



Possibilities of using the ESG Framework for Urban Local Governments

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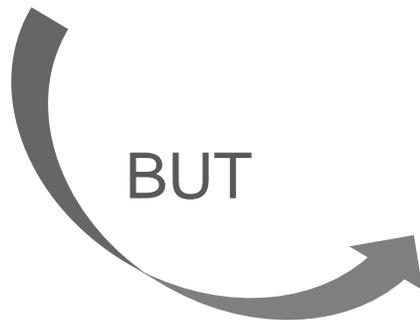


Conclusion
& Way Forward

Shifting attitudes of Corporate investors from Profit-making to Responsible Business

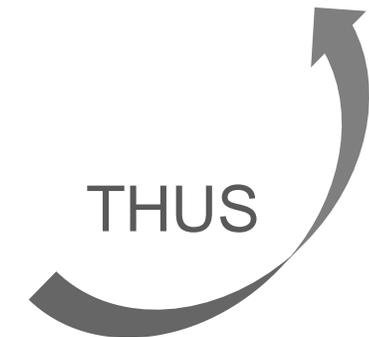
Traditionally, Corporate investors look for the following factors:

- If the company can generate significant profits with adequate financial projections.
- A plan to include multiple sources of revenue in the project.
- Cash flow trends of the company
- Debt load



BUT

Fall of some of the biggest corporations in India like **Satyam, Kingfisher, and most recently Yes Bank** have been credited to governance failures.



THUS

Responsible Business -
Motivation for ESG investors

- Ethical Considerations
- Alignment with values

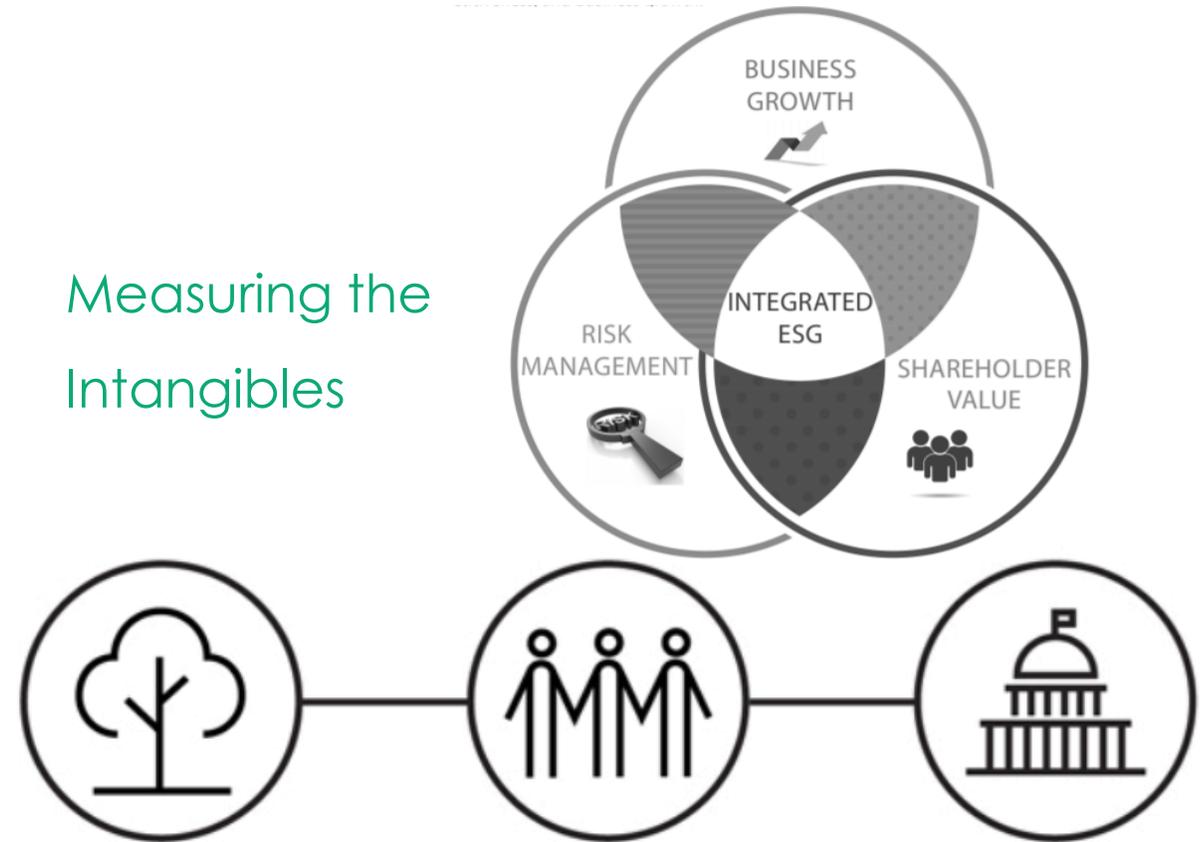
What is ESG Framework?



Environmental, Social, and Corporate Governance (ESG) refers to the three central factors in measuring the sustainability and societal impact of an investment in a company or business.

These criteria help to better determine the future financial performance of companies (return and risk).

Measuring the Intangibles



ENVIRONMENTAL

Focuses on a company's environmental disclosure, environmental impact, and any efforts to reduce pollution or carbon emissions.

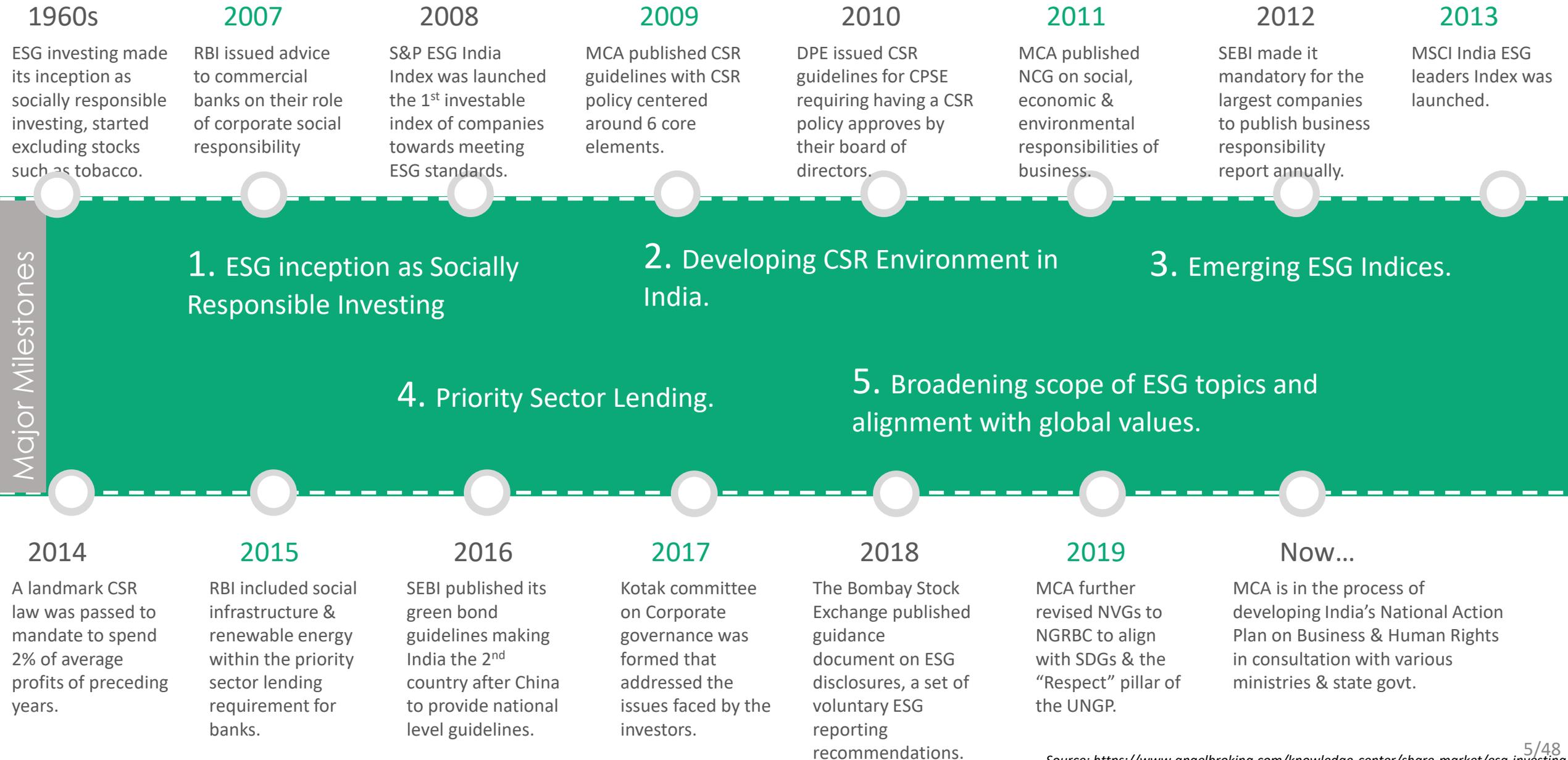
SOCIAL

Refers to the workplace mentality (e.g. diversity, management, human rights) as well as any relationships surrounding the community (e.g. corporate citizenship and philanthropy).

GOVERNANCE

Accounts for compensation, shareholder rights, and the relationship between shareholders and management.

History of ESG in Indian Corporate World



Motivations for Paradigm Shift

Factors responsible for the Paradigm Shift:

1. A move towards Socially Responsible Investing.
2. Aligning with Global Values.
3. Gradual interest from domestic investors.
4. Increasing reform measures.
5. Sustainability in Indian Policies.

But still a Long way to go...

7.09%

India's share of
Global GDP

4.5%

India's share of
Global Economy

0.1%

India's share of
global SRI (Socially
Responsible
Investing) assets

“ESG funds gain pace on focus shift to sustainability”

Data provided by Morningstar showed that India ESG funds received a net inflow of ₹103.78 crore in March following an outflow of ₹102.78 crore combined in January and February. In the previous quarter ending December, these funds received net inflow of ₹3748.96 crore.

ULBs are the logical candidates for ESG assessment

In the case of ULBs, 74th Amendment lists the following obligatory functions that can be classified into Environment, Social and Governance

1. Urban planning including town planning.
2. Regulation of land use and construction of buildings.
3. Planning for economic and social development.
4. Roads and bridges.
5. Water supply for domestic, industrial and commercial purposes.
6. Public health sanitation, conservancy and solid waste management.
7. Fire services.
8. Urban forestry protection of the environment and promotion of ecological aspects.
9. Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded.
10. Slum improvement and upgradation.
11. Urban poverty alleviation.
12. Provision of urban amenities and facilities such as parks, gardens, playgrounds.
13. Promotion of cultural, educational and aesthetic aspects.
14. Burials and burial grounds, cremations, cremation grounds and electric crematoriums.
15. Cattle pounds, prevention of cruelty to animals.
16. Vital statistics including registration of births and deaths.
17. Public amenities including street lighting, parking lots, bus slops and public conveniences.
18. Regulation of slaughterhouses and tanneries.

 Environmental  Social  Governance

Thus, ULBs are the logical candidates for ESG assessment as:

- since Municipalities are mandated to operate in the interest of the public good as per 74th Amendment.
- To identify improvement opportunities.
- Flow of public finances towards sectoral public services is assumed to be representative of the investment cycle generally considered for ESG integration.

ESG for attracting Investors

Credibility is needed for the ULBs to raise their own funds.

A push from MoHUA for cities to raise their own funds in the market, has encouraged cities to build their credentials for potential investors.

India is the first country in the world to make **corporate social responsibility (CSR)** mandatory, following an amendment to the **Companies Act, 2013 in April 2014**. Businesses can invest their profits in areas such as education, poverty, gender equality, and hunger as part of any CSR compliance.

ESG Assessment will have the following benefits:

Investment Stability

Lowered Regulatory & Legal Risks

Credibility with employees & customers or citizens

Cost Reductions.

ESG Assessments can help in **attracting investors and establish credibility** with **CSR investors and philanthropists**.

Good ESG Rating



 Low payment Risk

 Judicious use of funds.



 Easier borrowings from banks, capital market or bi/multilateral funding agencies.

Case of Toronto – ESG Report

ESG Factors

Environmental	Social	Governance & Workplace Culture
Climate Change	Human Rights	Responsible Governance Practices
Resilience	Social Inclusion Social Empowerment and Advancement Economic Inclusion	Financial Governance Conduct and Trust Risk Management Cyber Security and Privacy Inclusion and Diversity Health and well-being Talent Attraction, Engagement and Retention Digital Enablement Responsible Procurement and supplier diversity
Socially Responsible Financing		
Socially Responsible Investing		

Toronto's Debt Issuance Program



The objective of the City's sustainable debt issuance program is to align with the City's strategic priorities and enhance ESG outcomes in Toronto. Some examples are sustainable clean transportation, energy, and environment; social and affordable housing; access to essential services; socioeconomic advancement and empowerment.

How Toronto's Debt Issuance Program aligns with the Corporate Strategic Plan

Since 2018, the City has issued \$500 million of Green Bonds (\$300 million in 2018 and \$200 million 2019). Previewing some highlights in 2020, the City of Toronto was the first Canadian government to issue a Social Bond and continues to be a pioneer in advancing ESG objectives within the Canadian government sector. For details of the City's Green Bond and Social Bonds,

Capital Projects – Corporate Strategic Plan	Debenture Type		
	Green	Social	Conventional
Maintain and create housing that's affordable.		✓	✓
Capital projects that reduce GHG emission e.g. energy retrofit	✓		
Keeping Toronto Moving		✓	✓
Capital projects that reduce GHG emission e.g. subway	✓		
Invest in People and Neighbourhoods		✓	✓
Capital projects that reduce GHG emission e.g. green roofs	✓		
Tackle Climate Change and Build Resilience	✓		✓
Maintain a well run city	✓	✓	✓

Benefits of having good ESG Score

Toronto is a clean, green and sustainable city.

Toronto is a caring and friendly city.

Toronto invests in quality of life.

Toronto is a dynamic city.

Source: City of Toronto, ESG Report, 2021

A way to Assess & Measure Modern Urban Planning Challenges...



22 Of World's 30 Most Polluted Cities In India, Says IQAir

PTI

Bookmark

Published on March 16 2021, 5:32 PM
Last Updated on March 16 2021, 5:32 PM



A Mumbai problem: Many vacant houses, many homeless

By Smruti Koppikar | Hindustan Times
UPDATED ON MAR 22, 2018 10:39 AM IST



WOMEN'S SAFETY

Delhi considered world's worst megacity because of sexual assaults on women, finds poll

Among the 19 megacities surveyed by the Thomson Reuters Foundation, the Indian Capital was found to be the most unsafe for women, along with Brazil's Sao Paulo.

Scroll Staff
Oct 16, 2017 - 10:51 am
Updated Oct 16, 2017 - 02:51 pm



Raveendran Raveendran/AFP

When even a rich city like Mumbai is starved of funds

Bloomberg • Last Updated: Feb 08, 2020, 05:42 PM IST

SHARE FONT SIZE SAVE

Synopsis

The federal government's chronic deficits dominate discussions about India's precarious public finances.



Bengaluru has world's worst traffic congestion, says study

Swathy R Iyer | TNN | Jan 30, 2020, 07:23 IST

✉ 🖨 A- A+



File photo of traffic jam in Bengaluru

taken if they were commuting during uncongested conditions. That's travel time.

BENGALURU: Bengaluru is the most traffic-congested city in the world, says the latest traffic index published by TomTom, the Dutch location technology specialist that c
Google Maps.

Peak time com
Bengaluru spe
days and three
traffic each yea
the time they w

Water crisis in Chennai once again exposes the city's climate vulnerability

With all the four reservoirs that cater to the 4.64-million population of Chennai city having gone dry, India's sixth largest city has run out of its drinking water.



NEWS ENVIRONMENT | SATURDAY, JUNE 30, 2018 - 9:27

...and Improve ULB Performance

INDORE

Updated on : Thursday, August 20, 2020, 5:00 AM IST

Indore: Tap water in entire district within 2 years

By Staff Reporter

There are 351 tap-water schemes currently running in the district.



INDIA NEWS

Swachh Survekshan 2020: Indore ranked cleanest city fourth time in a row

Swachh Survekshan 2020: Every year, cities and towns across India are awarded the title of "Swachh Cities" on the basis of their cleanliness and sanitation drives as a part of the Swachh Bharat Abhiyan (Clean India Mission) that was launched in 2014.

Hindustan Times, New Delhi | By Anisha Dutta
UPDATED ON AUG 21, 2020 01:49 AM IST



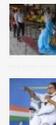
Hubballi-Dharwad BRTS bags Best Urban Transit award

Pavan Kumar H, DHNS, Hubballi | NOV 12 2019, 22:28 IST | UPDATED: NOV 13 2019, 01:14 IST



As many as 125 AC buses are plying on the 28-km four-lane dedicated BRTS corridor between Hubballi and Dharwad since March this year. DH File Photo

DH PICKS



The Diamond City Of India – Surat Gets The Tag Of Generating Maximum Amount Of Renewable Power In The Country

By using renewable energy to meet 34 per cent of its electricity demand, Surat Municipal Corporation has set a benchmark for other civic bodies to go green

Gujarat, News | Written By: Barkha Mathur | May 09, 2019 12:21 PM | 0



Surat Municipal Corporation is India's first civic body to use renewable energy for 100 per cent powering water distribution, health care facilities and municipal schools

Pune tops quality of governance list

The Hindu Net Desk

MARCH 14, 2018 16:05 IST
UPDATED: MARCH 14, 2018 16:26 IST

SHARE ARTICLE | f | t | r | in | | PRINT | A | A | A

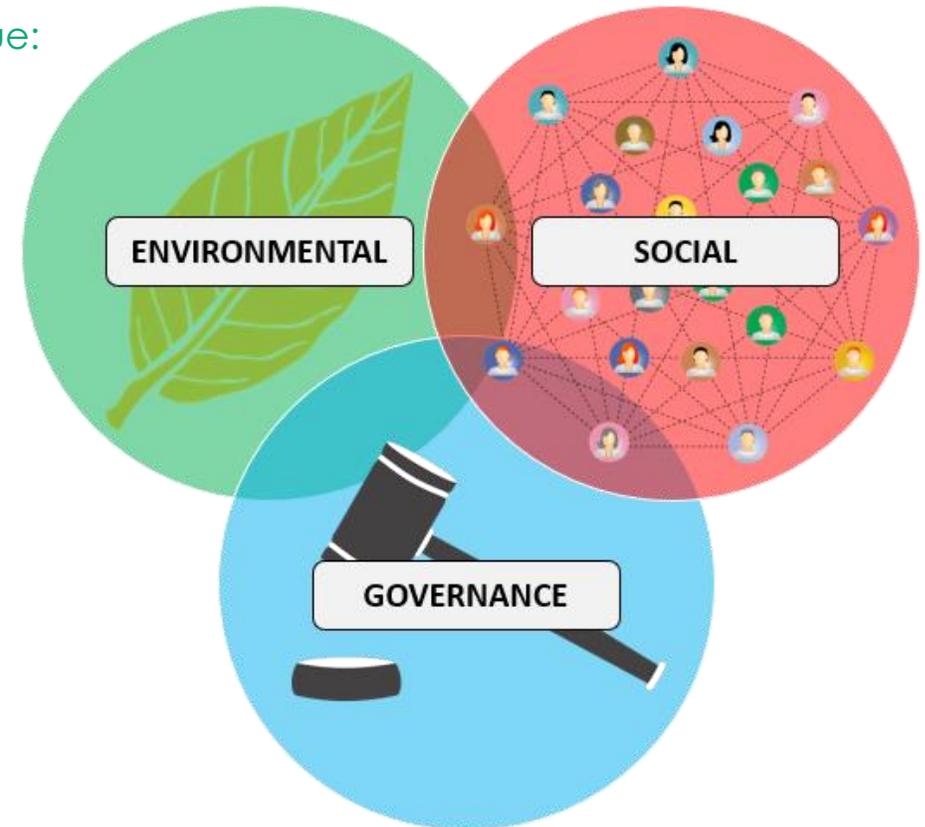


The lessons that can be learnt by the ULBs from Corporate sectors.

Why are the Corporate Companies shifting towards ESG?

Five ways that Environmental, Social, and Governance (ESG) creates Value:

1. **Top-line growth** - A strong ESG proposition will help to tap new markets.
2. **Cost Reductions** - ESG can also reduce costs substantially. Among other advantages, executing ESG effectively can help combat rising operating expenses
3. **Reduced regulatory and legal interventions** - A stronger external-value proposition helps to achieve greater strategic freedom, easing regulatory pressure.
4. **Employee productivity uplift** - A strong ESG proposition can help companies attract and retain quality employees and in the case of cities, citizens' trust.
5. **Investment and asset optimization** - A strong ESG proposition can enhance investment returns by allocating capital to more promising and more sustainable opportunities.



Source: McKinsey Quarterly Report, 2019, Five ways that ESG creates value

Possibilities of using the ESG Framework for ULBs

AIM



Possibilities of using the Environmental, Social and Governance (ESG) framework for urban local government.

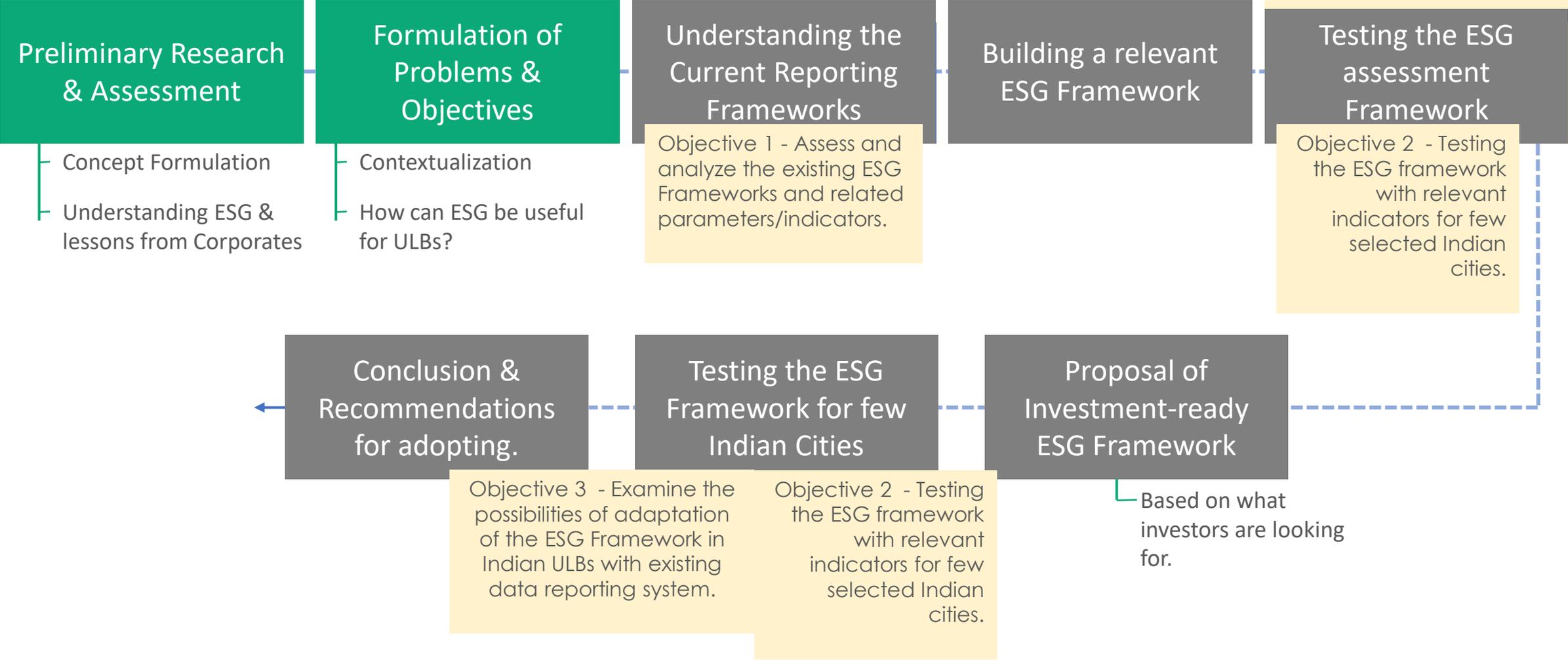
Objectives

Assess and analyze the existing ESG Frameworks and related parameters/indicators.

Testing the ESG framework with relevant indicators/parameters for few selected Indian cities.

Examine the possibilities of adaptation of the ESG Framework in Indian urban local bodies (ULBs) with existing data reporting system.

Methodology



Municipal Credit Ratings and ESG Ratings : Irreconcilable Differences

A Case of Seattle, Washington

Credit Rating - **AAA**

As assessed from Moody's, Standard & Poor's and Fitch - three of the top credit rating agencies.

Seattle is a growing, vibrant, young city.

- Average age – 36 years old
- 1,00,000 New Residents called Seattle home over the last decade.
- Average per-capita income pushed to \$90,438 (2018) from \$58,990 (a decade prior)
- The value of real property increased by 76% over the last decade.

As of 2018, the Municipal Finance of Seattle is as follows:

- Revenue - \$1,541 Million
- Fund Balance - \$703 Million
- Debt Burden - \$703 Million

But



Financial indicators do not always pair well with environmental, social and governance indicators.

Over the Decade:

- The ratio of Homeless per 1,000 residents increased from 4.81 to 5.42.
- Median rental rates increased by 56%
- Nearly 6,75,000 licenses issued
- Seattle has the worst traffic & commute times in the US.
- Increased Carbon Emissions

Whereas,

ESG Rating - **B** As assessed from ACRE ESG Rating.

“The wide divergence between credit ratings and ESG indicators isn't limited to cities like Seattle.”

Source: <https://www.forbes.com/sites/investor/2020/04/15/municipal-credit-ratings-and-esg-ratings-irreconcilable-differences/?sh=5a58afac40c1>

Cities are already adopting measures to report on various ESG aspects

Cities have started adopting measures to report data on such aspects with the introduction of indices such as:

- Swachh Survekshan
- Ease of Living and Municipal Performance Index
- Sanitation Ranking
- Service Level Benchmarking (SLB)
- Smart City Ranking
- ISO 9001:2015 Compliance

All these indices are currently working in silos.

Need of ESG Framework in ULBs

- Currently, the data reporting system and all the indices assessing the ULBs are working in silos.
- Need of comprehensive framework to assess all the sectors together, as investors are increasingly applying non-financial factors to identify material risks and growth opportunities.
- The Environmental, Social, and Corporate Governance (ESG) criteria are the three central standards in measuring the sustainability and societal impact of an investment in an organization. They can be used as basis to assess an organization's operational integrity.

ESG Relevant Frameworks

The share of population residing in urban areas is witnessing rapid growth—from 28 per cent in 2001, it is projected to rise to 38 per cent by 2026. Basic service levels, however, remain well below desired levels. Recognizing its importance, the Ministry of Urban Development (MoUD), Government of India, has launched the Service Level Benchmarking (SLB) initiative covering water supply, wastewater, solid waste management (SWM) and storm water drainage.

Following are the Performance indicators of Service level Benchmarking:

WATER SUPPLY

- Coverage of water supply connections
- Per capita supply of water
- Extent of metering of water connections
- Extent of non-revenue water
- Continuity of water supply
- Quality of water supplied
- Cost recovery in water supply services
- Efficiency in redressal of customer complaints
- Efficiency in collection of water supply-related charges

WASTEWATER MANAGEMENT

- Coverage of toilets
- Coverage of wastewater network services
- Collection efficiency of wastewater network
- Adequacy of wastewater treatment capacity
- Quality of wastewater treatment
- Extent of reuse and recycling of wastewater
- Extent of cost recovery in wastewater management
- Efficiency in redressal of customer complaints
- Efficiency in collection of sewerage-related charges

SOLID WASTE MANAGEMENT

- Household level coverage of SWM services
- Efficiency of collection of municipal solid waste
- Extent of segregation of municipal solid waste
- Extent of municipal solid waste recovered
- Extent of scientific disposal of municipal solid waste
- Extent of cost recovery in SWM services
- Efficiency in redressal of customer complaints
- Efficiency in collection of SWM-related user charges

STORM WATER DRAINAGE

- Coverage of storm water drainage network
- Incidence of water logging/flooding

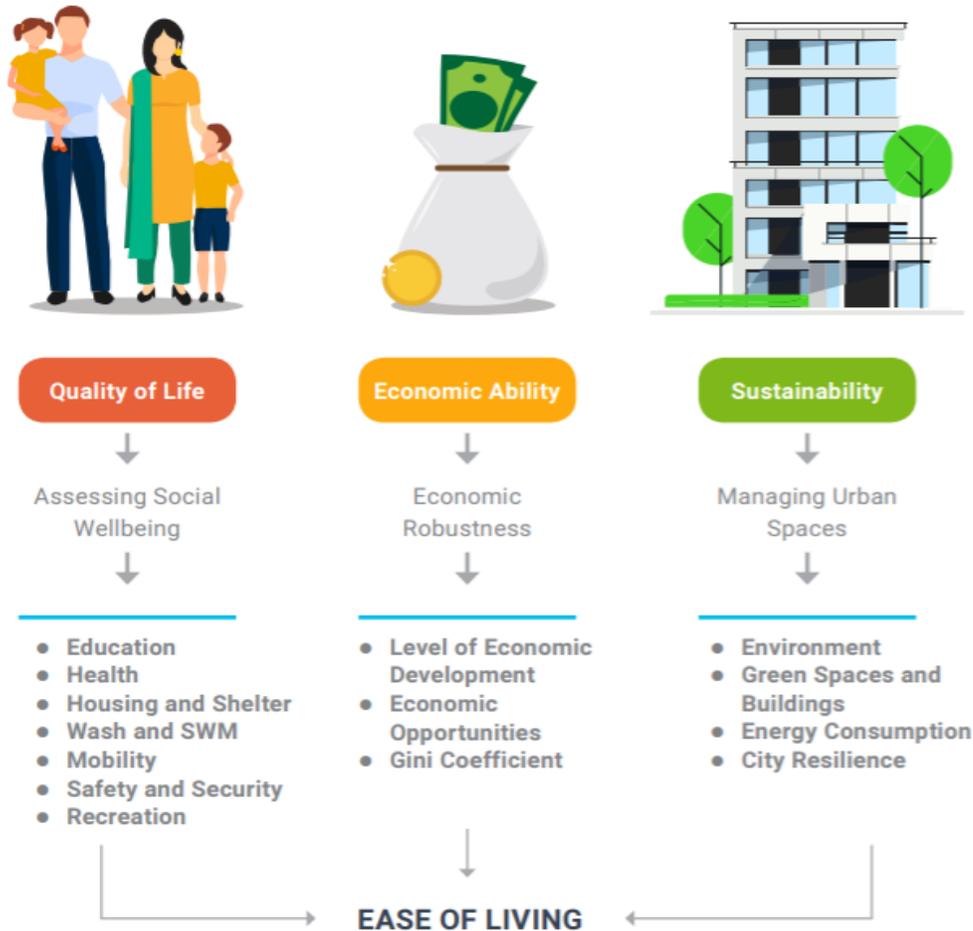
1. Service Level Benchmarking

The principle of accountability for service levels is now gaining broad-based acceptance at all levels. The ULBs are at the forefront of this shift, based on the decentralization agenda articulated under the 74th Constitutional Amendment. The simple five-point SLB agenda for ULBs is:



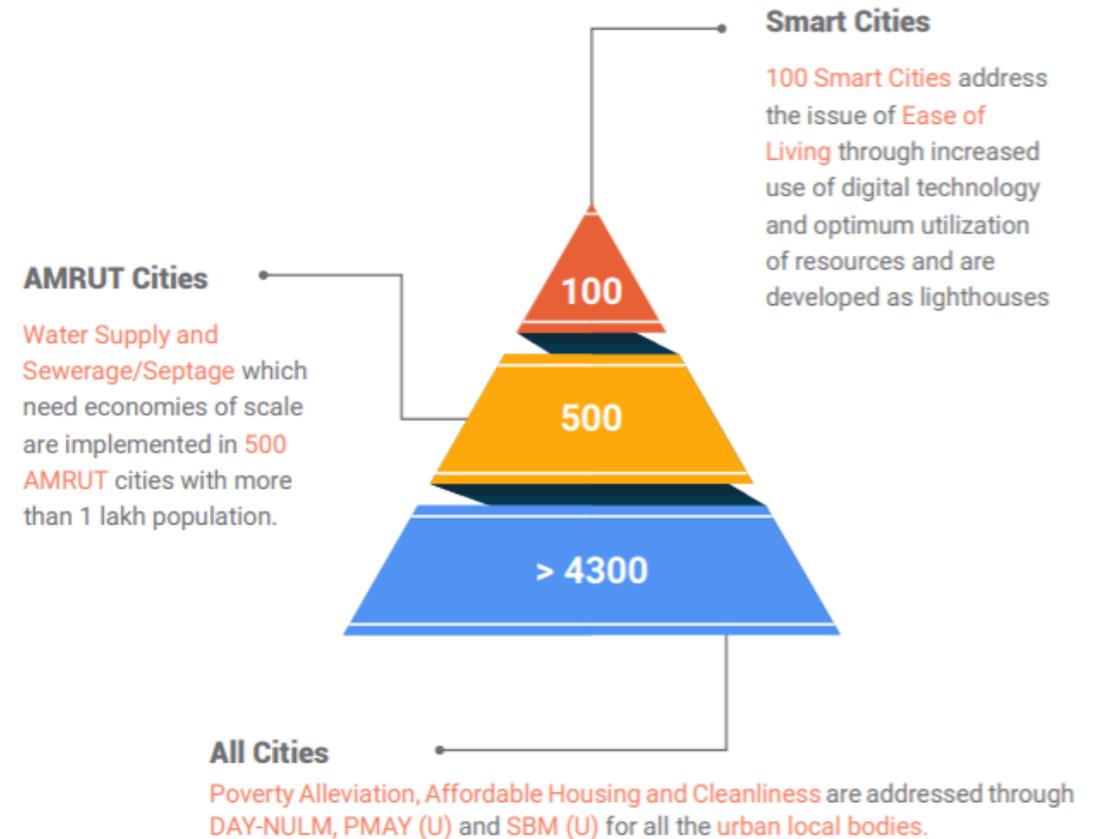
ESG Relevant Frameworks

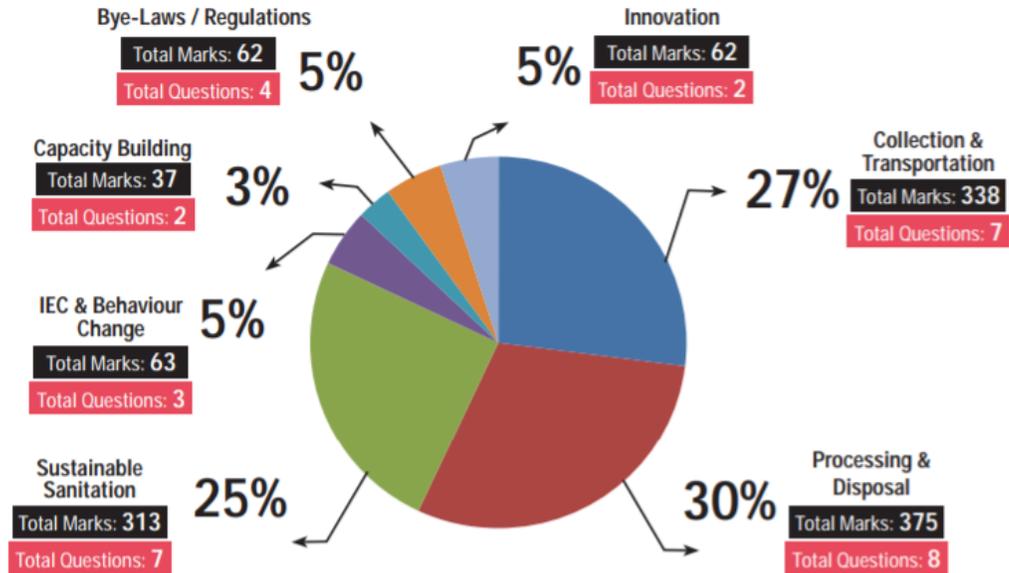
The Ease of Living Index examines the livability of Indian cities across a set of three pillars, which encompass the various aspects of well-being of citizens. The three pillars include a total of 14 categories and 50 indicators.



2. Ease of Living Index

As more and more Indians migrate to cities with an aspiration of a better quality of life and economic and social opportunities, it will become increasingly challenging to address the challenges that come with it. With a rising concentration of people and a limitation of resources, cities will require efficient management and planning to sustain themselves and drive well-being and prosperity. Therefore, a three-level strategy, as highlighted below was followed:





The scoring for each ULB for ranking is segregated into four main components, as follows:

1. Collection on of data from online MIS portal of MoHUA as well as online submission of documents to the dedicated Swachh Survekshan 2019 portal assessment of Service Level Progress (1,250 Marks / 25%).
2. Collection on of data from Direct Observation on (1,250 Marks / 25%)
3. Collection on of data from Citizen Feedback (1,250 Marks / 25%)
4. Certifications for Garbage Free Cities and Open Defecation on Free Cities (1,250 Marks / 25%).

There are a total of 33 indicators associated with Service Level Progress, broken up into seven thematic areas.

The following table gives an overview of the criteria on the basis of which ULB is evaluated. To evaluate and thereby decide on award winners, 20 indicators from SLP, DO and Citizen Feedback sections are taken into consideration. Total sum of individual marks achieved against each of the mentioned indicators is considered for ranking.

Service Level Progress	Direct Observation	Citizen Feedback
<ul style="list-style-type: none"> • Door to Door Garbage collection • Source Segregation • ICT based Monitoring Mechanism • Cleanliness of Areas – Sweeping, GVP Transformation, Cleaning of storm water drain, Beautification of Slums/Old City etc. • Bin Free- Removal of secondary garbage storage points • Processing of Wet Waste & Dry Waste • Management of 'Construction & Demolition' Waste • Remediation of existing dumpsites • Sanitary Landfill/ Zero Landfill • Operational cost of sanitation & SWM covered through Property Tax • Bulk Waste Generator practicing Onsite processing of organic waste • Home Composting 	<ul style="list-style-type: none"> • Cleanliness of Residential and Commercial area • Cleanliness and functionality of Community & Public toilets • Cleanliness of Vegetable/ fruit/meat markets • Cleanliness of catchments of Railway/Bus/Airport 	<ul style="list-style-type: none"> • Cleanliness in City • Appropriate litter bins in commercial and public areas • Segregated collection of waste

Good Governance Index is a comprehensive and implementable framework to assess the State of Governance in all States and UTs which enables ranking of States/Districts and present a comparative picture.

The proposed framework utilizes the existing models of Governance Indices as well as other frameworks available including the Constitution of India by adapting those models in terms of its horizontal and vertical coverage. This approach saves the project from re-inventing the wheel and saves effort and time. The approach adopted for the preparation of the Good Governance Index is as follows:



A. Consultative and Citizen Centric

- National and State-level Consultation

B. 360 Degree and Pragmatic

- Within the entire spectrum of governance, only the most critical aspects are finalised allowing pragmatic measurement

C. Generic-to-Specific

- Broad sectors encompass the entire governance spectrum; further divided into indicators that get measured

D. Simple and Quantitative

- Indicators identified can be measured quantitatively majorly based on the available secondary data

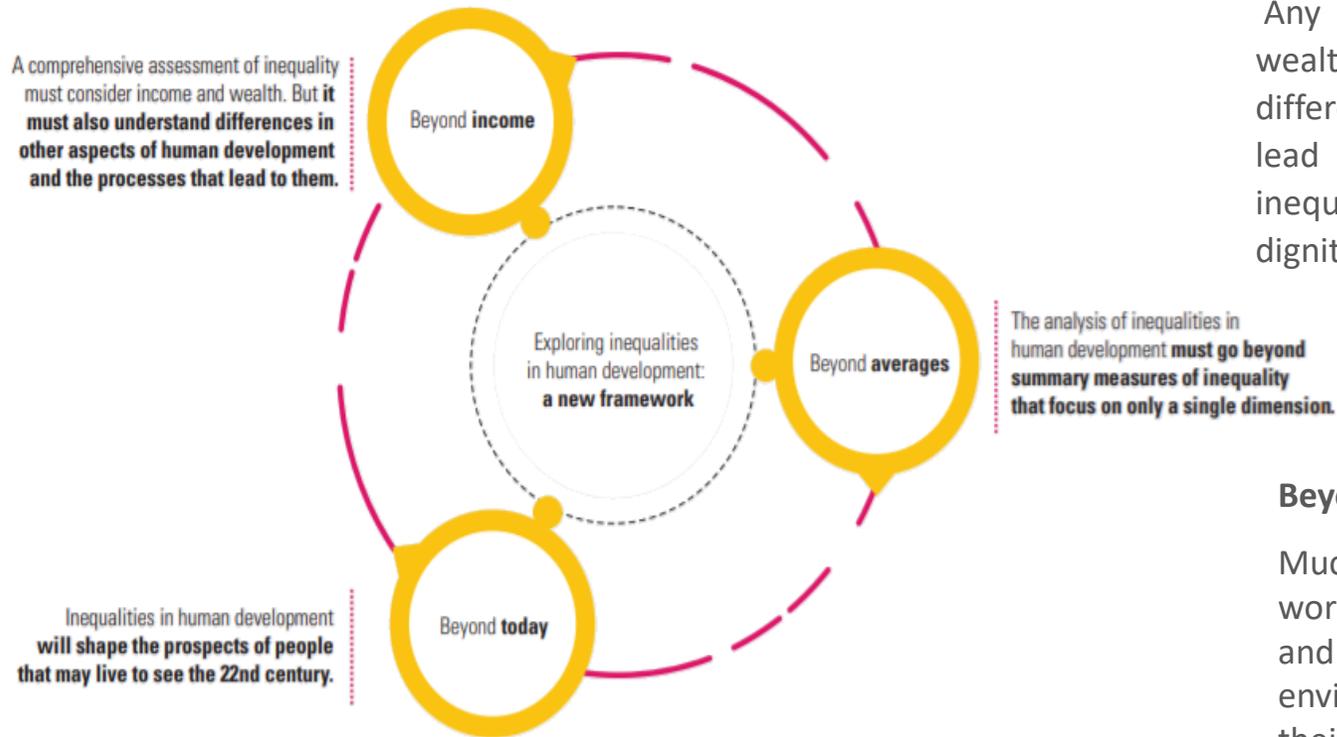
The GGI consists of a limited set of relevant indicators categorized in 10 broad sectors. For ranking the states based on these selected sectors and indicators, two approaches emerged:

- to rank the states based on their present status, which is a cumulative effort made by the state over the years since their formation (or their erstwhile states)
- equally important to assess the rapid progress achieved or attempts made for higher achievements by the states in recent years.

ESG Relevant Frameworks

5. Human Development Index

Human Development Index builds on a new framework of analysis that looks at inequalities by going beyond income, beyond averages and beyond today.



Beyond Averages

Too often the debate about inequality is oversimplified, relying on summary measures of inequality and incomplete data that provide a partial—sometimes misleading—picture, both in the sorts of inequality to consider and the people affected.

Beyond Income

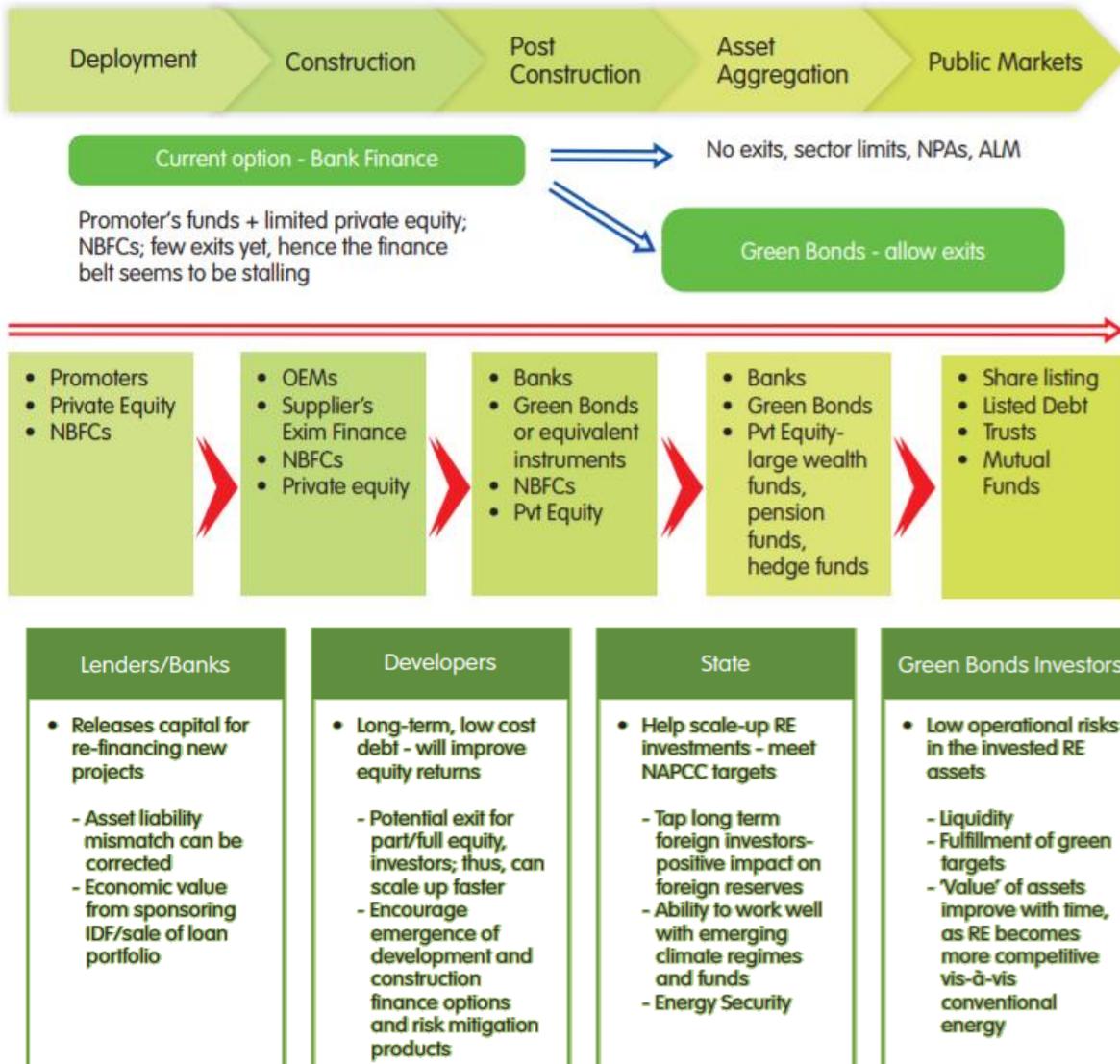
Any comprehensive assessment of inequality must consider income and wealth. But it must also go beyond dollars and rupees to understand differences in other aspects of human development and the processes that lead to them. There is economic inequality, of course, but there are also inequalities in key elements of human development such as health, education, dignity and respect for human rights

Beyond Today

Much analysis focuses on the past or on the here and now. But a changing world requires considering what will shape inequality in the future. Existing—and new—forms of inequality will interact with major social, economic and environmental forces to determine the lives of today's young people and their children. Two seismic shifts will shape the 21st century: Climate change and technological transformations.

ESG Relevant Frameworks

6. Green Municipal Bonds



Source: https://www.niua.org/csc/assets/pdf/RepositoryData/UP_Green_Cover/GIZ_Green_Municipal_Bonds_eReport.pdf

7. Budget and Accounting Disclosures

- All the Local Bodies(Both Urban and Rural at all levels) are required to publish their draft and final budgets in the public domain.
- Also, the audit of the accounts of all Local Bodies are done under the guidance & supervision of the separate committees of Legislature – Annual Technical Inspection Reports (ATIR).
- PMC (Pune Municipal Corporation) has been ISO certified due to its excellence performance of the obligations of the corporation.
- PMC has been continuously surplus in revenue fiscal. PMC is having revenue surplus. It shows strong revenue pipeline of the Corporation. It also depicts the strong capability of financial leveraging i.e., external fund-raising capacity.
- As such the Pune Municipal Corporation is fulfilling the basis parameter of Fiscal Capacity to allocate Rs. 50 Cr funds each year for next five years under the Smart City Mission.

Source: https://fincomindia.nic.in/writereaddata/html_en_files/oldcommission_html/fincom13/discussion/DraftLB170909.pdf

ESG Relevant Frameworks

8. CRISIL – Rating Criteria for ULBs

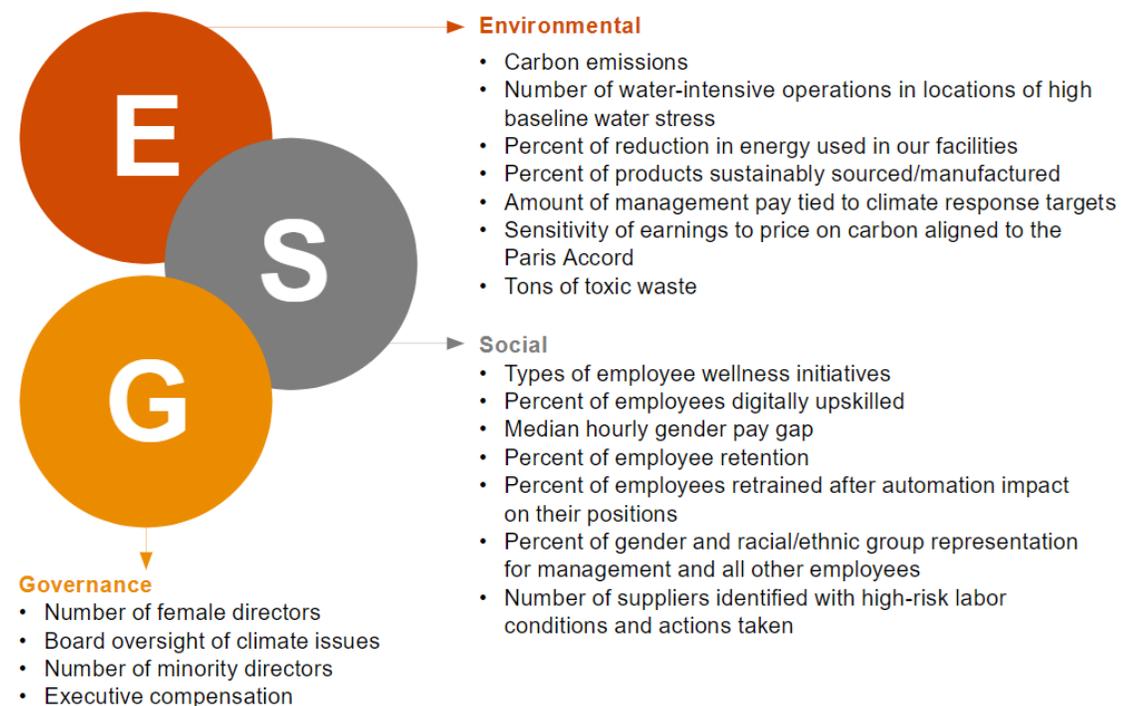
CRISIL’s criteria for rating municipal and urban local bodies focus on their legal and economic profiles, operational efficiency and capability building, and financial position. It is based on CRISIL’s understanding of, and experience in, rating municipal bodies and on studies conducted of such bodies in other geographies



CRISIL’s methodology for rating municipal and urban local bodies (ULBs) has been developed after an in-depth study of such bodies in India and abroad. CRISIL was first in Asia to award a rating to municipal bond issued by an Indian municipal body in February 1998 and subsequent issuances by municipal bodies using this methodology. Over the years, CRISIL has rated several municipal bodies to fulfill the requirements of AMRUT (Atal Mission for Rejuvenation and Urban Transformation) and National Smart Cities Mission. This has helped CRISIL to fine-tune its rating methodology to factor in the latest trends in the sector.

Source: <https://www.crisil.com/mnt/winshare/Ratings/SectorMethodology/MethodologyDocs/criteria/Rating%20Criteria%20for%20Municipal%20and%20Urban%20Local%20Bodies.pdf>

9. PWC – ESG Framework of Corporate Sector



In recent years, several groups, such as the Sustainability Accounting Standards Board, Others, including the IFRS Foundation, are considering how to incorporate sustainability information in corporate reporting. Just as financial reporting is prepared in accordance with US GAAP, IFRS, or another accounting framework, ESG standards and frameworks allow companies to disclose standardized information. They provide consistency and comparability, and they benefit from due process, enabling investors to make more informed decisions.

Source: <https://www.pwc.com/us/en/cfodirect/publications/in-the-loop/esg-reporting-controls.html>

ESG Scoring Methodology

A Case of ISS ESG Muni Quality Score – The United States of America

Methodology

Individual scores are calculated for each of the **seventy-two (72) data inputs**. Individual scores determine the ranking for each City/Town, County, State, and School District, both statewide, and nationally, for each data input.

Frequency of Updates for Ranking Data

ISS ESG Muni Quality Score rankings are updated no later than thirty days following standard fiscal quarter dates to reflect the new releases of any Census data and data utilized from quasi government sources.

ESG Scoring

PEER ESG SCORE	RANKING OF ENTITY VS RANKING OF PEERS	DESCRIPTION
AAA	=> 90%	Top decile of peer group
AA	=> 80% & < 90%	Second decile of peer group
A	=> 70% & < 80%	Third decile of peer group
BBB	=> 60% & < 70%	Fourth decile of peer group
BB	=> 50% & < 60%	Fifth decile of peer group
B	=> 40% & < 50%	Sixth decile of peer group
CCC	=> 30% & < 40%	Seventh decile of peer group
CC	=> 20% & < 30%	Eight decile of peer group
C	=> 10% & < 20%	Ninth decile of peer group
D	< 10%	Bottom decile of peer group

Ranking & ESG Score

The ranking and ESG scores provided by ISS ESG should not be interpreted as investment advise and do not provide or are intended to provide a buy sell or hold recommendation for any security or real estate property

ESG Relevant Frameworks – Key Takeaways

Frameworks	Applicability and Operation Participants	Decision-making (Evaluation)	Key Takeaways for ESG Framework
Service Level Benchmarking	<ul style="list-style-type: none"> Launched by MoUD (Ministry of Urban Development) from February 2009 in 28 pilot cities across 14 states States and Cities (Service Providers – Water, Wastewater, Solid Waste Management, Storm Water Drainage) All cities in India are reporting this. Publishing SLB is mandatory for receiving Finance Commission grants. 	Scoring is given on the basis of comparison with the SLB handbook and the existing situation in the city/state.	Sustained benchmarking can help utilities to identify performance gaps and introduce improvements
Ease of Living Index	<ul style="list-style-type: none"> First launched in 2018. Applicable for the cities with ULBs All the Indian Cities with Urban Local Bodies. Participated by 111 cities. 1st Rank by Shimla (Less than Million city) & Bangalore (Million plus city). 	Based on the scoring obtained Indicators. Quality of Life, Economic Ability & Sustainability	The development of indicators and the data sources referred can be used similarly for ESG Framework.
Swachh Survekshan	<ul style="list-style-type: none"> Swachh Survekshan is meant to monitor the performance of Swachh Bharat Abhiyan, which was launched on October 2, 2014. Applicable for all Indian Cities The first survey was undertaken in 2016 and covered 73 cities; by 2020 the survey had grown to cover 4242 cities 	Ranked based on <ol style="list-style-type: none"> Service Level Progress Citizen’s Voice Certifications 	Swachh Survekshan Framework, Evaluation Process
Good Governance Index	<ul style="list-style-type: none"> Launched in 2019 to assess the Status of Governance and impact of various interventions. All the States and UTs 	Based on the indicators of 10 Sectors of Governance	Indicators for the Governance part could be developed from GGI
Human Development Index	<ul style="list-style-type: none"> Launched in 1990 to measure the country’s development by the UNDP The UNDP compiles the HDI of 189 countries in the annual Human Development Report. Detailed Report for Mumbai has been prepared based on 4 indicators. 	The index considers the health, education and income in the country to provide a measure of human development	The indicators used in HDI are useful in deriving the indicators for the “social part” of the ESG Framework.
Pey Jal Survekshan – The next step in India	<ul style="list-style-type: none"> Launched under Jal Jeevan Mission (Urban). Pilot has been carried out in 10 AMRUT Cities. 	Data on drinking water, wastewater management, non-revenue water & condition of 3 water bodies through interviews.	Indicators for Infrastructure Utilities under Environment pillar can be considered.

ESG Relevant Frameworks – Key Takeaways



Ease of Living Index

Service Level Benchmarking

Climate Smart City Framework

Corporate ESG Frameworks

Green Municipal Bonds

Swachh Survekshan



Ease of Living Index

Human Development Index

Good Governance Index

Corporate ESG Frameworks

Service Level Benchmarking



Good Governance Index

Municipal Performance Index

Credit Rating - CRISIL

Corporate ESG Frameworks

Green Municipal Bonds

How is ESG Framework different from other frameworks?

It helps the investors to make responsible investment based on the indicators, in line with UNPRI.



ESG Framework

Currently, Investors & International Organizations prioritize lending & support to projects that are in-line with global goals & standards.

Many ESG Indicators are in line with the SDGs and many funding agencies invest based on this criteria.



Source: UNPRI

“The granularity and detail of the SDGs helps investors to more clearly articulate how they are applying ESG topics to their investment decision making and engagement. It further helps investors communicate to clients how their money contributes to the broader priorities of global society.”

As Governance is given 40% weightage in the ESG Framework, as Governance is a cross-sectoral common element. Thus, Governance is emphasized more in ESG Framework

Many projects in India aren't being implemented due to the opposition by the activists & others.



As ESG Framework considers the involvement of stakeholders as well, thus it help in implementation of project with less hazzles.

ESG Assessment Framework and ESG Investment-ready Index

The following ESG Assessment frameworks have been prepared to assess the Urban Local Governments.

Part 1 – ESG Assessment Framework



3 Pillars

18 Sectors

66 Indicators

The Part 1 i.e., ESG Assessment Framework is carried out in order to declare the city as “ESG Compliant City”. part 1 – ESG Assessment Framework evaluates the ULB across 3 pillars of Environment, Social, and Governance in detail.

Part 2 - ESG Investment-ready Index



3 Pillars

10 Sectors

10 Indicators

Part 2 ESG Investment-ready Index evaluates the attractiveness of investments i.e., if the urban local body of the city is capable of receiving the funding by evaluating few of the indicators. It examines the urban local body on a broader sense with respect to priority values as announced by investors.

ESG Framework

Part 1 – ESG Assessment Framework



- Emission & Pollution
- Natural Capital endowment & Management
- Public Infrastructure Utilities
- Energy Consumption
- City Resilience

- Education
- Employment & Economic Opportunities
- Poverty & Inequality
- Health
- Social Infrastructure
- Safety & Security

- Human Resources
- Governance Effectiveness
- Gender
- Participation
- Transparency & Accountability
- Planning
- Financial well-being & Budget

Part 1 – ESG Assessment Framework

Methodology

1

Data Collection



- Capture datasets through cities published governmental sources & citizen service.
- Validate the data provided by cities

2

Data Transformation & Scoring



- Standardize the indicators to make them comparable.
- Score the indicators based on the prescribed benchmarks.

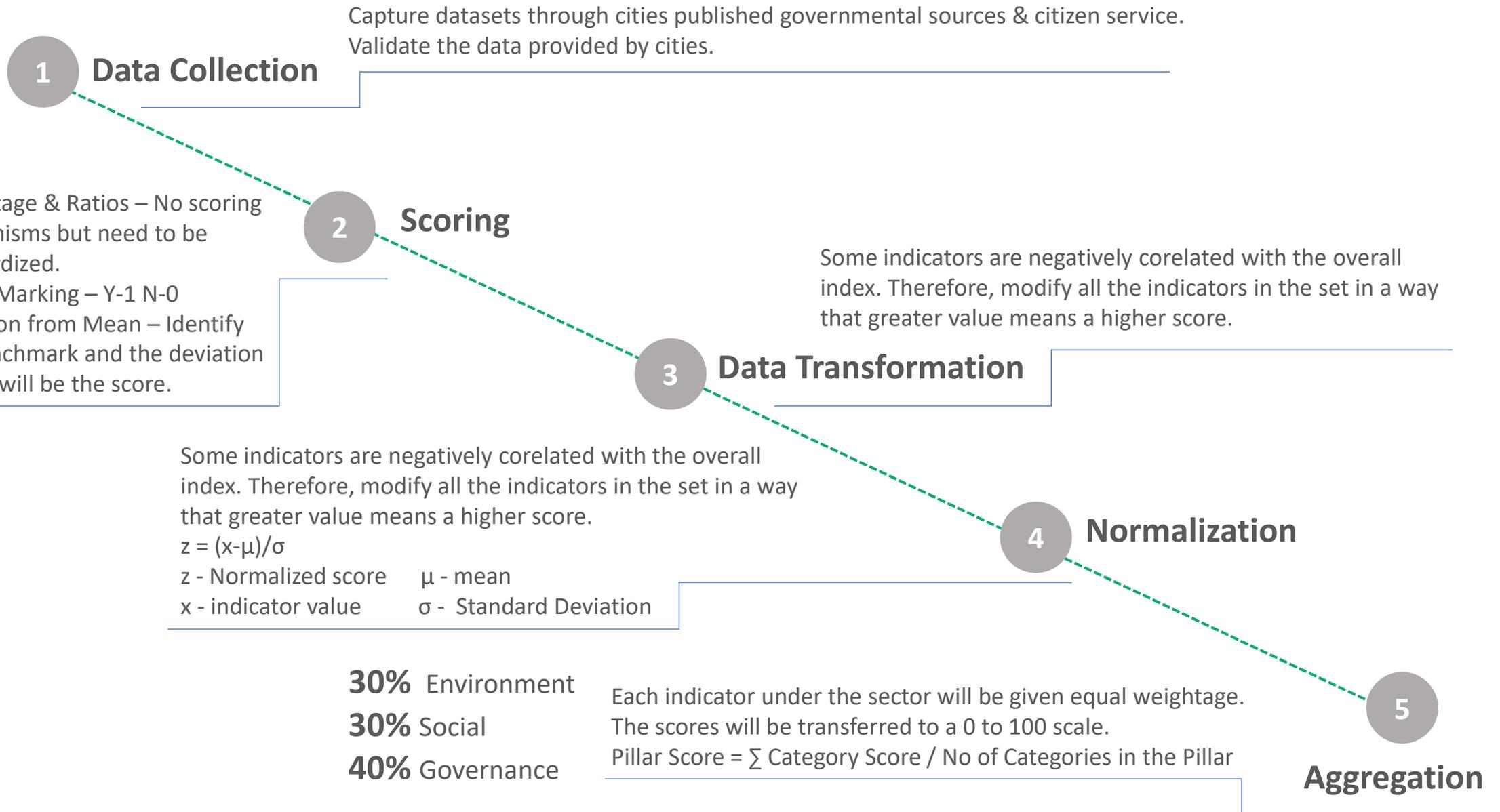
3

Computing Index Scores



- Aggregate the indicator scores to obtain the category scores for each city.
- Applied weightages to the category scores to obtain the score of the pillars.
- These pillar scores are aggregated to reach the “ESG Framework Index”.

ESG Framework – Scoring Methodology



Part 1 - ESG Assessment Framework

	Sectors (18)	Indicators (66)
Environment (30%) (5 Sectors)	Emission & Pollution (3)	Water Quality Hazardous Waste Air Quality Index Wastewater Reuse
	Natural Capital Endowment (5)	Tree Cover Water Supplied Swachh Survekshan Score Wastewater treated Sewerage Network
	Infrastructure Facilities(5)	Access to IHHL Underground Sewerage System Safe drinking water access Road Density Public Transport
	Energy Consumption (2)	Energy Demand vs Supply Energy generated from Renewable Sources
	City Resilience (2)	Disaster Reduction Strategies No of deaths due to disaster
Social (30%) (6 Sectors)	Education (5)	Expenditure Literacy Rate Digital Education Drop-out Rate National Achievement Score
	Employment & Economy (3)	Unemployment Rate Credit Availability No of Incubation Centers
	Poverty & Inequality (2)	Beneficiaries under PMAY Slum Population Gender Parity Index
	Health (3)	Expenditure Accredited Public Health Facilities Prevalence of Diseases
	Social Infrastructure (2)	Open Space for Public Use Availability of Public Services
	Safety & Security (4)	Violent Crime
Governance (40%) (7 Sectors)	Human Resources (3)	Adequacy of ULB Staff Gender Equality Leadership Stability
	Governance Effectiveness (4)	Housing Adequacy of Police Personnel Citizen Charter Establishment Expenditure Efficiency
	Gender (2)	Women in decision-making Economic Empowerment of Women Budget for women & child development
	Participation (3)	Voter Turnout Local Representation Community Involvement
	Transparency & Accountability(4)	Disclosure of Assets Budget Publication Corruption Performance Report Publication
	Planning (5)	CDP Plans available Town Planners Land related laws Plan Violation
	Financial Well-being (9)	Own Revenue Tax & Budget Efficiency Grants, Capital, Establishment Exp Efficiency Credit Rating

Part 1 - ESG Assessment Framework

	Sectors (18)	Indicators (66)	Data Sources
Environment (30%) (5 Sectors)	Emission & Pollution (3)	Water Quality Hazardous Waste Air Quality Index	<ul style="list-style-type: none"> Central Pollution Control Board Ministry of Statistics & Programme Implementation National Family Health Survey Swachh Survekshan Survey Ministry of Power Central Electricity Authority National Crime Records Bureau National Sample Survey All India Survey on Higher Education National Achievement Survey Score Pradhan Mantri Awas Yojana Health Management Information Systems Ministry of Labor & Employment Baseline Surveys of the ULBs
	Natural Capital Endowment (5)	Tree Cover Water Supplied Swachh Survekshan Score Wastewater treated Sewerage Network	
	Public Infrastructure Facilities(5)	Access to IHHL Underground Sewerage System Public Toilets used Road Density Public Transport Programme Implementation	
	Energy Consumption (2)	Energy Demand vs Supply Energy generated from Renewable Sources	
	City Resilience (2)	Disaster Reduction Strategies No of deaths due to disaster	
Social (30%) (6 Sectors)	Education (5)	Expenditure Literacy Rate Digital Education Gender Parity Index National Achievement Score	
	Employment & Economy (3)	Unemployment Rate Credit Availability No of Incubation Centers	
	Poverty & Inequality (2)	Beneficiaries under PMAY Slum Population	
	Health (3)	Expenditure Accredited Public Health Facilities Prevalence of Diseases	
	Social Infrastructure (2)	Open Space for Public Use Availability of Public Services	
	Safety & Security (4)	Violent Crime Against Women Against Children Against Elderly	
Governance (40%) (7 Sectors)	Human Resources (3)	Adequacy of ULB Staff Gender Equality Leadership Stability	
	Governance Effectiveness (4)	Housing Police Personnel Citizen Charter Establishment Expenditure Efficiency Information Systems	
	Gender (2)	Women Police Personnel Economic Empowerment of Women	
	Participation (3)	Voter Turnout Local Representation Community Involvement	
	Transparency & Accountability(4)	Disclosure of Assets Budget Publication Corruption Performance Report Publication	
	Planning (5)	CDP Plans available Town Planners Land related laws Plan Violation	
	Financial Well-being (9)	Own Revenue Tax & Budget Efficiency Grants, Capital, Establishment Exp Efficiency Credit Rating	

Part 1 - ESG Assessment Framework: Sectors and Indicators

Environment - ESG

Emissions & Pollution



Natural Capital Endowment & Management



Public Infrastructure Facilities



Energy Consumption



City Resilience



Water Quality



Total Tree Cover



Access to Individual Toilets



Energy Requirement vs Energy Supplied



Disaster Reduction Strategies



Hazardous Waste Generation



Total Water Supplied



Access to underground sewerage system



Energy from renewable sources



Number of deaths due to disaster



Air Quality Index



Swachh Survekshan Score



Population using Public Toilets



Road Density per 1000 sq.km



% of access to Public Transport Facility



Part 1 - ESG Assessment Framework: Sectors and Indicators

Social - ESG

Education 	Employment & Economic Opportunities 	Poverty & Inequality 	Health 	Social Infrastructure 	Safety & Security 
Household expenditure on Education 	Unemployment Rate 	Beneficiaries under PMAY 	Household Expenditure on Health 	Open Space for Public Use 	Prevalence of Violent Crime 
Literacy Rate 	Credit Availability 	Slum Population 	Accredited Public Health Facilities 	Availability of Public Services 	Extent of Crime recorded against Women 
Schools with access to Digital Education 	Number of Incubation Centers 		Prevalence of Diseases 		Crime recorded against Children 
Gender Parity Index 					Crime recorded against Elderly 
National Achievement Score 					

Part 1 - ESG Assessment Framework: Sectors and Indicators

Governance - ESG

Human Resources 	Governance Effectiveness 	Gender 	Participation 
Adequacy of ULB Staff 	Housing for All 	Proportion of Women Police Personnel 	Voter Turnout 
Gender Equality 	Availability of Police Personnel 	Economic Empowerment of Women 	Local Representation 
Leadership Stability 	Citizen Charter 		Community Involvement 
	Establishment Expenditure vs Total Human Resources 		

Part 1 - ESG Assessment Framework: Sectors and Indicators

Governance - ESG

Transparency & Accountability 	Planning 	Financial Well-Being and Budget 
Disclosure of Assets 	City Development Plan 	Own Revenue vs Total Revenue 
Budget Publication 	Planning by Town Planners 	Tax Collection Efficiency 
Publication of Performance Reports 	Land Related Laws 	Budget Efficiency 
Corruption against Employees 	Plan Violations 	Grants Expenditure Efficiency 
		Capital Expenditure per Capita 
		Establishment Expenditure per Capita 
		Budget Deficit/Surplus 
		Participatory Budgeting 
		Credit Rating 

Part 2 - ESG Investment-ready Index

3 Pillars	10 Themes	37 Key Issues	
Environment	Climate Change	<ul style="list-style-type: none"> Carbon Emissions Product Carbon Footprint 	<ul style="list-style-type: none"> Financing Environmental Impact Climate Change Vulnerability
	Natural Capital	<ul style="list-style-type: none"> Water Stress Biodiversity & Land Use 	<ul style="list-style-type: none"> Raw Material Sourcing
	Pollution & Waste	<ul style="list-style-type: none"> Toxic Emissions & Waste Packaging Material & Waste 	<ul style="list-style-type: none"> Electronic Waste
	Environmental Opportunities	<ul style="list-style-type: none"> Opp's in Clean Tech Opp's in Green Building 	<ul style="list-style-type: none"> Opp's in Renewable Energy
Social	Human Capital	<ul style="list-style-type: none"> Labor Management Health & Safety 	<ul style="list-style-type: none"> Human Capital Development Supply Chain Labor Standards
	Product Liability	<ul style="list-style-type: none"> Product Safety & Quality Chemical Safety Financial Product Safety 	<ul style="list-style-type: none"> Privacy & Data Security Responsible Investment Health & Demographic Risk
	Stakeholder Opposition	<ul style="list-style-type: none"> Controversial Sourcing 	
	Social Opportunities	<ul style="list-style-type: none"> Access to Communications Access to Finance 	<ul style="list-style-type: none"> Access to Health Care Opp's in Nutrition & Health
Governance	Corporate Governance*	<ul style="list-style-type: none"> Board* Pay* 	<ul style="list-style-type: none"> Ownership* Accounting*
	Corporate Behavior	<ul style="list-style-type: none"> Business Ethics Anti-Competitive Practices Tax Transparency 	<ul style="list-style-type: none"> Corruption & Instability Financial System Instability

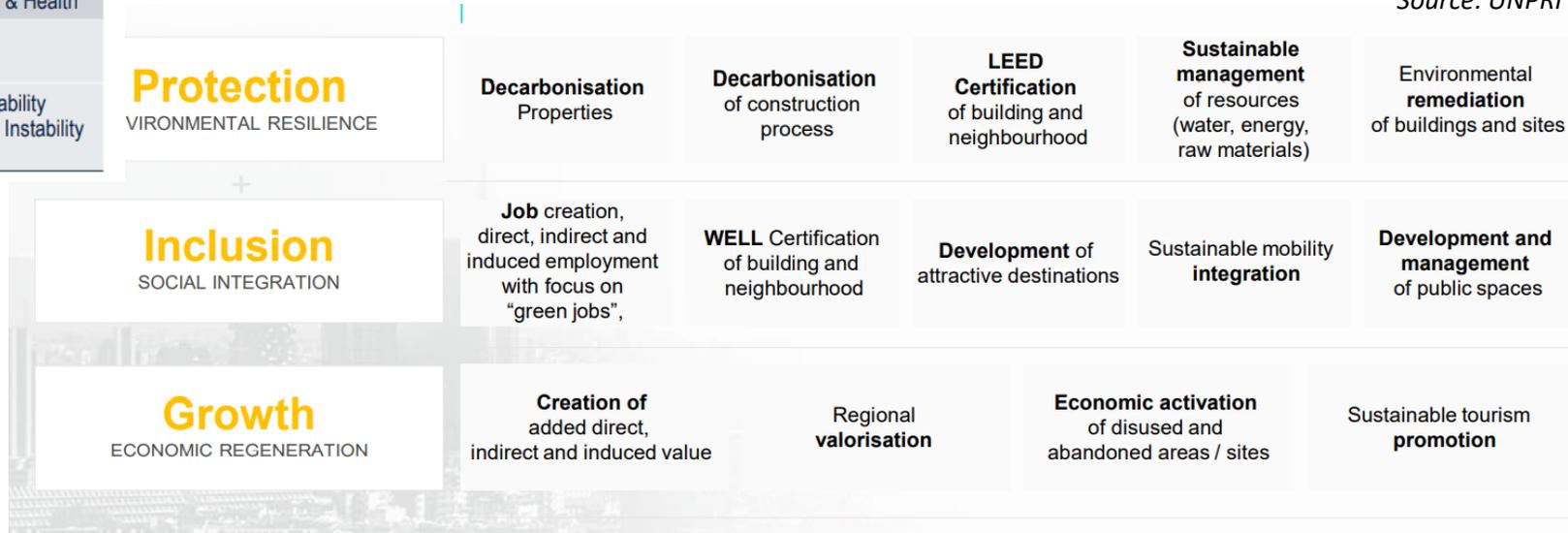
Source: MSCI (2017a)

These indicators were referred in order to frame the ESG Investment-ready Index.

The Organizations such as MSCI (Morgan and Stanley Capital International), COIMA and UNPRI give preferences to the following indicators on making the relevant investment decisions

- 1 Incorporate ESG issues into investment analysis and decision-making processes.
- 2 Active owners & incorporate ESG issues into ownership policies and practices.
- 3 Seek appropriate disclosure on ESG issues by the entities in which we invest.
- 4 Promote acceptance and implementation of the Principles within the investment industry.
- 5 Work together to enhance effectiveness in implementing the Principles.
- 6 Report on activities & progress towards implementing the principles.

Source: UNPRI



Source: COIMA ESG City Impact Fund 48/48

Part 2 - ESG Investment-ready Index

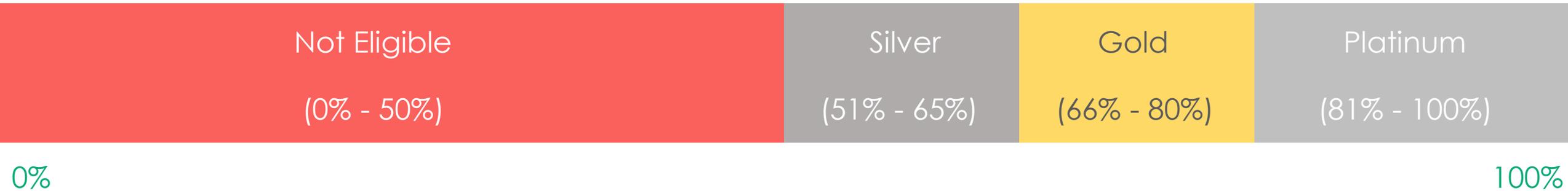
3 Pillars	10 Themes	Indicators
Environment	Climate Change	Financing Environmental Impact & Climate Change Vulnerability
	Natural Capital	Raw Material Sourcing to reduce water stress
	Pollution & Waste	Handling of Electronic Waste
	Environmental Opportunities	Opportunities in Renewable Energy
Social	Human Capital	Human Capital Development & Supply Chain Standards
	Product Liability	Privacy & Data Security
	Stakeholder Involvement	Reducing the controversies by making them involved
	Social Opportunities	Access to Healthcare
Governance	ULB Governance	Transparency & Accountability
	Governance Behavior	Lack of Corruption & Financial Instability

Rating System

Part 1 – ESG Assessment Framework

Minimum **50%** Score → Required to be declared as the “ESG Compliant City”.

Part 2 – ESG Investment-ready Index



Part 1 - ESG Assessment Framework – Ahmedabad and Indore

Environment			Social 44%			Governance 68%		
Sectors	Ahmedabad	Indore	Sectors	Ahmedabad	Indore	Sectors	Ahmedabad	Indore
Emission & Pollution	63%	69%	Education	62%	64%	Human Resources	75%	74%
Natural Capital Endowment & Management	32%	58%	Employment & Economic Opportunities	35%	23%	Governance Effectiveness	71%	68%
Public Infrastructure Facilities	60%	57%	Poverty & Inequality	53%	73%	Gender	28%	34%
Energy Consumption	54%	51%	Health	34%	30%	Participation	55%	63%
City Resilience	85%	91%	Social Infrastructure	2%	2%	Transparency & Accountability	82%	80%
			Safety & Security	81%	68%	Planning	91%	92%
						Financial Well-being & Budget	74%	74%
Total Score	59%	65%	Total Score	44%	47%	Total Score	68%	69%

ESG Assessment Score of Ahmedabad – 58.15%

ESG Assessment Score of Indore – 61.19%

Part 1 - ESG Assessment Framework – Ahmedabad and Indore - Examples

Ahmedabad – Emission and Pollution

Sector	SI No.	Indicator	Description	Data Source	Indicator Weightage	Indicator Score	Sector Weightage	Sector Score
Emission & Pollution	1	Water Quality	Average pH level of Water	CPCB (Central Pollution Control Board)	1	1	3	63%
	2	Hazardous Waste generation	Percentage of hazardous waste generation in metric tons	CPCB (Central Pollution Control Board)	1	0.29		
	3	Air quality index	Calculation of SO2, NO2, PM10	CPCB (Central Pollution Control Board)	1	0.6		

Indore – Energy Consumption

Sector	SI No.	Indicator	Description	Data Source	Indicator Weightage	Indicator Score	Sector Weightage	Sector Score
Energy Consumption	1	Energy Requirement vs Energy Supplied	The difference between required and supplied energy for the year	Ministry of Power	1	0.92	2	51%
	2	Energy generated from renewable sources	Percentage of energy generated from renewable sources out of total energy generation	CEA (Central Electricity Authority)	1	0.09		

Part 2 - ESG Investment-ready Index - Ahmedabad

Climate Change



Stakeholder Involvement

Sabarmati Riverfront project: Opposition alleges graft

Dinesh Sharma said that an internal audit report of the company has highlighted a mismatch of over Rs 69.31 crore in the accounts of the company.

Privacy & Data Security

Ahmedabad

DSCI Ahmedabad Chapter was established in 2009 to connect the security and privacy professionals in Ahmedabad and neighboring cities to provide a platform for discussions on data protection matters and helps members remain abreast with latest developments in the field. The Chapter regularly organizes industry events in Ahmedabad, and actively participates in DSCI national initiatives.

Natural Capital

Gujarat: Massive water crisis hits Ahmedabad

Several areas in Ahmedabad like Fatevadi, Gyaspur and Maktampura, where people are not getting enough water to fulfil even their daily chores.

Pollution & Waste

Ahmedabad MC launches app for e-waste disposal

Talking about the services, Mandora said, "one can contact the AMC using the e-waste disposal app and give them time to collect from home."

Renewable Energy

Ahmedabad Municipal Corporation to use energy efficient techniques to conserve power

The Ahmedabad Municipal Corporation has decided to use green and energy-efficient techniques to reduce power consumption by almost 35 per cent.

Governance Behavior

AMC inspector, surveyor held for accepting Rs 50,000 bribe

ACB Ahmedabad says that Mukesh Parmar, a surveyor in AMC, and Mayank Mistry, working as estate inspector in the corporation, were arrested while accepting the bribe from a land owner

Social Opportunities

AMC budget to focus on healthcare

Himanshu Kaushik / TNN / Updated: Feb 27, 2021, 07:57 IST

ULB Governance



Part 2 - ESG Investment-ready Index - Indore

Climate Change

Indore's Municipal Corporation Becomes the First Asian Municipal Body to get its Sustainable City Projects Registered for Carbon Credits from VCS (Verified Carbon Standard, USA) Program

NEWS PROVIDED BY
EKI Energy Service Limited →
06 Dec, 2019, 10:00 IST

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Renewable Energy

Indore Municipal Intends to supply of Solar based Traffic Signal at different location of indore city

December 14, 2020 Anand Gupta 0

Product Liability

Indore Municipal Corporation launches app to monitor waste collection work

The civic body on an average collects around 1150 metric tonne of garbage from city. This includes around 700 metric tonne dry and 450 metric tonne wet waste

TNN • October 03, 2019, 10:54 IST

Pollution & Waste

Indore gears up to streamline e-waste disposal

Bagish K Jha / TNN / Updated: Apr 21, 2012, 06:24 IST



Stakeholder Involvement

Indore: Prominent Smart City projects halted as funds stuck with state

Ashok Kumar / TNN / Sep 12, 2020, 12:55 IST

ULB Governance

Budget 2021 Indore: नगर निगम का बजट जल्द पेश करने की तैयारी शुक्रवार को दिया जा सकता है अंतिम रूप

Publish Date: | Thu, 11 Mar 2021 02:34 PM (IST)

Natural Capital

Solutions to Indores water problems dont have to be so expensive

Post By: iwpsuperadmin

Posted Date: Sat, 2014-11-22 10:3



Governance Behavior

Updated on : Friday, February 1, 2019, 10:22 AM IST

Indore: MiC member claims IMC officers are corrupt, attacks council also

Part 2 - ESG Investment-ready Index – Ahmedabad and Indore

3 Pillars50	10 Themes	Indicators	Situation in Ahmedabad	Situation in Indore
Environment	Climate Change	Financing Environmental Impact & Climate Change Vulnerability	✓	✓
	Natural Capital	Raw Material Sourcing to reduce water stress	✗	✗
	Pollution & Waste	Handling of Electronic Waste	✗	✓
	Environmental Opportunities	Opportunities in Renewable Energy	✓	✓
Social	Human Capital	Human Capital Development & Supply Chain Standards	✗	✗
	Product Liability	Privacy & Data Security	✓	✓
	Stakeholder Involvement	Reducing the controversies by making them involved	✗	✗
	Social Opportunities	Access to Healthcare	✓	✓
Governance	ULB Governance	Transparency & Accountability	✓	✓
	Governance Behavior	Lack of Corruption & Financial Instability	✗	✗
Total Score			50%	60%

ESG Assessment in Corporate Sector

S&P Global (Standard & Poor)

ESG



ENVIRONMENTAL

Climate change strategy,
Biodiversity,
Water efficiency,
Energy efficiency,
Carbon intensity,
Environmental
management system



SOCIAL

Equal opportunities,
Freedom of association,
Health and safety,
Human rights,
Customer &
products responsibility,
Child labour



GOVERNANCE

Business ethics,
Compliance,
Board independence,
Executive compensation,
Shareholder democracy

How ESG criteria are evaluated?

The company's analysts then follow standardized methodology to provide an ESG investing rating score from AAA (highest) to EEE (lowest).

Overall, while there is no set standard, most existing solutions tend to follow a similar pattern: data collection, analysis, conclusions, recommendations, scoring. In practice,

Key Challenges

A key challenge that is difficult to avoid, no matter what system is put in place, remains lack of disclosure or transparency. Not all companies will be willing or able to provide the same levels of transparency regarding their policies and practices. Considering ESG ranking is either done based on publicly available information or based on voluntarily shared information from the company itself, there will always be potential for mistakes.

Environmental, social and governance criteria are a set of non-financial performance indicators that include sustainable, ethical and corporate governance issues. Some of these issues might include a company's efforts to improve its carbon footprint or the health and safety of its employees.

Proposed Application Methodology

1. Implementing the ESG Framework

Assessment of ESG Framework through easily available data on the public domain

2. Declaring the City “Certified ESG Compliant”

If the total ESG Assessment Score of the City is above 50%, then the City can be declared as “Certified ESG Compliant” City.

3. Rating the Cities based on ‘Investment-Ready Index’

Cities can be rated based on the following:

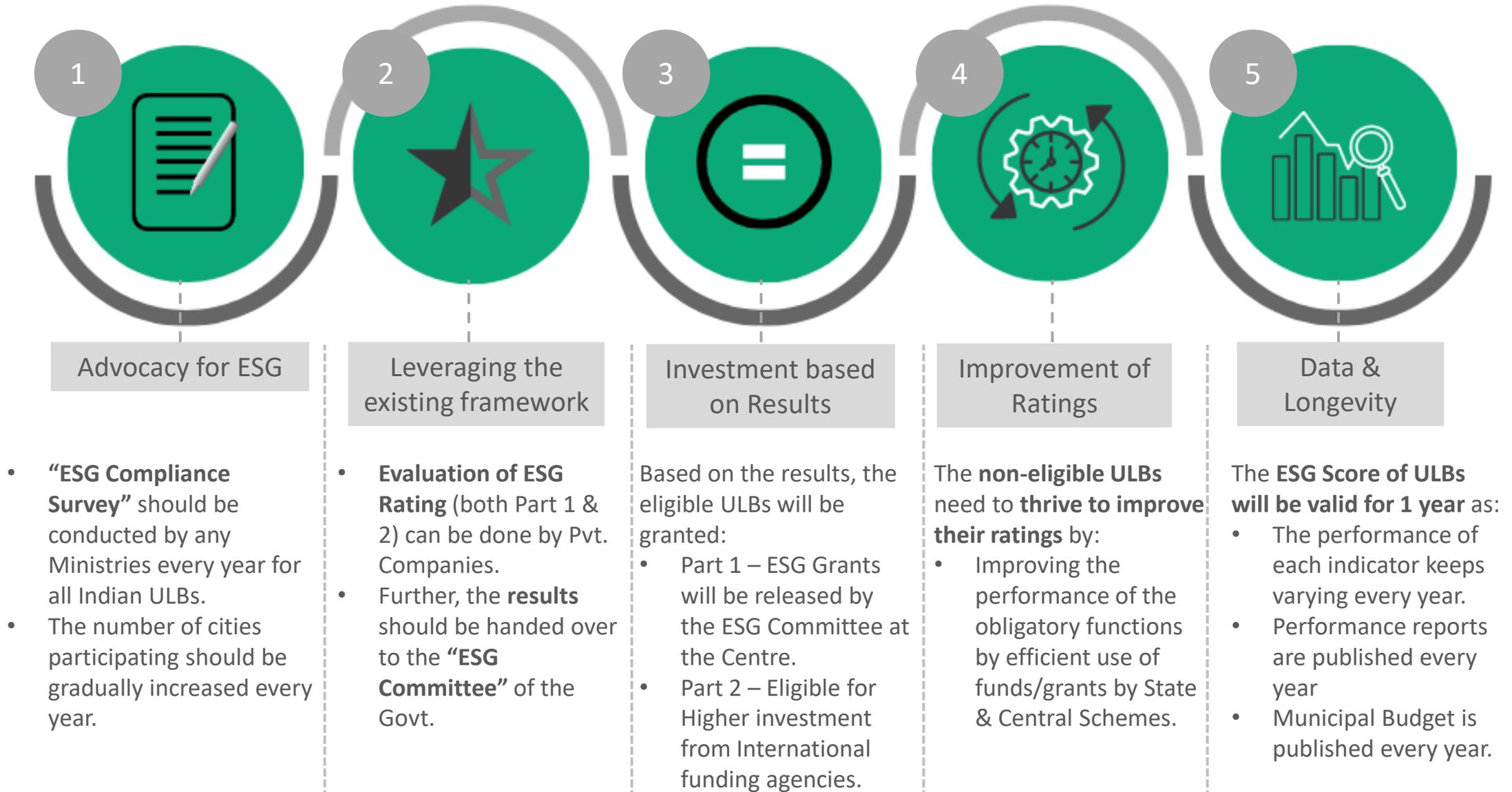
1. Above **80%** - **Platinum**
2. **65%-80%** - **Gold**
3. **50%-65%** - **Silver**
4. **Below 50%** - **Not Eligible**

4. Performance Improvement for better score!

As both the frameworks – ESG Assessment & ESG Investment-ready Index assess the performance of the ULBs, this will make the ULBs to perform better to achieve higher score and thus attracting more investment

Thus, According to this, Ahmedabad is a **“Certified ESG Compliant City”** – ESG Assessment Framework (Score – 58.15%) Ahmedabad has **Silver rating** for – “Investment-Ready Index”. (Score – 50%)

Mainstreaming – Making ESG part of Indian ULBs



Thank You