards that govern the content of the <IR> Framework and SASB Standards.

The Value Reporting Foundation is advised, supported and guided by stakeholders internationally through its networks and advisory groups, to ensure the work of the Foundation is responsive to market needs and input.

⁴ GRI Standards- Consolidated set of GRI Sustainability Reporting Standards 2018



ESG EVALUATION MODEL

Governing Bodies



Advisory Bodies



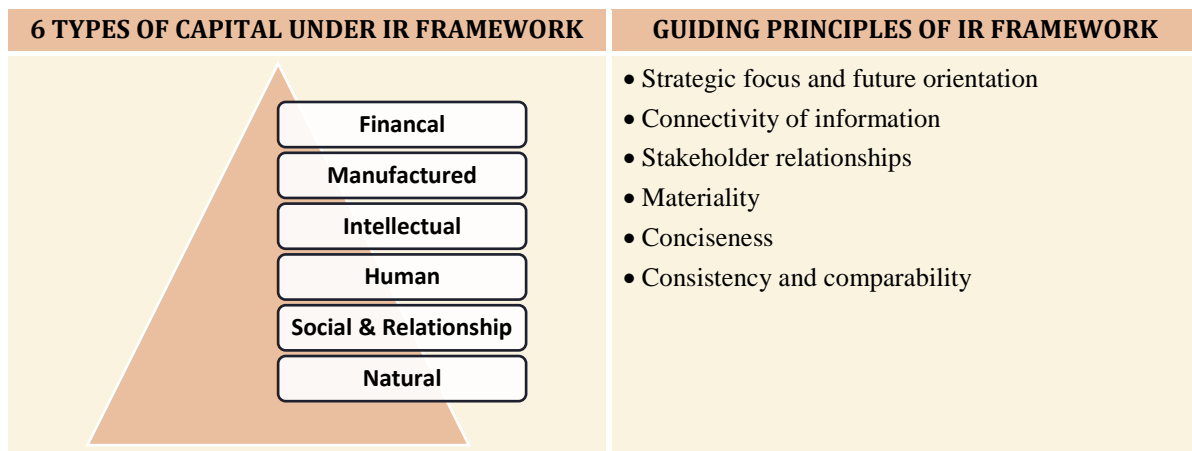
Membership



Source: Value Reporting Foundation – Integrated Reporting Framework [website](#).

International Integrated Reporting Council (“IIRC”)

The <IR> Framework and Integrated Thinking Principles are maintained under the auspices of the Value Reporting Foundation, a global non-profit organization that offers a comprehensive suite of resources designed to help businesses and investors develop a shared understanding of enterprise value—how it is created, preserved, or eroded.



All guiding principles when combined, describe the organization’s strategy and show a holistic picture of interrelatedness and dependencies of various capital on each other to create a value of an organization in the short, medium and long term. Integration of all vital information related to the Company leads to more self-explanatory integrated report.

Sustainability Accounting Standards Board (“SASB”)

SASB Standards guide the disclosure of financially material sustainability information by companies to their investors. Available for 77 industries, the Standards identify the subset of environmental, social, and governance (ESG) issues most relevant to financial performance in each industry.

ESG EVALUATION MODEL

SUSTAINABLE DEVELOPMENT GOALS (“SDG”)

The Sustainable Development Goals (SDGs), also known as the Global Goals, were adopted by all United Nations Member States in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030.

The 17 SDGs are integrated, that is, they recognize that action in one area will affect outcomes in others, and that development must balance social, economic and environmental sustainability.⁵



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (“TCFD”)

The Financial Stability Board [*an international body that monitors and makes recommendations about the global financial system*] established the TCFD to develop recommendations for more effective climate-related disclosures that could promote more informed investment, credit, and insurance underwriting decisions and, in turn, enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system’s exposures to climate-related risks.

⁵ <https://www.undp.org/content/undp/en/home/sustainable-development-goals.html>



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