JUNE 2024

uti ASSET MANAGEMENT COMPANY



RESPONSIBLE INVESTMENT & ESG INTEGRATION AT UTI AMC

UTI Asset Management Company Limited (UTI AMC) is in its third year of implementing Responsible Investment and Environmental, Social, and Governance (ESG) Integration. **Over the past 36 months, 380 out of the 386 companies in our equity universe have been brought under our ESG coverage, representing 98% of our equity universe.**

ESG factors encompass a broad spectrum of issues, including climate risk, water usage, employee safety and diversity, cybersecurity, and corporate governance. These factors can significantly impact an investment's value, affecting cash flow, revenues, general risk profile, and resilience to long-term structural changes in the economy.

By applying an investment-focused lens to how we integrate ESG risks and opportunities, these factors are assessed like any other investment risk in the analysis process to inform better long-term investment decision making. The incorporation of ESG considerations is viewed as contributing to enhanced risk-adjusted returns, not sacrificing returns. We firmly believe that responsible investing is the right approach and that well-managed companies that mitigate potential ESG risks make better investments.

This report outlines UTI AMC's responsible investment strategy and our efforts to integrate ESG factors into our investment practices. It includes two case studies that demonstrate how UTI AMC actively incorporates ESG factors through its ESG analysis reports. Additionally, the report provides an update on our stewardship activities, such as engagement with investee companies and execution of proxy votes. UTI AMC has been a signatory to the United Nations Principles for Responsible Investment (UN PRI) since 2020, and we have included our progress and a summary scorecard of mandatory reporting to UN PRI.



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Responsible Investment Strategy

Our Responsible Investment strategy involves two core focus areas:



ESG Integration

Integration of material ESG factors into investment decision process

- **Exclusion List** (ESG Mandate)
- **ESG Framework**
  - Sector specific framework to understand and manage ESG risk consistently across portfolio holdings
- **ESG Database**
  - Helps in evaluating the ESG performance of a company on an individual basis and peer benchmarking
- **ESG Integration Process**
  - Evaluation of quantitative and qualitative ESG factors/risks that may impact a company's long-term sustainable performance



Stewardship

Engagement with investee companies on ESG performance and active participation in proxy voting process to protect interest of our investors

- **Engagements**
  - 1-on-1 Engagement with company management
  - ESG Questionnaires
  - Theme based engagements
- **Proxy Voting**

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ESG Integration

We adopt an inclusive approach to analyze and integrate a company's financially material ESG factors, risks, and opportunities as additional inputs into our investment decision-making process. Recognizing that exposure to ESG factors and risks can significantly impact the long-term sustainable profitability of our investee companies, **we assess these risks at both the company and industry levels and incorporate them into our investment decisions.**

The sector and industry classification of a company are crucial in determining its primary ESG issues. These sector-specific ESG issues are identified through materiality maps and globally accepted ESG frameworks. To facilitate a consistent understanding and management of material ESG risks across our portfolio companies, we have developed a sector-specific ESG framework.

To evaluate a company's performance, we have created an internal ESG database, which includes up to five years of historical ESG data sourced from Bloomberg and Integrated Annual Reports, depending on the availability of company disclosures.

This database allows us to assess a company's ESG performance on an individual basis and perform peer benchmarking.

Our ESG and research analysts evaluate quantitative and qualitative ESG factors and risks that may affect a company's long-term sustainable performance. They integrate these aspects into their financial analysis by linking the company's risk management strategies to various value drivers such as costs, revenue, capital expenditure, and profits. The analysts then adjust their financial models and valuations accordingly, and this information is communicated to the investment team, including the fund managers.

Below are examples of our ESG Analysis of an auto ancillary company and a technology consulting company:

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ESG ANALYSIS: AUTO ANCILLARY COMPANY

Company Profile

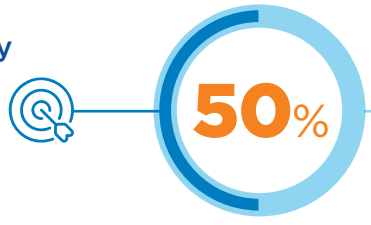
The company is engaged in the manufacturing and selling of aluminum die-casting, suspension, transmission, and braking products.

Environment

Carbon Emissions & Renewable Energy

The company has started to disclose its scope 1, scope 2 emissions as well as NOx, SOx and particulate matter emissions in their FY23 BRSR report. The company is aiming to achieve **50% Carbon Neutrality (currently 22.6%) in the next 3-4 years.**

Further, the company has set a target of increasing their renewable energy to



of the total energy consumed in our manufacturing processes by 2030.

Currently, 25% of their revenue is derived from aluminum casting of ICE engines, however the company has stated that similar amount of casting is required for EV battery casing and hence we do not view this segment at risk. The company derives 5% of revenues from ICE motorcycle clutch business which may be at risk due to complete transition of ICE motorcycles to EV. This may translate to approximately 100rs of impact on the overall valuation of the company.

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Social

Human Capital Management

The company provides a comprehensive list of benefits to its employees and has strong talent retention programs. It conducts annual engagement surveys, which help gauge employee morale and workforce satisfaction levels. **Due to strong employee retention and engagement programs, the company has been able to reduce employee turnover to 16% in FY23 (16.4% in FY22).** Overall women representation in the workforce stands at 7.5% in FY23.

The company has robust health & safety policy and is ISO 45001 certified which engages employees in creating a culture of risk awareness, accident prevention, and involves them in identification and reporting of potentially hazardous situations. There have been no fatalities from FY22 and LTIR has reduced to 0.22 in FY23 from 0.41 FY22, which indicates strong focus on employee health and safety.

Corporate Governance

The company's board has an independent director as its chairperson with the board comprising of 50% independent directors (2 women independent directors). Further, the Audit and Remuneration committees have independent chair and have 100% independent directors as the committee members, which exceed market standards and requirements under SEBI LODR. Evidence of policies on matters concerning to business ethics, employee code of conduct, employee training on ethical conduct, vigil-mechanisms such as whistle-blower policy ensures an environment of strong corporate behavior.

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ESG ANALYSIS: TECHNOLOGY CONSULTING COMPANY

Company Profile

The company is a global technology consulting and digital solutions company that enables enterprises across industries to reimagine business models, accelerate innovation and maximize growth by harnessing digital technologies.

Environment

Carbon Emissions & Renewable Energy

Although the company's business operations have low exposure to environmental risks, it has been able to reduce its overall carbon emissions. The company has disclosed its neutrality targets and is on its path to achieving Net Zero by 2040. **We witness a decreasing trend in the company's GHG emissions per employee which stands at 2.17 in FY24.** Further, the company has been able to increase its share of energy from renewable sources to **44% in FY24**.

Set a target of **85%+** renewable energy use by 2030.

These initiatives will help the company reduce its overall carbon footprint and achieve its long-term Net Zero targets.

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Social

Human Capital Management

The company leads peers in reinforcing productivity and retaining its employees through its comprehensive list of financial & non-financial benefits and strong employee engagement programs. Further, the company conducts annual surveys to gauge employee morale and satisfaction levels. **These programs have helped the company to reduce the attrition rate from 23.8% in FY22 to 14.4% in FY24.** With respect to diversity, the women participation in overall workforce remained elevated at 30.7% in FY24 (company targets to achieve 40% women workforce participation by 2030).

Data Privacy & Security

The company has strong data privacy and cyber security mechanisms to safeguard client data. This may help the company mitigate reputational or regulatory risks stemming from any potential cyber-theft or attack. The company has a strong data privacy policy, which provides rights to access, review & deletion of personal information to customers. Further, we find evidence of a robust data protection and threat prevention mechanism such as enterprise-wide Data Leak Prevention (DLP), next-generation firewalls with built-in threat detection and prevention capabilities and Web Application Firewall (WAF) to protect sensitive data from any compromise/breach.

The company also conducts periodic internal & external audits of I.T policy and infrastructure to test its efficacy. Further, it has Cyber Security incident insurance in place and its Data-Centers, IT and Support functions are ISO 27001:2013 certified.

Corporate Governance

The company's board comprises of 55% independent directors which includes one-woman independent director and meets SEBI Listing Obligations and Disclosure Requirements (LODR) requirements. Such board structure may enhance board's leadership, diversity as well as its ability to independently oversee management. Further, the Audit, Risk and Remuneration committees have independent chairman, and all 3 committees have 75% independent directors, respectively, which meet market standards. The company has instituted policies and practices on matters concerning to business ethics, such as annual employee code of conduct training, anti-corruption and bribery policies, vigil-mechanisms such as whistle-blower policy and whistle-blower investigation committee, which ensures an environment of strong corporate behavior.

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Stewardship

As an asset manager, it is our prime responsibility to safeguard our investors' interests. We do this through monitoring and regular engagement with investee companies on financial performance, ESG risks, opportunities and disclosures.

We believe consideration of financial material ESG factors must be considered in the investments we make. Further, regular engagement with investee companies can create a positive cumulative effect and improve their practices and governance and reduce oversight. This can also help investee companies manage their impact on society and the environment and improve ESG credentials over time.

UTI AMC is a signatory to Climate Action 100+ (CA100+ is made up of 700 global investors who are responsible for more than $68 trillion in assets under management across 33 markets) and along with other signatories we have commenced engagements with 7 Indian corporate companies, which have been recognized as very high carbon emitters. UTI AMC understands the risks of stranded assets for these companies and will engage with them to push for an effective transition and decarbonisation plan.

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Engagements

Our regular engagements, which primarily focus on financial performance and management discussions, cover 275 investee companies. We have engaged with **40 companies** in the last six months.

We engaged with the investee companies in various modes as mentioned below:

One-on-One Engagement with Company Management

Since August 2023, we have had one-on-one engagements with **34 companies** from various sectors.

ESG Questionnaires

We have sent questionnaires to **6 investee companies** seeking data pertaining to ESG parameters and performance.

Collaborative Engagement

We have completed **2 collaborative engagements** in the last 6 months. There are 7 Indian companies identified as high emitters in the initiative and UTI AMC strives to engage with all the companies regularly to take a periodic review of their decarbonisation commitments and progress.

Climate Action 100+



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Case Study 1

Engagement with one of India's largest Cement company



Introduction

We had engaged with the management of the company, to understand the ESG initiatives taken by the company. Further, we had also visited one of their largest cement plant in Rajasthan to understand the different stages for manufacturing cement, process emissions and ground realty of implementation of ESG strategies.

Engagement

Cement is one of the most environmentally sensitive sectors with significant carbon footprint. It is the second-highest greenhouse gas (GHG) emitter in the industrial sector after iron and steel, accounting for ~7% of global CO2 emissions. It is one of the most crucial industries to address to contribute to India's decarbonisation goals.

With that context, we engaged with the company and understood that the company is a member of Global Cement and Concrete Association (GCCA) and has aligned its endeavour to follow GCCA's roadmap to Net Zero Concrete by 2050. The company aims to reduce Scope 1 emissions by 12.7%, and Scope 2 emissions by 27.1% per tonne cementitious material by 2030 over 2019 baseline. Further, the company is committed to use 100% renewable electricity by year 2050 as part of RE100 initiative.

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Plant Visit

We visited the Cement plant to understand the cement manufacturing process and the systems in place to reduce its carbon footprint. The plant has 8 kilns and each kiln has its own Waste Heat Recovery System (WHRS). **The company has the largest WHRS - based power generation capacities in India. It has met 56% (41.4% in FY2019) of its total power consumption by using green energy in FY2024.** WHRS has been critical for the company to reduce its dependence on the grid and has been instrumental in keeping a check on its overall emissions and carbon footprint.

Moreover, the company is striving hard to minimise its freshwater consumption. The company has developed rainwater harvesting pits in its limestone mines. The treatment and reuse of wastewater and trade effluent and water conservation measures have largely reduced its freshwater consumption. **Rainwater harvesting initiatives have helped the company remain 7 times water positive.**

However, we noted that the women participation was low in their workforce, on interaction we found that the company has significant targets and is implementing measures to increase women participation in their workforce.

Conclusion

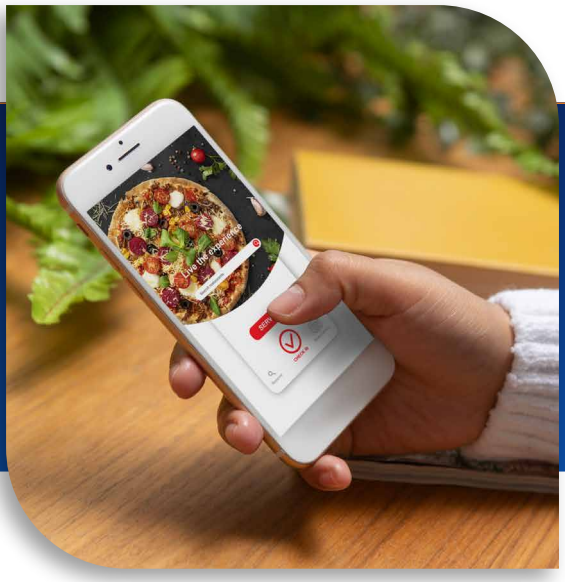
Our engagement with the cement company, as an active owner helped them to understand the investors perception on ESG strategies implemented by them. The plant visits to one of the company's mills helped us to get more understanding of the implementation of ESG strategies at the ground level, understanding process emissions and helped us to get a more holistic approach towards company's future goals and strategies. We believe that such plant visits in future will help us in enhancing our ESG research.

Owing to the initiatives and the investments in technology such as Waste Heat Recovery systems, the company has been able to reduce its Specific Net Scope 1 CO2 Emissions per tonne cementitious material from 554 Kg CO2/tonne in FY 2018-19 to 542 Kg CO2/tonne in FY 2023-24 and has avoided nearly 8.4 mn tonnes of CO2 emissions in FY 2023-24.

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Case Study 2

Engagement with one of India's largest Online Food Service Company



Introduction

This case study delves into our engagement with an Online Food Service company in which we hold an active ownership position. Through our call with the company's management, we were able to understand how the company manages its most material environmental and social issues such as Net Zero goals, strategy to reduce carbon footprint and programs with respect to employee diversity and retention.

Engagement

How is the company working on reducing its overall carbon footprint?

The company has been offering carbon neutral food deliveries since FY22 and is now committed to reach Net Zero emissions across its food ordering and delivery value chain by 2033. Further, the company is a member of The Climate Groups EV100 initiative and is committed to 100% EV-based food deliveries by 2030 and aims at reducing last-mile food delivery emissions per kilometre by 70% by FY30 from a base year of FY22. **The company had an active EV delivery fleet of ~13,500 vehicles which is 3x the number compared to FY22.**

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What measures does the company take to ensure delivery partners' safety?

The company stated that all delivery partners mandatorily go through a road safety training module at the time of onboarding and are offered SOS services which provide immediate support in case of any accidents, emergency or vehicle breakdowns. **The company has strong delivery partner retention programs which include providing riders free accidental & medical insurance cover along with disability/death coverage.**

What diversity targets has the company set and how does the company retain its talent?

The company is committed to provide equal opportunities to everyone across its value chain, especially delivery partners and has onboarded 100 differently – abled delivery partners and has set a target of hiring close to 200 such partners in the future. **Gender diversity is also an objective on which the company has delivered quite well and now has more than 2000 active female delivery partners and overall women workforce participation stood at ~22% in FY23.**

Along with comprehensive list of employee benefits, the company also offers 10 menstrual leaves annually and 2 days of menstrual leave per month to female delivery partners and six-month parental leave available to all employees regardless of gender.

Conclusion

Overall, the company has articulated a Net Zero strategy and has taken critical steps that would ensure a lower carbon footprint in its ordering and delivery value chain by increasing its EV delivery fleet. Controlling attrition and driving gender balance are the other near-term social objectives that the firm is endeavouring to achieve. Gender diversity targets and comprehensive benefits should also help attract and retain employees/delivery partners in our view. With end-to-end implementation of environmentally friendly policies with respect to food delivery, the company may be well equipped to mitigate any reputational or financial risks that could arise in future.

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Proxy Voting

As a responsible investor and as part of our fiduciary responsibility and stewardship duty, UTI AMC is obliged to act in the best interests of our investors, through proxy voting. This includes exercising voting rights attached to the equity shares in which Mutual Fund Schemes invest. We regularly review our voting policy, supporting guidelines and procedures to appropriately address emerging trends and practices.

Voting Summary

In the financial year **2023-24**, we had **3343** resolutions to cast our vote on.



Data on Proxy Voting:

Summary of Proxy Votes Cast by UTI Mutual Fund across all the Investee Companies

Summary of Votes cast during the Financial year 2023 – 24

F.Y.	Quarter	Total no. of Resolutions	Break-up of Vote Decision		
			For	Against	Abstained
2023 - 24	Quarter 1 - April to June	430	396	34	0
2023 - 24	Quarter 2 - July to September	2356	2184	172	0
2023 - 24	Quarter 3 - October to December	214*	186	28	0
2023 - 24	Quarter 4 - January to March	343	298	45	0
2023 - 24	**April 2023 to March 2024**	**3343**	**3064**	**279**	**0**

* 1 Resolution withdrawn by company

For UTI AMC, transparency is important. Our votes are disclosed on our website.
https://www.utimf.com/statutory-disclosures/voting-policy

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Examples of Resolutions voted 'Against'

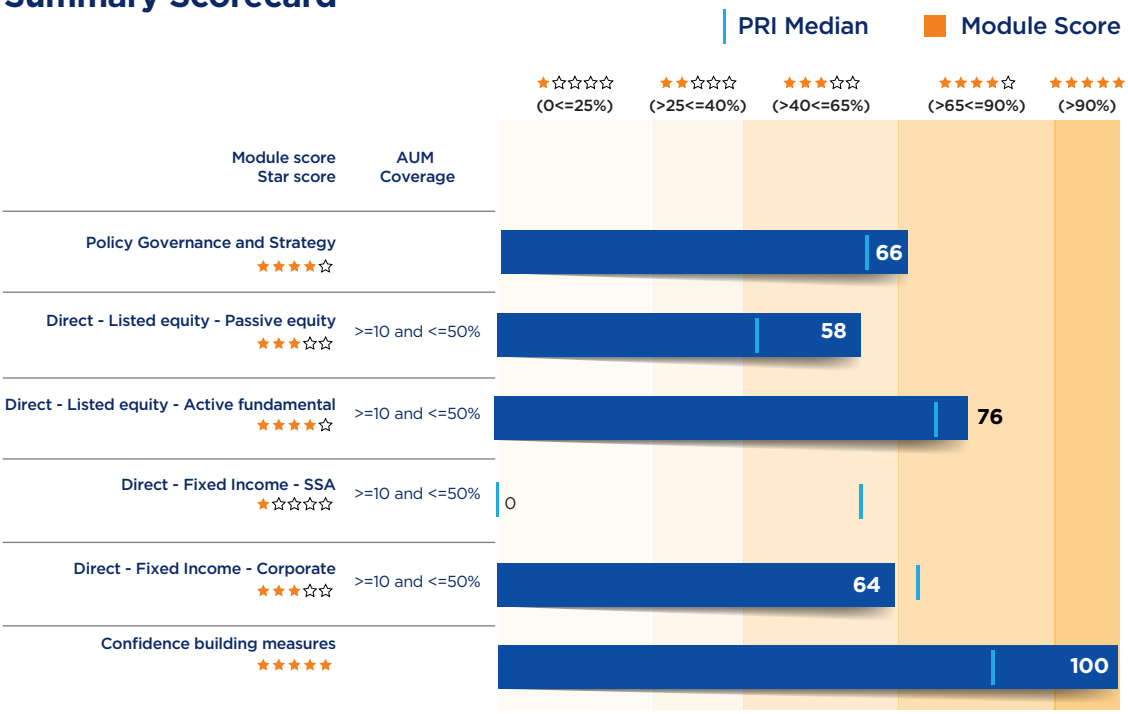
Company	Resolution	Rationale for Voting Against
FMCG Company	Reappoint Mr X as Whole time Director for five years from 20 January 2024 and fix his remuneration	Mr X is a part of the promoter group. We do not support his reappointment because of excess promoter representation on the board (eight board members).
Building Materials Company	Approve giving loans, providing guarantees or securities upto Rs. 2.0 bn to subsidiary / associate / joint venture or such other entity / person under Section 185 of the Companies Act, 2013	The company has stated that it may have to render support for the business requirements of its subsidiary company or associate or joint venture or group entity or any other person in whom any of the Director of the company is interested. The enabling nature of approval could allow the company to give loans / guarantees / provide securities to any company in which directors are interested, including promoter companies. The company must disclose granular details including names of these companies, the nature and size of their operations and terms of support, to enable shareholders to make an informed decision. Given the lack of clarity, we do not support the resolution.
Pharmaceutical Company	Approve alteration in the Objects Clause of the Memorandum of Association (MoA)	The company proposes to amend the Objects Clause of the Memorandum of Association by inserting new object clause after sub clause 2 of Clause III (A) – Main Objects. The company proposes to add a range of new clauses in the Objects Clause to carry out new businesses of manufacturing medical devices and instruments, engaging in hospital management, establishing laboratories for testing and diagnosis, medical research and other related business activities. The proposed diversification may pose execution and other business risks.

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UTI AMC UN PRI Reporting Scorecard

UTI AMC completed its first (mandatory) UN PRI reporting in September 2023, and we are pleased to report that in December 2023, UN PRI published its annual assessment and summary scorecard of UTI AMC's responsible investment policies, strategy and progress on ESG Integration.

Summary Scorecard



Source: UN PRI

UTI AMC has scored 4 out of 5 stars in three modules namely

Policy Governance & Strategy modules	★★★★★
Direct Listed Equity - Active Fundamental	★★★★★
Confidence building Measures	★★★★★

Further, UTI AMC has also performed well on other modules such as

Direct Listed Equity - Passive Equity	★★★★★
Direct Fixed Income - Corporate	★★★★★

Currently, **Sovereign Securities** is low in priority in our ESG Integration journey.

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Continuing Journey

UTI AMC will continue to evolve its Responsible Investment Framework. We are tasked with generating superior risk adjusted returns for our investors. We strive to invest in companies that demonstrate sound environmental practices, are cognizant about their responsibility to society as corporate citizens and follow good governance practices.

The ESG disclosures and reporting standards of Indian companies will expand in depth and breadth in the future. This information along with our ESG Framework will allow us to offer, based on client mandate and demand, new products that cater to Socially Responsible Investing and Impact investing. These products could follow an exclusionary approach of ESG integration; could be based on a particular theme or investments that are targeted towards achieving a pre-specified, measurable impact on the society.

In order to further strengthen our ESG capability and better execute our obligation of Responsible Investing we are signing up our research and investment team members for training and certifications in this domain.

Name	Designation	Sector	Certification
Parag Chavan	Head Of Research (Equity)	Metals & Mining, Real Estate	CFA Institute Certificate in ESG Investing
Nitin Jain	Research Analyst	Oil & Gas, Technology	CFA Institute Certificate in ESG Investing
Deepesh Agarwal	Research Analyst	Infrastructure, Utilities	CFA Institute Certificate in ESG Investing
Suraj Purohit	ESG Analyst	-	CFA Institute Certificate in ESG Investing
Pradnya Ganar	Research Analyst	Cement, Healthcare	Certification for Applied Responsible Investment from UN PRI

We will publish updates regarding our progress on Responsible Investment & ESG integration every six months, next update due December 31, 2024.

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Annexures

ESG Equity Coverage

Below is the sector-wise breakdown of our coverage. The chart also highlights the sectors that we have prioritised to have ESG-related dialogues and engagements with.

Sectors	Companies	ESG Coverage	% Completed	1-1 Engagement	Questionnaire
Construction & Engineering	47	44	94%	2	
NBFC	25	25	100%	1	
Banking & Finance	19	18	95%		
Retail	18	17	94%		
Cement	9	9	100%	3	
Logistics	10	10	100%		
Chemical Group	21	20	95%	1	1
Technology	34	34	100%	6	
Oil Gas & Petrochem	13	13	100%	1	
Auto Ancillary	22	22	100%		
Pharma	39	39	100%	4	5
Building Materials	11	11	100%	1	
Auto OEMs	9	9	100%	1	
Metals	14	14	100%	4	
Hospitals, Diagnostics & Devices	13	13	100%		
FMCG	23	23	100%	6	
Telecom	4	4	100%		
Consumer Durables	16	16	100%	2	
Hotels	5	5	100%	1	
Real Estate	8	8	100%		
Power Utilities	8	8	100%		
Media & Entertainment	1	1	100%		
Sugar	1	1	100%		
Airlines	1	1	100%		
Insurance	8	8	100%		
Asset Management Companies	3	3	100%	1	
QSR	4	4	100%		
TOTAL	**386**	**380**	**98%**	**34**	**6**

Source: UTI Research

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