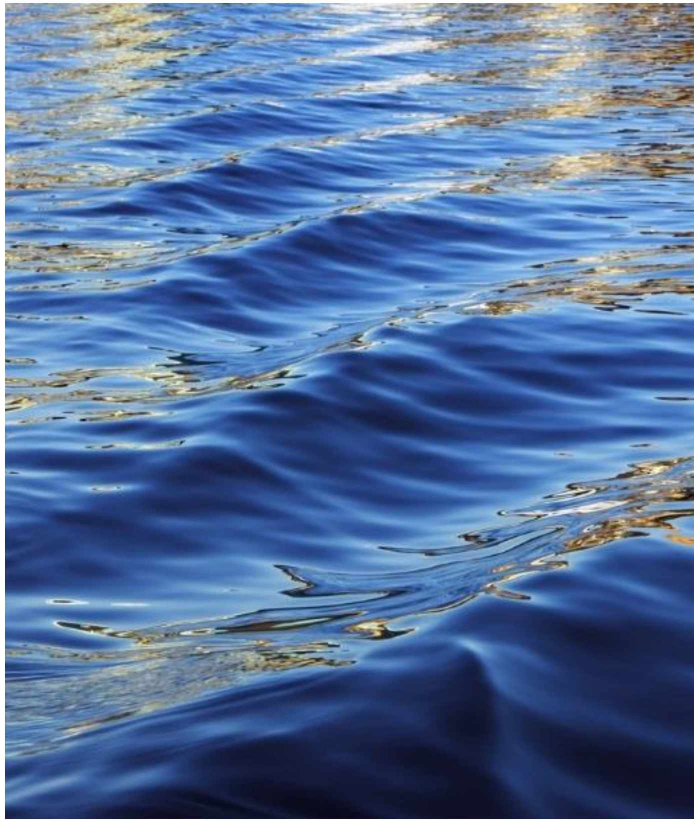
ESG Guidelines



Background

- SBIFM integrates ESG lens on active equity as well as corporate fixed income issuers
- For all new initiations, SBIFM carries out a comprehensive ESG assessment along with Fundamental Financial analysis and both inform the investment decision
- For existing portfolio, SBIFM uses services of SEBI registered ESG Rating Providers (ERPs) to monitor rating movements, their reasons and possible impacts
- SBIFM has an internal framework to compute scores of companies

ESG factors considered (indicative list)

ESG Disclosures

- BRSR
- Sustainability Reports
- Integrated Reports
- TCFD Reports
- ESG Reports
- Others

Environmental

- Carbon emissions
- Air emissions
- Water Consumption
- Wastewater
- Hazardous Waste
- Solid waste
- Financed emissions
- NGT cases
- Pollution Control Board notices
- Environmental controversies

Social

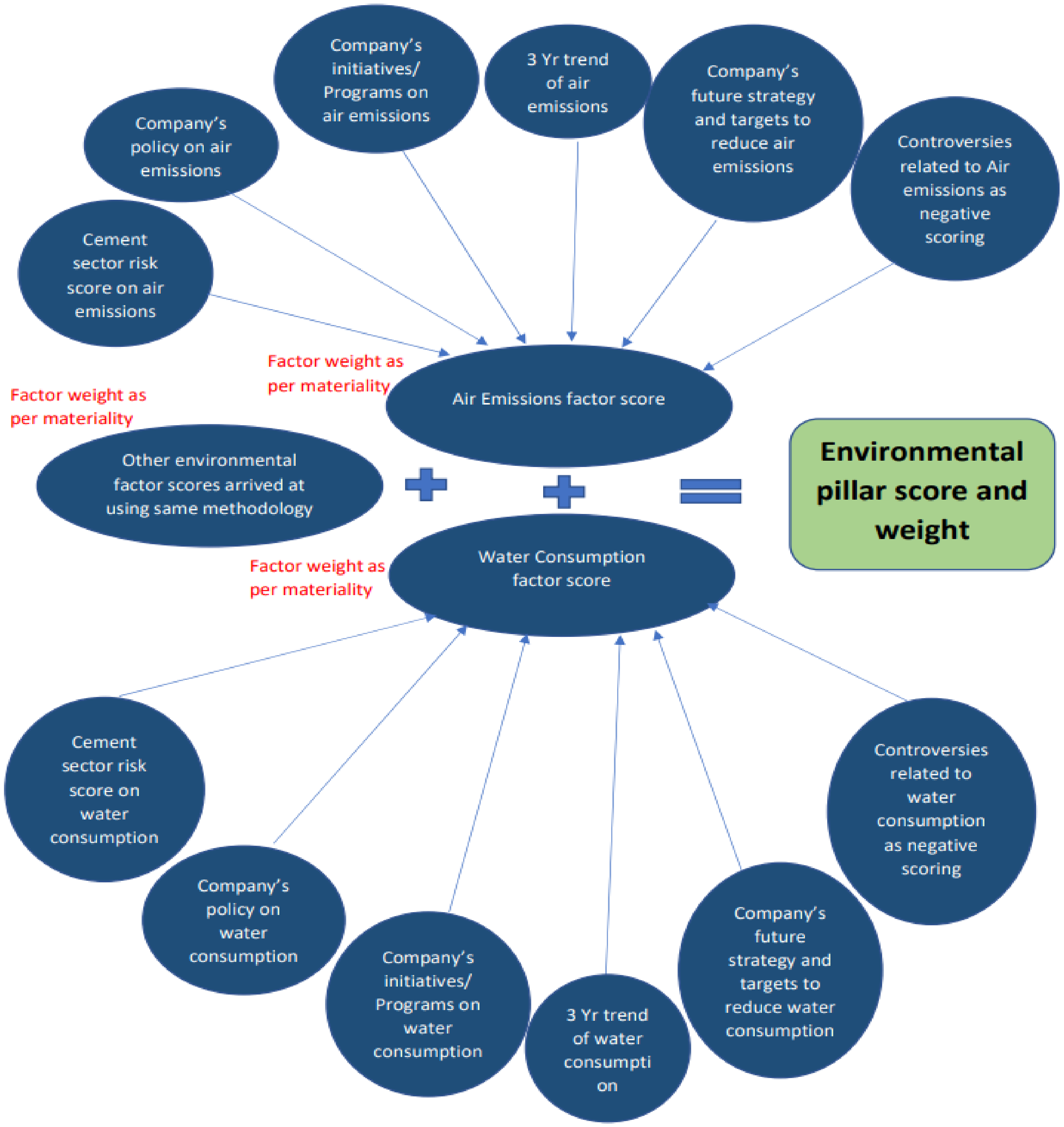
- Human Resources/Labour relations
- Gender Diversity
- Community relations
- Customer relations
- Product/Service Quality
- Privacy and data security
- Occupational Health and Safety
- CSR
- Controversies

Governance

- Board composition
- Board diversity
- Board Committees
- Auditor
- Quality of Independent Directors
- Board remuneration
- ID/Auditor resignations
- Related Party Transactions
- Controversies

Scoring of Individual Factors (E&S)

- **Sector Risk**: For example, Cement sector would have a high risk of air emission than IT sector. This variable risk from the sector perspective should be captured in the score
- **Company Policy**: This means that a broad policy statement regarding a company's focus on any individual factor like air emissions should be clearly articulated in a publicly available policy document
- **Company's initiatives and programs**: While policy documents lay out a broad approach towards management of a factor, availability of specific programs and initiatives, substantiate the policies. The companies should be rated against such initiatives too
- **3-year trend data**: To avoid the risk of greenwashing, at least last three years' trendline should be considered to see whether the policies and initiatives are having the desired impact on the factors such as air emissions or water consumption
- **Company's future strategy and targets**: While a company may be doing well today, the methodology should also consider the future strategy and targets for improvement. This may be aligned to India's broader commitments to global goals like the Climate Commitments or the SDGs. This should also cover the company's performance against the set targets periodically
- **Controversies**: Despite having lower risks, and higher management practices, companies may still get exposed to incidents that may result in brand value deterioration, regulatory penalties, lawsuits or other kinds of negative value. Such incidents should have a negative bearing on the score of a factor/pillar/company



Social pillar score to follow same process

Scoring of G Factors

- Sectoral risk scores not needed; governance factors equally important for every sector
- G factors may not have a separate policy or initiatives for improvement
- Factors should be rated against each factor based on the current year's performance.
- Negative scoring on controversies will be applicable in governance factors too
- All the "G" factors would be weighted and would be combined to arrive at the "G" pillar score

Disclaimer: Parameters mentioned in the presentation are indicative and reviewed internally on case-to-case basis under the provisions of Scheme Information Documents and applicable regulatory provisions