

RaceEco Chain Limited



Industry: Industrials
Sub-Industry: Trading Companies & Distributors

CareEdge ESG Grade 3



ESG Score break-up

Below percentage highlights the company's positioning for each pillar that contributed to its ESG grading as of November 2023.



Environment 14%



Social 80%



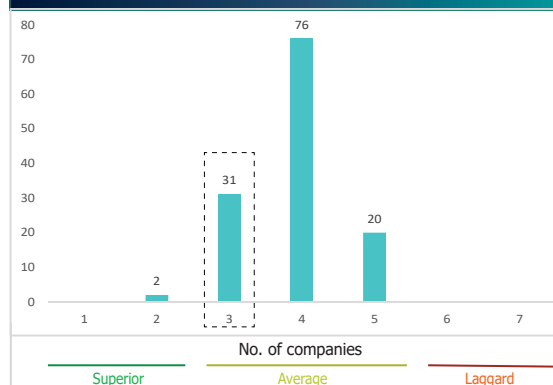
Governance 61%

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ESG Grading Distribution for Industrial in top listed entities



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ESG Grading Summary:

CareEdge Research's ESG assessment for RaceEco Chain Ltd. has been initiated at Grade 3. RACE (Recycling and Circular Economy) is a company established in the year 2009 and focused on reducing the carbon footprint caused by plastic waste through an integrated vertical setup. It utilizes AI and blockchain technology to enable traceability in their mission. The company's primary business involves collecting and processing plastic waste to produce high-quality recycled products while connecting buyers and sellers through an AI-enabled app with secure blockchain transactions. The company's major earnings are from the Recycle Division of the company.

The ESG performance of RaceEco Chain Limited is predominantly driven by the Social and Governance performance and curtailed by the environmental performance. The company has a grievance redressal mechanism to cater to employee, consumer and community complaints. Moreover, it has a comprehensive Board Diversity Policy and Supplier Code of Conduct. The company transparently discloses shareholding pattern and exhibits effective governance practices. Additionally, the company has an ESG policy wherein materiality assessment is conducted to address the sustainable future targets of the company.

RaceEco Chain Ltd. is a company that has shown strong social and governance performance. They have set targets to improve workforce diversity, increase employee training, and provide full insurance coverage. They have also achieved a year without fatalities and are developing a business continuity plan. The company values human rights and has a CSR Policy and a supplier code of conduct. However, they lag in disclosing third-party health and safety audits and business continuity drills.

RaceEco Chain Ltd. has strong compliance with regulatory disclosure requirements and has a board with 50% independent directors. They have adopted key policies such as gender diversity, whistle-blower, and supplier code of conduct. They have reported zero whistle-blower cases and have no political contributions.

On the environmental pillar, RaceEco Chain Ltd. is actively addressing environmental concerns, including measuring Scope 1 and 2 emissions, transitioning to renewable energy sources, and utilizing energy-efficient equipment. However, they should establish emission reduction targets and seek international certifications for their environment and energy management systems.

Key Drivers to the ESG Score

Theam		Remarks
Labour Management	↑	The company has a number of effective policies in place, including ones on sexual harassment and human rights, for the benefit of its employees. The company has a grievance management system in place and has provided quantitative disclosures on incidents and employee turnover. Additionally, an impressive 19.6% of the company's workforce is female.
Supply Chain	↑	The company has established a Supply Chain Policy in place along with Supplier Code of Conduct to ensure that all its partners within the value chain adhere to ethical business practices.
Board Functioning	↑	The Company has provided clear information on director's orientation, AGM and related party transactions disclosures. The company has also separated the roles of Chairman and CEO considering industry best practice. However, the company lacks independent assessment of board performance.
Energy Usage	↓	The company is actively engaged in conserving and reducing energy consumption. However, it has yet to conduct energy audits and implement internationally standardized energy and management systems.
Pay	↓	The company lacks in clearly disclosing data on financial metrics of CEO's variable compensation, severance agreement, median remuneration and clawback mechanism

Grading model details

RaceEco Chain Ltd. was graded based on Trading Companies & Distributions ESG framework.

Methodology note

Theme level scores are weighted average scores based on indicator scores * weight for the indicator.

Summation of theme level scores gives pillar level and total ESG scores.

To understand more about approach on data collection and methodology, please visit our website or Contact us at cart@careedge.in

ESG Grading scorecard

Themes	RACE Theme Scores
Climate Change Risk Management	0.0
Carbon and other GHG Emissions	0.8
Energy Usage	0.8
Water usage and management	1.4
Effluent and Waste Management	0.6
Total Environment Score	3.6
Supply Chain	12.7
Prevention of Counterfeit Product Trading	1.0
Labor Management	10.8
Communities	2.1
Health & Safety	4.6
Human Capital	4.7
Total Social Score	35.9
Disclosures	2.9
Board Composition	3.5
Board Functioning	4.1
Pay	1.0
Ownership	3.1
Business Ethics	3.1
Oversight on ESG	0.8
Total Governance Score	18.5
Total ESG Score	58.0

Theme	RACE Theme Score	Industry Average*	Industry Top Score*
Environment Score	3.6	8.4	15.7
Social Score	35.9	16.6	35.9
Governance Score	18.4	28.9	35.7

*Industry refers to our overall Industrials Sector covering 129 companies

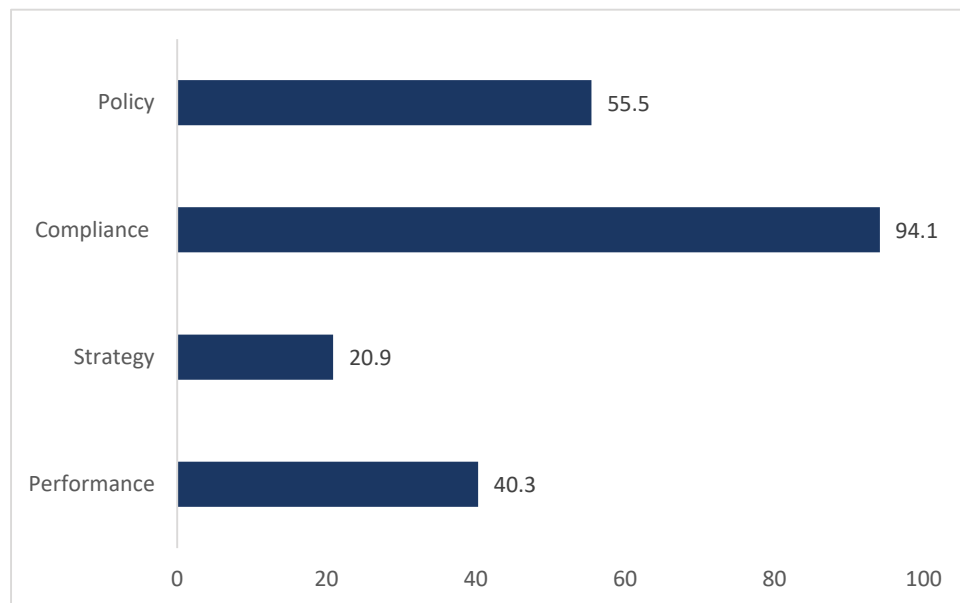
The industry average consists of companies under Industrial Sector engaged in activities like Construction & Engineering, Industrial Conglomerates, Commercial & Professional Services and Transportation. RaceEco Chain is in the business of collecting and processing plastic waste to produce high quality recycled products, so we do not have exact peer set to compare the company. Therefore, it's Environment, Social & Governance scores are compared at Sector level.

RaceEco's framework is significantly different as compared to other frameworks since their Social score carries the highest weightage. The company manages to top the overall Industrial Sector in terms of social parameter.

There has been a significant improvement in the ESG score of RaceEco because of the additional disclosures provided by the company.

For the additional information you can refer to the report in detail.

Category wise performance for RaceEco Chain Limited (%)

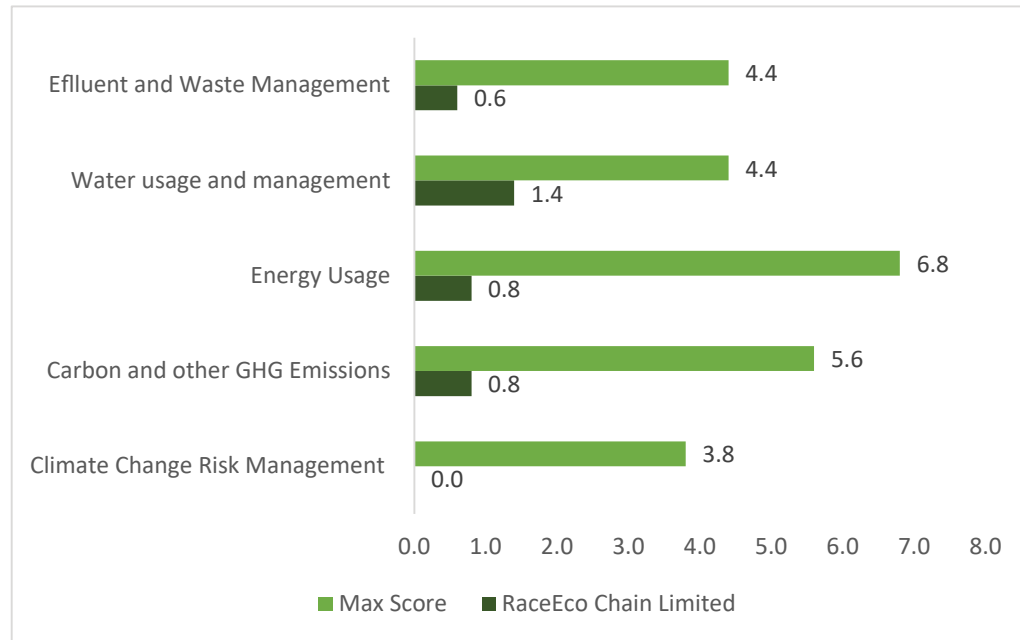


Our framework captures company's ESG performance in four categories :

Compliance	Policy	Performance	Strategy
Aligning and complying with laws and regulations for the sector and the country	Adopting best practices through policy documentation and internal practices	Monitoring of performance across key indicators	Integration of ESG into business strategy, philosophy, vision and alignment with country goals

Across the four categories of Policy, Compliance, Performance, and Strategy, the company exhibits a comprehensive approach to policies, including code of conduct policies, sexual harassment policies, supply chain policy, human right policy, anti-bribery and anti-corruption policy, whistleblower mechanisms, and ESG policies. However, there is room for improvement in the form of waste management policies. In terms of Compliance, the company performs well by disclosing vital information such as shareholding patterns voting rights, AGM-related details, no non-audit fees, restatement of financial reports, no adverse opinion from auditors and maintenance of a clean compliance record. However, it falls short in terms of its adherence to international certifications like ISO27001 considering the industry best practice. On the Performance front, the company excels in quantitative data disclosure, demonstrating transparency in various aspects. Yet, there is potential for further disclosure in areas like average salary and renewable energy usage. In Strategy, the company outlines plans for efficiency improvement, gender diversity, and cybersecurity. However, it lacks specific targets related to environmental science-based targets.

Environment Assessment



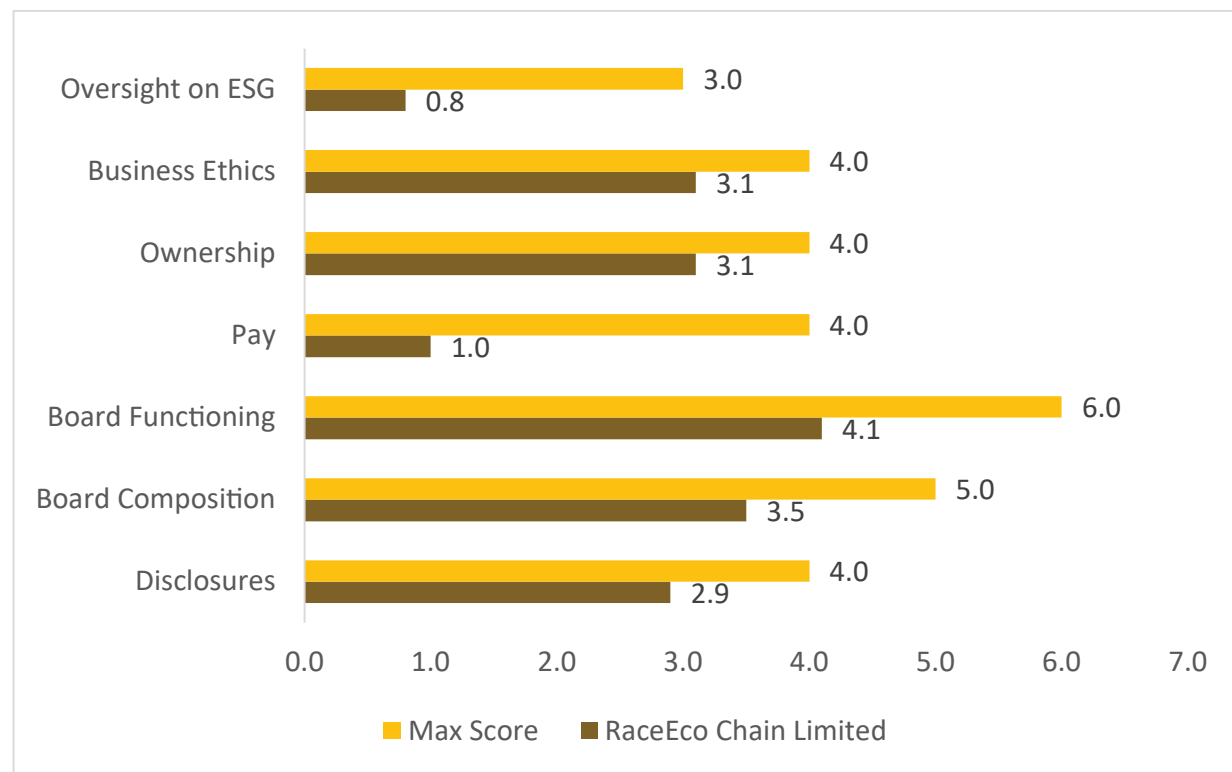
RaceEco Chain Ltd. exhibits modest performance on environmental pillar. The company is actively addressing environmental concerns with several commendable initiatives. They have initiated the measurement of Scope 1 & 2 emissions and are planning a transition to renewable energy sources, including increased use of biomass fuel as per their company vision. They have also disclosed their water consumption even though the company is not a water intensive company, thus showing their commitment and transparency. The company's commitment to energy conservation is evident through efforts such as utilizing energy-efficient computer terminals and equipment. Additionally, the company has been elevating its waste management practices.

However, to further enhance their environmental impact, the company should establish targets for emission reduction and seek international certifications for their environment and energy management systems. These steps would demonstrate a holistic commitment to environmental sustainability.

RaceEco Chain's Performance on Environment Themes

Environment Themes	Theme Overview	RaceEco Chain's performance
Climate Change Risk Management	Theme checks initiatives within the company's operations to address and mitigate climate change related risks.	The company currently lacks ISO 14001 environmental management system but has an opportunity to enhance its climate change risk management by conducting climate risk/opportunity assessments and scenario analysis.
Carbon and other GHG Emissions	Theme checks about the company's performance on scope 1,2 and 3 emissions intensity and future plans to reduce the same and commitment to Net Zero.	The company has initiated the monitoring of its Scope 1 & 2 emissions starting in FY23, in line with its ESG vision to shift towards renewable energy. However, the company is yet to adopt science based targets
Energy Usage	Energy usage theme checks mechanisms adopted by the company to monitor energy consumption in the operations and initiatives to reduce the same.	The company reports its energy usage but hasn't shown any reduction as compared to previous year. Despite not having power-intensive operations, they're actively conserving energy through measures like using efficient equipment and also has plans to switch to renewable energy.
Water Usage and Management	This theme pertains to mechanisms adopted by the company to monitor the water usage and methods to conserve the same in the operations. This theme also assess the water related incidents or non-complying with regulatory requirements related to water usage.	Even though the company's business operations are not water intensive the company has measured their water consumption.
Effluent and Waste Management	Theme checks company's efforts to monitor and report waste generated by the company's operations, policies surrounding waste management and any improvements in Y-o-Y waste management.	RACE is dedicated to advancing the circular economy and improving waste management practices. While their ongoing efforts are a step toward their broader impact goals and their commitment to a safer environment. However, the company lags quantitative disclosures on waste generation and recycling.

Social Assessment



RaceEco Chain Ltd. exhibits a very strong performance on the social theme. The company is actively engaged in a range of social initiatives aimed at improving various aspects of its operations. They have set targets to enhance workforce gender diversity, increase employee training to 100%, and provide full insurance coverage. The company also achieved a year with no fatalities and is developing a comprehensive business continuity plan. The company promotes employee well-being and provides a supportive environment to all its employees through effective redressal of employee grievances. Their commitment to social responsibility is evident through the presence of a CSR Policy, community grievance mechanism and its CSR initiatives. RACE also maintain stringent standards for suppliers/vendors through a supplier code of conduct policy. Additionally, the company values human rights, as demonstrated by their policy and quantitative disclosure on various aspects like count of employees, sexual harassment cases, customer complaints cases & turnover rate. Females constitute 19.6% of the overall workforce which is good for the overall growth of company's social performance.

However, the company lags in disclosing third-party health and safety audits and business continuity drills.

RaceEco Chain's performance on Social Themes

Social Themes	Theme Overview	RaceEco Chain's performance
Labour Management	This theme evaluates the performance on labour management practices which include Human Rights practices, employee attrition rate, employee harassment policy & grievance handling mechanism.	RaceEco Chain Limited has several strong policies in place for employee well-being, including Human Rights, Child Labor, and Sexual Harassment. In addition, to demonstrate transparency, the corporation has published quantitative data on turnover rate, female employee share, and overall personnel count.
Health & Safety	This theme evaluates the health & safety practices adopted by the company. This includes health & safety policy, facilities and disclosures towards safety incidents. The theme also evaluates the disaster management programs adopted by the company.	The company has implemented health and safety management system and reported no fatalities during the year. The company has a comprehensive business continuity systems to enable seamless remote business operations during emergency situations. However, the company lags in disclosing third-party safety audits and business continuity drills.
Prevention of Counterfeit Product Trading	This theme ensures the integrity of products by implementing robust measures to prevent counterfeit trading and protect consumer trust	The prevention of counterfeit product trading is not applicable to the company
Human Capital	This theme checks the disclosures around workforce diversity of the company, gender pay across functions, development programs for employees and any plans to improve employee diversity.	The Company has Equal Opportunity Policy and procedures to create a framework which promotes Diversity and Inclusion within the organisation. It offers stock option plan and provides the skill training to its employees. Also, the company has clear initiatives to improve gender diversity in the workforce.
Communities	This theme evaluates the company's commitment towards community through CSR projects and active engagement with them.	RACE has a CSR Policy in place that includes information about its CSR initiatives. The company has a Community Grievance Redressal Mechanism in place, and no community complaints have been filed this year. However, as industry best practice, the company can assess the influence of its operations on the community.
Supply Chain	This theme evaluates the company's suppliers and vendors are incorporated into their code of conduct, ensuring ethical conduct across its supply chain.	The company has formulated Supplier Code of Conduct to assure complete compliance by its value chain partners on matters connected to business ethics.

Governance Assessment



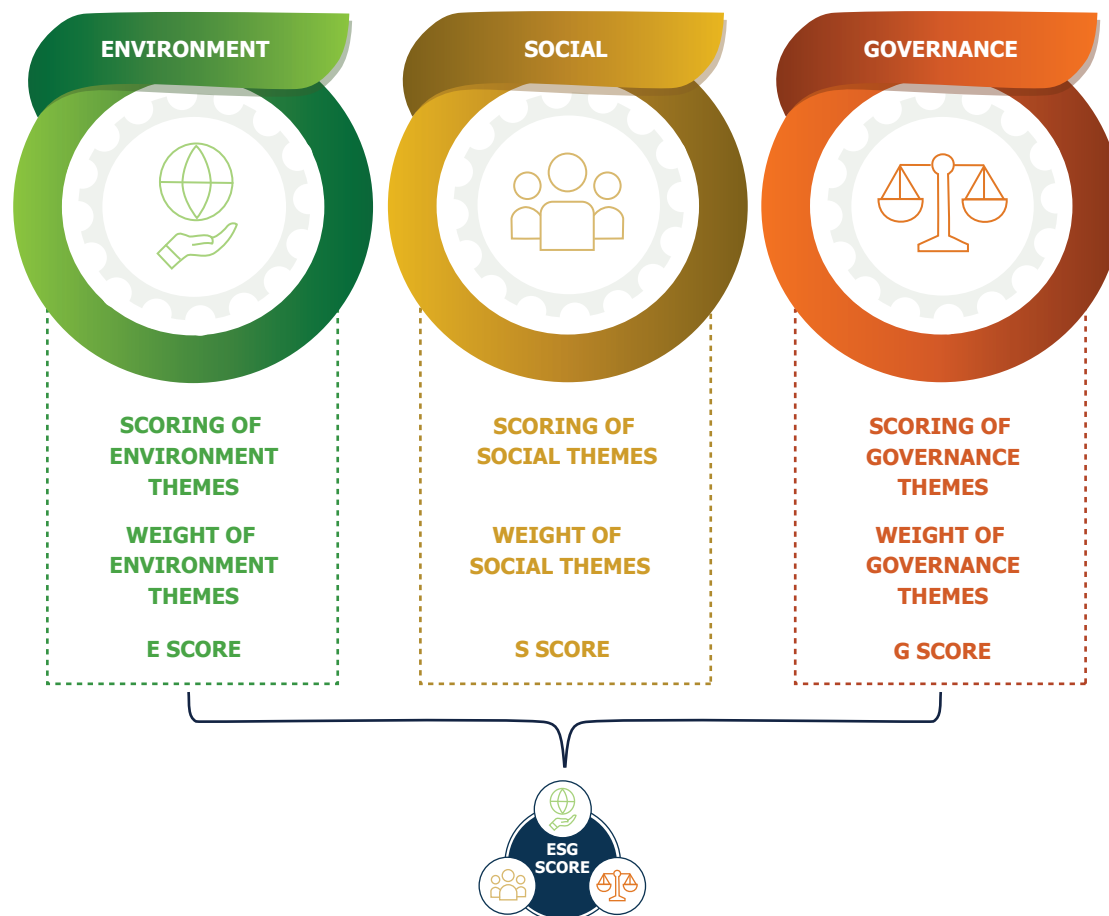
RaceEco Chain Ltd. exhibits strong performance in its governance pillar. The company exhibit strong compliance with regulatory disclosure requirements, providing comprehensive information on provisions for taxation and financial risks while having no non-audit fees. RACE has a board with 50% independent directors and has the role of Chairman & CEO separated following the industry best practice. Additionally, the company transparently discloses board member details and their training initiatives, maintaining an effective governance system. The company has an effective system to counter bribery and corruption. Moreover, it has also adopted key policies such as board gender diversity policy, whistle-blower policy, supplier code of conduct and code of conduct for employees and management, giving it an additional edge in effective governance practices. Additionally, the company has reported zero whistle-blower cases during the year. The company also has its ESG Policy in place along with future plans of doing the materiality assessment. The company has also disclosed no political contributions during the year.

However, the company has not disclosed variable pay of CEO in the form of fixed financial returns. As a best practice, the company should focus on having 100% independent non-executive directors in the audit committee.

RaceEco Chain's Performance on Governance Themes

Governance Themes	Theme Overview	RaceEco Chain's performance
Disclosures	This theme tracks transparency in disclosures by the company related to taxation, various business risks faced by the company, auditor's opinion, enforcement action against the company, disclosures surrounding audit fees, and political contribution made by the company.	The company's disclosure norms are largely in compliance with regulatory requirements ensuring vivid disclosures on provisions for taxation and identification of financial market risk, credit risk and liquidity risk. Moreover, the company does not pay any non-audit fees.
Board Composition	Board composition include composition of directors and key board committees. Whether board diversity policy is implemented by the company.	RACE has an adequate number of independent directors present on various committees of the Board. The company also has a Board Diversity Policy in place. However, the company has not identified lead independent director which is considered as a global best practice.
Board Functioning	This theme evaluates board functioning in line with best practices, such as separation of roles for Chairman and CEO and independent assessment of board performance. Further it checks on the company's disclosures on governance guidelines, Directors orientation programs and material related party transactions	RACE discloses details of board members and their commitments on other company boards. Furthermore, the company has provided disclosures on ongoing training of its directors alongside regular board meetings during the financial year. There is separation in the roles of Chairman and Managing Director for better board functioning. However, independent assessment of board performance needs to be conducted- considering global best practice.
Pay	This theme evaluates transparent disclosures on Pay practices, such as pre-defined metrics relevant for CEO's variable compensation, Cap limit on Executive's Bonus and Compensation paid to CEO and the median of the annual compensation of all other employees.	Company has transparently disclosed details pertaining to executive pay practices of key management personnel and has ensured the Remuneration committee comprises of Independent/Non-executive members. However, the company lags disclosure on financial metrics of CEO variable pay and also lags clawback mechanism.
Ownership	This is related to evaluating the Ownership structure in line with long term shareholders interest, with transparent disclosures on key shareholders, AGM agenda, participation, minutes etc.	The company provides transparent disclosure of its shareholding pattern and AGM details along with no government holding in the company.
Business Ethics	This theme determines the ethical conduct of the company with key aspects like code of conduct, whistleblower mechanism, anti-competition and anti-bribery policies etc.	The company has an effective system to counter bribery and regularly sensitizes its employees on the Code of Conduct through various training programs. Moreover, the company has reported zero whistle-blower cases during the year.
Oversight on ESG	Oversight on ESG implies board level oversight on ESG integration with greater thrust on firm level policy, consistent ESG disclosures, validation of data and alignment with UN SDG principles	The company has recently initiated its ESG journey by establishing an ESG Policy, planning materiality analysis, and aiming to align with UNSDGs. Although there is no prior record of ESG performance and trends by the company.

Scoring Methodology & Grading



Our framework also has a negative scoring component for non-compliance of legal and regulatory requirements

ESG Grades



Grading Symbol	Definition
CareEdge ESG 1	The ESG performance and preparedness across environment, social and governance pillars for this entity is expected to be Excellent.
CareEdge ESG 2	The ESG performance and preparedness across environment, social and governance pillars for this entity is expected to be Very Good.
CareEdge ESG 3	The ESG performance and preparedness across environment, social and governance pillars for this entity is expected to be Good.
CareEdge ESG 4	The ESG performance and preparedness across environment, social and governance pillars for this entity is expected to be Average.
CareEdge ESG 5	The ESG performance and preparedness across environment, social and governance pillars for this entity is expected to be Below Average.
CareEdge ESG 6	The ESG performance and preparedness across environment, social and governance pillars for this entity is expected to be Poor.
CareEdge ESG 7	The ESG performance and preparedness across environment, social and governance pillars for this entity is expected to be Very Poor.

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Kindly note that on July 12, 2023 Securities and Exchange Board of India ("SEBI") issued master regulatory guidelines on ESG Rating Providers. We are in the process of evaluating those guidelines and identify our future course of actions. We believe these guidelines will have some impact on the existing approach on ESG assessment, which may warrant to re-evaluate this assessment post completion of transition period of six months as mentioned in the SEBI guidelines.

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