

KOTAK MAHINDRA ASSET MANAGEMENT

Responsible Investment Policy Statement

Background

Kotak Mahindra Asset Management Company Ltd. ("KMAMC") is committed to the principles of Environmental, Social and Governance (ESG) factors and Responsible Investing (RI). We have been following many principles of ESG as it is a key influencer for shareholder returns. As active managers with focus on long term investing, other than just financial outlook, we combine multiple factors to take a view on an investee company. Principles of ESG are an integral part of the investment process at KMAMC and are embedded in the investment philosophy we follow.

Integrating ESG into our investment process and philosophy

Fundamental analysis is the bedrock of our investment decisions. Our investment philosophy of Business, Management and Valuation (BMV) focuses on sustainability of business and corporate governance. We also believe that ESG issues can influence investment risk and return. Therefore, we incorporate ESG considerations within our fundamental analysis and seek to gain an understanding of the relevant ESG issues applicable to our investments.

BMV (Business –Management – Valuation) approach to investment

- **Business (Focus on sustainability, social and environmental awareness):**
 - This incorporates various factors relating to the sustainability and the scalability of the business. Herein we focus on businesses which have scalable and sustainable models both in terms of business as well as profitability
 - Typically, we analyse companies as going concerns and therefore evaluate companies over a long period of time. While evaluating businesses, the impact of various factors including those related to the environment and social segments are taken into account.
 - We also seek to continuously engage with companies to understand better their ability to create sustainable value and assess their understanding of ESG parameters which we believe may affect the future of these companies
- **Management:** This takes into account corporate governance practises of the company, its orientation towards social and environmental responsibility, capital allocation policies etc. which would have a bearing on both valuations as well as financials.
- **Valuations:** While the process of valuing a company may not explicitly bear the influence of ESG, we do take into account ESG while arriving at the fair valuation multiple for a company. Often, environmental and social factors need to be analysed as long-term risks to the base case valuation.

Global standards and principles

In formulating our ESG policy, we have given consideration to the United Nations supported Principles for Responsible Investment.

Some of the key ESG factors which we consider in our investment decision are as follows:

Governance

- Shareholder structure
- Board composition: Size and structure / tenure etc.
- Independence of the Board
- Executive remuneration
- Diversity

- Capital allocation policies

Environment

- We are aware that climate change and transition to a low carbon economy would present risks and opportunities for investments. The impact of such transition would vary across sectors and industries and would occur over a period of time.
- Some of the key things we monitor include:
 - o Carbon emission and its environmental impact
 - o Energy consumption and focus on resource efficiency
 - o Usage of alternate energy sources

Social factors

- Safety of employees
- Employee retention policies / attrition levels
- Participation of women in the work force / diversity
- Presence of unionised staff
- CSR (Corporate Social Responsibility) spends

Engagement and review

We evaluate companies on ESG parameters not only on a current basis but also monitor the changes that these companies incorporate over time. Changing regulatory requirements will also guide our investment process, engagement and monitoring of our investee companies.

As active managers, we continuously monitor the companies in which we invest. While we evaluate the various ESG parameters and their impact on the company, it is one of the many variables that go into analysis before an investment decision is made. We believe in the need to adopt a positive engagement approach whereby we engage with all our investee companies especially whenever we experience shortfalls on principles of ESG.

Other than engagement with the companies, we also vote on board resolutions of our investee companies on a case by case basis to promote ESG awareness.

Appointment of an ESG Co-ordinator

The asset management activities of various entities within the group including Kotak Mahindra Asset Management Company Limited, the domestic (Indian) asset management arm of the group and KMAMS the group's flagship offshore asset management entity rely to a significant extent on the central research team of the group. The research function is adequately resourced with qualified professionals. The central research team have the responsibility for analysing the environmental, social and governance performance of the companies they track. In addition, we have designated our Head of Research as ESG co-ordinator with the objective of co-ordinating on all ESG related activities for the asset management company and providing regular inputs for discussion with the fund managers and the Investment Committee. We would also from time to time, seek to engage with and receive inputs provided by external agencies on ESG parameters.