DECEMBER 2024

uti ASSET MANAGEMENT COMPANY



RESPONSIBLE INVESTMENT & ESG INTEGRATION AT UTI AMC

UTI Asset Management Company Limited (UTI AMC) is in its fourth year of implementing Responsible Investment and Environmental, Social, and Governance (ESG) Integration. **Over the past 42 months, 408 out of the 417 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 case studies that demonstrate how UTI AMC actively incorporates ESG factors into investment decisions. Additionally, the report provides an update on our stewardship activities, engagement case study with investee companies and execution of proxy votes.

Further, we have highlighted the change in female labor force participation rate (FLFPR) in India over the last 5 years and a higher FLFPR can lead to significant boost to the country's GDP. UTI AMC strives to invest in companies that have embodied best practices and policies to increase the female workforce participation rate. We have called out few of our portfolio companies that have a higher share of females in their overall human capital, compared to their industry peers.



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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

Safeguarding Investors' interests through monitoring and regular engagements with investee companies

- **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 is a case study that showcase UTI AMC's efforts in integrating ESG into investment decisions:

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Case Study 1

ESG Integration - Impact on Intrinsic Value

Sector

Information Technology (IT) Services in India

Key Characteristics/ Features of the Sector

High headcount intensity (TCS, Infosys, Wipro, HCL Tech together employ over 1.4 million people)

Primary ESG Factor Category

Social

Rationale

Employee management in the IT Services sector is critical with employee costs accounting for ~80% of the overall operating costs

Relevant Metric for the Sector

Employee attrition

Considerations that Drive the Relevant Metric

Pay structure, HR policies, culture, internal growth, learning, flexibility and diversity

How the ESG factor impacts intrinsic value

Higher attrition adversely impacts utilization and requires replacement by expensive lateral hiring

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Particulars	Company A	Company B
Attrition	15%	20%
Productivity Lost (Unpaid Hours)		~15%
Utilization	80%	79%
Margin Impact of Lower Utilization		-60bps
Cost of employee replacement (20-30% hike)		-60 to -90bps
Potential Total Margin Headwind for company B		-120 to -150bps
Estimated Potential Adverse Impact on Intrinsic Value		**-10%**



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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 300 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 July 2024, we have had one-on-one engagements with **33 companies** from various sectors.

ESG Questionnaires

We have sent questionnaires to **7 investee companies** seeking data pertaining to ESG parameters and performance.

Collaborative Engagement

We have completed **4 collaborative engagements** in the last 12 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.



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Case Study 2

ESG Engagement - Providing an Investment Opportunity

Sector	Wires & Cables in India
Context	The Income Tax (IT) Department initiated search and seizure operations on a wires and cables company on 10th January 2024, resulting in a 21% stock price decline the next day.
Primary ESG Factor Category	Governance
UTI AMC's Engagement	UTI AMC engaged with the management of the company as well as the chairman of the audit committee, urging the committee to initiate an impartial and independent enquiry into practices at the company.
Revisited ESG Integrated Research	UTI AMC conducted channel checks and scrutinized company historical annual reports and found no evidence of any financial irregularities.
Company's Response	The company published a press release stating that they did not expect any material adverse impact on the financial position of the company due to these IT department search operations.
Action Taken by UTI AMC	Based on the due diligence and research conducted, UTI AMC concluded that the ESG risks were being mis-understood and overstated by the market. Viewing this as an opportunity, UTI AMC decided to increase the stake in the company
Outcome	The stock has given close to 80% returns post this incident.

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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 **2024-25**, from April 2024 to December 2024 we had **3609** resolutions to cast our vote on.

We have voted **'FOR'** **3383** resolutions

and have voted **'AGAINST'** **226** resolutions

6.3% of total resolutions

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 2024 – 25

F.Y.	Quarter	Total no. of Resolutions	Break-up of Vote Decision		
			For	Against	Abstained
2024 - 25	Quarter 1 - April to June	730	666	64	0
2024 - 25	Quarter 2 - July to September	2612	2480	132	0
2024 - 25	Quarter 3 - October to December	267	237	30	0
2024 - 25	**April 2024 to December 2024**	**3609**	**3383**	**226**	**0**

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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Below are a few of the resolutions where we have voted **'Against'**

Company	Resolution	Rationale for Voting Against
FMCG Company	Approve grant of Employees Stock Option Scheme 2024 under which 5.0 mn stock options will be granted	As per the scheme, upto 5.0 mn stock options will be granted to employees in the CEO minus three levels and can extend up to CEO minus five levels and such other grades and levels as may be decided by the Nomination & Remuneration Committee (NRC). It allows the company to grant stock options at face value of Re. 1.0 as it has done for the previous scheme. Past history suggests options are generally granted at face value. Secondly, the options are restricted towards top management. We do not encourage ESOPs granted at face value to a limited set of employees over a longer period of time. The grant period is also not well-defined. While the historical precedence does reflect a judicious usage of ESOPs, we do not support the narrow coverage and deep discount of ESOPS.
Auto OEM	Reappoint Ms. X as an Independent Director for five years from 29 January 2025	Ms. X has been on the board of the company since 29 January 2020. She has attended five out of seven (71%) of the board meetings held in FY24 and thirteen out of twenty-one (62%) of the board meetings in the last three financial years. We expect directors to take their responsibility seriously and attend all board meetings and at the very least 75% board meetings over a three-year period.
Pharmaceutical Company	Reappoint Mr. Y as Non-Executive Non-Independent Director, liable to retire by rotation	Mr. Y represents the promoter family on the board. The total promoter remuneration for FY24 at Rs. 996.0 mn is high when compared to industry peers. Further, variable pay comprises 50% of the total remuneration paid to the promoters. Given the company's weak performance in FY24 with negative pre-tax profits, and the global headwinds faced by the industry, the basis for paying variable pay are unclear. We believe there is no linkage between company performance and promoter remuneration.

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Dissecting India's female workforce dynamics

What is Female Labour Force Participation Rate (FLFPR)?

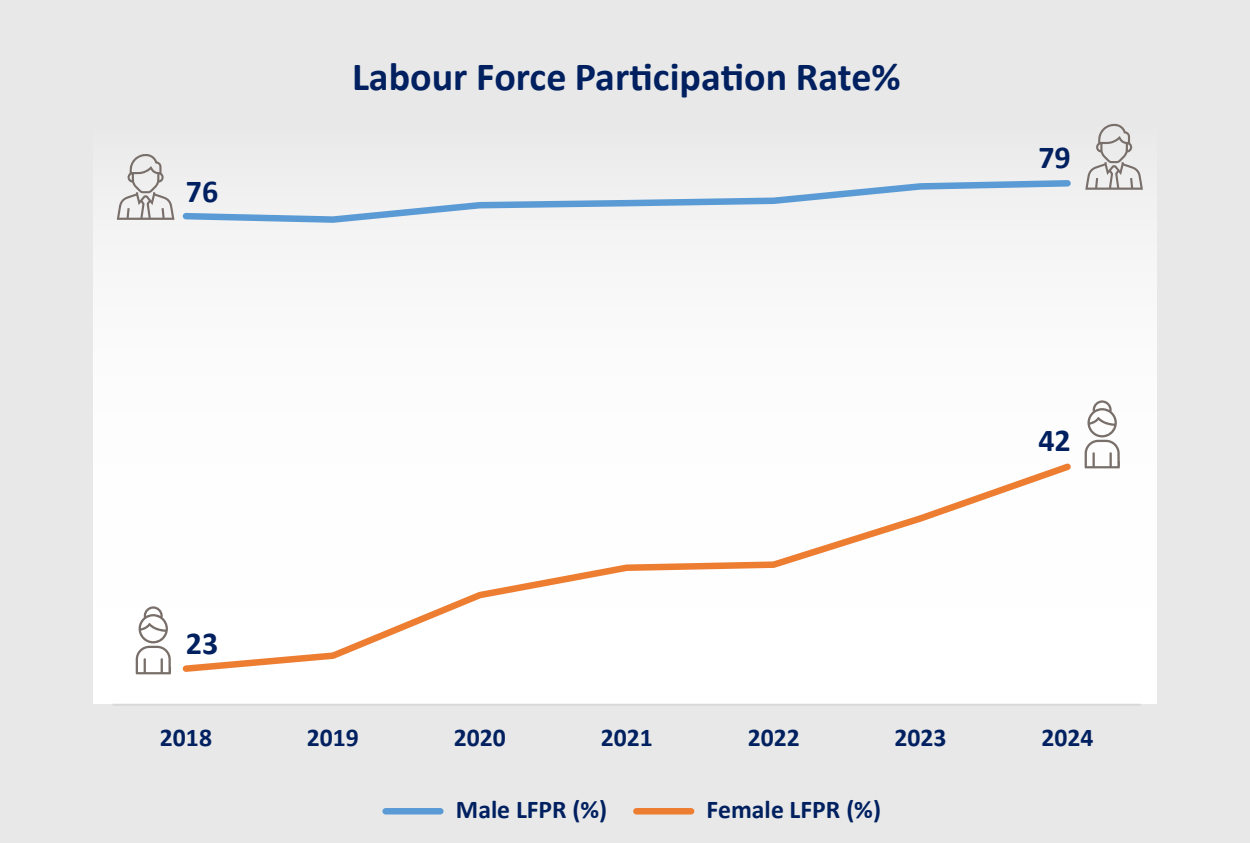
Female Labour Force Participation Rate is a ratio of the number of women who are part of the labour force to the number of women in the working age (greater than 15 years of age). A woman is considered to be a part of the labour force if she/he is either employed or actively looking for work.

FLFPR trend in India

The **global FLFPR** is **over 50%** compared with **80% LFPR for men**. In India, it's at **41.7% (2023-24) for women** and **77.2% for men**. FLFPR is consistently increasing in India. The Government of India has taken several initiatives to increase participation of women in the workforce. The Periodic Labour Force Survey (PLFS) indicates that there has been an **increase in women's workforce participation by 19% with 23% in 2017-18 to 41.7% in 2023-24.** Though women's participation in workforce has increased in recent years, there is ample scope for further improvement that can be addressed through effective implementation of existing policies by employers.

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A study, by McKinsey Global Institute (MGI), said advancing women's equality could lead to a $28 trillion increase in the global GDP. For India, this means a **potential annual GDP** boost of **$770 billion by end of 2025**, 18% higher than the expected business-as-usual GDP.



Source: Press Release, Press Information Bureau

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Critical steps taken by Government of India, leading to higher FLFPR in India

Maternity Benefit (Amendment) Act, 2017



The Act more than doubled the duration of paid maternity leave for women employees to 26 weeks. It proposed an option to work from home after this period, on mutual agreement with the employer. It made crèche facilities mandatory for establishments employing 50 or more women.

Anganwadi centres under the ICDS



They provide maternal and child nutritional security, a clean and safe environment, and early childhood education. Thus, they facilitate the ability of women to re-enter work post-childbirth.

National Food Security Act (NFSA), 2013



Apart from providing affordable food, it entitles pregnant and lactating mothers to a cash transfer of at least INR 6,000. This is done to break the compulsion for early returning to work.

Stand up India



The scheme facilitates bank loans for setting up a new enterprise in manufacturing, services, agri-allied activities, or the trading sector by SC/ST/Women entrepreneurs. It provides bank loans between INR 10 lakh and up to 1 crore.

The Sexual Harassment of Women at Workplace Act, 2013



It is a legislative act in India that seeks to protect women from sexual harassment at their place of work.

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Further, Government schemes like Beti Bachao, Beti Padhao, Pradhan Mantri Matru Vandana Yojana, among others have been instrumental in making significant needle movements in empowering women. Also, **5%** of the **Union Budget 2023-24** was allocated to **women-focused initiatives**. However, gender budgeting remains an untapped opportunity in terms of harnessing the full potential of gender-inclusive policies and schemes.

The Government of India has set an **ambitious target** to achieve a **GDP of $30 trillion by 2047**. A nearly 45% ($14 trillion) contribution from the country's women workforce will be integral to achieving this economic goal. This entails doubling the **female labour force participation rate** (FLFPR) among Indian women aged 15 to 59 years **from 35%-40%** currently (around 145 million) to **approximately 70%**, thus creating a formidable 400-million-strong women workforce by 2047.

Increase in FLFPR boosts per capita GDP as well as elevates the quality of household earnings, intensifies focus on education, and diminishes the incidence of domestic violence as the socio-economic power of women grows.



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UTI Equity Universe female work force participation highlights

A greater proportion of **female workers in urban India** are employed in **manufacturing (23.9%)** and **other services (40.1%)** compared to their **male** counterparts, according to the latest "Women and Men in India, 2023" report. The other services category mostly includes services like, Banking & Finance, IT and Technology, Healthcare & Education.

In **rural India, females** continue to dominate the **agriculture sector, with 76.2%** of rural female workers engaged in the sector **compared to 49.1% of rural male workers**. The report has relied on the annual Periodic Labour Force Surveys (PLFS) for the data.

Broad Industry Division	Rural		Urban	
	Male	Female	Male	Female
Agriculture	49.1	76.2	4.7	11.7
Mining & Quarrying	0.4	0.1	0.6	0.1
Manufacturing	8.2	8.3	20.5	23.9
Electricity, Water, etc.	0.5	0.1	1.3	0.5
Construction	19.0	4.2	12.6	3.1
Trade, Hotel & restaurants	10.5	4.1	26.5	15.2
Transport, Storage & Communications	5.3	0.2	13.2	5.5
Other Services	7.0	6.9	20.6	40.1

Source: Periodic Labour Force Survey (PLFS), July 2022- June 2023, National Statistical Office, Ministry of Statistics and Programme Implementation

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The Indian IT sector has witnessed a significant increase in the number of women employees over the past decade. Currently, over **20 lakh females** are employed in the **IT sector**, accounting for **36% of the total workforce**. This growth can be attributed to various factors such as progressive policies, increased availability of computer science courses, visible examples of women in leadership roles, and policy frameworks enabling women to work night shifts.

We have witnessed a similar trend in UTI's Equity Universe companies with **IT & Technology** sector employing around **38% females** and **Banking & Financial** companies employing **27% females** of the overall workforce of our companies in the universe.

Companies like **TCS** has **2.25 lakh** female employees, constituting **36%** of its **total workforce** of **6.3 lakh employees** and **Infosys** has **1.25 lakh** female employees, comprising **39.3%** of its overall **workforce.**

Banks such as **State Bank of India** (SBI), around **62,000** female employees, **HDFC Bank** with close to **50,000** female employees and **ICICI Bank** with around **45,000** female employees have very high gender diversity ratio **(27%, 26% & 32% respectively)** and play a significant part in providing job opportunities to women in and around the country.

While the IT and Banking sectors lead in employing women, other sectors that have demonstrated high gender diversity are Retail and Hospitals & Diagnostics sectors.

Page Industries, a garment manufacturing and retail company has one of the highest gender diversity ratio of **77%** in the country. Further, **Global Health Ltd (Medanta)** and **Metropolis Healthcare,** companies into the hospitals & diagnostics sector, have a gender diversity ratio of **50%** and **43%** respectively.

At **Titan**, the gender diversity ratio has increased from 25% in 2022 to **29%** in **2024** and now it is aiming for **50%** of **new hires** to be **women**, underlining the company's commitment to gender diversity and inclusivity.

India's largest Online Food Service Company, **Zomato** has gender diversity as a key objective on which the company has delivered quite well. The company has very strong practices and policies to attract and retain female workers. 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. The company now has more than 2000 active female delivery partners with gender diversity at ~**23%** in **FY24**.

We do note that few of our portfolio companies have low gender diversity ratios, however, these companies operate in industries and sectors where the working conditions are not too conducive for women to work. We engage regularly with such companies and encourage them to create opportunities and hire more females at the management level to have a better diversity ratio.

UTI AMC will continue to support inclusivity by investing in companies that have embodied diversity, equity and inclusion strategies, skilling and upskilling programmes, offering flexibility at work and improved working conditions that would collectively lead to an increase in overall gender diversity within companies.

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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 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
Daphne Lim	Risk & Compliance	-	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 June 30, 2025.

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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	52	49	94%		1
NBFC	28	28	100%	1	
Banking & Finance	21	21	100%	1	
Retail	16	16	100%	2	
Cement	9	9	100%	1	
Logistics	10	10	100%		
Chemical Group	24	23	96%	2	1
Technology	37	37	100%	6	
Oil Gas & Petrochem	13	13	100%		
Auto Ancillary	23	22	96%		
Pharma	43	42	98%	6	5
Building Materials	11	11	100%	2	
Auto OEMs	11	10	91%		
Metals	16	15	94%	2	
Hospitals, Diagnostics & Devices	13	13	100%	4	
FMCG	27	27	100%	3	
Telecom	4	4	100%		
Consumer Durables	15	15	100%		
Hotels	5	5	100%		
Real Estate	9	9	100%	1	
Power Utilities	11	10	91%	1	
Media & Entertainment	2	2	100%		
Sugar	1	1	100%		
Airlines	1	1	100%		
Insurance	8	8	100%		
Asset Management Companies	3	3	100%		
QSR	4	4	100%	1	
TOTAL	**417**	**408**	**98%**	**33**	**7**

Source: UTI Research

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