ESG RATING METHODOLOGY

Defining Scoring Factors

Weighing Factors

Scoring Modes

Challenges and Consideration

Final ESG Ratings

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1. Scoring Factors

🌿 Environment	👥 Social	⚖ Governance
1. Air Quality 2. Ecological Impact 3. Energy Management 4. GHG Emissions 5. Waste & Hazardous Material Management 6. Water & Wastewater Management 7. Material Sourcing & Efficiency 8. Physical Impacts of Climate Change	1. Access & Affordability 2. Customer Privacy & Welfare 3. Data Security 4. Human Rights & Community Relations 5. Labour & Employment Practices 6. Diversity & Inclusion 7. Occupational Health & Safety 8. Product Lifecycle & Supply Chain	1. Business Ethics 2. Board Composition 3. Executive Compensation 4. Shareholder Rights 5. Compliance & Risk Management 6. Anti-corruption Practices 7. Transparency & Disclosure

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2. Score Weighing Framework

Assessing 8 sectors with 26 KPIs (KPI Nos. may be	Assessing 7 sectors with 32 KPIs (KPI Nos. may be	Assessing 6 sectors with 24 KPIs (KPI Nos. may be
Environment	**Social**	**Governance**
35%	30%	35%

Final ESG Score

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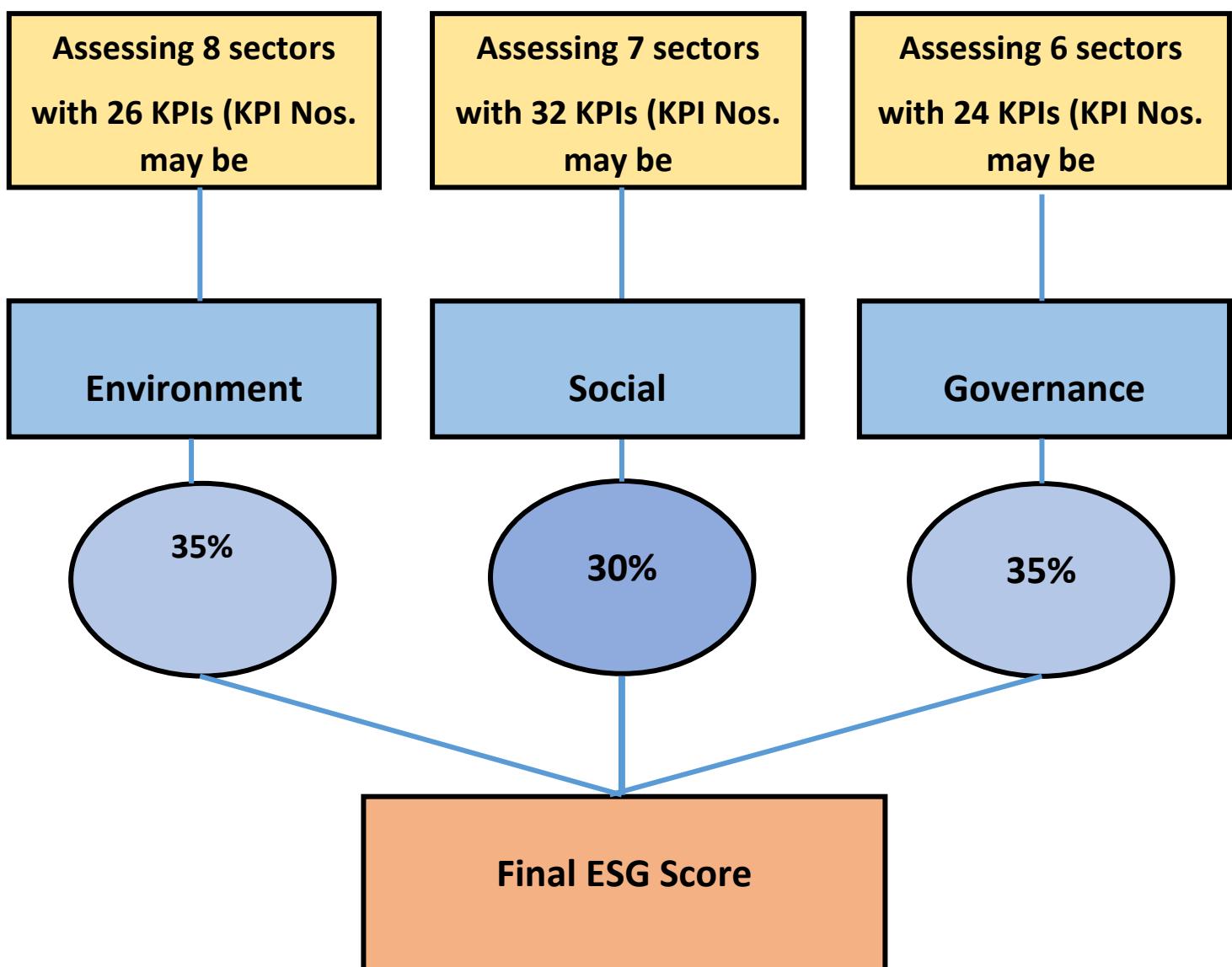
3.Scoring Modes

1. ESG Score
Your Current ESG Score

2. Parivartan Score
Transition Score- w.r.t Baseline Year Score

ERP with Shesh ESG Ratings

3. Overall Score
ESG Score + Parivartan Score (Average)

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4. The rating scores are assigned into categories:

SCORES	80-100	60-79	50-59	40-49	<40
GRADES	A+	A	B+	B	C+
CRITERIA	OUTSTANDING	EXCELLENT	SATISFACTORY	GOOD	FAIR

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5. Comprehensive ESG Rating Sectors

Environment (Sectors : 8, KPIs : 26)			
Dimension	**Metrics**	**Explanation**	**Target**
Energy Management	Total Energy Consumption	Assess the trend of energy consumption over time (increasing or decreasing). A decreasing trend would typically indicate improved efficiency.	Reduce total energy consumption by 20–30% by 2030 compared to baseline (SDG 7.3, 13.2).
	Energy Efficiency	Evaluate how effectively the energy is being utilized. If energy consumption stays low despite production or operations increasing, it indicates good energy efficiency practices.	Achieve 30% improvement in energy efficiency by 2030 (SDG 7.3).
	Renewable Energy Share	Track the percentage of energy derived from renewable sources. A higher percentage is indicative of stronger environmental performance.	Increase renewable energy share to 50% by 2030 (SDG 7.2, 13.2).
Carbon Footprint	Total GHG Emissions	Calculate whether emissions are reducing or increasing. Compare this with benchmarks (e.g., industry standards or historical data).	Achieve net-zero emissions by 2050, or reduce emissions intensity by 45% by 2030 (SDG 13.2).
	Carbon Footprint	Similar to total emissions but focuses on the specific emissions related to a company's operations or products. Evaluate how sustainable practices or improvements in energy management have impacted the footprint.	Reduce operational carbon footprint by 40% by 2030 (SDG 9.4, 13.3).
	Carbon offset programs	Evaluate the effectiveness and reach of carbon offset programs. Are they sufficient to mitigate the company's emissions, and how well are these programs managed?	Offset at least 20–30% of annual emissions via verified programs (SDG 13.2, 15.1).
Product End-of-life management	Recycling Rate	Evaluate the percentage of materials being recycled at the end of product life. The higher the rate, the more sustainable the process.	Achieve 80% material recycling rate by 2030 (SDG 12.5).
	Waste Diversion from landfills	Assess how much waste is diverted away from landfills. This can reflect a company's commitment to circular economy principles.	Divert 90% of total waste from landfills (SDG 12.5, 11.6).
	E-waste management	Review how effectively the company handles electronic waste, including proper disposal or recycling programs.	Ensure 100% compliant e-waste recycling (SDG 12.4).

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Product energy efficiency and carbon footprint	Energy Efficiency of Operations	Evaluate the energy used in the production or operation of products. Better energy efficiency results in a lower carbon footprint.	Improve process energy efficiency by 25% by 2030 (SDG 9.4, 13.3).
	Product carbon footprint	Review the life cycle carbon footprint of products. This includes evaluating how sustainable the product is from production to disposal.	Reduce product life-cycle emissions by 30% (SDG 12.2, 13.3).
Product Materials/ Packaging/ Repairability	Sustainability of Office materials	Assess the sustainability of materials used in office operations.	Use 100% recyclable or sustainable materials (SDG 12.2).
	Eco-friendly office supplies	Evaluate how many office supplies are eco-friendly or reusable. This reflects on reducing environmental impact.	Achieve 75% eco-friendly procurement (SDG 12.7).
	Packaging Waste	Track the amount of packaging waste produced and efforts to minimize it.	Reduce packaging waste by 50% by 2030 (SDG 12.5).
	Use of sustainable packaging	Review how much of the packaging material used is recyclable or biodegradable.	Reach 100% sustainable packaging (SDG 12.5).
	Repairability of equipment	Evaluate how easy it is to repair equipment or machinery instead of replacing them. Longer lifespan leads to reduced waste.	Ensure >80% repairable equipment to extend lifespan (SDG 12.4).
	Maintenance Programs	Review how well-maintained products and equipment are, contributing to better resource use.	Maintain annual preventive maintenance schedule for all equipment (SDG 9.4).
Transportation and Distribution	Carbon emissions from transportation	Monitor the emissions from transportation activities. A decrease in emissions is a sign of progress.	Reduce transport-related emissions by 25% by 2030 (SDG 13.2).
	Energy-efficient vehicles	Evaluate the number and percentage of energy-efficient vehicles used in the transportation fleet.	Achieve 50% electric or hybrid fleet by 2030 (SDG 11.6, 13.2).
	Public transport Usage	Assess the level of public transport usage among employees, as this can impact a company's carbon footprint.	Increase public/shared transport usage to 60% of employees (SDG 11.2, 13.3).
Waste management	Waste Diversion Rate	Track the percentage of waste that is diverted from landfills through recycling or other means. High diversion rates show strong waste management practices.	Divert 90% of waste from landfill (SDG 12.5).
	Total waste generated	Monitor the total amount of waste produced and identify trends to evaluate the impact of waste reduction strategies.	Reduce waste generation by 30% by 2030 (SDG 12.5).

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	E-waste management	Similar to product end-of-life management but focused on electronic waste. Assess how the company handles its e-waste and recycling programs.	100% compliance with E-waste Management Rules, 2022 (SDG 12.4).
Water management	Water consumption	Assess how much water is being consumed by the company's operations, and monitor any changes over time.	Reduce water use by 25% by 2030 (SDG 6.4).
	Water recycling rate	Track the percentage of water that is recycled and reused within operations.	Recycle or reuse 50% of water by 2030 (SDG 6.3).
	Water efficiency	Evaluate the measures in place to reduce water use while maintaining operational effectiveness.	Achieve 30% water use efficiency improvement (SDG 6.4, 12.2).

Social (Sectors : 7, KPIs : 32)			
Community Engagement	Number of community initiatives	Track how many community initiatives are organized and assess the scale of each. A growing number indicates active engagement.	Conduct minimum 10 community initiatives per year (SDG 11.3, 17.17).
	Community outreach impact	Evaluate the tangible outcomes of community outreach, such as improvements in local conditions, awareness raised, or resources provided.	Achieve positive impact indicators (education, health, awareness) in 80% of initiatives (SDG 3.8, 4.4, 11.3).
	Volunteer engagement	Measure employee involvement in community volunteer programs. High participation reflects strong employee commitment to social responsibility.	Engage at least 30% of employees annually in volunteering programs (SDG 8.8, 11.3).
	Community satisfaction	Survey the local community or recipients of outreach programs to assess their satisfaction with the initiatives, ensuring the programs are impactful.	Attain ≥85% satisfaction score from community surveys (SDG 11.3, 16.7).

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Human Rights	Human Rights Compliance	Evaluate how well the company adheres to human rights standards and frameworks (e.g., UN Principles, local regulations). A company should be compliant to prevent violations.	Maintain 100% compliance with UN and national human rights regulations (SDG 8.7, 16.3).
	Human Rights Training	Track the scope of training offered to employees regarding human rights. The more extensive and frequent the training, the better.	Train 100% of employees annually on human rights principles (SDG 8.8, 16.10).
	Human Rights Violations	Measure any reported violations of human rights within the company's operations. A low or zero violation rate indicates strong governance.	Achieve zero violations annually (SDG 8.7, 16.3).
	Stakeholder Engagement on Human Rights	Evaluate how well the company engages with stakeholders (including employees, NGOs, local communities) on human rights issues.	Conduct biannual stakeholder meetings or programs (SDG 16.7, 17.17).
Health and Safety	Workplace safety incidents	Track the frequency and severity of workplace safety incidents. A reduction over time signifies improvement in safety protocols.	Maintain Zero Fatalities and reduce Lost Time Injury Frequency Rate (LTIFR) by 20% annually (SDG 8.8, 3.9).
	Health and safety trainings	Assess how comprehensive and frequent the training programs are in ensuring a safe workplace.	Conduct quarterly training sessions covering all departments (SDG 8.8, 3.8).
	Health and safety audits	Review the frequency and outcomes of health and safety audits, including identification and mitigation of potential risks.	Perform biannual audits and achieve 100% closure of non-conformities (SDG 8.8).
	Employee wellbeing programs	Evaluate the breadth and impact of programs designed to support physical, mental, and emotional health of employees.	Implement at least 3 wellbeing programs per year, with ≥70% employee participation (SDG 3.4).

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Diversity and inclusion	Gender Diversity	Assess the gender balance within the company, particularly in leadership and decision-making positions.	Achieve minimum 40% female representation overall and 30% in leadership by 2030 (SDG 5.5, 10.2).
	Diversity in recruitment	Evaluate how diverse the company's recruitment efforts are, including race, gender, disability, and other marginalized groups.	Ensure 30% of annual hires are from underrepresented groups (SDG 10.2, 8.5).
	Employee inclusion programs	Review the initiatives and programs aimed at fostering an inclusive work environment, and how they affect employee engagement and retention.	Introduce 2 new inclusion initiatives annually and achieve >80% satisfaction (SDG 10.3, 8.5).
	Diversity Targets achievement	Evaluate the progress made in meeting diversity targets (e.g., representation goals for underrepresented groups).	Meet or exceed set representation targets across all levels by 2030 (SDG 5.5, 10.2).
	Employee satisfaction with inclusion	Survey employees to assess their satisfaction with how inclusive the company is, identifying areas for improvement.	Maintain ≥85% satisfaction with inclusion policies (SDG 10.3, 16.7).
Employee Practices	Fair compensation	Assess how competitive and equitable employee compensation is compared to industry standards, ensuring fairness and market competitiveness.	Ensure 100% pay parity across genders and fair wage compliance (SDG 8.5, 10.4).
	Employee rights violations	Measure the incidence of employee rights violations (e.g., wage theft, discrimination). A low incidence reflects strong ethical practices.	Maintain zero violations and prompt grievance redressal within 15 days (SDG 8.8, 16.3).
	Employee retention	Track employee retention rates. High retention usually indicates a positive workplace culture.	Maintain annual retention rate ≥85% (SDG 8.5).
	Workplace empowerment	Evaluate how much autonomy employees have in their roles, decision-making, and growth opportunities. Empowerment correlates with higher job satisfaction and productivity.	Ensure all employees have development plans and

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			empowerment opportunities (SDG 8.5, 4.4).
	Union Representation	Assess the level of union representation and the company's relationship with unions. This indicates how labor rights are protected and respected.	Guarantee 100% employee right to association (SDG 8.8, 16.3).
Philanthropy	Total cheritable contributions	Track the total financial and in-kind donations made by the company to charity. Compare with company revenues to assess commitment.	Allocate minimum 2% of net profits to CSR and charity (SDG 1.4, 17.17).
	Volunteer Hours	Measure the total number of hours employees volunteer for charitable causes. This reflects the level of engagement and social responsibility.	Achieve 5,000+ volunteer hours per year (SDG 11.3, 8.8).
	Partnerships with NGOs	Evaluate the number and quality of partnerships with non-governmental organizations (NGOs) for long-term societal impact.	Establish minimum 5 strategic partnerships (SDG 17.17).
	Sustainability projects funded	Track the amount invested in sustainability projects and measure the impact of these initiatives on the community and environment.	Fund ≥5 projects annually contributing to environment or community development (SDG 11.6, 13.3).
	Impact of philanthropic activities	Assess the measurable impact of philanthropic activities, such as poverty reduction, health improvements, or education access.	Demonstrate quantified positive outcomes for at least 70% of beneficiaries (SDG 3.8, 4.4).
Cybersecurity and data privacy	Data branches	Track the frequency and severity of data breaches. A low occurrence indicates effective security measures.	Maintain zero major data breaches annually (SDG 9.c, 16.10).
	Compliance with data protection laws	Evaluate how well the company complies with relevant data protection regulations (e.g., GDPR, CCPA).	Achieve 100% compliance with applicable data protection regulations (SDG 16.10).

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	Cybersecurity Awareness	Assess the level of awareness about cybersecurity risks among employees, through regular training and awareness programs.	Train 100% of staff annually on cybersecurity best practices (SDG 9.c).
	Incident response time	Measure how quickly the company responds to cybersecurity incidents. A shorter response time indicates better preparedness.	Reduce response time to <4 hours for critical incidents (SDG 9.c).
	Data encryption	Assess whether sensitive data is being adequately encrypted and protected during storage and transmission.	Ensure 100% encryption of sensitive data in storage and transfer (SDG 9.c, 16.10).

Governance (Sectors : 6, KPIs : 24)

Ethics and integrity	Code of Ethics Compliance	Assess the extent to which employees and management adhere to the company's Code of Ethics. Look for compliance rates and any violations, as well as any disciplinary actions taken.	Maintain 100% employee compliance and zero major ethical violations (SDG 16.5, 16.6).
	Ethics training programs	Evaluate the frequency, coverage, and quality of ethics training programs. A comprehensive and mandatory program for all employees ensures that ethical behavior is embedded in the company culture.	Conduct annual ethics training for 100% of employees (SDG 16.6, 16.10).
	Whistleblower reports	Track the number of whistleblower reports received. Anonymity and protection from retaliation should be assessed to ensure employees feel comfortable reporting unethical behavior.	Maintain a secure and anonymous reporting mechanism with zero retaliation cases (SDG 16.5, 16.10).
	Ethics Audits	Evaluate the effectiveness and frequency of ethics audits. These audits should identify any gaps or issues in ethical behavior and compliance, and whether actions are taken to address them.	Conduct biannual ethics audits with 100% corrective actions implemented (SDG 16.6).

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	Conflict of Interest disclosures	Measure how well the company manages conflict of interest situations. Track the number of disclosures and how they are handled to prevent potential ethical violations.		Ensure 100% employee declaration and zero unresolved conflicts (SDG 16.5, 16.6).
Innovation	Investment in R&D	Assess how much the company invests in research and development (R&D), especially in areas that drive innovation. A high investment in R&D is an indicator of a company's commitment to staying competitive and evolving.		Dedicate ≥2% of annual revenue to R&D innovation (SDG 9.5, 8.2).
	Adoption of green technologies	Evaluate how well the company adopts green and sustainable technologies. Track the types and scale of technologies integrated into operations that help reduce environmental impact.		Achieve 30% green technology integration by 2030 (SDG 9.4, 13.2).
	Innovation in Environmental regulations	Examine how proactive the company is in adopting or influencing new environmental regulations. A company that leads or adapts quickly to new environmental laws demonstrates innovation and responsibility.		Proactively align 100% operations with updated regulations within 6 months of enactment (SDG 9.4, 13.2).
Product quality and safety	Quality control systems	Evaluate the strength and effectiveness of quality control systems in ensuring that products meet established standards. This could involve certifications (e.g., ISO), testing methods, or product inspections.		Maintain 100% ISO or equivalent certification compliance (SDG 12.4, 9.1).
	Health and safety compliance	Track the company's compliance with health and safety regulations, particularly in product manufacturing or handling. Look for accident rates and corrective actions taken.		Maintain zero product-related fatalities and full compliance (SDG 3.9, 8.8).
	Accident and incident reports	Measure the frequency and severity of accidents or product-related incidents. A decrease in these reports indicates better safety protocols and product management.		Reduce product incidents by 25% annually (SDG 3.9, 12.4).
	Regulatory compliance in product usage	Assess the company's adherence to product regulations and guidelines during usage. This includes compliance with safety standards, environmental laws, and industry certifications.		Achieve 100% product regulatory compliance (SDG 12.4, 16.6).

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Regulatory compliance	Compliance audit results	Evaluate the outcomes of internal and external compliance audits. A clean or improving audit trail indicates strong regulatory governance.	Maintain zero major audit non-conformities (SDG 16.6).
	Non-compliance incidents	Track and assess any non-compliance incidents, particularly serious violations that may result in fines or legal action. A low number of incidents suggests good adherence to regulations.	Ensure zero critical non-compliance incidents (SDG 16.6, 16.3).
	Regulatory reporting timelines	Assess the company's ability to meet reporting deadlines for regulatory bodies. Timely submissions indicate effective management and regulatory awareness.	Achieve 100% on-time submissions annually (SDG 16.6).
	Environmental compliance training	Evaluate how well the company trains employees in environmental compliance standards. A robust training program ensures adherence to laws and reduces the risk of violations.	Train 100% of relevant employees annually (SDG 13.3, 16.10).
Reporting and disclosures	Environmental performance reporting	Evaluate how thoroughly and accurately the company reports its environmental performance, including energy usage, waste management, and carbon emissions.	Publish annual verified sustainability report (SDG 12.6, 13.2).
	Accuracy and transparency of disclosures	Measure the accuracy and transparency of all disclosures. Reliable, complete, and transparent reporting reflects a strong governance culture and ensures stakeholders trust the company.	Maintain 100% third-party verified disclosures (SDG 16.6, 16.10).
	Timelines of reporting	Assess whether the company meets all reporting deadlines, including sustainability, financial, and regulatory reports. Delayed reports could indicate inefficiency or potential issues in governance.	Ensure 100% on-time reporting across all areas (SDG 16.6).
	Public accessibility of reports	Evaluate how accessible the company's reports are to the public, particularly for stakeholders interested in sustainability, ethics, or governance. Transparency in reporting should ensure that stakeholders have easy access to key information.	Make all ESG and financial reports publicly accessible online (SDG 16.10, 17.16).
Stakeholder Engagement	Stakeholder engagement meetings	Measure the frequency and quality of meetings with key stakeholders, including shareholders, customers, suppliers, and local communities. Effective engagement fosters trust and collaboration.	Conduct quarterly engagement meetings with key stakeholders

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			(SDG 17.17, 16.7).
	Stakeholder satisfaction	Evaluate how satisfied stakeholders are with the company's operations and governance. This could involve surveys or feedback mechanisms.	Achieve ≥85% stakeholder satisfaction annually (SDG 17.16, 16.7).
	Action follow-up	Assess how well the company follows up on stakeholder concerns or requests. A strong follow-up process indicates a company that is responsive and values stakeholder input.	Address 100% of stakeholder concerns within 60 days (SDG 17.17).
	Transparency in communications	Measure the level of transparency in how the company communicates with stakeholders, including openness about challenges, decision-making, and future plans. This reflects strong governance and accountability.	Maintain real-time disclosure and 100% transparency in stakeholder updates (SDG 16.6, 16.10).

Approved by
Dr. Umang Shah
Board of Director
Shesh ESG Rating Private Limited
Effective Date: 01/10/2025