



ESG ANALYSIS MODEL

JULY 2020

ESG Evaluation Model - Introduction

In recent years, both regulatory and voluntary efforts have made Environmental, Social, and Governance (ESG) one of the key focus areas for organisations across the globe. Stakeholders Empowerment Services (SES) has observed a steady growth in ESG disclosures by Indian companies and the evaluation of ESG performance of companies by institutional investors. Once considered a niche thematic approach to investing, ESG evaluation has quickly transformed into a fundamental factor for most institutional and sophisticated investors, particularly overseas investors. In developed economies, investors and stakeholders now critically evaluate a company's commitment towards ESG factors while reviewing its non-financial performance, on a constant basis. Globally, investors are increasingly demanding that businesses must focus on ESG considerations and discharge their responsibilities adequately.

Sustainability reporting has garnered significant attention over the last decade. In 2012, the Ministry of Corporate Affairs (MCA) published the National Voluntary Guidelines on Social, Environmental and Economical Responsibilities of Business (NVG). These guidelines eventually got mandated by SEBI

for the top 100 listed companies, in the form of Business Responsibility Report (BRR). These two measures were the tipping points on the reporting of sustainable development by corporates in India. SEBI further extended this mandate initially to top 500 and then top 1000 companies. It has also reiterated that these companies should voluntarily adopt an integrated reporting format for the disclosure of financial and non-financial parameters.

Against this backdrop, the National Stock Exchange of India Limited (NSE) recognised the importance of ESG for all stakeholders. NSE provided SES with an opportunity to conduct a study on the ESG practices of India Inc. For a meaningful evaluation, a robust and effective model is a prerequisite. SES partnered with Cyril Amarchand Mangaldas (CAM) as the knowledge partner, for their exceptional knowledge of national and international laws, coupled with extensive consulting/advisory experience with corporates and investors – both domestic and global. The present ESG model, a culmination of extensive research of CAM and SES teams under the guidance of NSE, arrives at an ESG score and grade.

The ESG model (henceforth referred to as 'model') has been designed to objectively evaluate a company's disclosure and performance on the ESG front. The evaluation of parameters under the 'environment', 'social' and 'governance' factors are not only based on mandatory legal requirements to be followed by listed Indian companies but also incorporate best disclosure practices followed worldwide. This model is based on a two-fold approach: ESG policies and the performance evaluation of a company and its implementation plans during the previous financial years, as compared to the achieved goals.

Information for the purpose of the evaluation is/will be obtained from varied sources, such as the company's annual reports, BRR, sustainability reports, integrated reports, information disclosed to the stock exchanges, information available on the company's website, and any other authentic, publicly available information related to the company.

Overall, ESG score and grade are outcomes of in-depth analysis of a company's disclosure practices, strategies and policies, present/actual position and prospects, based solely on publicly available information.

A sincere gratitude to the following team members from NSE, CAM and SES for their efforts in developing this Model:

NSE	CAM		SES
Ms. Priya Subbaraman	Mr. Cyril Shroff	Ms. Umang Pathak	Mr. J.N. Gupta
Mr. Avishkar Naik	Ms. Anchal Dhir	Ms. Saparya Sood	Ms. Aditi Chandani
Ms. Yukti Sharma	Ms. Manita Doshi	Ms. Saumya Sahai	Mr. Mukesh Solanki
Mr. Lokesh Bhandari	Mr. Bharath Reddy		

Disclaimer

Cyril Amarchand Mangaldas, Advocates and Solicitors, is one of India's leading law firms and a knowledge partner. CAM's Centre for Corporate Governance advised and assisted in the development of ESG benchmarks in the model, based on the Indian law and international initiatives and best practices. The methodology, scoring criteria, weightage, effectiveness, and SES' governance standards are SES' views alone and do not reflect CAM's views/opinions. Further, the evaluation and assessment of individual companies/groups have been undertaken by SES only. CAM has not conducted or assisted with such evaluations and assessments. It does not, in any manner, endorse the conclusion reached by SES. CAM takes no responsibility for, and will not be liable for, the findings and the report.

Objectives for disclosing the model in public domain

Transparency has multiple benefits. It improves the credibility of a product and helps users to understand such products better. It also enhances acceptability and enables sharp minds to debate and provide feedback for improvement. Despite the numerous benefits of transparency, there is an attendant risk as well: the risk is related to the infringement of Intellectual Property (IP) rights, which is quite essential for organisations. For instance, the only asset for an organisation like SES is the intellectual property over its work.

While there is a need to protect SES' rights, SES believes that releasing model in the public domain will contribute to the betterment of corporate practices. Therefore, it has decided to disclose the model in the public domain. The model

will indicate parameters evaluated, benchmarks, etc., to the corporates and investors, but will not provide the exact methodology of scoring and evaluation, to ensure that the IP rights of SES are protected.

The information contained herein will provide an opportunity for all companies to assess themselves quickly, list down pain points, and come up with strategies for effective implementation and higher scores. Companies can then set their own benchmarks and targets.

Parameters disclosed

- Factors – ESG policies
- Issues being evaluated
- Relevant laws/guidelines/principles/rationale
- View of SES

ESG Model Overview

The model is divided into four sections – policy disclosure, environment, social, and governance analysis. The model scores policy disclosures, targets set, performance, and adequacy of disclosure.

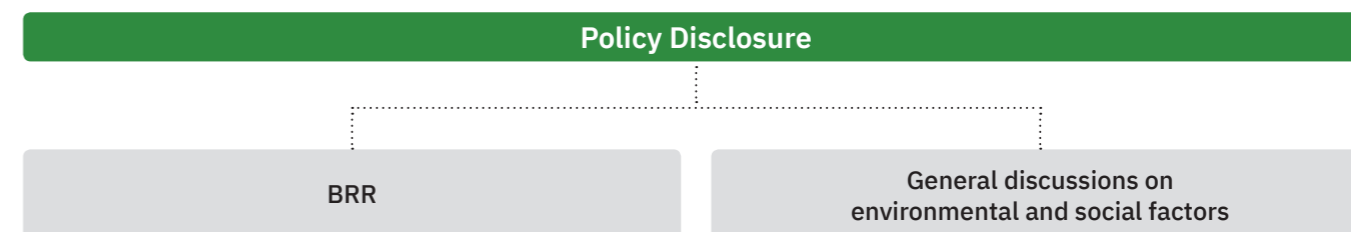
Below are the sub-categories under each section. Details of parameters evaluated under each section are covered subsequently.

I – Policy Disclosures		Weightage 5%
1.1. Principle-Wise (as per NVGs) BR Policy/Policies	05	
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IV – Governance		Weightage 40-50%
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Section I – Policy Disclosure

Weightage: 5%

This section analyses the company’s disclosures in the BRR, which comprises nine principles of business responsibility, and general discussions on environmental and social factors. The disclosures are further evaluated in detail in relevant sections, viz. environmental and social



Refer Annexure I to understand ESG Scoring Methodology

1.1 Principle-wise (as per NVGs) BR Policy/Policies

Law: “(f) for the top one thousand listed entities based on market capitalisation (calculated as on March 31 of every financial year), business responsibility report describing the initiatives taken by them from an environmental, social and governance perspective, in the format as specified by the Board from time to time” – Regulation 34(2)(f) of the Securities and Exchange Board of India (Listing obligations and disclosure requirements) Regulations, 2015, as amended (SEBI listing regulations).

“4. Those listed entities which have been submitting sustainability reports to overseas regulatory agencies/stakeholders based on internationally accepted reporting

frameworks need not prepare a separate report for the purpose of these guidelines but only furnish the same to their stakeholders along with the details of the framework under which their BR Report has been prepared and a mapping of the principles contained in these guidelines to the disclosures made in their sustainability reports” – SEBI circular (No. CIR/CFD/CMD/10/2015) dated November 4, 2015.

NVGs 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.

Part A: Details of compliance as per disclosure

(For every ‘Yes’ response, company would receive a positive score in the table below)

Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1 Do you have a policy / policies covering the principle?									
2 Has the policy been formulated in consultation with the relevant stakeholders?									
3 Does the policy conform to any national / international standards? If yes, specify (50 words).									
4 Has the policy been approved by the Board? [If yes, has it been signed by the MD / CEO / appropriate Board Director?]									
5 Does the company have a specified committee of the Board / Director / Official to oversee the implementation of the policy?									
6 Indicate the link for the policy to be viewed online									
7 Has the policy been formally communicated to all relevant internal and external stakeholders?									
8 Does the company have an in-house structure to implement the policy / policies?									
9 Does the company have a grievance redressal mechanism related to the policy / policies to address stakeholders' grievances related to the policy / policies?									
10 Has the company carried out independent audit / evaluation of the working of this policy by an internal or external agency?									

Part B: If answer to the question 1 in Part A above against any principle is ‘No’, has the company disclosed reasons for not formulating the required policy / policies?

business model by formulating policies that imbibe such principles. Also, the policies should be followed uniformly throughout the company.

If a company has failed to disclose the existence of a policy covering any of the above principles, then the company should provide reasonable justification to its stakeholders. Absence of the abovementioned policies without reasonable justification may be a cause of concern and a risk factor for the stakeholders. Companies would receive a positive score if they have provided a reasonable justification for absence of the policy.

Scoring criteria

The best score is provided when company has disclosed adequate and reasonable justification for not formulating the required policy/ policies.

SES’ view

The Business Responsibility (BR) principles are core elements to run a business sustainably. Companies should integrate the same in their

Connections to frameworks / legal requirement

BRR annexure I, section D Q(2)(a) GRI 103

1.2. BRR Implementation

Part A: Indicate the frequency with which the Board of Directors or a committee of the Board meet to assess the company’s BR performance.

Scoring criteria

The best score is provided when the company has disclosed that the Board or a committee of the Board met once every three months.

SES’ view

Similar to the financial review and assessment within the organisation which is regularly reviewed by the audit committee, the Board or a committee thereof should frequently meet to discuss the company’s BR performance. The Board/committee should meet at least once in three months to discuss and formulate strategies for BR initiatives.

Connections to frameworks / legal requirement

BRR annexure 1, section D Q(3)(a) GRI 102-31 UNGC: Principle 8

Part B: Does the company publish a BRR or a sustainability report?

Scoring criteria

The best score is provided when the company has disclosed BRR and published the sustainability report, with a hyperlink to view the report.

SES’ view

Companies can publish a BRR, encompassing information on their efforts towards achieving the nine principles of BR. However, companies can also publish sustainability/integrated report as per the global framework, which provides more detailed data on sustainability initiatives of such companies. Companies that have provided a sustainability/integrated report and BRR or mapping of BRR, tend to provide more detailed data on sustainability initiatives as compared to companies that have provided only BRR.

Connections to frameworks / legal requirement

BRR Annexure I, Section D Q(3)(b) GRI 102-52

Part C: In case the sustainability reports/integrated reports are being published, are they externally assured?

Scoring criteria

The best score is given if such a report is externally assured.

SES’ view

External assurance or verification can provide increased confidence in the quality of sustainability performance data to report readers and internal managers. This makes it more likely that the data will be relied on and used for decision-making.

Connections to frameworks / legal requirement

GRI: 102-56

Part D: Participation of other entities in BR initiatives

Scoring criteria

The best score is given if more than 60% of the entities participate in its BR initiatives.

SES’ view

Sustainable business practices are an outcome of the core principles of sustainability being followed through the organisation and by all stakeholders. Hence, companies should ensure that the other entities related to them participate in responsible/ sustainable business initiatives.

Connections to frameworks / legal requirement

BRR Annexure I, Section C Q3 GRI 102-45(b)

Part E: Has the company disclosed the details of the Director/Directors responsible for implementation of the BR policy and details of the BR head?

Scoring criteria

The best score is given if company has disclosed details of the Director/Directors responsible for implementation of BR policy, along with names and details of the BR head.

SES’ view

The Chairman/CEO/Manager should play a proactive role in convincing the Board about the importance of adopting the principles of BR, which is most effectively done by demonstrating the business benefits of being responsible. Employees too must be convinced of the need to be responsible. The Board and top management must communicate this to all employees so that BR is adopted across the organisation and comprehensively executed. Companies should disclose the names of the Director/Directors who are accountable for implementation of the BR policy.

Connections to frameworks / legal requirement

BRR Annexure I, Section D Q(1)(a) and Q(1)(b) GRI 102-20

Part F: Whether the company has disclosed subscription to/ endorsement of any additional ESG principles or initiatives.

Scoring criteria

The best score is given if the company has disclosed that it has adopted additional ESG principles and disclosed them in its integrated report or sustainability report.

Connections to frameworks / legal requirement

GRI 102-12

1.3 General Discussions on Environmental and Social Factors

General discussion on environment & social factors

Scoring criteria

Discussion & mitigation/ improvement measures disclosed for:

1. Energy consumption;
2. Waste & effluents;
3. Water consumption;
4. Emissions (CO₂ / GHG);
5. Labour/management relations

6. Occupational Health and Safety (OHS)
7. Corporate Social Responsibility (CSR)

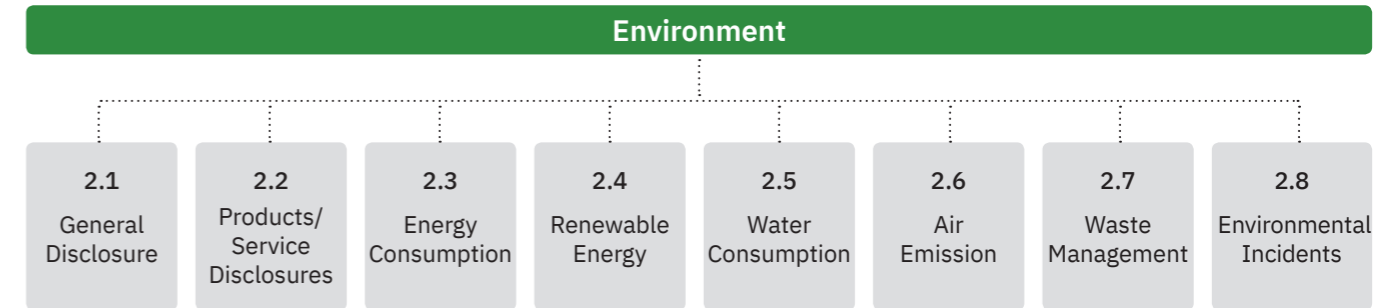
SES' view

Disclosure of the above-mentioned areas reflect the company's transparency in key ESG areas. Companies are expected to include disclosures in their reports on these areas, including details about improvements, and disclose measures taken to mitigate any risks in this regard.

Section II – Environment

Weightage: 15-30%

This section analyses the company's disclosures pertaining to the impact of its operations on the environment and steps being implemented by the company to mitigate the effect on its environmental impact. Additionally, it also analyses the company's performance across various environmental parameters and the targets the company has set to reduce its impacts.



Note: Since all industries cannot have the same impact on the environment, the weightage/sub-weightage is changed based on the company's/project's environmental impact. (Impact: High, medium, low)

2.1 General Disclosures

Part A: General Disclosures

Scoring criteria (Yes/ no disclosure)

- Does the company have an environmental policy and has it disclosed the same on its website?
- Does the environmental policy extend to the group/joint ventures/suppliers/contractors/ NGOs/others?
- Has the environmental policy been approved by the Board and signed by MD/CEO/appropriate Board director?
- Has the environmental policy been formally communicated to

all relevant internal and external stakeholders?

- Does the company have an Environmental Management System (EMS)?
- Does the company measure its environmental performance, such as emission, water usage, etc.?
 - **SES' view:** To see whether data is available for key factors, like energy, water, emissions, waste, etc.
- Does the company have any environmental programmes, including initiatives on clean technology, energy efficiency, renewable energy, etc.? Has it disclosed the weblink for the same?

- **SES' view:** General statements, details of environment-related programmes, such as save water programme, etc.
- Does the company have strategies/initiatives to address global environmental issues, such as climate change, global warming, etc.?
- Does the company identify and assess potential environmental risks?
- Does the company have any project related to clean development mechanism? If so, has the company disclosed details of such projects? Has it filed any environmental compliance report?

- Has the company made any disclosure/discussion on biodiversity?

SES' view

Companies should formulate and disclose an environmental policy in the public domain, for the information of all stakeholders. Formulating such environmental policies can benefit an organisation by keeping all stakeholders informed on the legal limits, improving information flow about roles and responsibilities, and improving cost controls. These factors help formulate steps to mitigate environmental impacts of the business. EMS can help a company in monitoring and reporting its environmental performance. To implement an effective EMS, the company must have an environmental policy in place.

Connections to frameworks / legal requirement

- The company is certified in quality management. Example: ISO 9001 – Quality Management
- The company is certified in EMS. Example: ISO 14001 – EMS
- The company is certified in OHS. Example: OHSAS 18001, Occupational Health and Safety Assessment Series
- The company is certified in energy management. Example: ISO 50001 Energy Management
- SDG 8

Part B: Disclosures relating to certifications

Scoring criteria (Yes/no)

- If the company is a manufacturing company, are the manufacturing units of the company certified?
- Does the company have a certification for EMS?
- Does the company have a certification for health and safety management system?
- Does the company have a certification for energy management system?

Part C: Disclosures related to land use and ecological sensitivity

Scoring criteria

Does the company report the overall area of land used or affected and annual change in the area of land used or affected? Does the company report the impact of its activities on biodiversity and the number of habitats protected or restored?

Connections to frameworks / legal requirement

GRI 304-1, GRI 304-4

Connections to frameworks/ legal requirement

- BRR, annexure I, section D, Q(2a)1, Q(2a)4, Q(2a)6 and Q(2a)7 and annexure II, P6(1), P6(2), P6(3), P6(4) P6(5), P6(6), P8(5), P8(6) and P8(7)
- GRI 102-15, 102-29, 201-2, 103-2 (c-i) (c-vii), 300, 103-1, and 304
- UNGC P7-9

- General statement on EMS, ISO 14001 UNGC principles 7-9
- SDG 12, 13, 14, and 15
- MCA's National Guidelines for Responsible Business Conduct (NGRBC): P6, core element 3

2.2 Product or Service Disclosures

Part A: Environmental impact of product and services

Scoring criteria (Yes/no)

- Has the company disclosed its activities and three key products/ services (as provided in the balance sheet)?
- Are any of the company's products/services banned in any markets? If so, has the company disclosed any explanation for this?
- Has the company listed up to three products/services whose design has incorporated social or environmental concerns, risks and/or opportunities?
- For each such product/service, has the company at least provided generic details with respect to resource usage (energy, water, raw material, etc.) during sourcing/production/distribution?
- For each such product/service, has the company provided specific details? Is there a reduction (with respect to resource usage – energy, water, raw material, etc.) in sourcing/ production/distribution that has been achieved since the previous year, throughout the value chain?

- For each such product/service, has the company provided information pertaining to usage by consumers (energy, water)?
- For each such product/services, has the company provided information pertaining to reduction in usage by consumers (energy, water), that has been achieved since the previous year?
- Has the company recalled its products in the last three financial years (due to reasons like faulty production, impact on environment, health, etc.)?

SES' view

Companies should evaluate their products and services and analyse the impact of their business on the environment throughout the lifecycle of its products and services. Further, companies should analyse the consumption of energy, water, and raw material in production, and try to optimise the consumption of natural resources to mitigate environmental impact.

Part A: Connections to frameworks / legal requirements

- BRR annexure I, sections A Q7 and Q8, and annexure II, P6(2), P2(1) and P2(2)
- GRI 102-2, 102-2(b), 102-6(ii), 301-2, 302-4, 302-5, and 303-3
- SDG 12
- UNGC P7 and P8
- NGRBC: P6 core element 6 and P8 core element 3, P9(1)
- Section 134(3)(m) r/w rule 8(3) (A) (i), (ii) and (iii) of companies (accounts rules), 2014

Part B: Sourcing of materials consumed

Scoring criteria (Yes/no)

- Does the company have any procedure in place for sustainable sourcing (including transportation)?
- Has the company disclosed the percentage of its inputs that were sourced sustainably?
- Has the company specified any steps taken for sustainable sourcing?
- Has the company taken any steps to procure goods and services from local and small producers, including communities surrounding its establishments?
- What steps have been taken to improve the capacity and capability of local and small vendors?
- Do renewable materials contribute more than 50% of total weight or volume of materials used to produce and package the organisation's primary products and services?
- Does the company use more than 50% of recycled input materials to manufacture its primary products and provide services?
- Has the company taken any steps to ensure that everyone connected with its designers, producers, value chain members, customers, and recyclers are aware of their responsibilities?
- Has the company derived any benefits, like product improvement, cost reduction,

product development, or import substitution by technology absorption?

SES' view

Companies should ensure that the products being sourced are obtained in a responsible and sustainable way, that the workers involved in making them are safe and treated fairly, and that environmental and social impacts are taken into consideration during the sourcing process. This would help the company in managing risks and volatility due to depletion of natural resources and create a secure environment for its suppliers.

Part B: Connections to frameworks / legal requirements

- BRR annexure II, P2(1), P2(3), and P2(4)
- GRI 103-2, 103-2(c)(i), 204, 204-1, 301-1, and 2
- SDG 8 and 12
- UNGC P7, 8, and 9
- Section 134(3)(m) r/w rule 8(3) (B) (i), (ii) and (iii) of companies (accounts rules), 2014

Part C: Product life sustainability

Scoring criteria (Yes/no)

- Does the company have a policy on product life sustainability?
- Has the company performed an analysis of study of the Life Cycle Assessment of its products?
- Was the study conducted in compliance with any national or international Standard?

Part C: Connections to frameworks / legal requirements

- BRR annexure I, section D Q(2a) and annexure II, BRR P2(1)
- SDG 12
- Keywords: Life cycle, life cycle assessment, LCA
- UNGC principles 7-9
- The leading standards for Life Cycle Assessment (LCA) are ISO 14040 and ISO 14044.

Part D: Reclaimed products and their product packaging materials**Scoring criteria (Yes/no)**

- Has the company disclosed if it has a mechanism to recycle products? Has the company disclosed % of reclaimed products and their packaging material? Does it form more than 50% of the total?
 - *Formula for %: Products and their packaging materials reclaimed within the reporting period/Products sold within the reporting period x 100*
- Has the company mentioned any specific steps taken to increase the use of renewable materials in its packaging?
- Does the company use any harmful component as a part of its packaging material? E.g. PET (polyethylene terephthalate), HDPE (high-density polyethylene), PVC (polyvinyl chloride), etc.
- Is the packaging provided by the company recyclable?

- Is the company using recyclable plastic in its packaging?

SES' view

Companies should aim to reduce the plastic used in their business operations, from landing into landfills or oceans. Ideally, companies should recycle 100% of the plastic used in their business operations. Single-use plastic is being banned all over the world. To avoid uncertainty and risk associated with such bans, companies should work towards recycling all plastic used within their business operations.

Part D: Connections to frameworks / legal requirements

- BRR annexure II, P2(5)
- SDG 12
- UNGC P7 and 8
- GRI 103-2(a-ii, iii and vii), 204, 301, 301-2, and 301-3(a)

2.3 Energy Consumption**Part A: Disclosure on energy consumption or usage****Scoring criteria**

Disclosure of absolute or relative figures of energy consumption for the last three financial years by the company.

Part B: Reduction/increase in energy consumption or usage**Scoring criteria**

Reduction in the company's energy consumption during the last three financial years.

Part C: Disclosure on energy intensity**Scoring criteria**

Disclosure of energy intensity for the last three financial years.

Part D: Reduction/increase in energy intensity**Scoring criteria**

Reduction in energy intensity over the last three financial years.

SES' view on Part A, Part B, Part C, and Part D

An increase in energy consumption from non-renewable sources like thermal power plants results in an increase in the emission of greenhouse gases (GHGs). GHGs contribute to various issues, like global warming, ocean acidification, smog pollution, ozone depletion, etc. Therefore, it is essential for the company to reduce its energy consumption. Efficient energy management will not only reduce the cost but also its impact on the environment.

SES will analyse the following information:

- The company has disclosed absolute or relative figures on energy consumption.
- Reduction in energy consumption by the company's business operations during the last three financial years.

On the other hand, energy intensity is energy consumed per unit of production. An increase in production with reduction in energy consumption is the best

practice. Therefore, the company's performance will be analysed based on the production in relative terms.

- If details of energy intensity are provided, SES will consider the data of energy intensity instead of energy consumption, to check reduction.

Part E: Steps disclosed for energy conservation**Scoring criteria**

The company has disclosed steps or initiatives for energy conservation, over the last three financial years.

SES' view

Steps or initiatives taken for energy conservation show the company's intent towards minimising its environmental impact. These steps or initiatives of the company should be effective and efficient to meet the set targets.

Connections to frameworks / legal requirements

- BRR annexure II P6(3) and P6(6)
- GRI 302-1, 2, 3, 4
- SDG 12, 13
- Section 134(3)(m) of the Companies Act, 2013 (the 'Act') r/w rule 8(3)(A) of companies account rules, 2014
- Annexure II BRR P6(1) and (4)
- UNGC: Principles 7-9
- SASB: General issue/energy management
- BRR P2 Q2 and P6 Q5 r/w annexure II BRR P4(1), P4(3) and P6(4)

- TCFD: Risk management: Part B

2.4. Renewable Energy**Part A: Disclosure on the amount of renewable energy consumed****Scoring criteria**

Disclosure of absolute or relative figures of renewable energy for the last three financial years by the company.

Part B: Increase in the amount of renewable energy consumed**Scoring criteria**

Increase in the company's renewable energy consumption during the last three financial years.

Part C: Disclosure on steps taken to increase the usage of renewable energy**Scoring criteria**

Disclosure of steps or initiatives taken by the company to increase its renewable energy usage during the last three financial years.

SES' view on Part A, Part B, Part C, and Part F

An increase in the consumption of renewable energy will result in a reduction of overall GHG emission. Therefore, it is essential for the company to increase its renewable energy consumption. SES will analyse the following information for the last three financial years:

- Disclosure of absolute or relative figures on the consumption of renewable energy.

- Increase in energy consumption from renewable source during the last three financial years.
- Steps or initiative to increase renewable energy usage.
- A comparison of its targets to increase renewable energy usage by using various methods vs. achievements from the past targets.

Part D: Disclosure of capital investment on energy conservation equipment**Scoring criteria**

Disclosure of capital investment made by the company on energy conservation equipment for the last two financial years.

Part E: Increase in capital investment on energy conservation equipment**Scoring criteria**

Increase in capital investment of the company on energy conservation equipment during the last two financial years.

SES' view on Part D and Part E

To achieve the target for increase in renewable energy, it is essential for the company to make capital investments on energy conservation equipment. An increase in capital investment in energy conservation equipment should result in energy conservation and eventual reduction in GHG emission. SES will analyse the following:

- Increase in capital investment of the company on energy

conservation equipment during the last two financial years.

Part F: Targets for increasing use of renewable energy

Scoring criteria

The company should disclose its targets to increase renewable energy consumption and up to what level it achieved the target set in the previous financial year.

Connections to frameworks / legal requirements

- BRR, annexure II P6(3) and P6(6)
- GRI 302-1, and 2
- SDG 7
- Section 134(3)(m) of the Act r/w rule 8(3)(A) of companies account rules, 2014
- BRR annexure II, P6(1), P6(4), and P6(5)
- SASB: General issue/energy management (SASB industry standards)

2.5 Water Consumption

Part A: Specific data disclosed on water consumption

Scoring criteria

Disclosure of absolute or relative figures of water consumption by the company for the last three financial years.

Part B: Reduction/Increase in water consumption or usage

Scoring criteria

Reduction in water consumption for the last three financial years.

Part C: Disclosure on water intensity

Scoring criteria

Disclosure of water intensity for the last three financial years.

Part D: Reduction in water intensity

Scoring criteria

Reduction in water intensity over the last three financial years.

Part E: Rainwater harvesting or re-use of water

Scoring criteria

The company has rainwater harvesting facilities/facilities to recycle the water, in its manufacturing units. If yes, it has disclosed rainwater harvested/ recycled water consumed.

Part F: Targets for reduction in water consumption

Scoring criteria

Disclosure of targets set for reduction in water consumption vs. achievement of target set in the previous financial year.

Part G: General Disclosures

Scoring criteria

The company should have a policy related to water in place. The policy should also be made applicable to its subsidiaries.

SES' view on Part A, Part B, Part C, Part D, Part E, and Part F

The availability of water for industrial

use has become an area of concern for industries in India, due to paucity of water availability. Therefore, it is essential for industries to reduce their water consumption and look for alternative resources for water, like rainwater harvesting facilities or recycled water. SES will analyse the following information:

- Disclosure of absolute or relative figures of the company's water consumption.
- Reduction in water consumption by the company during last three financial years.
- Rainwater harvesting facility and/or use of recycle of water by the company and utilisation of recycled/rain harvested water instead of water from external resources.
- The company's target for reduction in water consumption and its achievement against the set targets in the previous years, by analysing the data disclosed.

On the other hand, water intensity is water consumed per unit of production. An increase in production with a reduction in water consumption is the best practice. Therefore, the company's performance will be analysed based on the production in relative terms.

- If details of water intensity are provided, SES will consider the data of water intensity instead of water consumption, to check reduction.

Connections to frameworks / legal requirements

- BRR annexure II, P6(1), P6(3), P6(5), and P6(6)

- GRI 303-1, 3, 4 and 5
- SDG 6 and 12
- Section 134(3)(m) of the Act r/w Rule 8(3)(A) of companies account rules, 2014
- BRR P2 Q2 r/w annexure II BRR P6(4) and P6 Q5 r/w annexure II BRR P4(1) and annexure II BRR P(6)(6)
- SASB: General issue/water and wastewater management (SASB industry standards)

2.6 Air Emissions

Part A: Disclosure on GHG emissions

Scoring criteria

Disclosure of absolute or relative figures of GHG emissions by the company for the last three financial years.

Part B: Reduction/increase in GHG emissions

Scoring criteria

There is a reduction in GHG emissions in the last three financial years.

Part C: Disclosure on GHG emission intensity

Scoring criteria

Disclosure of GHG emission intensity by the company in the last three financial years.

Part D: Reduction in GHG emission intensity

Scoring criteria

Reduction in GHG emissions in the last three financial years.

Part E: Steps disclosed to reduce GHG emissions

Scoring criteria

Disclosure of steps or initiatives taken by the company to reduce GHG emissions during the last three financial years.

Part F: Targets for reduction in GHG emissions

Scoring criteria

Disclosure on the targets set by the company for reduction in GHG emissions. In addition, what the rate of achievement of its target in the previous financial year is.

SES' view on Part A, Part B, Part C, Part D, Part E, and Part F

Emission of GHG causes various environmental challenges, such as global warming, climate change, ocean acidification, smog pollution, ozone depletion, etc. Therefore, it is critical for companies to take cognizance of their GHG emissions. SES will analyse the following information:

- The company has provided absolute or relative figures of GHG emission.
- Reduction in GHG emission from the company's operations during the last three financial years.
- The company has set targets for the reduction of GHG emission and its achievement against the targets of previous years, by analysing the data disclosed.

On the other hand, GHG emission intensity is GHG emission per

unit of production. Therefore, with an increase in production, if the GHG emission is restricted or if there is reduction in GHG emission, it can be considered that the company has taken efficient steps or initiatives to cut down GHG emissions. Therefore, the company's performance will be analysed based on the production in relative terms.

- If details of GHG emission intensity are provided, SES will consider the data of GHG emission intensity instead of GHG emission, to check reduction.

Part G: Emissions are within the limits prescribed by Central Pollution Control Board (CPCB)/ State Pollution Control Boards (SPCB)

Scoring criteria

The air emission from the company's manufacturing units should be within the limits prescribed by CPCB/SPCB.

Part H: Emission-related show cause notices issued - CPCB/SPCB

Scoring criteria

Disclosure of all show cause notices received by the company related to air emissions in the last three financial years.

Part I: Emission-related show cause notices pending - CPCB/SPCB

Disclosure of status of show cause notices received in the last three financial years.

SES’ view on Part G, Part H, and Part I

CPCB/SPCB prescribe the maximum limits on air emission, based on the industry and sector. Companies have to restrict the air emission of their manufacturing units within the specified limits. Any violation of the prescribed limits will lead to show cause or penal action against the company. SES will analyse the following information:

- The emissions are within the prescribed limits of CPCB/SPCB.
- Whether the company has received any show cause notice. If yes, the current status on the pendency of the show cause notice.

Part J: General Disclosures

Scoring criteria

Disclosure of the company’s policy on carbon emissions/GHG emissions/air emission. If yes, whether the policy is disclosed on the company’s website.

SES’ view

Policies on carbon/GHG emissions (air emissions) may be formulated by companies. These policies will act as guidelines for their employees/staff/workers, with adequate details on GHG emissions parameters, their environmental impact, and steps or initiatives taken to reduce emission rates. The disclosure of emission policy will help evaluate the initiatives taken by companies towards reducing air emissions.

Connections to frameworks / legal requirements

- BRR annexure II, P6(1), P6(4), and P6(6)
- GRI 305-1, 2, 3, 4,5, 6, and 7
- UNGC Principles: 7-9
- SASB: General issue/GHG emissions (SASB industry standards)
- TCFD: Metrics and targets (Disclosure B)
- SDG 13
- BRR P6 Q5 r/w annexure II BRR P6(2), Q6 and Q7, and BRR P6 Q2 r/w annexure II BRR P6(2)

2.7 Waste Management

Part A: Disclosure on waste type

Scoring criteria

Disclosure of both categories of waste, viz. hazardous and non-hazardous waste, along with specific names of such wastes generated from the company’s business operations.

Part B: Mechanism to recycle products and waste

Scoring criteria

Disclosure of any steps or initiatives that are taken by the company to reuse or recycle its waste.

Part C: Percentage of recycling of products and waste

Scoring criteria

SES will analyse the % of recycling of products and waste from total waste. The company will receive the

highest score if the percentage of recycling is above 10%.

SES’ view on Part A, Part B, and Part C

The generation, treatment, and disposal of waste can pose harm to human health and environment. Therefore, it is critical for companies to minimise the waste generation at their manufacturing units and to ensure that the disposal of waste is harmless to the environment. Alternatively, it is important that companies recycle their waste products to the best extent possible. SES will analyse the following information:

- The company has disclosed category-wise waste generation data, viz. hazardous and non-hazardous waste, along with specific names of such waste.
- The company has taken effective and efficient steps or initiatives to recycle waste products and waste materials. If yes, what the rate of waste recycling is.

Part D: Waste generated are within the limits prescribed by CPCB/SPCB

Scoring criteria

Disclosure of the waste generated for the last three financial years. The waste generated is within the limits prescribed by CPCB/SPCB.

Part E: Waste generation related show cause notices issued - CPCB/SPCB

Scoring criteria

Disclosure of all show cause notices

received by the company related to waste generation in the last three financial years.

Part F: Waste generation related show cause notices pending - CPCB/SPCB

Scoring criteria

If the company has received the show cause notice, it should also disclose the status of pendency of show cause notice in the last three financial years.

SES’ view on Part D, Part E, and Part F

The CPCB/SPCB prescribe the maximum limits on waste generation, based on the industry and sector. Companies have to restrict the waste generation of their manufacturing units within the specified limits. Any violation of the prescribed limits will lead to show cause or penal action against the company. SES will analyse the following information:

- The waste generated is within the prescribed limits of CPCB/SPCB.
- Whether the company has received any show cause notice issued by CPCB/SPCB. If yes, the current status on the pendency of the show cause notice.

Part G: Discharge of effluents

Scoring criteria

SES will check if the company has disclosed specific details on discharge of effluents and the steps taken to reduce discharge of effluents during the last financial year.

SES’ view

To analyse the steps taken by companies to reduce the discharge of effluents, data should be adequately disclosed.

Connections to frameworks / legal requirements

- BRR annexure II, P6(3)
- BRR P6 Q5 r/w annexure II BRR P6(1) and 6(6), Q6 and Q7
- GRI 303-2, 306-2
- SDG 12

2.8 Environmental Incidents

Part A - Environmental incidents

Scoring criteria (Yes/no)

- Has there been any incident regarding environmental pollution or regulatory action due to the company’s business operations in the last three financial years?

- Has there been any incident relating to company’s products which had environmental or health impact on the consumers in the last three financial years?
- Has there been any other kind of environmental incident/ impact due to the location of the company’s premises or where it operates in the last three financial years?
- Has the company reported any significant fines and non-monetary sanctions for non-compliance with environmental laws and/or regulations in the last three financial years?

Connections to frameworks / legal requirements

- SDG 12
- UNGC 7 and 8
- BRR annexure II, P6(2)
- Regulation 30(12) and regulation 30 r/w schedule III, Part A, Para B(8) of the SEBI listing regulations
- GRI 306-3 and 307-1
- Section 92(1)(h) of the Act

Section III – Social

Weightage: 20-25%

This section analyses the company's relationship with its stakeholders. The organisation's disclosures regarding its workforce policies, composition, health and safety initiatives, relationship with local community, data security, and customer orientation are analysed and scored. Analysis includes the evaluation of practices and policies adopted by the company for fair and equitable treatment of all stakeholders.



Social



3.1 Health and Safety

3.1.1A Health and safety standards

Part A: Health and safety policy disclosure

Scoring criteria

The company has disclosed its health and safety management system, along with health and safety policy on its website. The policy should have adequate information that is required for the awareness of employees/staff.

Part B: Training on safety

Scoring criteria

Disclosure of data on safety trainings

that are conducted for employees and staff (all or selected) on specific work-related hazards.

Part C: Promoting workers' health

Scoring criteria

The company has disclosed measures and programmes implemented to facilitate medical and healthcare services, including those for work-/industry-specific hazards, if applicable, and insurance coverage made available to employees/staff along with data.

SES' view on Part A, Part B, and Part C

Prevention of harm and promotion of health require organisations

to demonstrate commitment to workers' health and safety. Therefore, it is essential for companies to have a health and safety management system in place. Further, for the reference of its employees and staff, the company should have a health and safety policy, so as to create awareness and minimise risk. SES will check the following information:

- Compliance of the health and safety management system, including whether all the employees/staff are trained in hazard identification and incident reporting.
- Disclosure of health and safety policy.

Section III – Social

- Safety training is provided to all employees and staff on specific work, which may include hazard identification, risk assessment and application of controls to minimise risk.
- Disclosure of medical and healthcare services provided to employees/staff.
- All the employees/staff are covered under the company's insurance policy.

Part D: Promoting maternity health, welfare, and safety

Scoring criteria

Disclosure of data on maternity benefits provided to all employees or staff, without any discrimination.

SES' view

Policies that provide female workers with compensation and leave from work for pregnancy and birth of a baby create a sense of security for women in the workforce. SES will analyse if maternity leave with pay are provided to all women employees and staff.

Connections to frameworks / legal requirements

- GRI 403
- BRR annexure I, section E, P3 Q8
- UNCG: Principle 6
- SDG: 10

3.1.1B Workplace safety disclosures

Part A: Disclosure pertaining to fatalities

Scoring criteria

The company has made disclosures

related to fatalities. It has provided data on the number of fatalities as a result of work-related injuries and the amount of compensation paid, if any.

Part B: Disclosure pertaining to accidents/injuries

Scoring criteria

The company has made disclosures related to accidents/injury. It has provided data, including the number of injuries and the amount of compensation paid, if any.

Part C: Number of fatalities

Scoring criteria

Reduction in the number of fatalities in the last three financial years or number of fatalities in last three financial years.

Part D: Reasons for fatalities

Scoring criteria

Disclosure of reasons for fatalities, adequate information on its causes, and preventive measures being taken by the company.

Part E: Number of accidents/injuries

Scoring criteria

Reduction in the number of accidents/injuries during the last three financial years or no accidents/injuries over the last three financial years

Part F: Reasons of accidents/injuries

Scoring criteria

Disclosure of reasons for accidents/

injuries, adequate information on its causes, and preventive measure being taken by the company.

SES' view on Part A, Part B, and Part C

The number of fatal accidents or minor injuries may result in loss of manpower and loss of production. Protection of human capital from accidents and injuries requires organisations to demonstrate commitment to workers' health and safety. Therefore, it is essential for companies to disclose the number of fatal accidents, along with major and minor injuries. The shareholder may then analyse the steps or initiatives taken by the company to protect its employees/staff from accidents and injuries.

SES will analyse the following information:

- Disclosure of absolute or relative figures of fatalities and the compensation paid, if any.
- Increase/decrease in the number of fatalities, steps or initiatives taken by the company to reduce the number of fatalities.
- Reasons disclosed for the fatal accidents and accidents/injuries.

Connections to frameworks / legal requirements

- GRI 403
- SDG: 3
- SASB: General issue/employee health and safety (SASB industry standards)

3.1.2 Sexual harassment

Part A: Anti-sexual harassment policy

Scoring criteria

The company has disclosed its prevention of sexual harassment policy on its website or in its annual report.

Part B: Disclosure on internal committee

Scoring criteria

The company has disclosed the details of its Internal Complaints Committee (ICC) and number of committee members. The constitution of ICC should comply with the applicable law.

Part C: Number of complaints received on sexual harassment

Scoring criteria

Disclosure on the number of complaints received by the company on sexual harassment in the last three financial years or no complaints received.

Part D: Number of complaints pending on sexual harassment

Scoring criteria

Disclosure on number of complaints pending in last three financial years.

SES' view on Part A, Part B, Part C, and Part D

It is the duty of every employer to deter and prevent any act of sexual harassment in their organisation. Therefore, companies should disclose if they have formulated a policy to implement the above and provide information related to

its anti-sexual harassment policy in its annual report/website. To address the grievances/complaints, the company should constitute an ICC, as required under the law. The details of entire process, explaining the method to raise complaints, mechanism followed by the committee to resolve the complaints, etc., should be disclosed in the policy. SES will analyse the following information:

- Disclosure of prevention of sexual harassment policy on website/in annual report.
- Constitution of ICC and details of committee members disclosed in the annual report.
- Number of complaints received by ICC and the number of complaints pending for the last three financial years.

Connections to frameworks / legal requirements

- The Sexual Harassment of Women at Workplace (prevention, prohibition, and redressal) Act, 2013
- BRR annexure I, section E, P3 Q7

3.2 Workforce

3.2.1 Workforce diversity

Part A: Disclosure on workforce

Scoring criteria

The company has disclosed the detailed break up of its workforce (including temporary / contractual / casual basis and employees with disabilities).

Part B: Percentage of women employees

Scoring criteria

Disclosure of % of women employees included by the company in its workforce.

Part C: Increase in percentage of women employees

Scoring criteria

Increase/decrease in the % of women employees in the last three financial years.

Part D: Temporary worker ratio

Scoring criteria

Disclosure on temporary/non-permanent employees engaged in the company. Better scoring will be allotted for lesser temporary worker ratio.

SES' view on Part A, Part B, Part C, and Part D

Human capital is the backbone of any organisation and accelerates the company's goals towards success and growth. Workforce diversity is crucial for sustainable development. Therefore, it is important for an organisation to account for its workforce and achieve a balance between temporary and permanent employees, based on the industry's requirements. Further, the participation of women employees is equally important. Companies should strive hard to improve gender diversity, by promoting women empowerment in their workforce. Therefore, SES will analyse the following information disclosed by the company:

- Detailed break up of workforce.
- % of women employees out of total employees.
- Increase/decrease in women employment for the last three financial years (Y-o-Y comparison).
- Temporary worker ratio.

Temporary employees will be recruited for a short period of time. Therefore, a large amount of investments will be required to train such employees. Accordingly, the company should have a minimum temporary worker ratio.

Connections to frameworks / legal requirements

- BRR annexure II, P3(1), P3(2), P3(3), and P3(4)
- GRI 102-7(a-i), 102-8(a), (c), and GRI 405
- SDG: 5, 10
- UNGC Principle 6

3.2.2 Equal opportunity employer

Part A: Statement on equal opportunity disclosed

Scoring criteria

The company has disclosed the statement for the last three financial years, setting out the % of employees per employee category, by age group, gender, and other indicators of diversity.

Part B: Statement on equal pay opportunity

Scoring criteria

The company has disclosed the

statement on equal pay opportunity for the last three financial years.

Part C: Disclosure on minimum wages

Scoring criteria

The company has disclosed the statement confirming that the payment of salaries/wages is above minimum wages for the last three financial years.

SES' view on Part A, Part B, and Part C

A diverse workforce is beneficial to an organisation and its bottom line. Therefore, disclosure of diversity in the workforce in annual report will reflect that the company is an equal opportunity employer. Further, employees/staff should be paid above minimum wages and there should be an equal salary range for the employees/staff working at same grade.

SES will analyse the following information:

- Statement on equal employment opportunity for the last three financial years.
- Statement on equal pay opportunity for employees/staff for the last three financial years.
- Disclosure on confirmation of payment of salaries/wages above minimum wage in last three financial years.

Connections to frameworks / legal requirements

- GRI 202-2 and 405
- UNGC Principle 6
- SDG: 5, 10

3.2.3 Employee attrition

Part A: Disclosure on attrition rate/employee turnover ratio

Scoring criteria

The company has disclosed the attrition rate/employee turnover ratio for the last three financial years.

Part B: Level of attrition rate/employee turnover ratio

Scoring criteria

Level of attrition rate/employee turnover ratio in the last three financial years. Low attrition rate will enable the company to score high.

Part C: Decrease in attrition rate/employee turnover ratio

Scoring criteria

Increase/decrease in attrition rate/employee turnover ratio in the last three financial years.

SES' view on Part A, Part B, and Part C

A high rate of employee attrition can indicate levels of uncertainty and dissatisfaction among employees. It can also signal a fundamental change in the structure of organisation's core operations. Employees' turnover also has direct cost implications either in terms of reduced payroll or greater expenses for the recruitment of employees.

SES will analyse the following information for the last three financial years:

- The company has disclosed attrition rate/employee turnover ratio

- Level of attrition rate/employee turnover ratio
- Increase/decrease in attrition rate/employee turnover ratio

Connections to frameworks / legal requirements

- GRI 401

3.2.4 Child labour/forced labour/involuntary labour/discrimination in employment

Part A: Number of complaints received on child labour/forced labour/involuntary labour

Scoring criteria

Disclosure of the number of complaints received by the company on child labour/forced labour/involuntary labour in the last three financial years.

Part B: Number of complaints pending on child labour/forced labour/involuntary labour

Scoring criteria

Disclosure of the number of complaints resolved and pending for the last three financial years.

Part C: Number of complaints received on discriminatory employment

Scoring criteria

Disclosure of the number of complaints received by the company on discriminatory employment in the last three financial years.

Part D: Number of complaints pending on discriminatory employment

Scoring criteria

Disclosure of the number

of complaints pending on discriminatory employment in the last three financial years.

SES' view on Part A, Part B, Part C, and Part D

Child labour is work that deprives children of their childhood, potential, and dignity. It is harmful to their physical or mental development and interferes with their education. Specifically, child labour refers to types of work that are not permitted for children below the relevant minimum age. Therefore, it is important that the company discloses the data on the number of complaints received on child labour/forced labour/involuntary labour.

SES will analyse the following information for the last three financial years:

- Number of complaints received on child labour/forced labour/involuntary labour.
- Number of complaints pending.

It is essential for the company's management to avoid any sort of work discrimination or employment discrimination. The company should also take all possible steps to stop such practices.

SES will analyse the following information for the last three financial years:

- Number of complaints received on discriminatory employment.
- Number of complaints resolved and number of complaints pending.

Connections to frameworks / legal requirements

- BRR, annexure II, P3(7)
- GRI 406, 408, 409
- UNGC Principles 4, 5, 6
- SDG: 8
- SASB: General issue/labour practices (SASB industry standards)
- SASB: General issue/employee engagement and inclusion (SASB industry standards)

3.2.5 Training and skill development

Part A: Disclosure related to training and skill development

Scoring criteria

The company has disclosed the details of training and skill development programmes conducted for all categories of employees/staff.

Part B: Percentage of training on safety and skill development

Scoring criteria

Disclosure of details of trainings provided to all categories of employees/staff.

Part C: Training on prevention of sexual harassment

Scoring criteria

Disclosure of training and awareness sessions for all employees on prevention of sexual harassment at the workplace and orientation programmes/training for members of the ICC.

SES' view on Part A, Part B, and Part C

Upskilling programmes allow organisations to plan skill acquisition and equip employees to meet strategic targets and cope up with a changing work environment. Therefore, the company should strive to provide 100% training and skill development programmes to all categories of employees/staff.

SES will analyse the following information:

- Disclosure of training and skill development provided to all categories of employees/staff. Details like total training man hours and number of employees/staff that were provided with training are disclosed.
- Percentage of training provided to all categories.

Further, the company should conduct training and awareness sessions on the prevention of sexual harassment at workplace, to all employees.

SES will analyse the following information:

- Training and awareness sessions were conducted for all the employees

Connections to frameworks / legal requirements

- BRR annexure II, P3(8)
- GRI 403, 404
- Sexual Harassment of Women at the Workplace (prevention, prohibition, and redressal) Act, 2013
- SDG: 5

3.2.6 Average hours of training

Part A: Disclosed average hours of training per employee

Scoring criteria

Disclosure of the average number of hours of training per employee for the last three financial years.

Part B: Average hours of training per employee

Scoring criteria

No decrease in the average number of hours of training per employee for the last three financial years.

SES' view on Part A and Part B

Conducting training sessions for all the employees/staff on periodical basis is crucial to develop the skills of employees. Therefore, the average number of hours of training per employee should not be reduced over a period of time. SES will analyse the following information:

- The company has disclosed information on the average number of hours of training per employee, for the last three financial years.
- No decrease in the average number of hours of training per employee, over the last three financial years.

Connections to frameworks / legal requirements

- BRR annexure II, P3(8)
- GRI 403, 404

3.2.7 Industrial relations

Part A: Disclosure on dispute related to wages

Scoring criteria

Disclosure of information on wage-related disputes between company and its workers or the company has confirmed about no such events in the last three financial years.

Part B: Dispute related to wage

Scoring criteria

Disclosure of details of wage settlement between the company and its workers for the last three financial years.

Part C: Disclosure on strike/lockout

Scoring criteria

Disclosure of information on strike or the company has confirmed about no such events for the last three financial years.

Part D: Strike / lockout

Scoring criteria

Disclosure by the company confirming that there was no strike/lockout in the last three financial years.

Part E: Staff welfare per employee

Scoring criteria

Disclosure of staff welfare expenses for the last three financial years. Further, SES will analyse if expenses increased/decreased in the last three financial years.

SES' view on Part A, Part B, Part C, Part D, and Part E

Wage disputes between the company and its workers can become a crucial issue, which may also hamper organisational reputation and goodwill. To confirm that there is no wage dispute or if there is wage settlement, the company should provide the details of wage disputes and wage settlements with the workers, if any, in its annual report. SES will analyse this information for the last three financial years.

Situations that evolve into strikes/lockouts by the workers should be avoided by the company. SES will analyse the details of strikes/lockouts for the last three financial years.

Staff welfare keeps the staff motivated towards their work and organisation. Therefore, there should not be any decrease in expenses related to staff welfare. SES will analyse this data for the last three financial years.

Connections to frameworks / legal requirements

- UNGC Principle 3
- BRR annexure II, P3(5) and P3(6)
- Regulation 30 (4) of the SEBI listing regulations r/w schedule III: para B of part A
- Regulation 33 (1) (e) r/w schedule IV para I of part A of the SEBI listing regulations
- Section 129 of the Act r/w schedule III part II

3.3 Relationship with Local Communities**3.3.1 Supply chain****Part A: Disclosure of the company's supply chain****Scoring criteria**

Disclosure pertaining to supply chain, including main elements as it relates to the main activities and key products and services.

SES' view

Companies should provide adequate disclosures on their supply chain, including the details of main elements to the main activities and about their key products and services. This disclosure would enable stakeholders to understand the company's supply chain and identify risks, if any.

Part B: The company's sustainability report includes those ESG impacts that occur as a result of its relationships with other entities**Scoring criteria**

Disclosure of ESG impacts that occur as a result of the company's relationships with other entities in detail.

SES' view

Companies should disclose the ESG impact that occurs as a result of their relationship with other entities in the sustainability report/annual report, so that the stakeholders are well informed about their ESG impact. This information would

help stakeholders judge the likely positive and negative impacts of the company's relationships with other entities.

Part C: Procurement from local and small vendors, including communities surrounding its place of work**Scoring criteria**

Adequate information has been disclosed by the company on above-mentioned details.

Part D: Steps have been taken to improve the capacity and capability of local and small vendors**Scoring criteria**

Adequate information has been disclosed by the company on above-mentioned details.

SES' view on Part C and Part D

The company shall disclose details regarding the procurement of its raw materials and other materials from local and small vendors. Procuring raw material locally can help the country reduce poverty and create livelihood for local communities in the area of operations. It can also reduce the risk associated with disruptions in supply chain due to global events.

Companies should study and understand the capacities and processes of small and local vendors, to initiate various measure that improve their capabilities.

Part E: The policy of the company on human rights**Scoring criteria**

Disclosure of the company's policy on human rights, covering the company/group/joint ventures/suppliers/NGOs/others as well.

Part F: Number of complaints received related to a salient human rights issue**Scoring criteria**

Disclosure of the number of complaints pending on the company's human rights issues, in the last three financial years.

SES' view on Part E and Part F

All companies impact human rights directly (through operations and actions of themselves and/or their group/subsidiaries/joint ventures, etc.) or indirectly (through interactions and relationships with others, like suppliers, NGOs, communities, etc.). Therefore, organisations are responsible for their impacts on human rights.

SES will analyse the following information:

- Disclosure of the company's policy on human rights and its coverage.
- Number of pending complaints on human rights for the last three financial years.

Connections to frameworks / legal requirements

- GRI 101, 102-9, 103-1, 2, 204-1, 412
- GRI WDI 7.5

- BRR annexure I, section E, P2 Q2, P2 Q4, P5 Q1, and BRR annexure II, P5 (2), (3) and (4)
- UN guiding principles reporting index

3.3.2 Relationship with the local community**Part A: The company has specified CSR programmes/initiatives/projects and has disclosed details****Scoring criteria**

Disclosure of specified CSR programmes/initiatives/projects undertaken by the company, along with details of such programmes.

Part B: Impact assessment of the company's initiatives**Scoring criteria**

The company has carried out an impact assessment of its CSR initiatives.

SES' view on Part A and Part B

To provide better clarity about its CSR initiatives, the company should adequately disclose the information of specified programmes/initiatives/projects that it undertook.

The company should conduct CSR impact assessments, which will provide quantifiable and measurable results of CSR activities to the stakeholders. Further, CSR impact assessment will highlight the company's achievements and contribute to strengthening old programs and devising future initiatives.

Part C: The company has taken steps to ensure that community development initiatives are successfully adopted by the community**Scoring criteria**

The company should mention the above-mentioned details.

SES' view

This will help the company to understand if its initiatives and steps taken towards community development have been beneficial and impactful on the community.

Part D: Disclosure on mitigation of adverse effects on the local communities**Scoring criteria**

The company had disclosed the effects and mitigation measures for the same.

SES' view

The business operations of the company may have a negative impact on the community in which the company operates. The company should take steps to mitigate those impacts and disclose the same to its stakeholders. This will enable stakeholders to identify risks associated with the impact of company's operations on its surrounding communities.

Connections to frameworks / legal requirements

- Section 135(4)(a) of the Act r/w rule 9 of the companies (accounts) rules, 2014 and rule 9 of the companies (corporate social responsibility) rules, 2014

- BRR annexure I, section B Q5 and annexure II, P8

3.3.3 CSR expenditure

Part A: Disclosure of CSR policy

Scoring criteria

The company has CSR Policy in place and has disclosed the same on its website.

Part B: The list of CSR projects/programmes to be undertaken by the company

Scoring criteria

The company has disclosed a list of the CSR project/programmes to be undertaken, modalities of execution, implementation schedules, and monitoring process for the projects/programmes.

Part C: Contribution of CSR

Scoring criteria

The company has spent 2% or more of its profits towards CSR initiatives, in the last three financial years.

Part D: In case of failure, the reasons for not spending in its Board/annual report

Scoring criteria

The company has explained the reason for not incurring the CSR expenditure as per statutory limit.

SES' view on Part A, Part B, Part C, and Part D

Companies are required to formulate a CSR policy as per law. This policy can uplift the company's

image, by depicting that its motive is not merely to earn profits, but to empower its community. The organisation's CSR policy can help in implementing CSR activities, by establishing procedures that integrate social, environmental, ethical, human rights, or concerns into business operations and core strategy. The contribution of the company towards CSR initiatives is a mandatory requirement as per law.

SES will analyse the following information:

- The CSR policy of the company is being disclosed.
- Disclosure of a list of the CSR projects/programmes undertaken by the company.
- Contribution towards CSR as per statutory limits.
- If not, whether the reason for not spending the CSR amount is explained in the annual report.

Connections to frameworks / legal requirements

- Section 134(3)(o) and section 135 of the Act
- Rule 9 of the companies (accounts) rules, 2014
- The companies (corporate social responsibility) rules, 2014
- BRR annexure I, section B Q5, and section E, P4 Q3, P8 Q1, Q2 and Q4, and annexure II, P8(3)
- GRI 103-43, 103-2 (c-vii) (c-v), 201-1(a-ii), 203-1, and 413(a-iv), (a-vi)

3.3.4 Political donations

Part A: Political donations

Scoring criteria

Disclosure of political donations by the company in the last three financial years.

SES' view

Companies that donate to political parties may be doing so to gain influence or favour in return from political parties. SES is of the view that companies should have zero or very little contribution towards political activities. Political contribution can cause corruption risks.

Connections to frameworks / legal requirements

- Section 182 of the Act
- GRI 415: Public policy

3.3.5 Membership of associations

Part A: Association with trade/industry or other associations (national or international advocacy organisations)

Scoring criteria

Disclosure on the company being a member of trade/industry/other associations (national or international advocacy organisations) and details of any advocacy or lobbying through such associations for the advancement of public good.

SES' view

The company's association and membership with trade associations can help it to collaborate within the industry and stay updated with the latest advancements. However, these associations often indulge in lobbying and political donations. Hence, the company must also disclose nature of such organisations, along with names.

Connections to frameworks / legal requirements

- BRR annexure I, section E, P7 Q1 and Q2, and annexure II, P7(2)
- GRI 102-13

3.4 Data Security and Customer Orientation

3.4.1 Data security and privacy

Part A: Risk management (cybersecurity)

Scoring criteria

The company has disclosed its risk management function, which specifically covers cybersecurity and adequate information is being provided.

SES' view

Data privacy and security have become the most crucial risk management function of organisations. Today, most data is stored in an electronic form and can be misused for various purposes. Therefore, a Risk Management Committee (RMC) should identify and satisfy itself that sufficient procedure, checks, and balance are established

for data privacy and security systems in the organisations.

Part B: Data security/privacy policy

Scoring criteria

The company has a policy related to data security and privacy. The policy is disclosed in its annual report/sustainability report/integrated report/website, etc.

Part C: Number of data security/privacy policy breaches

Scoring criteria

The company has disclosed the total number of substantiated complaints received on the breach of customer privacy.

Part D: Trend in the number of data security/privacy policy breaches

Scoring criteria

The company has disclosed the number of complaints related to breach of customer privacy.

SES' view on Part B, Part C, and Part D

The company should have a policy for data security and privacy in place, to safeguard data acquired during its business operations. It is important that the company safeguards confidential information about its clients, vendors, etc. SES will analyse the following information:

- Policy of the company on data security and privacy (SES will **not** consider website privacy policy)
- Number of complaints received and status of the pending complaints (increase or decrease)

Connections to frameworks / legal requirements

- Regulation 21 (risk management committee) of the SEBI listing regulations
- GRI 418: Customer privacy

3.4.2. Customer orientation

Part A: Survey

Scoring criteria

The company has disclosed the details of regular (more than once a year) customer surveys conducted or confirmed that the customer survey is not required to be conducted due to the sector it operates in.

SES' view

Companies should conduct customer surveys frequently, to understand customer feedback and take appropriate measures to address their negative comments or feedbacks. This will help companies ensure customer satisfaction for their products and/or services. If companies do not conduct frequent and regular interaction with their customers, it may be a cause of concern for the stakeholders.

Part B: Pending complaints of customers

Scoring criteria

Disclosure of number of the pending complaints of customers for the last three financial years.

SES' view

Customer complaints should be resolved as soon as possible.

Pending customer complaints reflect poorly on the company’s customer orientation. SES will analyse if the number of pending complaints has increased or decreased in the past three financial years.

Part C: Cases related to unfair trade practices, irresponsible advertising and/or anti-competitive behaviour, anti-trust, and monopoly practices

Scoring criteria

The company has disclosed reported cases related to unfair trade practices, irresponsible advertising and/or anti-competitive behaviour, anti-trust, and monopoly practices.

SES’ view

Companies should discourage unfair trade practices. Their code of conduct should be a guiding principle for employees and restrict them from following unfair trade practices. Unfair trade practices, if present, are a cause of high concern for the stakeholders.

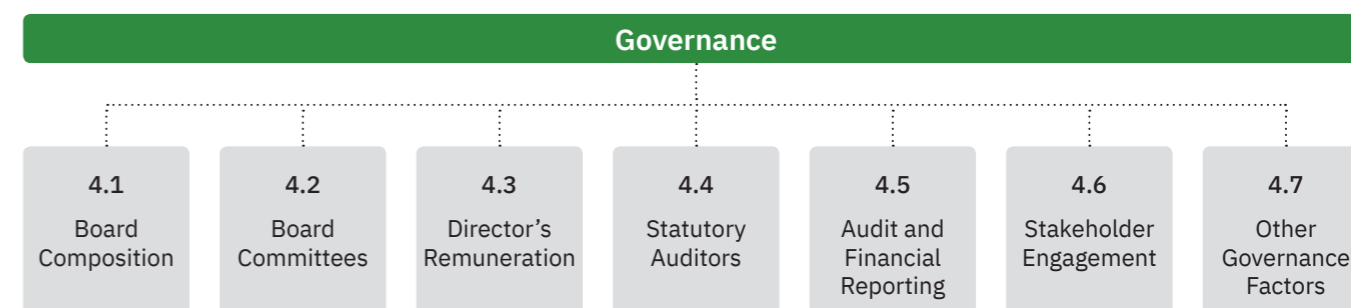
Connections to frameworks / legal requirements

- BRR annexure I, section E, P9 Q1, Q3, and Q4
- GRI disclosure 206: Anti-competitive behaviour
- Rule 11 of the companies (audit and auditors) rules, 2014

Section IV – Governance

Weightage: 40-50%

This section analyses the company’s Board-related practices, such as the Board’s composition, remuneration, committee composition, and performance. Further, this section also analyses statutory auditors, audits, financial reporting, and stakeholder engagement functions.



4.1. Board Composition

4.1.1 Competence and diversity of Board of Directors

Part A: Gender diversity

Scoring criteria

The best score will be awarded to companies with more than 1 woman in the role of an Independent Director.

SES’ view

Companies should have at least one female Independent Director on their Boards.

Part B: Age diversity

Scoring criteria

The best score is provided to companies with all Executive

Directors on the Board below the age of 65 years and all Non-Executive Directors below the age of 70 years.

Part C: Average board age

Scoring criteria

The best score is awarded if the average age of Board members lies between 55 years and 65 years.

SES’ view on Part B and Part C

Companies must have a balanced Board structure with both young and experienced directors. Being a director requires significant efforts and time commitments on part of the directors.

Part D: Directorship category diversity

Scoring criteria

The best score is given to the

company with at least 50% Independent Directors, an Independent Director as the Chairperson and an Executive Director as the Member.

SES’ view

Boards should also comprise Non-Executive Directors, Executive Directors, and Independent Directors. There should be at least one Executive Director on the Board who should look after the company’s day-to-day management.

Part E: Expertise diversity and competencies pertaining to ESG topics

Scoring criteria

The best score is awarded if the Board comprises at least one industry expert, finance expert, management/admin/legal expert,

and at least one Director with experience in an ESG-related field.

Part F: Education diversity

Scoring criteria

The best score would be awarded if all the Directors on the Board have a post-graduation degree or a professional qualification.

SES' view on Part E and Part F

Boards should be comprised of individuals with a strong background, expertise, and relevant experience, along with a diverse skill set. This will enable the directors to contribute to the decision-making process and operate the companies efficiently. Further, the Directors should be professional individuals from diverse backgrounds, to provide perspectives and inputs and make the Board's decision-making skills stronger.

Connections to frameworks / legal requirements

- Second proviso to section 149(1) r/w rule 3(i) of the companies (appointment of directors) rules, 2014, section 149 (4), first proviso of section 196 (3), proviso to section 177(2)
- Regulation 17(1)(a) and (b), regulation 17 (1A) regulation 34(3) r/w schedule V: para (C) (2)(a), (h), regulation 18(3) (c) (in relation to directors to be appointed on the audit committee) of the SEBI listing regulations
- GRI 102-22(a-v), 102-18, 102-18(a), 102-22 (a-i), (a-ii), (a-vii),

102-24, and GRI 102-23

- RBI circular on 'Upper age limit for whole-time directors on the boards of banks' dated September 9, 2014
- RBI master direction - Reserve Bank of India ('Fit and proper' criteria for elected directors on the Boards of PSBs) directions, 2019 dated August 2, 2019
- Rule 5(1) of the companies (appointment and qualification of directors) rules, 2014

4.1.2 Independence of the Board

Part A: Independence of the Board

Scoring criteria

The best score is awarded to companies in which the Board comprises 75% of Independent Directors.

Part B: Chairperson category

Scoring criteria

The best score is awarded to companies in which the Board is chaired by an Independent Director.

SES' view on Part A and Part B

Boards should comprise independent and objective directors who have a record of efficient and effective performance. Boards should also have capable members with an in-depth experience and expertise in diverse fields. Ideally, Boards should have a majority of Independent Directors (IDs) and an optimal composition of Executive Directors

(EDs) and Non-Independent Directors (NIDs) as well. The role of the Board is to safeguard the interest of the stakeholders. Boards also have a role in overseeing the management. Therefore, ideally, Boards should be led by an Independent Chairman so that there is no concentration of power.

Part C: Tenure / association of ID

Scoring criteria

The best score would be awarded when none of the Independent Directors have been associated with the company for more than 10 years.

SES' view

Going by the spirit behind the Act, no ID should be associated with a company for more than 10 years. The law counts term post April 1, 2014, whereas SES counts total association (pre and post April 1, 2014). Considering the terms of ID from April 1, 2014 will be in compliance with the law, but the independence of such IDs may not be in spirit, due to their prolonged association with the company.

Part D: Lead ID

Scoring criteria

The best score would be provided when the company has appointed a Lead Independent Director (LID) or the Chairperson is Independent Director, as per SES criteria.

SES' view

SES criteria for LID: ID as per SES criteria and the company has disclosed:

- Chairperson is an ID or
- Name of the LID

Connections to frameworks / legal requirements

- Section 149(4), (10) and (11) of the Act
- Regulation 17(1)(b), regulation 17 (1B), regulation 25(2) of the SEBI listing regulations
- GRI 102-22 (a-ii), 102-22 (a-iii) and 102-23

4.1.3 Exit of IDs

Part A: Exit of ID

Scoring criteria

The best score is awarded to the company if there are no exits of Independent Directors or if the exit is only due to death/disability or change in law, or upon expiry of tenure.

SES' view

In case of an ID's exit mid-way during the term, the ID and the company should provide justification about such resignations in detail, to keep the stakeholders informed about the reason for resignation. Reasons for resignation of ID may be due to internal frauds or irregularities, which would be undisclosed to stakeholders, if the reason for resignation is not adequately disclosed by the ID and the company.

Connections to frameworks / legal requirements

- Section 168 of the Act r/w rule

15 and 16 of the companies (appointment and qualification of directors) rules, 2014

- Regulation 30 r/w schedule III, part A, para A, 7B of the SEBI listing regulations
- Regulation 34(3) r/w schedule V: Para (C)(2)(j) of the SEBI listing regulations

4.1.4 Attendance and time commitments

Part A: Attendance at Board meetings

Scoring criteria

The best score would be provided to the company if all the Directors attended 100% Board meetings held during the year.

SES' view

It is the responsibility of Boards to protect the interests of all the investors and other stakeholders. Being a Director requires significant efforts and time commitments to direct the future course of action of the company. Therefore, Directors should attend all the Board meetings to ensure their presence in all crucial discussions and decisions.

Part B: Annual General Meeting (AGM) attendance

Scoring criteria

The best score would be provided to the company is all the Directors attended the AGM.

SES' view

All directors should attend the AGM. The entire Board is responsible

for addressing the queries of the shareholders. Therefore, the entire Board should be present at AGMs. In the opinion of SES, apart from regulatory requirements, specifically the Chairperson should also attend the AGM to answer shareholders' queries.

Part C1: Directors' time commitments (Directorships in listed companies)

Scoring criteria

The best score would be provided when none of the Directors hold Board position in more than five listed companies.

Part C2: Directors' time commitments (Directorships in public companies)

Scoring criteria

The best score would be provided when none of the Directors hold more than five public directorships.

Part C3: Directors' time commitments (Directorships in all companies)

Scoring criteria

The best score would be awarded when none of the directors hold more than ten total directorships.

SES' view on Part C1, Part C2, and Part C3

Boards are entrusted to protect the interests of all stakeholders. Reasonable time commitments of Directors are a good governance practice, as they can devote sufficient time to the company's affairs. To discharge their duties effectively, Directors should not

accept too many Board proposals. Service on too many Boards can interfere with their performance.

Directorship in up to five listed companies or five public companies and up to ten total directorships is considered reasonable. Directorship in excess of the above-mentioned threshold may adversely affect the availability of time of the concerned director for companies. Directorship in excess of five listed companies would require higher time commitment by the Directors.

Connections to frameworks / legal requirements

- Section 92(1)(f), section 178(7), and 165(1) r/w proviso thereof, of the Act
- Regulation 34(3) r/w schedule V: Para (C)(2)(b) and (c), regulation 18(1)(d), 19(3), 20(3), 17A of the SEBI listing regulations
- GRI 102-22(a-iv)

4.1.5 Rotation policy

Part A: Non-Independent Directors' (NIDs) retirement by rotation

Scoring criteria

The best score would be provided when all NIDs are liable to retire by rotation.

SES' view

If NIDs appointed by listed companies are not liable to retire by rotation, then such an appointment will result in appointment for perpetuity. A perpetual approval beats the importance

of shareholders' vote. All the resolutions should have fixed terms, so that the concerned agenda is kept in check periodically.

Connections to frameworks / legal requirements

- Section 149 and 152 of the Act

4.1.6 Disclosure on expertise matrix

Part A: Matrix of Board expertise

Scoring criteria

Matrix is disclosed with the list of core skills/expertise/competencies identified by the Board as required, in the context of its business(es) and sector(s) for it to function effectively. Those are actually available with the board, along with the names of Directors who have skills/expertise /competence.

SES' view

Boards should identify the list of core skills/expertise/competencies of all Directors on their Board. Board performance should be evaluated periodically, based on the parameters identified by the Board. The list of skills and expertise should be designed based on the growth and expansion of the company and towards changing trends of businesses.

Connections to frameworks / legal requirements

- Regulation 34(3) r/w schedule V: Para (C)(2)(h) of the SEBI listing regulations

4.2. Board Committees

4.2.1. Audit committee and Nomination and Remuneration Committee (NRC)

Part A: Composition of Audit committee

Scoring criteria

The best score would be awarded if the audit committee comprises 100% Independent Directors as members.

SES' view

The audit committee is required to oversee the financial reporting process, the audit process, and compliance with laws, regulations, accounting and auditing standards. All the members of the audit committee should be independent, so that there is less interference and influence of the promoters or management in the audit process.

Part B: Audit committee expertise

Scoring criteria

The best score would be provided if at least three or all members are finance experts if there are only three members, and all others are financially literate.

SES' view

The members of the audit committee should have sound financial management expertise or experience. Further, the chairperson of the audit committee should have recent and relevant accounting or financial management expertise or experience.

Part C: Composition of NRC

Scoring criteria

The best score would be provided if the NRC comprises 100% Independent Directors as its members.

SES' view

The roles and responsibilities of NRC include evaluation, selection, remuneration, and appointment process of Directors and senior management. Therefore, NRC should comprise non-interested Board members and all the members of NRC should be 100% independent. None of the NRC members should have a relationship with the management that may interfere with their independence.

Part D: Chairperson of audit committee

Scoring criteria

The best score would be provided if the chairperson of audit committee is an Independent Director (as per SES) and a financial expert.

SES' view

The chairperson of the audit committee represents the company before its shareholders and addresses their queries at AGMs. The chairperson of the audit committee should have sound financial expertise.

Part E: Chairperson of NRC

Scoring criteria

The best score would be provided if the chairperson of NRC is an Independent Director (as per SES).

SES' view

The NRC should ensure clear demarcation between the roles of NRC members and the management, so that there is no interference in the responsibilities of the NRC members. Since the chairperson of NRC should be an ID as a regulatory requirement, companies should adhere with the requirement in true spirit and not merely in letter. Therefore, an ID defined as per SES policy has to be considered to meet the test of independence.

Connections to frameworks / legal requirements

- Section 177(2), 178 (1) of the Act
- Regulation 18(1)(b), (c) and (d), 46(2)(c), 34(3) r/w schedule V: Para (C)(3)(b) and (c), 19(1) and (2) of the SEBI listing regulations
- RBI master direction - Reserve Bank of India ('Fit and proper' criteria for elected directors on the boards of PSBs) directions, 2019 dated August 2, 2019
- RBI notification on 'Guidelines on compensation of whole-time directors /CEOs/other risk takers' dated January 13, 2012

4.2.2 CSR committee and policy

Part A: Composition of CSR committee

Scoring criteria

The best score would be provided if two-third members of the CSR committee are IDs (as per SES).

SES' view

The CSR committee is responsible to ensure that companies identify CSR initiatives and fulfil them in true spirit and letter. Even though the law prescribes that at least one ID should be a member of the CSR Committee, majority of the committee members should be independent.

Part B: Chairperson of CSR committee

Scoring criteria

The best score would be provided if the chairperson of the CSR committee is an ID (as per SES).

SES' view

The chairperson of all the Board committees should be an ID, to avoid interference of the management in its processes and activities.

Part C: Number of meetings conducted by the CSR committee

Scoring criteria

The best score would be provided if the CSR committee met more than two times during the year.

SES' view

CSR budgets, initiatives, and programmes are discussed and approved by the CSR committee in its meetings. It is the responsibility of the committee members to oversee the management's performance towards its CSR activities and review the CSR expenditure. Therefore, the CSR committee should meet periodically

to analyse the spending towards CSR initiatives, as per the approved scheme and schedule.

Connections to frameworks / legal requirements

- Section 92(1)(f) and 135 of the Act and the companies (corporate social responsibility) rules, 2014
- Regulation 46(2)(c) of the SEBI listing regulations

4.2.3 Risk management committee

Part A: Disclosure on risk management policy

Scoring criteria

The best score would be provided if the company has disclosed details of its risk management framework.

SES' view on Part A and Part D

Companies should disclose their risk management policy in annual reports or display it on their websites. The employees and investors can then become aware of potential risks to the business and the risk mitigation initiatives taken by the committee. The risk management policy should include details of initiatives/steps taken to mitigate risks and specifically cover cybersecurity for top 500 listed companies.

Part B: Composition of risk management committee (independence)

Scoring criteria

The best score would be provided if the risk management committee comprises 50% or more IDs.

Part C: Composition of risk management committee (Directors)

Scoring criteria

The best score would be provided if the risk management committee comprises 50% or more Directors.

SES' view on Part B and Part C

It is the responsibility of the risk management committee to identify the potential risks to the business – both internal and external factors. Therefore, for the committee to discharge its responsibilities effectively, it should comprise balanced members, i.e., a mix of Executive Directors and IDs. This will help identify the potential risk to the business and determine the corrective measures in advance. Further, members of the risk management committee should be balanced between Board members and the senior management.

Part D: Disclosure on risk and its mitigation

Scoring criteria

The best score would be awarded if risks are identified and steps to mitigate risks are disclosed.

Part E: Meetings of risk management committees

Scoring criteria

The best score would be provided if at least four meetings of the risk management committee were held during the last financial year.

SES' view

As a statutory mandate, the risk management committee should

meet at least once in a year to discuss, oversee the risk mitigation mechanism, and plan for further initiatives/corrective measures to mitigate the risk.

To identify the potential risks of evolving trends in the business and other risk factors involved, especially external factors, it may not be possible for the members to meet just once a year and approve the framework for mitigation of risk, implementation and effectiveness at various stages. Therefore, the members of risk management committee should meet more frequently.

Connections to frameworks / legal requirements

- Section 134(3)(n) of the Act
- Regulation 21(2), 21(3), 21(3A), 46 (2)(c) of the SEBI listing regulations
- GRI 102-29, 102-30, 102-31, 102-33, and 102-34
- BRR annexure II, P6(6) and P9(3)
- NGRBC: P6 core element (1)

4.2.4 Stakeholders relationship committee

Part A: Composition of stakeholders relationship committee

Scoring criteria

The best score would be provided if at least 67% of committee members are IDs (as per SES).

Part B: Chairperson of stakeholders relationship committee

Scoring criteria

The best score would be provided if the Chairperson is an ID (as per SES).

SES' view on Part A and Part B

The stakeholders relationship committee is responsible for resolving the grievances reported by the shareholders, debenture holders, and other security holders. Therefore, the committee should comprise majority of non-conflicted directors, i.e. IDs, to ensure that the grievances of shareholders are resolved quickly. The IDs are also aware of the challenges and difficulties faced by shareholders. Board committees should be chaired by IDs, to avoid any conflict of interest between interested directors and the committee's functioning.

Connections to frameworks / legal requirements

- Section 178(5) of the Act
- Regulation 20 (2), 20(2A), 20(3), 46(2)(c) and 34(3) r/w schedule V: Para (C)(6)(a) of the SEBI listing regulations

4.2.5 Attendance at Board committees

Part A: Attendance at audit committee meetings

Scoring criteria

The best score would be provided if all Directors attended 100% audit committee meetings.

SES' view

The audit committee is responsible for monitoring and approving various financial matters that are required as per the law. Therefore, 100% attendance of members of audit committee becomes very crucial, as all the important financial transactions are discussed and approved in presence of all the audit committee members. IDs are entrusted with the responsibility of protecting the interest of stakeholders. Therefore, the audit committee members should devote sufficient time towards the company's corporate affairs.

Part B: Attendance at NRC meetings

Scoring criteria

The best score would be provided if all Directors attended 100% NRC meetings.

Part C: Attendance at stakeholder relationship committee meetings

Scoring criteria

The best score would be provided if all Directors attended 100% stakeholder relationship committee meetings.

Part D: Attendance at CSR committee meetings

Scoring criteria

The best score would be provided if all Directors attended 100% CSR committee meetings.

Part E: Attendance at risk management committee meetings

Scoring criteria

The best score would be provided if all Directors attended 100% risk management committee meetings.

SES' view on Part B, Part C, Part D, and Part E

Low attendance at committee meetings may lead to questions being raised regarding Directors' commitment towards the company. Therefore, Directors on Board committees should ensure that they attend all committee meetings. Also, if any Director has attended less than 75% of the meetings, as a good governance practice, the company should disclose the reason for the same in the annual report.

Connections to frameworks / legal requirements

- Section 92(1)(f) of the Act
- Regulation 34(3) r/w schedule V: Para (C)(3)(c), (C)(4)(c) of the SEBI listing regulations

4.2.6 Recommendations of Board committees

Part A: Has the Board not accepted any recommendation of any committee?

Scoring criteria

The best score would be provided if adequate details are provided with an explanation, if any resolution was not accepted or it has been disclosed that Board resolutions were accepted.

SES' view

Ideally, the Board should accept all recommendations made by the Board committees. In case any recommendation is rejected by the Board, then the justification for rejection of recommendation should be disclosed in the annual report.

Connections to frameworks / legal requirements

- Section 177(8) of the Act
- Regulation 34(3) r/w schedule V: Para (C)(10)(j) of the SEBI listing regulations

4.3 Director's Remuneration**4.3.1 General remuneration practice****Part A: Skewness in directors' remuneration****Scoring criteria**

The best score would be provided if no skewness is observed in remuneration practice across Executive Directors or Non-Executive Directors or IDs.

SES' view

The overall payment made to any Director should not be excessive. All directors should be remunerated based on identical performance policies. Therefore, although executive remuneration may differ from one Director to another, the differences should not be too high. The remuneration practice should be fair and reasonable, considering the company's size and performance.

Part B: Skewness/Board discretion on remuneration of EDs**Scoring criteria**

The best score would be provided if no skewness is observed in remuneration practice across EDs and Board or NRC do not exercise absolute discretion in deciding in EDs' remuneration.

SES' view

In the opinion of SES, companies should place an absolute total cap on the remuneration of EDs while seeking shareholders' approval. Providing absolute discretion to the Board vitiates the very purpose of seeking shareholders' approval and is against the principle.

Part C: Performance-linked remuneration of EDs**Scoring criteria**

The best score is given if total remuneration of EDs is aligned with PAT in the last three financial years.

SES' view

SES is of the opinion that a significant portion of the EDs' total remuneration should consist of variable/performance pay. Such variable/performance pay should be linked to the performance/profits of the company for the respective financial year.

Part D: Directors' remuneration policy**Scoring criteria**

The best score is given if the nomination and remuneration

policy is disclosed and detailed explanation is provided with respect to remuneration of Directors (parameters, objective criteria, etc.).

SES' view

The NRC should frame a remuneration policy that contains all the parameters and objective criteria based on which the directors should be remunerated. The remuneration policy should be disclosed in the annual report. It should be self-explanatory in all the aspects related to the remuneration payable to Directors.

Part E: Disclosures on components of Directors' remuneration**Scoring criteria**

The best score would be provided if adequate components of remuneration of all directors are disclosed.

SES' view

Directors' remuneration should be linked with their individual performance and the company's performance. Objective criteria for performance-linked incentives should be disclosed.

Part F: NEDs' and IDs' commission (shareholders resolution)**Scoring criteria**

The best score is given if the resolution approved by shareholders provides for payment of commission for a fixed period (not more than five years) or if the resolution provides for an absolute cap on total commission.

SES' view

The approval for payment of commission to NEDs shall not be for perpetuity. A perpetual approval beats the importance of shareholders' vote. All resolutions should provide for a fixed term, so that the concerned agenda is kept in check. Shareholders may like to change their opinion with the changing scenario.

Part G: NEDs' and IDs' commission (remuneration practice)**Scoring criteria**

The best score is given if no concern pertaining to related party payments, professional fees, skewness, etc. is identified and adequate justification is provided for additional payments, if any.

SES' view

The remuneration practice for payments to Directors should be fair.

Connections to frameworks / legal requirements

- Rule 5(1)(ii) and (viii), rule 5 (x), rule 6 of the companies (appointment and remuneration) rules, 2014
- Section 92(1)(g), 92(1)(g) r/w rule 7 of companies (management and administration) rule, 2014 r/w MGT-7, 101, 102, 134(3)(e), of the Act r/w Section 178(3), (4) and 4(b), 149 (9), 178(4)(b), 197(1) and (12) of the Act and 200 of the Act
- Regulation 17(6)(ca), 34(3) r/w schedule V: Para (C)(5)(b) and (c)

and 46(2) (b) and (f) of the SEBI listing regulations

- RBI notification on 'Guidelines on compensation of whole-time directors/CEOs/other risk takers' dated January 13, 2012
- GRI 102-35, 102-36 and 102-37

4.3.2 Ratio of ED remuneration to Median Remuneration of Employees (MRE)**Part A: Ratio of MRE****Scoring criteria**

The best score is given if the remuneration for all EDs is less than 200 times the median remuneration of employees.

SES' view

Median remuneration of employees depicts the average salary across all employees in the company. A high divergence in median remuneration and remuneration of an ED can indicate the practice of excessive remuneration to EDs. This would have to be compared across other EDs and key managerial personnel.

Connections to frameworks / legal requirements

- Section 197(12) of the Act r/w Rule 5(ii) and (viii) of the companies (appointment and remuneration) rules, 2014
- GRI 102-38

4.3.3 Fairness in remuneration**Disclosure on justification for Directors' remuneration****Scoring criteria**

This section analyses remuneration between two or more categories of Directors/Director's classifications (e.g. Promoter Executive Director vs. Non-Promoter Executive Director, Non-Executive Director vs. ID, EDs' variable component, etc.)

SES' view

Directors' remuneration should be linked to their performance and they should be remunerated fairly. If any Director is remunerated with substantially large remuneration, then as a good governance practice, the company should provide adequate justification for excess remuneration to a particular Director.

Connections to frameworks / legal requirements

- Section 197(12) of the Act r/w rule 5(viii) of the companies (appointment and remuneration) rules, 2014

4.3.4 Board performance evaluation and training**Part A: Disclosure on annual Board performance evaluation****Scoring criteria**

The best score is given when the company has disclosed the statement of Board evaluation, its processes, and parameters.

SES' view

The disclosure of strong board evaluation process spells out the gaps between parameters defined and actual achievements. The Board evaluation will help to add directors with relevant expertise and skills, if required. SES is of the view that companies should disclose detailed process and parameters, based on which the performance of the Directors is evaluated.

Part B: Disclosure regarding any action taken by the company based on previous year's observations on the Board's evaluation

Scoring criteria

The best score is given when the company has provided disclosures regarding any action taken based on previous year's observations on the Board's evaluation.

SES' view

Based on the outcome of the Board's evaluation, companies should take corrective measures to improve their Board performance. Further, companies should apprise their shareholders about the corrective action taken, by disclosing the details in their annual reports.

It is important for the shareholders to identify and understand the focus of the Board. Therefore, companies should strive to improve their disclosure in this regard.

Part C: Disclosure regarding measures taken to develop and enhance the Board's knowledge on ESG topics

Scoring criteria

The best score is given when the

company has provided disclosure regarding ESG risks and details on steps to mitigate the risks.

SES' view

Boards should be apprised by the management of the gravity of ESG impact due to the nature of business. Boards should take an initiative to minimise the company's ESG risks and should discuss ways to mitigate the risk.

Connections to frameworks / legal requirements

- Section 134(3)(p) of the Act
- Regulation 17(10), 25(4), 34(3) r/w schedule V: para (C)(4) (d and g) and para (C)(2)(g), 46(2)(i) of the SEBI listing regulations
- GRI-102-27, 102-28(a and d), 102-28 (b and c), 103-3
- SEBI circular dated May 10, 2018

4.4 Statutory Auditors**4.4.1 Regulatory action**

Part A: Regulatory action on statutory auditors

Scoring criteria

The best score is given when no major regulatory action against statutory auditors is observed in the last three financial years.

SES' view

Companies should not appoint statutory auditors against whom there have been major regulatory actions in last three financial years.

Connections to frameworks / legal requirements

- Third proviso to section 139(1) of the Act r/w rule 4(1)(d) of the companies (audit and auditors) rules, 2014

4.4.2 Rotation of auditors

Part A: Audit firm's tenure/ association

Scoring criteria

The best score is given when the auditor's total tenure is less than 10 years.

SES' view

Companies should not have an audit firm as statutory auditors for two terms of five consecutive years, i.e., an audit firm should not be associated with the company for more than ten years. Prolonged association of audit firm with a company may interfere with the audit firm's independence in the audit process.

Part B: Audit firm's partner's tenure/association with the company

Scoring criteria

The best score is given when an auditor partner has been associated with the company for three years or less.

SES' view

Prolonged association of an audit partner may influence the independence of the audit process. There should be rotation of audit partners, so that the independence of the individuals is maintained with the company and there is adequate

transparency in the audit process of the audit firms.

Part C: Auditor's exit

Scoring criteria

The best score is given when there is no case of removal or exit of auditors (i.e., completed both the terms of five years or exit of auditors due to regulatory changes/mergers and takeovers)

SES' view

The law allows listed companies to appoint audit firms as statutory auditors for two terms of five consecutive years. However, not appointing the same auditor for its second term should be discussed and the reason should be disclosed in the annual report, so that the shareholders are well informed about non-continuation of previous auditor. Any mid-term exit of the statutory auditor can indicate serious concerns with respect to the company's governance.

4.4.3 Auditor's resignation

Part A: Auditor's resignation

Scoring criteria

The best score is given when statutory auditors have not resigned mid-term (exception – exit of statutory auditors due to regulatory changes/mergers and takeovers)

SES' view

Statutory Auditors may have to resign due to concerns over the integrity of the management. Their

resignation mid-way reflects poorly on the company. Therefore, auditors should provide adequate justification for their resignation, so that the shareholders are informed of the reasons regarding the resignation. Any irregularities or frauds which cause the auditors to resign should be informed to the shareholders, which otherwise would not have been disclosed.

Connections to frameworks / legal requirements

- Regulation 30 r/w schedule III, part A, para A (7) and (7A) of the SEBI listing regulations
- Section 140(2) of the act r/w rule 8 of the companies (audit and auditors) rules, 2014

4.4.4 Auditor's remuneration

Part A: Components of statutory auditor's fees

Scoring criteria

The best score is given when non-audit fees is less than 25% of the total statutory auditor's remuneration.

SES' view

Significant non-audit fee may impact the independence of the audit process and should be avoided.

Connections to frameworks / legal requirements

- ICAI guidelines states that statutory auditors should not accept assignments, if fee earned from the non-audit assignments is more than the total statutory audit fee.

- Section 144 of the Act
- Schedule II, part C, para A, (2), (3) of the SEBI listing regulations

Connections to frameworks / legal requirements

- Section 139(2) (a and b), 139(2) (b)(ii), and 140(1) of the Act r/w Rule 6 of the companies (audit and auditors) rules, 2014
- Regulation 30 r/w schedule III, part A, para A (7) of the SEBI listing regulations
- RBI notification on 'Appointment of Statutory Central Auditors (SCAs) – modification of rest period' dated July 27, 2017

4.5 Audit and Financial Report**4.5.1 Fraud against the company**

Part A: Fraud

Scoring criteria

The best score is given when no major fraud or no fraud is reported in the last three financial years.

SES' view

Any fraud/irregularities reported against the company will reflect poorly on the company's management. Companies should strive to identify potential risks and frauds, to avoid any major damage to its financial positions.

Connections to frameworks / legal requirements

- Section 134(3) (ca) of the Act

- Section 143(12) of the Act
- Schedule II, part B, para B and D of the SEBI listing regulations
- Regulation 30 r/w schedule III, part A (6), para B (9) of the SEBI listing regulations
- RBI master circular: Frauds 'Classification and reporting' dated July 1, 2015
- RBI master circular: Master directions on frauds – classification and reporting by commercial banks and select FIs dated July 1, 2016
- Clause 3(x) of the Companies Auditor Report Order (CARO) rules, 2016

4.5.2 Internal financial controls

Part A: Observation/weakness in the company's internal controls

Scoring criteria

The best score is given when there is no observation/material weakness regarding the internal controls in the last three financial years.

SES' view

Weaknesses in internal control may lead to inaccurate financial reporting, hamper shareholders' ability to make informed decisions and increase potential risk of fraudulent/insider trading transactions. Thus, it may lead to decreased shareholder confidence and decreased company valuation.

Connections to frameworks / legal requirements

- Section 134(5) (c) and (e) of the Act

- Section 143(3)(i) of the Act r/w rule 10A of the companies (audit and auditors) rules, 2014
- Regulation 17 (8) SEBI listing regulations r/w schedule II, part B, para C and para D of the SEBI listing regulations
- Regulation 34(3) r/w schedule V: annual report (B)(1)(f) of the SEBI listing regulations
- Regulation 18(3) r/w schedule II, part C, para A (11), (12) and (15) of the SEBI listing regulations

4.5.3 Tax disputes

Part A: Tax disputes (in Contingent Liabilities)

Scoring criteria

The best score is given when tax and related disputes form less than 20% of contingent liabilities.

Part B: Tax disputes in contingent liabilities as percentage of net worth

Scoring criteria

The best score is given when tax and related disputes form less than 10% of net worth.

Part C: Auditors' observation relating to disputes

Scoring criteria

The best score is given when no observation was made by auditors.

Part D: Penalties

Scoring criteria

The best score is given when no penalties were charged by

the concerned authority on tax related matters.

SES' view on Part A, Part B, Part C, and Part D

Penalties are generally levied by tax authorities for tax evasion or non-payment of tax in certain circumstances. Companies should ensure that all tax liabilities are paid before the due dates, to avoid penalty or interest. Dispute and undisputed tax demands should be settled by companies with the authorities, in a short span of time. Any adverse remarks made by the auditors on tax disputes of companies will reflect a poor image of the company. Companies should strive not to be involved in any sort of tax disputes.

Connections to frameworks / legal requirements

- Section 92(1)(h), 129 r/w schedule III of the Act, 143(3)(f) and (j) and 143 (4) of the Act r/w rule 11(a) of the companies (audit and auditors) rules, 2014
- Regulation 30 r/w schedule III, part A, para B (8) of the SEBI listing regulations

4.5.4 Cash position of the company

Part A: Cash as percentage of total assets

Scoring criteria

The best score is given when cash as a percentage of total asset is less than or equal to 2.5%.

SES' view

High unutilised/idle cash is not

productive for companies. The Board/management should have adequate investment plans to utilise excess cash resources.

Part B: Company's cash ratio

Scoring criteria

The best score is awarded when the cash ratio is less than 0.25.

SES' view

Higher short-term borrowing despite an idle cash balance indicates a lack of the company's future plans. Ideally, there should not be high borrowings when the company has cash in hand (otherwise, it increases finance costs).

[Formula: Cash Ratio = (Cash Equivalents + Cash)/Current Liabilities]

Part C: Discussion on cash balances in the annual report

Scoring criteria

The best score is awarded when the management has provided discussions on cash and cash equivalents of the company.

SES' view

Ideally, companies should plan out the investment decision to utilise their idle cash for higher returns. Idle cash balances should be discussed in the annual reports.

Connections to frameworks / legal requirements

- Section 129 r/w schedule III, 134(3)(j) of the Act
- Regulation 33(3)(g), 34(2)(c) of the SEBI listing regulations

4.5.5 Default in payments

Part A: Default in payments

Scoring criteria

The best score is given when there has been no default in payment of dividend /interest /statutory dues in the last three financial years;

SES' view

Default in payment of dividend / interest /statutory dues reflects negatively on the financial performance of companies and it may lead to additional financial burden on them for violation of statutory provision or any terms and conditions towards payment of penalties and interest, if any.

Connections to frameworks / legal requirements

- Regulation 30 r/w schedule III, part A, para A (6) of the SEBI listing regulations
- Schedule II part A (H) of the SEBI listing regulations
- Regulation 51(2) r/w schedule II, part B of the SEBI listing regulations

4.5.6 Restatement of financials/qualifications in statutory auditor's report

Part A: Qualifications in statutory auditor's report

Scoring criteria

The best score is given when there were no qualifications in the audit reports of the last three financial years.

SES' view

Ideally, there should not be any audit qualification in the independent audit report. Any audit qualification made by the auditors reflects serious concerns in the financial statements of the company and may reflect poorly on the company's financial oversight mechanism. Therefore, companies should maintain a proper track record of their financial statements.

Part B: Restatement of financial statements

Scoring criteria

The best score is given when there were no material restatements during the last three financial years.

SES' view

There should not be any situation where the company has to restate its financial statement. Restatement of financial statement reflects the company's poor financial position and practices of accounting policies that resulted in the restatement of financial statements. There should not be any material restatement due to negligence of the management/company.

Part C: Management response/ discussion on qualifications/ observations by auditors

Scoring criteria

The best score is given when adequate and satisfactory management responses or discussions are provided in the annual report, in case of qualifications, adverse opinions by the auditors. Or adequate

and satisfactory management discussions along with justifications are provided in case of material restatement. Or there are no qualifications, adverse opinions, material restatements, etc.

SES' view

Companies should provide detailed explanations on the concerns raised by the auditors. Audit qualifications/adverse remarks made by auditors reflect upon the poor mechanism being followed by the Board/audit committee. The management response on each of the audit qualification will enable the shareholders to take an informed voting decision.

Connections to frameworks / legal requirements

- Section 134(3)(f)(i), 143(3)(f) and (h), 143(4), 145, third proviso to 131(1) r/w 134 of the Act
- Regulation 33(1)(e) r/w regulation 33(3)(d) r/w schedule IV, part A, (BA), (BB) and (C), 46(2)(q) r/w regulation 47(1)(b) of the SEBI listing regulations
- GRI 102-48

4.5.7 Qualifications in secretarial auditor's report

Part A: Qualifications in secretarial auditor's report

Scoring criteria

The best score is given when no non-compliance and/or no qualification is observed in the secretarial audit report.

SES' view

Secretarial auditors are duty bound to raise concerns/provide audit qualifications about any compliance concern or governance issues in their audit report of companies. Therefore, companies should strive that best corporate and governance practices are being followed. They should maintain a proper track record of their compliance practices.

Connections to frameworks / legal requirements

- Section 134(3)(f)(ii) of the Act

4.5.8 Transparency in Related Party Transactions (RPTs)

Part A: Disclosure on RPTs

Scoring criteria

The best score is given when specific disclosure on transaction with each entity during the year is provided, along with year-end balances and satisfactory rationale is provided for material RPTs.

SES' view

To ensure that companies are being run with due regard to the interest of all their investors, it is essential to fully disclose material RPTs and the terms of such transactions to the market individually.

Part B: Shareholders' approval for RPT

Scoring criteria

The best score is given when shareholders' approval is sought periodically for material RPTs (not perpetual) and adequate disclosures

(including audit committee approval) are made.

SES' view

A perpetual approval defeats the purpose of shareholders' vote. All resolutions should have fixed terms, so that the concerned agenda is kept in check. Shareholders may have different opinions based on the market scenario at different points in time. Further, adequate disclosure should be provided by the companies, so that the shareholders take an informed decision.

Part C: RPT with Board/CEO/MD

Scoring criteria

The best score is given if there were no RPTs with Directors/CEO/MD (other than remuneration and/or loan) during there year.

SES' view

RPT with Directors may lead to conflict of interest issues. Since the audit committee and the Board are responsible for monitoring and approving the RPT transactions, ideally there should not be any RPT transaction with the Directors (other than remuneration).

Part D: RPT Policy

Scoring criteria

The best score is given if RPT policy is disclosed and policy defines what the ordinary course of business is.

SES' view

To ensure that the companies are being run with due regard to the

interest of all their investors, it is essential to fully disclose the material RPTs and the terms of such transactions to the market individually. Also, such transactions should be as per the RPT policy, which should be applied to all the parties consistently.

Part E: Royalty payments

Scoring criteria

The best score is given if there were no royalty payment transactions/royalty payments to promoters or others. However, adequate rationale should be provided, and royalty transaction should be less than 5% of annual consolidated turnover.

SES' view

Since the audit committee and the board are responsible for monitoring and approving the RPT transaction, companies should minimise their transactions with their promoters, including royalty payment to promoters. Frequent transactions with promoters and promoter-affiliated companies may raise various concerns about the approval mechanism of the audit committee and the Board.

Part F: Disclosure on financials of subsidiaries

Scoring criteria

The best score is given if financials of all subsidiaries are disclosed on the company's website.

SES' view

Companies should disclose the financial statement of their subsidiaries on its website. This will enable investors to access the

financial statement of its unlisted subsidiaries on a standalone basis.

Connections to frameworks / legal requirements

- Regulation 23, 23(1) and (1A), 27(2)(a) and (b), 34(3) r/w schedule V: annual report (C) (10(a) and (f), 46(2)(g) and (s) of the SEBI listing regulations
- Section 129 r/w schedule III, 134(3)(h), section 188 and section 136(1) of the Act r/w rule 15(3) of companies (meetings of the board) rules, 2014
- GRI 102-25 (b-iv), 102-45
- Clause 3(xiii) of the Companies Auditor Report Order (CARO) rules, 2016

4.5.9 Disclosure of major transactions, off-balance sheet activities, and other material events

Part A: Contingent liabilities disclosure

Scoring criteria

The best score is given when the annual report provides a detailed break up of contingent liabilities and major contingent liabilities are discussed in MD&A section or Board's report.

SES' view

Companies should adequately disclose contingent liabilities and any major contingent liability should be discussed by the management in the annual report. Detailed breakup of contingent liabilities will provide an additional explanation to the shareholders about the company's present financial position with

respect to disputes, litigation, etc.

Part B: Total contingent liabilities as compared to net worth

Scoring criteria

The best score is given when contingent liabilities are less than or equal 20% of net worth.

SES' view

Contingent liabilities being more than net worth, if materialised, may have a significant impact on the financials of companies. Contingent liabilities can potentially erode net worth of the companies. Therefore, adequate disclosure of large contingent liabilities should be made.

Part C: Discussion in Board reports

Scoring criteria

The best score is given if major transactions and material events are disclosed and adequately discussed in Board report, including discussion on scheme, material subsidiary, material RPTs, etc.

SES' view

All the major transactions and material events during the financial year should be adequately discussed in the Board's report. Such major transactions and material events may have a direct or indirect impact on the financial statement of the company. The shareholders should be apprised with all the initiatives that are beneficial for the company's growth.

Connections to frameworks / legal requirements

- Section 129 r/w schedule III and 134 of the Act

4.5.10 Key financial ratios

Financial ratios – Banking companies, financial companies, non-finance companies

Scoring criteria

Ratios based on company, industry.

SES' view

While corporate governance guidelines do not judge whether a change in any financial ratio is good or bad, good corporate governance practices recommend that companies should discuss structural shifts in financial ratios, if any, and disclose them to shareholders. Such discussions will help investors analyse whether the shift is due to a strategic decision taken by the Board, changing business environment or some intrinsic shortcoming of the company's business strategy/management. It will enable investors to make better estimations of the impact of such shifts on the company.

Connections to frameworks / legal requirements

- Regulation 34(3) r/w schedule V: annual report (B)(1)(i) of the SEBI listing regulations

4.6 Stakeholder Engagement

4.6.1 Periodic interactions

Part A: Earnings calls/investor calls

Scoring criteria

The best score is given if the company had at least four earnings

calls/investor calls during the financial year.

SES' view

Regulation 30 of the SEBI LODR regulations makes it mandatory for all listed companies to disclose all material transactions and events on the stock exchanges, so that all the shareholders are informed about the company's latest developments. SES is of the opinion that the company should arrange frequent investor calls, so as to address investors' queries and to apprise them with its latest developments.

Part B: Transcript or minutes of earning calls

Scoring criteria

The best score is given if the transcript or minutes of earnings calls are disclosed for all such calls on website or on the stock exchange website.

SES' view

As a good governance practice, companies should disclose transcripts or minutes of investor calls on their website or through corporate announcement. This enables all the investors to have access to the discussions that took place between the management and a selected group of investors through investor calls.

Connections to frameworks / legal requirements

- Regulation 30 r/w schedule III, part A, para A (15) of the SEBI listing regulations
- Regulation 46(2)(o) of the SEBI listing regulations

4.6.2 Quarterly communication from the management

Part A: Financial results disclosure

Scoring criteria

The best score is given when the company discloses the financial results within the stipulated period.

SES' view

Market regulators have prescribed a timeframe for submission of quarterly financial results, based on certain parameters and considering various factors. Companies should not delay submitting their financial results to stock exchanges, except in certain exceptional situations. In case of any delay in submission of financial results, companies should provide adequate justification for the delay to the shareholders.

Part B: Presentation or press release

Scoring criteria

The best score is given if the company has disclosed and discussed future plans/outlook and financials/present financial position of the company.

SES' view

Presentations made to investors should not only include discussion on present financial position of the company but also its future plans/outlook. This will enable investors to take informed investment decisions. However, future plans and vision of the company should be realistic in nature.

Connections to frameworks / legal requirements

- Regulation 27(1) r/w schedule II part E, 33(3)(a), 30 r/w schedule III, part A, para A(15), 46(2)(o) of the SEBI listing regulations
- SEBI circular dated May 10, 2018 for implementation of certain recommendations of the Kotak committee report

4.6.3 Regulatory actions

Part A: Regulatory actions

Scoring criteria

The best score is given if there are no sanctions or regulatory action in the last three financial years.

SES' view

Companies should ensure that there are no regulatory actions against them or their officers. However, if a company has received any regulatory action, for e.g. show cause notice or demand notice, it should be resolved by the company at the earliest. Long pendency of any regulatory action will result in additional financial burden on the company.

Connections to frameworks / legal requirements

- Section 92(1)(h) of the Act
- Regulation 30 r/w schedule III, part A, para B(8) of the SEBI listing regulations
- Regulation 34(3) r/w schedule V: annual report (C)(10)(b) of the SEBI listing regulations

4.6.4 Shareholders engagement

Part A: Dividend Distribution Policy (DDP)

Scoring criteria

The best score is given if adequate and objective DDP is disclosed and dividend paid in line with such DDP, if any. Or the deviation disclosed and explained.

SES' view

Companies disclose a policy which provides theory and parameters that are used for deciding payment of dividend, without ascribing any value to threshold for payment or non-payment of dividend. SES understands that the idea of the market regulator SEBI behind mandating DDP disclosure is to provide a tool in the hand of the investors to estimate the likely dividend based on disclosed financial performance and question the management in case the DDP is not followed. Without providing an objective policy or value (E.g. dividend pay-out between 20% and 50%), the investor can neither estimate dividend nor raise any questions. Any decision of the Board should be compliant with the DDP.

Part B: Pending shareholders' complaints

Scoring criteria

The best score is given if there are no shareholders' complaints pending in the last three financial years.

SES' view

Shareholders of a company invest

their hard-earned money with expectation of returns. Companies should resolve shareholders' complaints on an immediate basis. An internal mechanism should be strongly followed by the management to resolve shareholders' complaints on an immediate basis.

Part C: Reported shareholders complaints

Scoring criteria

The best score is given if there is a decrease in the Y-o-Y reported shareholders complaints for the last two financial years.

SES' view

A large percentage of unresolved investor complaints is an indicator of poor corporate governance. Further, an increase in number of unresolved complaints indicates indifference to shareholders' grievances. As companies mature, their processes and governance practices should mature. Therefore, we expect the number of investor complaints to decrease Y-o-Y for companies. Companies should ensure that there are fewer shareholder complaints each year.

Part D: Voting on resolutions

Scoring criteria

The best score is given if every shareholder resolution in the last year received less than 10% against votes from public shareholders.

SES' view

Defeat of resolution or high

percentage of votes cast against for a resolution, could indicate two things: either a lack of information that restricted the shareholders to make an informed decision or a disagreement of shareholders with the management's proposal. Companies should strive to examine the disagreement with the Board's proposal for certain material events or transactions. In either case, the company should take note of such dissent, engage to find out the reasons, and take steps to reduce chances of such dissent.

Connections to frameworks / legal requirements

- Regulation 23(4), 33(1)(e) r/w schedule IV part A: (J), 34(3) r/w schedule V: annual report (C)(6) (d) and (e), 34(3) r/w schedule V(C)(6)(c), 43A and 44(3) of the SEBI listing regulations
- Section 114 and 188 of the Act

4.6.5 Negative media coverage

Part A: Negative media coverage

Scoring criteria

The best score is given if the company did not have a major negative media coverage.

SES' view

Negative news/media coverage may not always provide correct details about companies. Any negative news/media coverage may create rumours about the goodwill and corporate image of companies. Therefore, it is important for

companies to immediately respond to media coverage, to avoid any shareholder wealth erosion.

Connections to frameworks / legal requirements

- Regulation 30(10) and (11) of the SEBI listing regulations.

4.6.6 Share pledging by promoters

Part A: Voting leverage percentage

Scoring criteria

The best score is given if the voting leverage is equal to 1.00 or the promoters have pledged any shares.

SES' view

Formula to calculate voting leverage: (% promoter holding – % share pledged)/% economic interest

Part B: Pledge reason(s)

Scoring criteria

- The company/promoters has/ have disclosed the purpose for pledging the shares/number of shares pledged.
- No disclosure related to the purpose for pledging of shares change post October 1, 2019.

SES' view

Pledging of shares by promoters can potentially be an indicator of unsound, weak financial health of a company. Reasons for promoters pledging equity shares should be disclosed to the shareholders.

Connections to frameworks / legal requirements

- Regulation 31 of the SEBI (substantial acquisition of shares and takeovers) regulations, 2011
- Regulation 31 of the SEBI listing regulations
- SEBI circular dated August 7, 2019 on disclosure for reasons for encumbrance by promoters of listed entities

4.6.7 Stakeholders' identifications and engagement

Part A: Has the company mapped internal and external stakeholders?

Scoring criteria

The best score is given if the company has mapped and disclosed all the stakeholders.

SES' view

Various stakeholders other than shareholders are involved with a company and are interested in the company's business. Stakeholder mapping identifies the target groups and pulls together as much information as possible about them. Companies should adequately disclose their engagement with external and internal stakeholders.

Part B: Has the company identified the disadvantaged, vulnerable, and marginalised stakeholders?

Scoring criteria

The best score is given if the company has identified and

disclosed disadvantaged, vulnerable, and marginalised stakeholders.

SES' view

Disadvantaged, vulnerable, and marginalised stakeholders are the group of individuals who are unable to realise their rights or enjoy opportunities due to adverse physical, mental, social, economic, cultural, political, geographic, or health circumstances. The governance structure should disclose and communicate transparently and enable access to information about the policies, procedures, performance (financial and non-financial), and decisions of their enterprise that impact stakeholders, especially those that are most at risk to business impacts and vulnerable and marginalised communities.

Part C: Has the company disclosed the purpose and scope of engagement with stakeholders (other than shareholders) and the frequency of such engagement?

Scoring criteria

The best score is given if the company has disclosed the purpose and scope of engagement with stakeholders (other than shareholders) and the frequency of such engagement.

SES' view

Companies should take initiatives to build strong corporate relationships with their stakeholders. Frequent interaction and engagement with stakeholders will definitely help companies to understand the

market needs and meet the market requirements.

Part D: Has the company disclosed the impact of its policies, decisions, products and services, and associated operations on the stakeholders?

Scoring criteria

The best score is given if the company has disclosed the impact of its policies, decisions, products and services, and associated operations on the stakeholders.

SES' view

Companies should not involve themselves in operations that may have an adverse impact on their stakeholders. If there is any impact of policies, decisions, products and services, then companies should disclose the reasons for such impacts. Companies should build up a mechanism to identify the impact of their business operations and mitigate them at an initial stage itself.

Part E: Has the company disclosed the number of stakeholder complaints received or any differences arising from the impact of business operations? What percentage was satisfactorily resolved by the management?

Scoring criteria

The best score is given if stakeholder complaints received are disclosed and 100% complaints are resolved by the management.

SES' view

Companies should strive to resolve

all stakeholder complaints. A large percentage of unresolved stakeholders' complaints is an indicator of poor corporate governance practices.

Connections to frameworks / legal requirements

- BRR annexure I, Section E P4 Q1 and Q2, P5 Q2 and annexure II, P (4)
- NGRBC P4 core element 1, 2, and 3
- GRI 101, 102-21, 102-40, 102-42, 102-43, and 102-44.
- Chapter II, regulation 4(2)(d) of the SEBI listing regulations

4.7 Other Governance Factors

4.7.1 Investment in R&D

Part A: Investment amount in R&D

Scoring criteria

The best score is given if the investment amount has increased Y-o-Y for the last three financial years, based on the industry practice and the company's financial health.

Part B: Investment in R&D as a percentage of revenue

Scoring criteria

The best score is given if the percentage of R&D expenditure has been increasing for the last three financial years, based on the industry practice and the company's financial health.

SES' view on Part A and Part B**SES' view**

Companies should spend reasonable funds on R&D initiatives. An increase in capital investment towards R&D indicates that companies are taking initiatives/steps to increase their R&D on products and processes. Investments in R&D is compared to turnover of the company, to analyse the expense in relative terms.

Connections to frameworks / legal requirements

- Section 134(3)(m) of the Act r/w rule 8(3) (B)(iv) of the companies (account) rules, 2014

4.7.2 Code of conduct for Board and the senior management**Part A: Code of conduct for Board of Directors and Key Managerial Personnel (KMP)****Scoring criteria**

The best score is given if the code of conduct is disclosed and all Directors and senior management affirm compliance to the code.

SES' view

All the Directors, KMP, and senior management should adhere to the company's code of conduct in letter and spirit. Companies should confirm that their Directors, KMP and senior management have complied with the code of conduct.

Connections to frameworks / legal requirements

- Regulation 46(2)(d) of the SEBI listing regulations
- Regulation 26(3) of the SEBI listing regulations

- Schedule V: Annual report, part D of the SEBI listing regulations

- GRI 102-16

4.7.3 Code of conduct for all employees**Part A: Code of conduct for all employees****Scoring criteria**

The best score is given if the code of conduct applicable to employees is disclosed.

SES' view

As a good governance practice, companies should formulate a code of conduct for their employees as well. The code of conduct refers to basic principles of ethics and professionalism that all the employees are expected to adhere to. The details of the same should be disclosed on the website or in the annual report.

Connections to frameworks / legal requirements

- 303A.10 code of business conduct and ethics, NYSE listing manual
- GRI 102-16

4.7.4 Whistle blower/vigil mechanism**Part A: Access to audit committee chairperson****Scoring criteria**

The best score is given if the company has disclosed and affirmed that whistle blowers can approach chairperson of the audit committee in its annual report.

SES' view

Whistle blowers should have direct access to the chairperson of the audit committee. The management should ensure that no one is denied the option of approaching the chairperson of the audit committee. As the audit committee is responsible for monitoring all whistle blower cases, direct access to chairperson of the committee is important. It also ensures that confidentiality is maintained, specifically with respect to cases of serious concerns. Stakeholders should get the opportunity to report unethical or illegal activities without any threat of reprisal.

Part B: Affirmation**Scoring criteria**

The best score is given if company has affirmed that no person was denied access to the audit committee.

SES' view

The audit committee should not deny any whistle blower the option to approach it directly. Companies should disclose their practice of providing direct access to the audit committee to whistle blowers in their annual reports.

Part C: Details of establishment of vigil or whistle blower mechanism and whistle blower policy**Scoring criteria**

The best score is given if the whistle blower policy is disclosed on the website or in public domain.

SES' view

The policy on whistle blower is basically guidelines that should be followed by the stakeholders who want to report unethical or illegal activities to the audit committee. Companies should display their whistle blower policy to ensure that all stakeholders are aware about the company's redressal mechanism process.

Part D: Disclosure of whistle blower complaints**Scoring criteria**

The best score is given if the company has disclosed the number of whistle blower complaints in the last three financial years or that no complaints were reported during the last three financial years.

SES' view

Whistle blower complaints should be resolved at the earliest. Any pending whistle blower complaint may have an adverse impact on the goodwill of the company. Companies should apprise their shareholders about the progress of whistle blower complaints.

Part E: Whistle blower complaints reported**Scoring criteria**

The best score is given if no whistle blower complaints were reported by the company in the last three financial years.

SES' view

A large percentage of reported complaints is an indicator of poor corporate governance. Further, an

increase in the number of reported complaints reflects poorly on the company's behaviour towards its stakeholders.

Connections to frameworks / legal requirements

- Regulation 22(2), 34(3) r/w schedule V: Annual report (C)(10) (c), 46 (2)(e) of the SEBI listing regulations
- Section 177(9) and (10) of the Act r/w rule 7 of the companies (meetings of board and its powers) rules, 2014
- GRI 102-17

4.7.5 Insider trading**Part A: Insider trading policy/ code of conduct****Scoring criteria**

Policy/code of conduct on insider trading has been disclosed.

SES' view

Companies should formulate a code of conduct for the prevention of inside trading as per the law and the policy should be displayed on their websites. Companies should have an effective approval mechanism in place, so as to stop the insider from gaining profit while in possession of Undisclosed Price Sensitive Information (UPSI).

Connections to frameworks / legal requirements

- Chapter IV - Regulation 8(1) of the SEBI (prohibition of insider trading) regulations, 2015

Part B: Conviction/penalty related to insider trading**Scoring criteria**

The best score is given if there were no convictions/penalties in the last three financial years regarding insider trading.

SES' view

A code of practices and procedures for fair disclosure of UPSI should be followed. Any breach reflects poorly on the company's governance practices.

4.7.6 Issue of securities**Part A: IPO, QIP, rights issue, FPO, etc.****Scoring criteria**

Compliance/governance concerns: Inadequate disclosures, excessive dilution to existing shareholders, etc.

SES' view

Companies should provide adequate disclosure related to mandatory requirements. Further, the objective of the issue must be specific and clear, rather than a generic justification. There should not be excessive dilution to existing public shareholders of the company. Issue of securities to a specified group of investors should not result in an excessive dilution of existing shareholders. Existing shareholders should have the first right to participate in any capital issue.

Connections to frameworks / legal requirements

- SEBI (issue of capital and disclosure requirements) regulations, 2018

- Chapter III and IV of the Act

Part B: Issue of securities to employees under an employee benefit scheme

Scoring criteria

Compliance/governance concerns: Inadequate disclosures, excessive dilution to existing shareholders, etc.

SES' view

Companies should adhere to mandatory disclosures as per the law, so that the shareholders will be able to take informed decisions. Further, the Board /committee should not have absolute discretion to modify the scheme, as it may vitiate the very purpose of seeking shareholders' approval.

Connections to frameworks / legal requirements

- Share-based payments to employees are regulated by SEBI (share-based employee benefits) regulations, 2014
- Sections 61 and 54 of the Act

4.7.7 Ethics, bribery, and corruption

Part A: Has the company disclosed its policy for ethics, bribery, and corruption?

Scoring criteria

The best score is given if the policy is disclosed on the company's website or in public domain.

SES' view

It is important for individuals to not engage in an act of, and to keep

themselves away from bribery or corruption. However, companies should have a clear policy on ethics, bribery, and corruption, to ensure that all the employees are educated about their corporate culture pertaining to anti-bribery and anti-corruption principles/activities.

Part B: Does the ethics, bribery, and corruption policy cover the group/joint ventures/suppliers/contractors/NGOs/others?

Scoring criteria

The best score is given if the policy covers group/joint ventures/suppliers/contractors/NGOs/other-related entities of the company.

SES' view

The policy on ethics, bribery, and corruption should be extended to other entities of the company as well.

Part C: Has the company disclosed the number of stakeholder complaints received regarding bribery and corruption? What percentage was satisfactorily resolved by the management?

Scoring criteria

The best score is given if the company has disclosed the number of complaints reported and if all the complaints were satisfactorily resolved.

SES' view

Stakeholders' complaints regarding bribery and corruption should be resolved as soon as possible. Companies should also ensure

that there are no instances of involvement of their employees in any activities related to bribery or corruption, which may hamper their corporate image. Pending stakeholders' complaints reflect poorly on the company. Therefore, companies should strive to resolve maximum complaints at the earliest.

Part D: Does the company provide periodic communications and trainings to its directors and employees regarding its anti-corruption policies and procedures?

Scoring criteria

The best score is given if the company has provided details for such communication and trainings.

SES' view

Companies should take an initiative to educate their directors and employees about anti-corruption policies and procedures. Any involvement of the Directors and employees in corruption will not only degrade the value of employment but also hamper the company's corporate image.

Part E: Has the company obtained D&O insurance for the Directors and senior management?

Scoring criteria

The best score is given if company has disclosed that it has obtained D&O insurance.

SES' view

Companies should obtain D&O Insurance to protect their directors

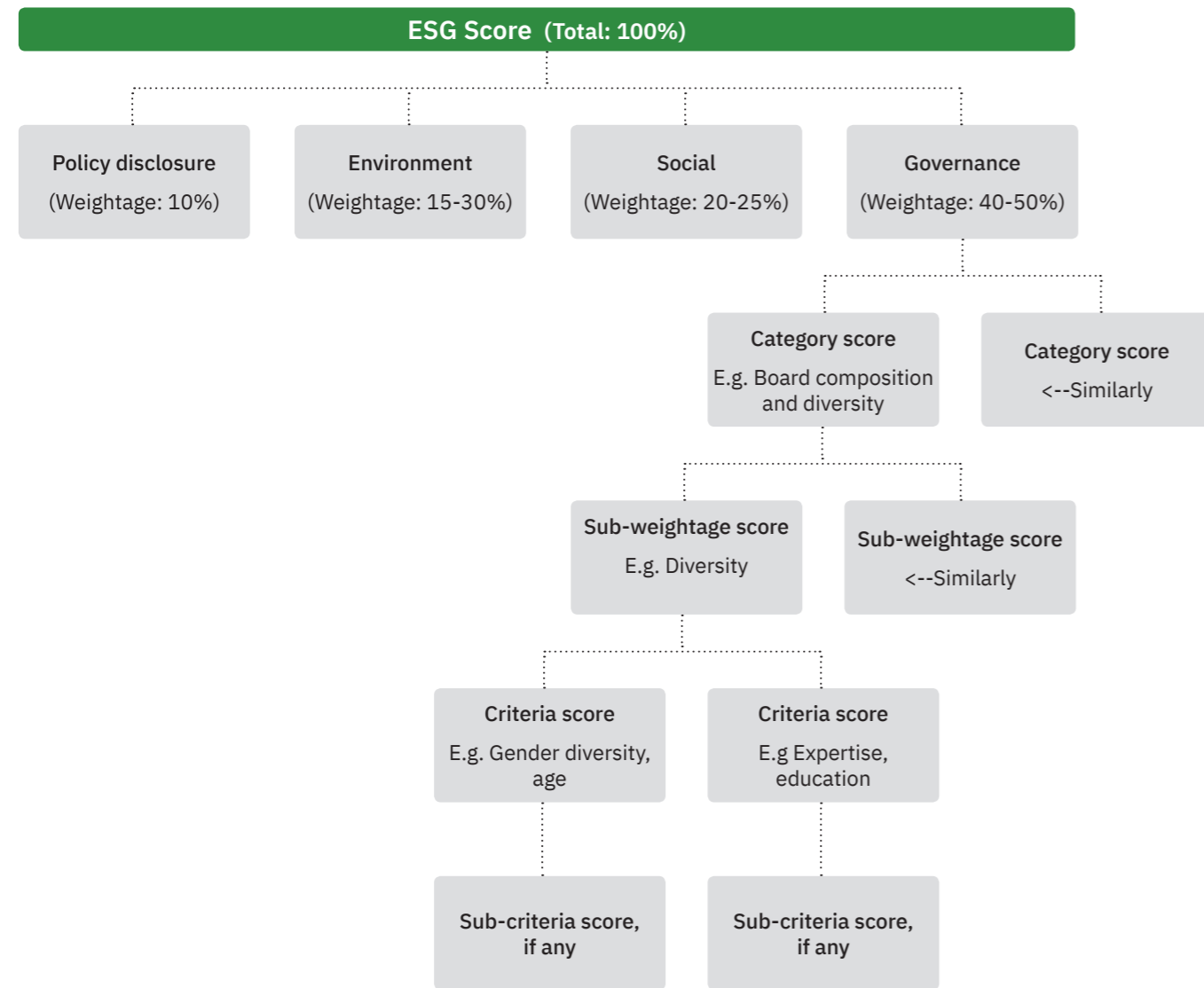
and senior management from getting exposed to personal losses/liabilities if they are sued or penalised as a result of serving as a director or an officer of a business. Companies should disclose the details of D&O insurance in their annual reports.

Connections to frameworks / legal requirements

- BRR annexure I, section E, P1 Q1 and Q2, annexure II, P1(1), P4
- GRI 102-16, 102-17, 102-44, 103-2(c-i), GRI 103-1 and GRI-205
- Regulation 25(10) of the SEBI listing regulations

Annexure: ESG model illustration

The flow chart below illustrates ESG weightage, with governance as an example:



NSE Corporate Office
National Stock Exchange of India Ltd.
Exchange Plaza C-1, Block G
Bandra Kurla Complex
Bandra (E), Mumbai 400051

