



To,
Securities and Exchange Board of India,
Via email to: consultationcfd@sebi.gov.in

06th March 2023

Sub: Comments on the Consultation Paper on ESG Disclosures, Ratings and Investing

At the outset, we, at Indian Association of Investment Professionals (IAIP), a member society of the CFA Institute, appreciate the opportunity to submit our comments to the **Consultation Paper on ESG Disclosures, Ratings and Investing**.

IAIP is an association of over 2000 local investment professionals who are CFA charter holders and about 6000+ professionals who have cleared exams, eligible and awaiting charter. The Association consists of valuation professionals, portfolio managers, security analysts, investment advisors, and other financial professionals that promote ethical and professional standards within the investment industry, facilitate the exchange of information and opinions among people within the local investment community and beyond, and work to further the public's understanding of the CFA designation and investment industry.

CFA Institute is a global non-profit association of investment professionals with over 170,000 members in over 165 countries. In India, the community of CFA charter holders is represented by the Indian Association of Investment Professionals (CFA Society India).

Through our global research and outreach efforts, CFA Societies around the world endeavour to provide resources for policy makers, financial services professionals, and their customers in order to align their interests. Our members engage with regulators in all major markets.

CFA Society India appreciates SEBI's wide-ranging efforts in the areas of ESG in recent years, from the Business Responsibility and Sustainability Reporting (issuers), ESG disclosure schemes (asset managers), to ESG ratings and other related products (ESG data providers). The provisions of this consultation paper also try to streamline these three areas of ESG Disclosures, ESG Ratings and ESG Investing, and we feel it's a step in the right direction.

The suggestions/ comments provided by CFA Society India in this response paper have been developed through a collaborative process guided by volunteer investment professionals. We would be happy to hear and discuss the merits / demerits of suggestions proposed by us and other practitioners and request to be included in the deliberation process.

A. Details of our Organisation:

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C. Suggestions/ Comments on Consultation Paper:

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Sr. No	Issues (with page/ para nos)	Extract from Consultation Paper	Proposals/ Suggestions and Rationale
1	3.2.1 g. i	Whether the attributes and KPIs specified in the BRSR Core are appropriate.	<p>Proposal 1: Along with the GHG footprint measures issuers can also disclose % of their assets (broken by at least top five assets) which would be prone to risks of asset stranding and any other transition risks which can impact future profitability of issuers. Rationale: allows investors to also have an objective view on how resilient the company/ issuer is to the potential transition risks.</p> <p>Proposal 2: BRSR's median wages by gender is a welcome step in getting information on gender diversity at workplace. We further suggest more granularities be added to the mandatory and assured disclosures, by including information as per hierarchical levels of the organisation structure. By establishing clear definitions on management levels, the following data should be shared: a) Number/% of women hired, by levels b) Comparative (median) salary drawn by women and men, at each of these levels. Alternatively, companies can share data on number of women in each pay quartile. Rationale: In order to have outcome-oriented metric on gender diversity, that reflect the gender diversity practices of a company in its entire workforce in 1) attracting 2) retaining in the workforce, more granular data is required. Organizations in India have a highly hierarchical structure, and only granular information can provide a gauge at a company's practices, for the above-mentioned objectives mentioned in the BRSR.</p>
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.	<p>Proposals/ Suggestion: SEBI should also propose a glidepath approach wherein an assurance can be obtained in a gradual manner on the comprehensive BRSR as well. Rationale: The comprehensive BRSR metrics can be used by ratings providers in the ratings process if such metrics are material to the issuer.</p>
3	3.2.1 g. iii	Whether the methodology proposed for assurance is appropriate.	<p>Proposals/ Suggestion: Yes, no further co Agree with the proposal, no further comments.</p>
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.	<p>Proposals/ Suggestion: Agree with the proposal, no further comments.</p>
5	3.2.1 g. v	Whether the timelines proposed at point 3.2.1 (f) above, are appropriate for implementation.	<p>Proposals/ Suggestion: Agree with the proposal, no further comments.</p>



Sr. No	Issues (with page/ para nos)	Extract from Consultation Paper	Proposals/ Suggestions and Rationale
6	3.2.2.d. i	Whether there is a need to introduce ESG disclosures for supply chain of listed entities.	Proposals/ Suggestion: Agree with the proposal, no further comments.
7	3.2.2.d. ii	If so, should such disclosures be made as per the BRSR Core or comprehensive BRSR.	Proposals/ Suggestion: Agree with the proposal, no further comments.
8	3.2.2.d. iii	Whether assurance of disclosures of supply chain should be specified.	Proposals/ Suggestion: While this would be step in the right direction, issuers would need more guidance around how this assurance can be obtained especially if companies have a large set of supply chain providers.
9	3.2.2.d. iv	Whether timeline as proposed at point 3.2.2 (c) above, for implementation of ESG disclosures and assurance for supply chain is appropriate.	Proposals/ Suggestion: Agree with the proposal, no further comments.
10	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.	Proposals/ Suggestion: The outcome of this proposal seems to be to standardize the scope of ESG ratings evaluation, however the guidance around measurement criteria and weights used by different ERPs is left to the interpretation of the different ERPs. It needs to be seen whether standardizing the scope alone through the identified parameters will solve the problems around low correlations of ESG ratings. Also, its not clear on how materiality of the various identified parameters across different sectors will be considered basis this proposal.
11	4.2.1.d ii	Whether the proposed guidance on environmental measures is appropriate.	Proposals/ Suggestion: Refer previous comments.
12	4.2.2.c i	Whether there is a need for a Core ESG Rating, based on limited ESG indicators that are assured / audited.	Proposals/ Suggestion: It's not very clear from the current proposals whether the introduction of the Core ESG ratings as an additional rating criterion will solve the problems the investment industry faces with respect to lower correlations and comparability of ratings for ESG assessments.
13	4.2.2.c ii	Whether having Core ESG Ratings would increase the reliability of ESG ratings.	Proposals/ Suggestion: It's yet to be assessed on how these Core ESG ratings will be used by the industry and investors. However, the identified parameters will bring in some standardization into evaluation and assessment methodologies and to that extent this may be a step in the right direction.



Sr. No	Issues (with page/ para nos)	Extract from Consultation Paper	Proposals/ Suggestions and Rationale
14	5.2.1.a.vi 1	Comments on the proposal at para 5.2.1(a)?	Proposals/ Suggestion: Agree with the proposal, no further comments. This is a very good step in the right direction to improve stewardship.
15	5.2.1.a.vi 2	Whether enhanced voting disclosures should be from April 01, 2023, onwards?	Proposals/ Suggestion: Yes, agree with the proposal, no further comments.
16	5.2.1.b.vi 1	Whether any other area needs to be covered under disclosure of case studies?	Proposals/ Suggestion: Agree with the proposal. Funds can be required to publish an annual engagement policy implementation statement, explaining how and the extent to which the AMCs have followed their engagement policy. SEBI can come out with a guidance around the EPIS statement and the disclosure format so that it is standardized across all AMCs.
17	5.2.1.b.vi 2	Is the glide path suggested appropriate?	Proposals/ Suggestion: We feel that the glide path for this proposal should be accelerated to the next financial year (2024-2025 onwards) for both disclosure of case studies and engagement coverage.
18	5.2.2.g. i	Are the measures suggested at para 5.2.2 appropriate?	Proposals/ Suggestion: Agree with the proposal, no further comments. This is a very good step in the right direction.
19	5.2.2.g. ii	Is the glide path suggested at para 5.2.2 appropriate?	Proposals/ Suggestion: Agree with the proposal, no further comments.
20	5.2.2.g. iii	Whether additional certificate from Trustee or Board of AMC based on internal audit is required?	Proposals/ Suggestion: Agree with the proposal, no further comments.
21	5.2.2.g. iv	If yes, whether the responsibility of addressing green-washing risks can be categorized as one of core responsibilities of the Trustees and whether they should carry out independent due diligence on the same?	Proposals/ Suggestion: Agree with the proposal, no further comments.
22	5.2.2.g. v	Or, should only the Board of AMC be made responsible for certifying in this regard?	Proposals/ Suggestion: No, it should be the Trustees.



Sr. No	Issues (with page/ para nos)	Extract from Consultation Paper	Proposals/ Suggestions and Rationale
23	5.2.3.c. i	Whether a new category for ESG schemes should be introduced?	Proposals/ Suggestion: NO, the category of schemes seems to be in line with IA labelling classifications of investment strategies.
24	5.2.3.c. ii	Is the criteria for new category specified in the proposal appropriate?	<p>Proposals/ Suggestion: We don't agree that the labelling classification of investment strategies should be applied to how ESG schemes are labelled and introduced in the market. Most investment managers follow a combination of strategies to meet their investment objectives (for e.g., Indian AMCs/ ESG funds follow a combination of exclusions and ESG integration strategy or a combination of exclusions and best in class). Also – how do we categorize 80% of AuM/ investments under exclusions?</p> <p>Rather the proposal should focus on what sort of disclosures the AMCs should make w.r.t the various ESG investment strategies used in the scheme, if there is a combination of strategies used and then the rationale for that being clearly explained in the scheme documents.</p>
25	5.2.4.d. i	Are the proposals at paras 5.2.4 (a-c) appropriate?	Proposals/ Suggestion: Do not agree with 5.2.4.a. Please refer to above comments for 5.2.3.c. ii.
26	5.2.4.d. ii	Is the implementation date(s) and/or glide path suggested appropriate?	Proposals/ Suggestion: Agree with the proposal, no further comments.