

## Responsible Investment Policy for Aditya Birla Sun Life ESG Fund

### Background

At Aditya Birla Sun Life AMC Limited (“ABSLAMC”) it is our aim to be a trusted asset manager for our clients. We see ourselves as custodians for our clients and it is our key responsibility to help generate long term wealth with adequate risk mitigation.

Our investment philosophy is to have a fundamental research driven approach based on a combination of top down and bottom-up stock selection approach. We follow the “Growth at Reasonable Price” (“GARP”) approach to investing and our objective is to outperform benchmarks and deliver risk-adjusted returns on a consistent basis. We believe that over long-term this approach could deliver capital appreciation and help in achieving investors’ financial goals.

### Integration of ESG in investment decisions for Aditya Birla Sun Life ESG Fund (“the Scheme”)

We believe that companies that follow good governance practices, positively contribute to environmental and social causes, and have a sustainable business model can create long term shareholder value. While we follow the GARP model of identifying and investing in companies, we now also integrate Environmental, Social and Governance (“ESG”) parameters while making investment decisions.

ESG factors and Responsible Investing (“RI”) form an integral part of ABSLAMC’s investment process for the Scheme. ESG and RI help us take a view on a prospective company beyond just the financial outlook.

We approach ESG both qualitatively and quantitatively. Our research analyst team use primary and secondary sources of information to qualitatively evaluate companies for ESG. We engage with independent agencies which rate companies on basis of a ESG risk score. This helps us evaluate companies across multiple sectors. We also engage with companies to disclose more information on ESG.

### Key factors considered while making ESG investment decisions

Some of the performance indicators we consider while evaluating companies for ESG are:

#### Environment:

- *Energy and Water consumption*
- *Use of Renewable/Alternative energy sources*
- *Carbon emissions*
- *Waste reduction*

**Social:**

- *CSR expenditure*
- *Community development programs*
- *Employee welfare and safety*
- *Diversity of employee base*

**Governance:**

- *Capital allocation*
- *Composition of the board*
- *Board independence*
- *Remuneration policies for key management personnel*

**Investment strategy followed by us for ESG Fund**

We follow Integration and Sustainable objectives in our funds. However, we also use **exclusion** as a strategy in our dedicated ESG fund. Investment strategies and regulations for ESG are still evolving and we will look to incorporate these changes in our investment process.

We currently have an investment universe comprising of ~450 companies, which our team regularly tracks. We then screen ESG scores of companies to find commonality within the ABSLAMC universe. We look to exclude deemed harmful or unfavorable sectors from a social perspective, for the Scheme. We also re-evaluate companies in case of any developments on an ongoing basis. We select stocks basis ESG score and rating, fundamental analysis and valuation.

As a part of the framework to shortlist ESG compliant companies, the ESG process will be assessed and executed at various levels. There would be Sector and stock level screening, and then further steps towards portfolio inclusion. ESG scores play integral role in the investment research process especially for the Scheme.

Majority of the Key Performance Indicators that we monitor are published annually or bi-annually in form of regulatory disclosures by companies. However, we also closely monitor current developments such as issues highlighted through media articles etc.

Further, with effect from October 1, 2022, ABSL ESG Fund (the Scheme) shall only invest in securities (a minimum of 80% of the total assets) which have Business Responsibility and Sustainability Report ('BRSR') disclosures. The existing investments in the scheme for which there are no BRSR disclosures would be grandfathered for a period of one year i.e., till September 30, 2023.

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### **Stewardship through voting process**

Another important way how we look to influence ESG compliance by our investee companies is by participating in the shareholder voting process. We protect minority interests while voting on resolutions. We also take suggestions from proxy advisors on resolutions. However, our team uses subjective measures while voting on resolutions taking a realistic approach. We also actively engage with companies to adopt best practices and improve ESG disclosures.

### **ESG coordination**

Our Co head of Equity leads the ESG initiatives for ABSL AMC. Our Co-Head, Equity directly reports to the Chief Investment Officer (“CIO”) on all issues pertaining to ESG. Individual research analysts are also responsible for analyzing companies for ESG under their coverage. Lastly, we also use external agencies to provide insights on ESG.

**Policy shall be reviewed once in a year.**

**Version: April 2022**