

The ESG assessment of an issuer encompasses a detailed analysis of sustainability initiatives that have an impact on its environment, social and governance practices and risks associated with the entity. Hence, to assign and monitor the ESG ratings it is important to have access to adequate and reliable information about the issuer continuously.

While assigning a rating, CARE ESG Ratings Limited (CareEdge-ESG) relies on data/information furnished by the company as well as publicly available information considered reliable by CareEdge-ESG. As such, cooperation from issuers in terms of providing adequate and timely information is extremely essential in the assignment and continuous monitoring of an ESG rating.

Resultantly, in accordance with clause 12.2 of the SEBI Master Circular for ESG Rating Providers ("ERP"), if a rated issuer (rated company) refuses to co-operate with the ESG Rating Provider (ERP) regarding review of the rating, despite being under a contractual obligation to do so, the ERP shall review the ESG rating based on the best available information.

Therefore, in cases where the issuer does not provide the information as sought for ratings or does not pay the fees for surveillance, then the rating of the issuer shall be categorized as 'non-cooperating' by attaching a suffix "ISSUER NOT COOPERATING*" (INC) with the ESG rating symbol, in the same font size. The suffix shall be explained below and shall read as 'Issuer did not cooperate; Based on best available information'.

In case of non-cooperation by the issuer (such as not providing information required for ESG rating or non-payment of fees for conducting surveillance), in line with the existing Regulations, the ERP shall continue to review the ESG rating, on an ongoing basis throughout the ESG rating's lifetime, based on best available information, in accordance with CRA Regulations and circulars issued by SEBI from time to time and the ERP's ESG rating process and policies.

In case an issuer, having not co-operated with another ERP in the past, approaches CareEdge-ESG for ESG rating, then CareEdge-ESG, in its Rating Rationale/Report shall disclose the aspect of non-cooperation with the previous ERP.

CareEdge-ESG shall not assign any new ratings to an issuer if the issuer is categorized as non-cooperative with all the ERPs for a continuous period of preceding 12 months until the issuer resumes cooperation or the rating is withdrawn.

What constitutes non-cooperation

Once the ESG rating is accepted, it is subject to continuous monitoring during the life of the instrument/facility till withdrawal of the rating by CareEdge-ESG (as per the withdrawal policy of CareEdge-ESG). As mentioned earlier, CareEdge-ESG relies on data/information furnished by the issuer as well as publicly available information for assigning or reviewing a rating. Any non-cooperation or inadequate information provided by the issuer may not

yield a comprehensive assessment of the ESG profile of the rated entity. Apart from this, failure to pay fees within 60 days from the date of raising the invoice for the surveillance fee /date of surveillance due date whichever is earlier, shall also constitute a reason for classifying the issuer as non-cooperating.

CareEdge-ESG discloses the aspect of non-cooperation in its Rating Rationales (RR) along with the reasons for non-cooperation, details of follow-up done by CareEdge-ESG for getting the information, etc.

Review Process for non-cooperating issuers:

In the case of non-cooperating issuers, CareEdge-ESG reviews the ESG rating based on the 'best available information'. This includes any information shared by the client with CareEdge-ESG, any publicly available information including the BRSR report, sustainability report or any other information CareEdge-ESG deems to be reliable.

The cases which are in the INC category are reviewed based on the best available information till the time the rating is withdrawn.

Other aspects with respect to issuers not cooperating with other ERPs:

In line with the aforesaid SEBI circulars, CareEdge-ESG shall examine whether the issuer's rating from all other ERPs has persistently remained in the INC category for 12 months or more before taking up an initial ESG rating assignment. If an issuer is INC from another ERP and:

- If 12 months have passed, CareEdge-ESG shall not take up the assignment, until the issuer resumes cooperation with any of the previous ERPs or its ESG ratings with INC status are withdrawn by all the previous ERPs. CareEdge-ESG shall not carry out the ESG rating assignment until the issuer resumes cooperation with any of the previous ERPs or there is evidence that the issuer has made a request to all the previous ERPs to withdraw its rating (duly acknowledged by all the previous ERPs).
- If 12 months have not passed, CareEdge-ESG may take up the initial rating assignment provided, in such cases, CareEdge-ESG shall disclose the aspect of non-cooperation with previous ERPs in its Rating Rationales.

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About Us:

CareEdge is a knowledge based analytical group that aims to provide superior insights based on technology, data analytics and detailed research. CARE ESG Ratings Limited (CareEdge-ESG) is one of the India's pioneer ESG rating provider fostering sustainability with ESG insights. With an aim of being a catalyst of change for a sustainable future with the most credible ESG assessments, CareEdge-ESG provides a 360 degree appraisal for the ESG performance benchmarking cum transition enabling ESG risk mitigation and enhanced decision making capabilities for all stakeholders.

Disclaimer:

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