

STAKEHOLDERS EMPOWERMENT SERVICES (“SES”) COMMENTS ON SEBI CONSULTATION PAPER ON ESG DISCLOSURES, RATINGS & INVESTING

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Category: ERP/ Research Analyst - Proxy Advisor & AMFI Empaneled ESG Rating Provider

Sr No.	REF:	Extract	Suggested Amendment, If any	Rationale
1.	3.2.1.g	i. Whether the attributes and KPIs specified in the BRSR Core are appropriate.		Discussed later on Core 8 (<i>please refer Sr. No. 6</i>)
2.	3.2.1.g	ii. Whether assurance should be obtained only on the attributes and KPIs proposed in the BRSR Core, or on the comprehensive BRSR.		To begin with, only on BRSR Core
3.	3.2.1.g	iii. Whether the methodology proposed for assurance is appropriate.	To exclude – PPP based intensity ratios. Instead production volume based ratios are quite apt for analysis.	There are challenging issues: 1. Different variety of Coal have different emissions level. Same is in case of Oil, where emissions not only depend on API of oil but on contents as well like Sulphur etc. In this methodology entities using cheap coal and cheap oil will be able to show better performance. 2. Purchasing Power Parity (PPP) is dynamic and extremely difficult unless end product is globally traded. And why benchmark against US only? For some products, leadership can be elsewhere. Better measure will be on physical production level. In service sector, it could be per employee basis. This way comparison will be easy and relevant regardless of dynamic movement of PPP. 3. As regards power, emissions are different from plant to plant, while supplier remains one. Grid only differentiates between solar/wind/fossil fuel/hydro power. Say for Adani or Tata, power plants are many and are different vintages and technology, a benchmark may not be a very effective measure.
4.	3.2.1.g	iv. Whether intensity ratios based on economic value adjusted for PPP, should be computed in addition to normal intensity ratios, for global comparability.		PPP will be extremely difficult due to dynamic nature, and which benchmark to use for PPP – US, CHINA, UK, EU, HK? Further it will vary from region to region even in India, better will be to use production volume - based comparison/ per ton/ per employee etc.

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				Opposition is only due to complexity, else, no issue
5.	3.2.1.g	v. Whether the timelines proposed at point 3.2.1 (f) above, are appropriate for implementation.		Yes
6.	Annexure 1- Format of BRSR Core CORE 8	Fairness in Engaging with Customers and Suppliers	% of negative media sentiment	Should not be a core parameter, given reliability, bias and competition issue - May drop this
7.	3.2.2 d	i. Whether there is a need to introduce ESG disclosures for supply chain of listed entities.		To begin with, only for Core without assurance - or on comply / explain basis
8.	3.2.2 d	ii. If so, should such disclosures be made as per the BRSR Core or comprehensive BRSR.		As above
9.	3.2.2 d	iii. Whether assurance of disclosures of supply chain should be specified		As above
10.	3.2.2 d	iv. Whether timeline as proposed at point 3.2.2 (c) above, for implementation...is appropriate		Okay
11.	4.2.1 d	i. Whether the identified parameters are appropriate for ERPs to factor in ESG aspects that are contextual to the Indian domestic markets, in their ESG ratings.	To exclude – PPP based intensity ratios	All agreed, except PPP adjustment, as it will bring lots of deviation in already subjective models, unless benchmarks are developed for each product, given dynamic nature comparison over time may not be reliable as PPP values may change, hence production volume is the best metric
12.	4.2.1 d	ii. Whether the proposed guidance on environmental measures is appropriate?		-
13.	4.2.2 c	i. Whether there is a need for a Core ESG Rating, based on limited ESG indicators that are assured / audited		As an experiment we can begin with. However, we must also specify who will do assurance and it must not increase cost for entity.
14.	4.2.2 c	ii. Whether having Core ESG Ratings would increase the reliability of ESG ratings		We will have to test it after assurance is available. Hopefully it might.
15.	5.2.1	1. Comments on the proposal at para 5.2.1(a)		Agnostic
16.	5.2.1	2. Whether enhanced voting disclosures should be from April 01, 2023 onwards?	w.e.f. 1 st January 2024	April 2023 is too early to implement, it should be made applicable from 1 st January 2024

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