STEWARDSHIP REPORT

2023-24

JULY 23, 2024

SBI FUNDS MANAGEMENT LIMITED

Introduction

Welcome to SBIFML's Stewardship Report 2023-24, where we delve into the vital world of responsible investment and the crucial role stewardship plays within this framework. In an era of growing awareness and concern about environmental, social, and governance (ESG) factors, responsible investment has emerged as a powerful means of aligning financial goals with sustainable practices. Stewardship, as an integral component of responsible investment, provides investors with the opportunity to exercise active ownership, engage with companies, and leverage their voting rights to drive positive change.

The concept of responsible investment goes beyond the traditional focus on financial returns; it recognizes that businesses have broader responsibilities to society and the environment. Responsible investors seek to integrate ESG considerations into their investment decisions, aiming to generate both financial and societal value. By allocating capital to companies that demonstrate sound ESG practices, investors can encourage sustainable business models and contribute to a more inclusive and sustainable future.

At the heart of responsible investment lies the principle of stewardship. Stewardship entails the active and engaged management of investments, where investors adopt a long-term perspective and assume a fiduciary duty to protect and enhance the value of their assets. Stewards go beyond passive ownership; they actively monitor and influence the companies in which they invest, fostering accountability, transparency, and responsible practices.

Engagement and voting are two pivotal tools of active ownership. Engagement involves direct dialogue and collaboration between investors and companies to address ESG concerns, influence strategic decisions, and promote positive change. By engaging with company management, investors can encourage the adoption of sustainable practices, advocate for improved corporate governance, and foster better stakeholder relations. This active dialogue serves as a catalyst for positive transformation within companies and helps to align their practices with sustainable development objectives.

Voting, on the other hand, allows investors to exercise their rights as shareholders during corporate decision-making processes. By casting votes on matters such as board appointments, executive compensation, and related party transactions, investors can influence company behaviour and shape corporate practices. Voting acts as a tangible expression of investor values, providing an avenue for collective action and holding companies accountable for their actions.

SBI Funds Management Limited's (SBIFML/the AMC) vision is to be a trusted and respected Asset Manager by being an ethical, responsive and innovative partner in investment solutions. The AMC's fiduciary responsibilities towards its clients include long-term wealth creation, protection of interest of investors and risk mitigation; and towards the community at large include matters of social, governance and environmental factors.

At SBIFML, it is a core belief that a business run in the best interests of all stakeholders seldom fails to create lasting value for its investors. This responsibility of not trying to maximize short-term profitability but ensuring optimization of long-term return and risks is well elucidated in our Responsible Investment Policy. The Stewardship Code (Policy) is a natural extension of the AMC's responsibility to protect and enhance the long-term economic value of our clients' assets. This policy is applicable for Mutual Fund as well as AIF (Alternative Investment Fund) activities undertaken by SBI Funds Management Limited.

In this stewardship report, we account for the stewardship activities undertaken in FY24 by SBIFML.

SEBI vide its circular no. CIR/CFD/CMDI/168/2019 dated December 24, 2019 ("SEBI circular") has mandated all Mutual Funds and Alternative Investment Funds to frame Stewardship Code in relations to their investments in listed equities. The circular requires reporting of stewardship activities as prescribed in the circular. SEBI also circulated a Consultation Paper on ESG Disclosures, Rating and Investing in Feb 2023[1] which advocated for a separate section on Stewardship Activities performed under the ESG Fund. Post this, SEBI, under its circular no. SEBI/HO/IMD/IMD-I – PoD1/P/CIR/2023/125 dated July 20, 2023[2], mandated the ESG Funds to provide the fund manager's commentary highlighting the stewardship initiatives under the fund. This commentary and stewardship activities carried out under the fund are available in the scheme annual report of the SBI ESG Exclusionary Strategy Fund.

Principle 1 Institutional Investors should formulate a comprehensive policy on the discharge of their stewardship responsibilities, publicly disclose it, review and update it periodically

Compliance Status: Complied with

The Board of AMC and Trustee Company approved the Stewardship Code on February 26, 2020. Further, an updated policy was reviewed and approved by the Board of AMC and Trustee Company at their meeting held on July 05, 2023 and July 26, 2023 respectively

Our Stewardship Code may be accessed here: https://www.sbimf.com/docs/default-source/disclosures/sbi-mutual-fund's-stewardship-code.pdf

Principle 2 Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.

Compliance Status: Complied with

SBIFML has designed the Policy for Management of Conflict of Interest to ensure that the interest of the client/beneficiary is placed before the interest of the AMC. A Committee comprising of Deputy CEO, Chief Risk Officer and Chief Compliance Officer & Company Secretary has been constituted to deal with exceptional circumstances of conflict. The Chief Investment Officer (s) will be a permanent invitee to this committee.

SBIFML will identify actual or potential conflict of interest situations and shall manage them in line with the Policy. There was no significant instance of conflict of interest noted / reported during the period. SBIFML's dealings with investee companies which are a group entity have been carried out at arms-length basis and are in compliance with applicable laws and regulations.

Principle 3 Institutional investors should monitor their investee companies Compliance Status:

Compliance Status: Complied with

The Fund Management & Research Team (referred to as investment team) is responsible for the monitoring of the investee companies' performance. The investment team continues to monitor

[1] https://www.sebi.gov.in/reports-and-statistics/reports/feb-2023/consultation-paper-on-esg-disclosures-ratings-and-investing_68193.html
[2] https://www.sebi.gov.in/legal/circulars/jul-2023/new-category-of-mutual-fund-schemes-for-environmental-social-and-governance-esg-investing-and-related-disclosures-by-mutual-funds_74186.html

each investee company. As a part of this process, the fund manager/analysts, where feasible, attend meetings/conference calls conducted by the management of the investee company. Fund Managers and analysts use publicly available information, sell side research and industry information and endeavour to engage with selected investee companies at least once a year, through any means detailed above. The Investment Committee has reviewed the investee company monitoring and engagement activities for the said period.

Principle 4 Institutional investors should have a clear policy on intervention in their investee companies. Institutional investors should also have a clear policy for collaboration with other institutional investors where required, to preserve the interests of the ultimate investors, which should be disclosed.

Compliance Status: Complied with

SBIFML would intervene in its investee companies, on a case-to-case basis, wherever it deems necessary. The decision in this regard will be taken by the Committee consisting of Chief Investment Officer (CIO) - Equity, CIO - Fixed Income, respective Fund Managers(s), ESG analyst(s), Chief Risk Officer, Chief Compliance Officer or any other official(s) as invited.

Following are the details of our engagements especially on ESG related topics in Financial Year (FY) 2023-24

SBIFML believes in being a steward for all its investee companies and nudge them towards better ESG disclosures as well as improving their initiatives year on year. SBIFML also believes that along with corporate engagements, interactions with other non-corporate stakeholders like regulators, investors, industry associations, NGOs, research organisation etc. are critical to creating the whole ecosystem around ESG as part of the AMC's fiduciary responsibility.

In FY24, SBIFML expanded its reach and engaged with corporate and non-corporate stakeholders on a variety of ESG topics to gain more knowledge on ESG issues, to better incorporate the ESG lens on investments and to make an impact on the ESG ecosystem at large.

Corporate Engagements

In FY24, SBIFML conducted 589 corporate engagements, out of which 460 (78%) were carried out during proxy voting, 105 (17.83%) were carried out to encourage investee companies to improve ESG disclosures and to know more about their ESG initiatives, 16 (2.72%) were carried out on various environmental topics, 8 (1.36%) were done on social topics.

Table 1: Corporate Engagements in FY24

Categories of Corporate Engagement	Number of Corporate Engagements in FY24	Percentage of Corporate Engagements
Disclosures +ESG	105	17.83%
Environmental	16	2.72%
Governance	460	78.09%
Social	8	1.36%
Grand Total	589	

Engagement Process and Levels:

SBIFML prioritizes companies for engagement through the course of a financial year based on high shareholding, and low ESG scores. However, based on requests from investee companies and due to any concerns, that are noticed through the year, ad-hoc engagements are added. The AMC reaches out to the companies via letters, emails or queries using various forums and meetings to raise ESG related issues. At least one meeting with the company, where ESG issues are discussed as considered as level 1 engagements. If a second meeting is held to discuss the ESG issues further, it is considered as level 2 engagement. Materiality assessments where SBIFML participates are considered level 2 engagements as they help companies define their ESG strategies. Level 3 engagements are those in which more than two meetings have been held to discuss the ESG issues in depth, or an outcome has been achieved. These outcomes can vary from improvement in ESG ratings of the firm, increased disclosures by the firm, improved initiatives by the firm, voting by the AMC based on their ESG initiatives or divestment or reduction in position due to ESG issues etc.

Select case studies from the engagements are presented in the Stewardship Report. Engagements can be a multi-year process, therefore SBIFML team keeps engaging with companies continuously when objective-led engagements are undertaken. SBIFML team records and circulates meeting notes as it not only helps to understand the progress in an engagement but also helps during ESG Audits.

Out of the 589 corporate engagements carried out through the year, 116 engagements (19.69%) were level 1 engagements, 9 (1.53%) were level 2 and 464 (78.78%) were level 3 engagements. Other than the 460 governance related engagements done with investee companies at the time of voting, there were 129 other ESG engagements carried out throughout the year.

Table 2: Levels of Corporate Engagements in FY24

Levels of Engagement	Number of Companies Engaged with	Percentage of Engagements
1	116	19.69%
2	9	1.53%
3	464	78.78%

Under corporate engagements, SBIFML focused on deepening the focus on identification of ESG related red flags within investee companies and also explored ways of effective communication and engagement with the companies. Much progress was made in ESG integration initiatives with wider adoption of internal ESG assessment framework for unlisted companies and new IPOs where ESG data is not published, nor the issuers are rated by external ESG ratings providers. The sheer number of new ESG assessments done on SBIFML's internal framework is testimony to the robust integration mechanism followed by the fund house since this research is done in-house by the financial and the ESG analysts together and is verified by the Head of Research and subsequently by CIO-Equities or CIO-Fixed Income. This ESG assessment is made a part of the initiation report for each stock which is invested in for the first time. Following were the learnings from this exercise[3]:

- Engagement with investee companies is quite effective when the companies are in the fund-raise process or IPO process. At this time, prospective investors have the chance to ask for

[3] The engagement related data presented in this report does not include unlisted companies engaged with for debt coverage of SBIFML, though it does include ESG assessments done for fixed income.

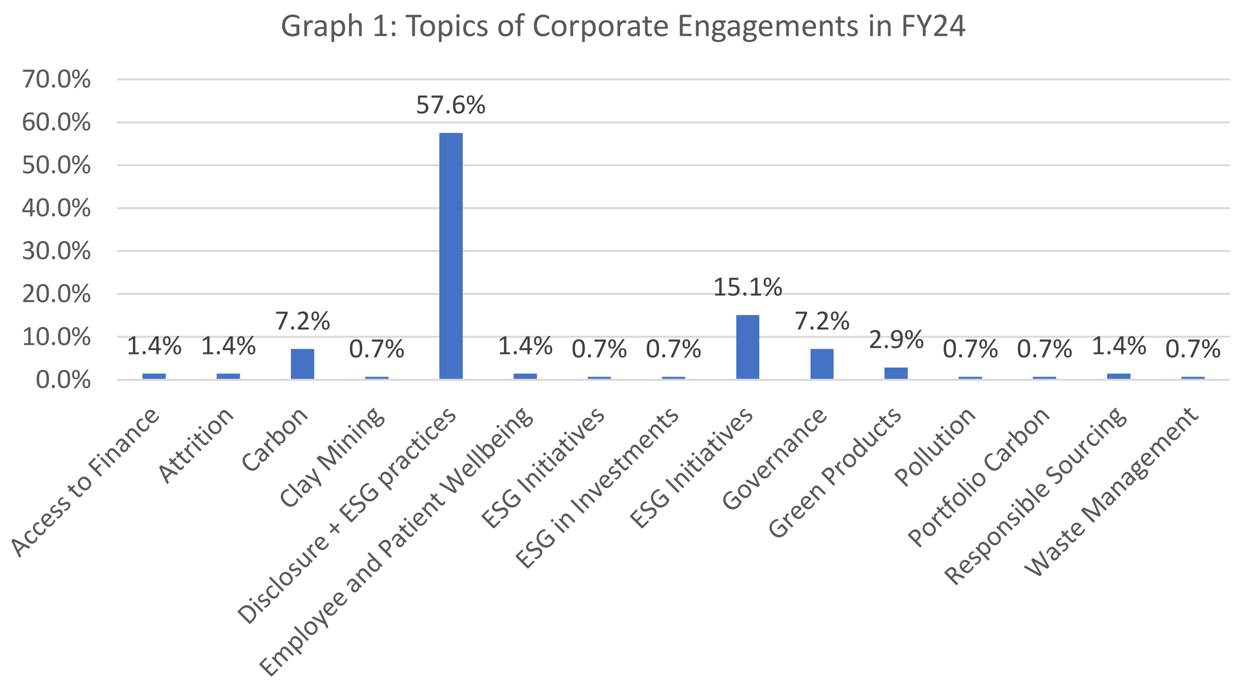
more ESG disclosures, better initiatives and reinforce the importance of ESG oriented practices as a pre-requisite by investors.

- Assessment of long ESG risks and management capability to handle such risks adds value to investment decision making as it helps screen out stocks where the gap of unmanaged risks is high or to identify companies where engagement can lead to improvements.

- In external ESG ratings, investors often face issues like no correlation between ratings provided by different ESG Rating Providers (ERPs) and contextualisation of domestic market. With the ESG assessment done internally, SBIFML is able to cover the issuers not rated by ERPs, engage at length with companies, encourage them towards improved ESG practices and disclosures and produce internal ratings that are comparable.

In FY24, SBIFML assessed 81 companies on its internal ESG assessment framework and used these ratings to inform the investment decisions. Out of these, 59 were under Equities and 22 under Fixed Income. SBIFML counts these as a part of Level 1 engagements (under ESG Disclosures) as SBIFML reaches out to these companies for data on ESG actively. Moreover, governance discussions form an active part of such meetings. When Environmental and Social issues find prominence in the internal ESG assessments, these are pursued with renewed vigour with multiple meetings with the managements under level 1, 2 and 3 engagements as described above.

Out of the total 589 corporate engagements, 460 were especially conducted with investee companies at the time of proxy voting. SBIFML believes that engagement at the time of voting is an extremely important tool to help companies improve their governance practices. We discuss the merits of such a strategy in the voting section. The rest 129 corporate engagements were conducted on a variety of topics ranging from improvement of general ESG disclosures to discussing current ESG initiatives and investor expectations around ESG initiatives, environmental themes like new energy, electric mobility, green hydrogen, climate mitigation and green buildings etc. to social issues like health and safety and affordable housing. Following graph provides an insight about the engagements carried out topic-wise.

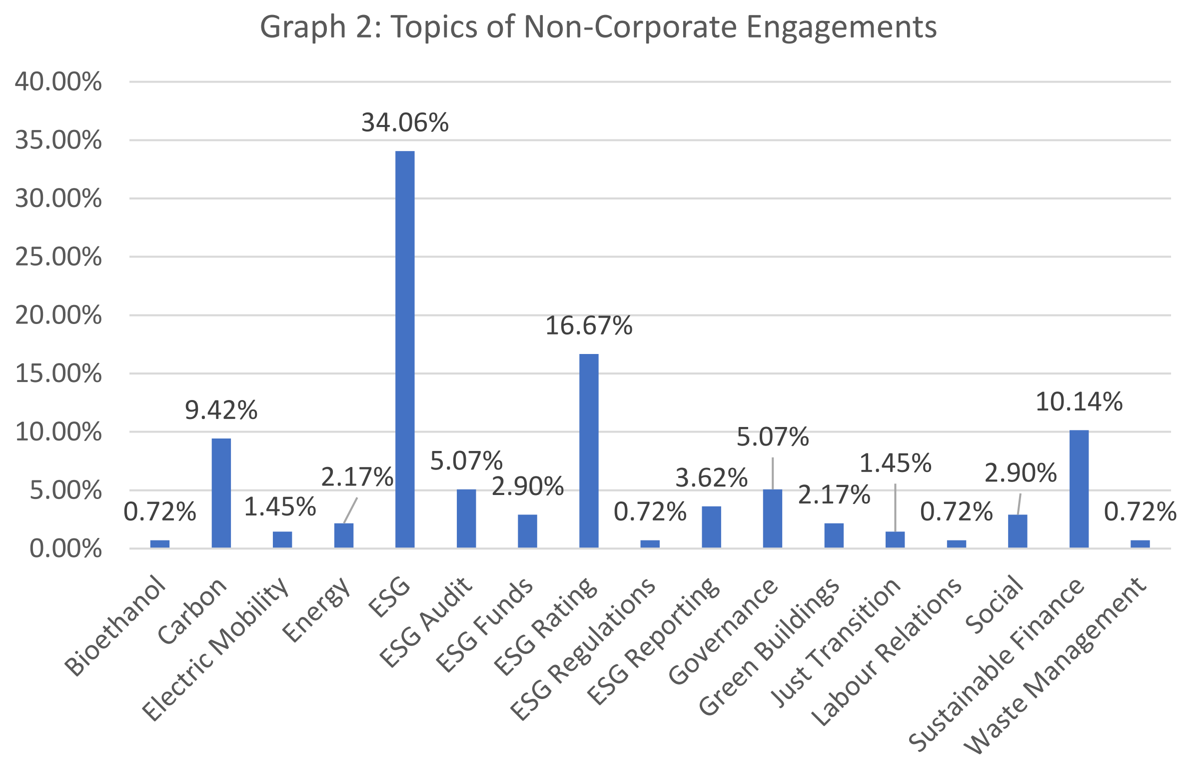


SBIFML remains a committed signatory to UNPRI and Climate Action 100+ and conducted multiple meetings with Indian companies identified as high carbon emitters from India by Climate Action 100+. SBIFML is the lead engaging-investor for 5 of the 7 such companies identified in India, and a collaborating engaging-investor for the remaining 2. The AMC's engagement with PSUs covered under CA100+ has especially been a highlight since significant progress has been made by PSUs in the context of climate mitigation initiatives this year. Two of these PSUs have declared net zero carbon targets for 2026 and 2038 and the third PSU has started on the journey to set its targets with the help of NITI Aayog.

A few case studies of corporate engagements have been presented in the annexure to this report titled "Case Studies".

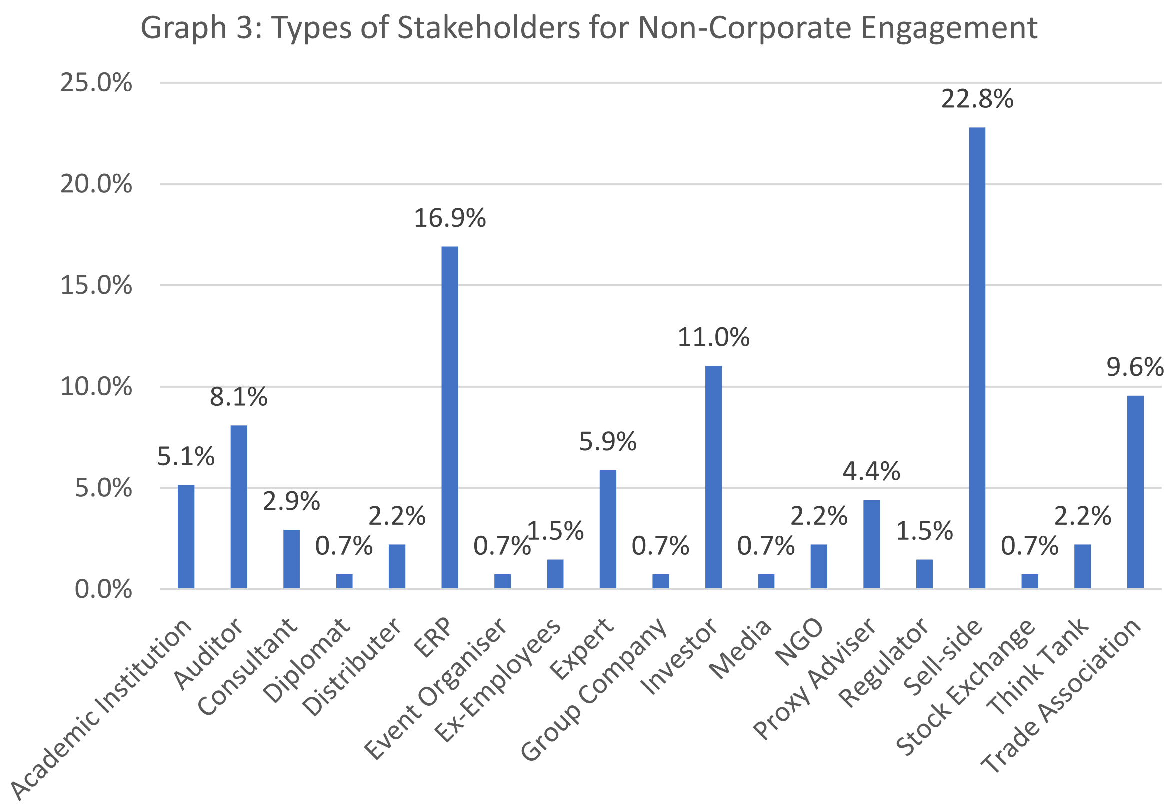
Non-Corporate Engagements

The Indian market is still warming to the idea of responsible investment. Regulatory frameworks are evolving rapidly, as is evident from the multitude of circulars and consultation papers published by SEBI and RBI respectively in this financial year. In such a scenario, being one of the largest asset manager in India in mutual fund segment, SBIFML has the responsibility to help create an ecosystem where sustainable finance can flourish. The AMC is a part of critical ESG taskforces and committees to contribute to the evolving ESG ecosystem like the SEBI ESG Advisory Committee, AMFI ESG Committee and FICCI ESG Committee to name a few.



As visible from the graph, maximum engagements were on the topics related to ESG in general, followed by discussions on ESG rating processes, and then on sustainable finance and decarbonisation.

From the perspective of stakeholders with whom these engagements were conducted, the maximum was with research houses and their analysts, followed by ESG rating providers. This was followed by SBIFML's in-depth discussions with other investors on various forums and trade associations. There is also a growing interaction with ESG auditors as SEBI mandated audit of the ESG Fund. The following graph represents the stakeholder groups engaged with in FY24.



Principle 5 Institutional investors should have a clear policy on voting and disclosure of voting activity

Compliance Status: Complied with

SBIFML exercises its voting responsibilities for its investments through the corporate proxy voting policy which is available on our website. When voting proxies, SBIFML takes utmost care to ensure that all decisions are made solely in the interests of the funds/unitholders and with the goal of maximizing the value of their investments. However, at no point in time does it intend to participate directly or indirectly in the management of the companies. The details of the voting process are available in the Proxy Voting Policy which is available on SBIFML website.

Voting exercised along with the rationale supporting their voting decisions is disclosed on a quarterly basis within ten working days from the end of the quarter in the format prescribed by SEBI as amended from time to time. The AMC discloses the proxy voting exercised on an annual basis on the website of SBI Mutual Fund along with due certification from the 'scrutinizer' in terms of Rule 20 (3) (ix) of Companies (Management and Administration) Rules, 2014 and any future amendment/s to the said Rules thereof. SBIFML takes Proxy Voting very seriously as it is considered an important engagement tool for the AMC.

In FY24, SBIFML Voted on 5,116 individual resolutions, out of which, 4,780 resolutions were voted in favour and 336 were voted against. None of the resolutions were abstained.

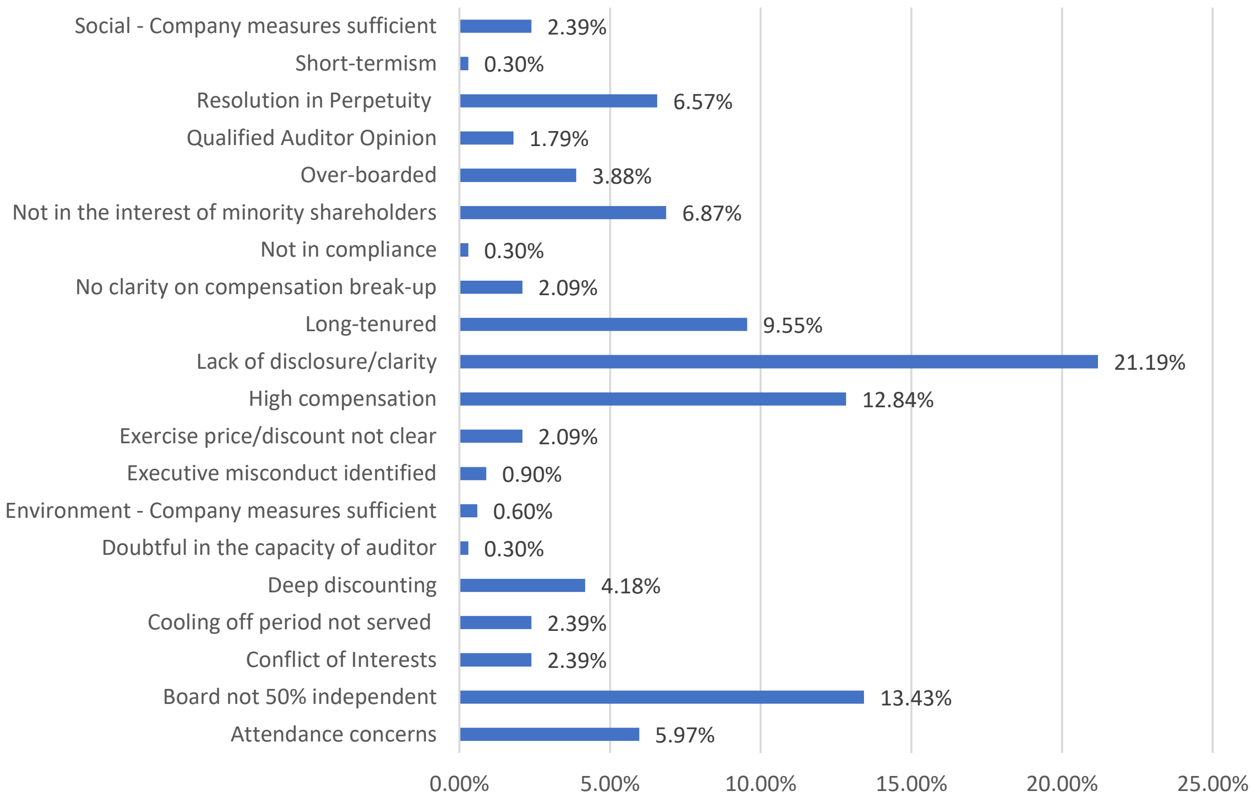
Table 3: Summary of Votes cast during the Financial Year 2023-24 (Mutual Fund level)					
F.Y.	Quarter	Total no. of resolutions	Break-up of Vote decision		
			For	Against	Abstained
2023-24	Quarter 1 - April to June	722	658	64	0
2023-24	Quarter 2 - July to September	3545	3347	198	0
2023-24	Quarter 3 - October to December	348	313	35	0
2023-24	Quarter 4 - January to March	501	462	39	0

Out of the 336 against votes, 39.7% were related to appointment and re-appointment of Independent Directors, Non-executive Directors or Promoter Directors. 12% resolutions were related to approvals of related party transactions and 12% for ESOP/RSU schemes. 11% were singularly related to approval of director compensation and 4.5% were combined resolutions of director re-appointment and compensation. Rest of the against votes for adoption of accounts, amendments in articles of associations, auditor appointment, charitable contributions in excess of limits etc. formed 1-3% each of the against votes casted in FY24. These have been voted against since the premise did not fit within SBIFML's broad proxy voting framework and generally accepted good governance practices.

Table 4: Types of Resolutions Voted Against	
Type of resolutions	Percentage of resolutions voted against in each type
Director re-appointment	25.07%
Director appointment	14.63%
Related Party Transaction approval	11.94%
ESOP approval	11.64%
Director Compensation	11.04%
Director re-appointment & Compensation	4.48%
Director appointment & Compensation	3.28%
Shareholder resolution	3.28%
Auditor re-appointment	2.69%
Loan Approval	2.39%
Adoption of Accounts	1.79%
AoA amendment	1.79%
Office of Profit appointment	1.79%
Investment Approval	1.49%
Redesignation	1.19%
Auditor appointment	0.90%
Issuance of equity	0.60%

Of the 336 against votes casted by SBIFML in FY24, 21.19% were voted against because of lack of sufficient disclosure or clarity in the resolutions, 13.43% against appointment/re-appointment of promoter directors where boards were not 50% independent in numbers or in spirit. 12.84% were voted against due to very high proposed compensation and 9.55% were against long tenured independent directors. 6.87% resolutions were not found in favour with minority shareholder interests in general, 6.57% were voted against as the resolutions were not tenured and were valid for perpetuity. Rest were rejected due to attendance concerns, qualified auditor opinions, over-boarded directors, auditor independence concerns, audit quality, executive misconduct, etc. These details ae available in the graph below:

Graph 4: Reasons for Against Votes in FY24



While voting "against" resolutions is traditionally seen as a way of exercising the minority shareholders' rights when they do not agree with board decisions or wish to send a clear signal to the companies to improve their performance, at SBIFML, we believe that more than voting "against" alone, engagement and clarification with the companies at the time of voting, helps to create more immediate impact. This is why SBIFML engages with companies when the resolutions proposed by them are not in line with SBIFML's broad proxy voting framework. With such engagement, the AMC has been able to get numerous resolutions corrected and changed while helping companies in realising the investors expectations around governance.

In FY24, SBIFML engaged with companies for 119 resolutions where the resolutions did not seem aligned to SBIFML's understanding of good governance. However, the companies responded to the AMC's questions and either corrected or made commitments to bring about critical changes. SBIFML keeps track of such commitments for accountability and keeps engaging with companies to guide them further with their ESG journey. The following table provides the types of resolutions which were voted in favour after rigorous engagement with the companies, which either led to greater clarity and understanding about the resolution, helping SBIFML to use its vote judiciously, or helped the company to make the required changes so as to change the resolution or the governance practice itself. In both the cases, we found that companies highly appreciated the engagement and forged a long-term relationship with the AMC for continued engagement. We also find that companies now pro-actively reach out to the AMC to seek guidance and discuss investors' opinions and expectations from upcoming policy changes that may require shareholder approvals.

Table 5: Types of Resolutions Voted in Favour with Engagement	
Director re-appointment	44.54%
Director appointment	21.01%
Director re-appointment & Compensation	13.45%
ESOP approval	6.72%
Director Compensation	4.20%
Director appointment & Compensation	2.52%
Loan Approval	2.52%
Office of Profit appointment	2.52%
Adoption of Accounts	0.84%
AoA amendment	0.84%
Charitable Contributions	0.84%

Most of the engagement was carried out when Director Re-appointments and appointments were being proposed, especially where boards are not 50% independent in numbers and in spirit. SBIFML follows the Kotak Committee Guidelines in this respect and expects boards to be 50% independent. Similarly, there were high number of engagements carried out where proposed compensations did not have clarity on the ESOP exercise prices or performance parameters for granting/vesting of ESOPs. Various companies wrote back to the AMC with a commitment to improve board constitution in this direction, which is when the AMC decided to vote in favour. We expect such engagements to bring in more collaborative changes in the corporate governance practices in the country.

Stewardship Reporting of SBI ESG Exclusionary Strategy Fund

SEBI had circulated a Consultation Paper on ESG Disclosures, Rating and Investing in Feb 2023[4] which advocated for a separate section on Stewardship Activities performed under the ESG Fund. Post this SEBI, under its circular no. SEBI/HO/IMD/IMD-I –PoD1/P/CIR/2023/125 dated July 20, 2023[5], mandated the ESG Funds to provide the fund manager's commentary highlighting the stewardship initiatives under the fund. The stewardship activities carried out under the SBI ESG Exclusionary Strategy Fund in 2023-24 are included in this section of the Stewardship Report.

Corporate Engagements:

In FY24, SBIFML engaged with 17 companies under the ESG Fund on ESG issues. These engagements are summarised in case studies as follows:

S.No.	Nature of Business	Engagement Case Study	Topic of Engagement
1	Banking Company 1	In 2022, RBI had come out with a consultation paper on climate related disclosures. Again, in 2024 RBI has come out with a consultation paper on climate related stress testing on all banks' portfolios. There are two types of disclosure requirements, baseline and enhanced. With respect to baseline data large banks can easily comply, as it required to lay out their current exposure to sectors with high risk of getting impacted by climate change, which is a stock taking and reporting exercise, but it may be difficult for the smaller banks to comply. However, in enhanced disclosure only better prepared banks will be able to disclose as these are specific and nuanced. The company has taken 60 years' worth of metrological data from Government of India and have done a mapping of their exposure to climate related activities, based on their rural, SME and retail loan portfolios too. As part of their decarbonisation efforts to reduce scope 3 emissions, the bank will downsize their coal based and thermal power-based exposure, but clarity regarding these targets is yet to be disclosed.	Decarbonisation
2	NBFC	SBIFML's ESG team met with senior management of the company to understand its electric vehicle financing footprint and the financing of used vehicles that do not meet the new BSVI emission norms mandated by the government. The company is actively promoting environmental initiatives by supporting EVs and aims to increase annual EV loan disbursements. Additionally, the company has entered the micro-business financing sector within Renewable Energy, collaborating with companies but with limited funding capacity. The company has a	ESG Initiatives

[4] https://www.sebi.gov.in/reports-and-statistics/reports/feb-2023/consultation-paper-on-esg-disclosures-ratings-and-investing_68193.html
[5] https://www.sebi.gov.in/legal/circulars/jul-2023/new-category-of-mutual-fund-schemes-for-environmental-social-and-governance-esg-investing-and-related-disclosures-by-mutual-funds_74186.html

		strong focus on financial inclusion, especially in Tier III+ cities, serving transport entrepreneurs and first-time buyers. Its portfolio primarily includes used vehicles, including EVs, contributing to vehicle recycling. The stricter emission norms are naturally phasing out older vehicles. The company also monitors rainfall monthly at the district level and has robust climate change mitigation measures that have had a negligible impact on its loan books. Furthermore, the company provides MSMEs with working capital funding and employs rigorous due diligence, including spousal ownership involvement, to ensure repayment. Committed to gender diversity, the company strives to hire more women across various business roles, with women already present in the credit department and back offices.	
3	Micro Finance	SBIFML's team met with one of the largest microfinance companies in the country, focusing on ground-level lending activities, climate change risks on the lending portfolio, and high employee attrition. Over the years, microfinancing in India has grown significantly, uplifting a large number of women, especially in tier-2 and tier-3 cities. Inspired by the success of the Joint Liability Group (JLG) model in Bangladesh, NGOs in India adopted this approach. Traditional money lenders charged high interest rates, and conventional banks were reluctant to finance these borrowers due to limited credit histories. The company capitalized on these underserved opportunities, becoming a pioneer in the microfinance sector. Its loan book primarily supports agriculture and small businesses. The JLG model has enabled the company to maintain the lowest NPA among its peers, thanks to social pressure and mutual accountability within the groups. In 2018, floods across five states impacted the company's margins, highlighting the integration of climate change risks into credit risk assessments. Historical climate-related events are factored into the assessment of Expected Credit Loss (ECL). The company experienced increased employee turnover in FY23, as graduates often leave for higher-paying jobs and competitors frequently poach employees. Additionally, the company has struggled with high attrition rates among women, due to the demanding nature of the job, which involves extensive travel to remote areas and long working hours, making it less suitable for many female employees.	ESG initiatives
4	Automotive company 1	The engagement with the company primarily focused on its decarbonization efforts. The company has made significant strides in reducing carbon emissions across its automotive and farm equipment sectors during the manufacturing phase. While vehicle emissions have been cut by almost 50%, emissions from tractors have seen comparatively smaller improvements due to fewer	Decarbonisation

		renewable energy projects implemented at the northern region farm equipment manufacturing facility. The company has set aggressive targets for renewable energy consumption and reducing Scope 1 and 2 emissions. Additionally, it has a carbon neutrality target approved by SBTi in 2019, aligned with keeping global temperature rise well below 2 degrees Celsius. In the future, the company plans to adjust its short-term and long-term targets to align with a 1.5-degree trajectory. In the automotive sector, the major carbon footprint lies in Scope 3 emissions, which exceed those of Scope 1 and 2 combined. To address this, the company plans to adopt strategies to reduce Scope 3 emissions, including the procurement of green steel and aluminium, which will reduce vehicle weight and associated lifecycle tailpipe emissions. Additionally, the company aims to transition to electric vehicles from the current internal combustion engine mix. The government has recently mandated 20% ethanol blending starting from 2023, and the company is well-prepared to comply, as all upcoming vehicles are designed to support 20% ethanol blending.	
5	Asset Management	SBIFML's ESG team engaged with the AMC as its ESG Rating on one of the global ERP's framework was downgraded. The Asset Management Company in question informed SBIFML that the downgrade had prompted increased attention to ESG initiatives, although the focus in India remains largely financial. In the AMC, ESG efforts are seen as integral to stewardship and pushing companies towards better practices, with significant stewardship activities. Despite high costs and low inherent enthusiasm for measures like UNPRI and BRSR certification, the AMC has committed to these standards, with their first UNPRI report due in 2024 and a new ESG analyst hired. CSR activities include their Cancer Cure Fund, where investor contributions support cancer treatment for the underprivileged, and specific programs which promotes financial literacy among police officers' wives. Other initiatives include programs focusing on environmental efforts such as sapling planting and plastic waste repurposing. The AMC allocates INR 20-25 Crore annually to these activities and has donated INR 180 Cr to the Indian Cancer Society.	ESG initiatives
6	Metals	SBIFM met with the senior management of the company to discuss its long-term environmental targets and understand the implications of the EU Carbon Border Adjustment Mechanism (CBAM) on its financials and risk mitigation strategies. The company is significantly focusing on recycling aluminium in its domestic operations and is establishing supply chains for procuring aluminium scrap. Its American subsidiary is one of the largest aluminium recyclers globally. Additionally, the	Decarbonisation

		company plans to start copper recycling, which is essential for the country's decarbonization goals and a critical component in electric vehicles. The company has set ambitious targets for reducing its carbon emissions by switching to renewable energy. It has signed a Power Purchase Agreement (PPA) with one of India's largest renewable energy developers. Since battery storage is not economically viable for the company, it will adopt pumped hydro storage. Currently, the EU Emission Trading Scheme (ETS) benchmark value for aluminium is 1.514 Tco2e/T, and the major financial impact for aluminium companies will materialize by 2032. However, the company's footprint in the EU is small, making the CBAM impact negligible. Furthermore, the company plans to increase its internal carbon pricing in the coming years.	
7	Tiles and Ceramics	The company now procures glaze domestically across India, ending previous import practices. The tile manufacturing process involves mixing various clays, primarily sourced from Rajasthan, which are ground, sprayed, dried, pressed, and then either glazed or polished before being fired in a kiln. Feldspar constitutes a significant portion of glazed vitrified tiles, while ceramic tiles contain more clays. The company sources clays through traders, who ensure the legality and proper royalty payments. As per the company, there is no illegal mining in the clay industry, unlike the sand industry. In specific plants like Gailpore and Secunderabad, the company is transitioning from natural gas to biofuel, specifically mustard husk, for cost efficiency and sustainability. Kilns, requiring higher temperatures, still rely on gas, while biofuel is used in the spray drying process. The company also employs solar energy with a limited yield and emphasizes water reuse despite the water-intensive nature of tile manufacturing. Additionally, tile waste is either reused or partially discarded post-firing.	Environmental
8	Automotive company 2	SBIFM had noticed that the effective independence of the auto company's board was less than 50%. During an engagement on proxy voting, where the company had proposed the re-appointment of a Promoter Director, SBIMF had raised the query of less than 50% effective independence on the board. As per SBIFM internal framework, if IDs are long tenured, over boarded or associated with the group companies, then they are not considered independent in effect. SBIFM engaged with senior management of the company and relayed its concerns. The company took note of the concerns and discussed the independence issue with the board. Within two months, the company came up with resolutions related to appointments of two new independent	Governance

		directors on the Board. The company today has 50% independence in effect.	
9	Online Fashion Retail	The company boasts one of the highest rates of female representation across its workforce and a significant presence on its board, focusing on improving its social and environmental footprint to align with the best industry practices. Operating on a sustainable inventory-based model, it prioritizes authenticity and customer satisfaction to minimize return rates, with its cosmetics division having low return rates due to stringent policies, while its fashion expansion faces slightly higher return rates typical of the apparel sector. Committed to sustainability, the company uses recyclable materials for packaging and is gradually reducing plastic usage through targeted initiatives. Its multi-retailer platform offers a separate category for conscious products that are vegan certified and cruelty-free, meeting 6-7 internal parameters for sustainable certification. Brands must obtain certificates from authorized sources to prove authenticity, raising awareness about planet-friendly products. In our engagement with the company, we learned of their plans to expand into Tier 2 and Tier 3 cities, increasing their reach and creating employment opportunities. The company fosters equal opportunities for new-age brands, promoting innovation and diversity in its product lineup. Collaborations with manufacturing partners ensure adherence to quality standards, while future efforts will focus on enhancing energy efficiency and adopting renewable energy	Social
10	Entertainment and Broadcasting	The company's energy consumption numbers show significant differences between FY22 and FY23 due to various factors including the reopening of cinemas post-COVID and the inclusion of the data of the recently merged company. They are adopting energy conservation measures such as switching projectors to laser, installing LED lights, and utilizing building mapping systems. The energy consumption is expected to increase with the rise in the number of shows and footfalls. For green buildings, one of the major theatres in Mumbai is certified, with ongoing efforts to certify units in Baroda and Pune, and renewable energy initiatives are underway in Maharashtra. Despite challenges in increasing gender diversity due to infrastructure issues, the company has initiated a DE&I policy and started recruiting differently abled individuals and people of all genders. Their app now highlights cinemas with accessibility features for the disabled, and 66% of cinemas are accessible. In FY23, 47 POSH complaints were filed. While SBIFM showed concern on this number, the company was confident that there are numerous ongoing efforts to improve in this regard. The company is introducing healthier food options	ESG Initiatives

		in response to increasing health consciousness. They are using Wolf Air devices to improve indoor air quality and ensure thorough cleaning and sanitization. The company refuted the allegations of favoritism towards bigger producers, with the company emphasizing their regional cinema support and implementing measures to prevent piracy. In another engagement with the company, SBIFM pushed the company to correct two of its resolutions on independent directors associated for a long period with the group, and to have a tenure specified for the appointment of the NEDs. The company changed both the resolutions and was voted in favour.	
11	Banking 2	SBIFM met with the senior management to discuss the bank's ESG strategies. The bank incorporates ESG criteria in assessing both existing and prospective borrowers in India. Guided by its ESG and Climate Finance Unit, the bank uses a framework to rate borrowers, ensuring they meet a minimum ESG score threshold before lending. An internal team evaluates proposals based on carbon footprint and overall societal impact. If a borrower's ESG score falls below the threshold, the bank does not extend credit. In alignment with RBI's climate risk disclosure requirements, the bank has finalized a Request for Proposal (RFP) to hire a consultant for measuring the carbon footprint of its lending portfolio. Since FY19, the bank has been issuing sustainability-linked bonds in foreign currency denominations and has successfully issued social-linked bonds. Additionally, the bank has been actively lending in green segments under government schemes, providing incentives to borrowers who achieve the required targets.	ESG initiatives
12	Auto Ancillary	The company is a significant auto ancillary player in the electric vehicle (EV) segment and is charting a sustainable path by notably increasing its revenue share from Battery Electric Vehicles (BEVs). With a focus on capturing the USA market and fostering growth in India, particularly in the 2-wheeler EV segment, the company is diversifying its product portfolio to include offerings for passenger vehicles, buses, and the Light Commercial Vehicle (LCV) segment. Collaborating with a UK-based partner, the company plans to supply EV components for buses by 2026. Reflecting global ESG trends, the company's customers are increasingly scrutinizing supply chain practices, with audits now incorporating ESG parameters alongside traditional assessments, aligning with their goal to manufacture motors domestically in India and supply controllers to OEMs bidding for EV buses. Post-engagement, we recognized that if subsidies are withdrawn, demand may temporarily slow down and	Decarbonisation

		markets will experience softer cycles, but in the long term, the electrification theme will persist. Proactively addressing sustainability concerns, the company is undertaking initiatives such as Scope 3 emissions mapping and increasing solar energy capacity. Process modifications, like adjusting furnace inputs to reduce emissions further, are also planned. They prioritize green procurement, favouring recycled materials and urging vendors to adopt eco-friendly practices. While striving for sustainability, the company remains committed to occupational safety, holding ISO 45001 certification across all manufacturing facilities. Despite occasional labour disputes, primarily driven by salary negotiations rather than work environment concerns, the company maintains a focus on constructive labour relations amidst market demands and inflationary pressure	
13	Information Technology company 1	The company is a global IT services provider which has made a robust commitment to sustainability and ESG practices, positioning itself as a responsible corporate citizen. On engagement, with the company we observe that the company has set ambitious targets, including achieving net-zero emissions and reducing emissions significantly as compared to baseline year. Leveraging technology for energy optimization, the company invests in innovative projects to reduce electricity consumption and emissions, achieving significant energy savings and carbon neutrality across its operations. The company invested in various energy projects in India, with their main roles being optimizing energy consumption across data centres. Despite industry challenges, such as high attrition rates exacerbated by external factors like the COVID-19 pandemic, the company remains resilient through strategic hiring practices and autonomous operational units focused on talent development and retention. Addressing gender diversity, the company acknowledges the need for greater representation of women in leadership roles and implements internal promotion strategies to nurture female talent. The company acknowledged facing controversies surrounding preferential hiring of contractors. However, the company conducted internal inquiries, took corrective actions, and now ensures to maintain transparency in its operations. Furthermore, the company prioritizes ethical artificial intelligence (AI) development to mitigate risks associated with generative AI technologies, emphasizing ethical and constitutional principles in AI frameworks.	Environmental and Social
14	Information Technology company 2	The company's ESG efforts are now integral to their operations, influenced by client demands for ESG-compliant vendors. The company aims to be carbon neutral, focusing on its 90 global offices, including leased spaces, presenting challenges in achieving water and	Environmental and Social

		carbon neutrality. Employee attrition peaked at 23.5% in FY22 due to COVID-19 but has since decreased to the low teens through comprehensive employee engagement and well-being initiatives, along with out-of-turn incentives. To reduce reliance on costly lateral hires, the company plans to recruit and train freshers, creating a consistent junior talent pool and reducing mid-senior management costs. Gender diversity stands at 34%, with targets of 35-36% and initiatives to nurture senior female leadership. Recently launched ESG and sustainability services, are part of all new projects, primarily appealing to European and American clients. The company is also exploring electric vehicle technology, collaborating with the group auto company on proof-of-concept projects. Generative AI is used to enhance coder productivity, despite challenges such as data security and content validation. The post-COVID work model is largely hybrid, with BPO employees mostly on-site and IT staff working based on client preferences, maintaining leased offices in tier 2 cities for flexibility.	
15	Engineering	The company is strategically positioning itself to become a leading player in the development of a green technology ecosystem, highlighting its dedication to environmental sustainability. Its long-term vision involves transitioning into a key player in energy transition, with a particular focus on renewable energy, which is considered a mature, well-understood, and proven pathway toward decarbonization. The company views the renewable energy segment positively and aims to develop and implement renewable energy (RE) projects, primarily solar wind hybrid projects, in the Western and Southern regions of the country. Although the company has not yet integrated Round the clock power, pumped storage, or battery solutions into such projects, these technologies are on the company's technology roadmap. Following the recent budget, the government has underscored its support for bio-CNG by allocating specific subsidies for players entering the bio-CNG segment. Accordingly, the company plans to establish bio-CNG plants across the country as per the requirements of its clients. Moreover, the government is actively promoting green hydrogen and aspires to become a net exporter of green hydrogen, having announced a green hydrogen mission recently. In line with this initiative, the company is exploring opportunities in the green hydrogen sector.	Decarbonisation
16	Jewellery and Accessories	SBIFM was given the opportunity to participate in the Materiality Survey. A stakeholder materiality survey is a tool used by organizations to identify and prioritize the ESG issues that matter most to their stakeholders, including employees, customers, investors, suppliers, and community members. By this exercise, SBIFM helped the	ESG initiatives

		company by providing inputs on various ESG topics, to prioritize these issues based on their importance and impact. The insights gained help shape the company's ESG strategy, improve sustainability reporting, enhance stakeholder engagement, and manage risks more effectively, ensuring that the organization's efforts align with stakeholder expectations and priorities.	
17	Cement	The company, one of the largest cement producers in the country and also the largest carbon emitter among its peers, is not only included in ESG Exclusionary Strategy Fund but also in the CA100+ list. SBIFM's engagement aimed to discuss the progress of their decarbonization goals and gain clarity on strategies to achieve net-zero emissions. Despite being a major supplier of cement to government infrastructure projects, which typically demand Ordinary Portland Cement (OPC) with high carbon emissions due to its clinker content, the company is actively advocating for the adoption of blended cement to reduce emissions. While OPC volume has increased in absolute terms, its proportion in the total cement mix has decreased as the company shifts focus towards blended cement. Their carbon reduction targets have been verified by the Science-Based Targets Initiative (SBTi) until 2032, although SBTi no longer accepts targets set on trajectories below 2 degrees. The company is working to update its roadmaps to align with a 1.5-degree trajectory.	Decarbonisation

Voting done under the SBI ESG Exclusionary Strategy Fund:

In FY24, total resolutions voted on companies which were held in the ESG Exclusionary Strategy Fund were 457. Out of them 440 were voted in favour, and 17 were voted against. The votes casted against were mostly against director appointments and re-appointments since the boards were not 50% independent in effect, the directors were over-boarded or long tenured etc. Some shareholder resolutions companies listed on foreign exchanges were also voted against as SBIFM believed that the existing policies and disclosures of the company were sufficient. There were 11 resolutions where SBIFM engaged with the company to either receive more information, to get resolutions corrected or to get a written intent from the company towards improvement before voting in favour. The disclosures as well as the classification of the votes between "Environmental", "Social", or "Governance" will be available on SBIFM's website under Proxy Voting disclosures.

Table 6: Voting in SBI ESG Exclusionary Strategy Fund

	No of resolution	Percentage of resolutions
Total Resolutions	**457**	
Against Votes	**17**	**3.7%**
For Votes	**440**	**96.3%**
Engagement	**11**	**2.4%**

Annexure: Stewardship Case Studies

Case Study 1: Collaborative Engagement on Governance with one of the Largest Conglomerate Groups in the country

Introduction:

In this case study, we highlight our engagement with one of the Indian multinational conglomerates. The group's business interests include metals, cement, fashion and retail, financial services, renewables, fibre, textiles, chemicals, real estate, trading, mining, and entertainment. The group has 7 listed entities. They had been facing troubles in many companies related to proxy voting. Many of the boards of these listed companies were independent in letter but not considered independent in spirit, due to various issues like long tenured independent directors, association of independent directors with other group companies, having ex-employees on board, lack of proper attendance of promoters etc. The aim of the engagement was to have a dialogue between investors and the companies to set clear expectations between the two groups and learn from each other.

Engagement Process:

This collaborative engagement was called upon by the group investor relations function with 5 investor organisations to have a dialogue with the representatives, especially compliance functions on governance. Investors used to have separate discussions with IR and compliance functions of every listed entity under the group at the time of proxy voting. This engagement provided a forum for investors and companies to discuss expectations at the same place so that the evolving standards of governance could be impressed upon companies. The general sense was to push companies beyond mere compliance to best practices.

Conclusion:

The discussions delved on company specific issues related to board independence, attendance and presence of ex-officials on the board to broader group level issues like presence of directors across the boards of group companies, without a separation of 3 years (cooling period). It also delved into concerns related to possible conflict of interest situations where independent directors belong to firms that have provided services to companies/group companies in the past. It was discussed that the role of proxy voting advisors has evolved in the country and investors are paying more heed to their recommendations. Companies on the other hand found these agencies more idealistic and the expectations more unrealistic. While one meeting was not enough to conclude the broader discussion, this started a conversation around best practices in governance. The group IR function will continue to organise such engagements every year.

Case study 2: Understanding ESG initiatives of a Green Chemicals Company

Introduction:

The case study delves into our engagement with a green chemicals company that aspires to create a niche in the chemical industry through its commitment to sustainability, good governance, and innovative production practices. This case study explores the company’s journey, highlighting its strategic focus on environmentally friendly products, robust governance structures, and innovative production methods.

Engagement Discussions:

From its inception, the company prioritized sustainability, with 99% of its products being effluent-free, significantly reducing Biochemical Oxygen Demand (BOD), Chemical Oxygen Demand (COD), and Total Dissolved Solids (TDS) in effluents. The company's strategy to differentiate its products in a competitive market was driven by its commitment to environmental responsibility. The company's R&D head who has been with the company for over two decades, focuses on continuous improvement of existing products rather than inventing new ones. This approach was necessitated by financial constraints and the market's lack of new molecule discoveries. Their products, developed in collaboration with IIT Mumbai, aim to reduce energy and resource consumption, thereby lowering costs and environmental impact. Initially offering in-house testing services to validate product efficacy, the company quickly became known as a solutions provider. This customer-oriented approach enabled the company to identify and address specific customer problems, fostering innovation and trust in their sustainable products. The company's growth trajectory from INR 2-3 crore in annual sales in 2003-04, with a consistent 40-50% growth rate, was underpinned by strong governance practices. Learning from their main banker, the company implemented stringent governance measures like independent board and zero-tolerance to non-compliance.

The company's production facilities, notably the Dahej factory, operate with high efficiency, adhering to conservative debt practices by capping debt at twice their earnings for sustainable growth. The company is shifting towards concentrated product formulations to reduce transport costs, packaging needs, and water consumption, while their Dahej and Silvassa plants feature solar rooftop installations, contributing to a 5% cost reduction through combined steam procurement. The company holds certifications like GOTS, EcoVadis, and SEDEX, and complies with environmental standards such as EU Reach and EPA, with most plants certified under ISO45001 and plans to extend this to all facilities. The company's product innovation includes replacing acetic acid with a blend of organic acids to lower BOD and COD without cost increases or process changes, and developing biosurfactants as sustainable alternatives to traditional surfactants, anticipating cost reductions with increased volumes and market demand from multinational corporations aiming to remove harmful chemicals by 2030. The company's diverse product segments, including agro and home personal care, institutional cleaning chemicals, and bio-surfactants, position it for significant growth, with its subsidiary, targeting eco-friendly cleaning solutions for institutional use and planning expansion into the US market. Demand for bio-surfactants is growing in the US and EU, and the company is investing in technology and capacity to make them a major revenue contributor in the future.

Conclusion:

The company's strategic focus on sustainability, governance, and innovation has the potential to provide it opportunities to service companies with aggressive sustainability targets with its first mover advantage. The company appears well-equipped to capitalize on emerging market opportunities and drive sustainable growth.

Case Study 3: Understanding the Preparedness of a Steelmaker for EU CBAM Compliance

Introduction:

We engaged with a major steel company to understand the implications of the Carbon Border Adjustment Mechanism (CBAM) on its operations and the specific measures being taken to transition to greener steel production. This engagement aimed to assess the actionable steps planned in the run up to 2026, the role of government support, and the impact of international carbon taxes.

Engagement Discussions:

The company views the Carbon Border Adjustment Mechanism (CBAM) positively as it aligns with their Environmental, Social, and Governance (ESG) goals and incentivizes greener steel production while providing a level playing field in Europe, where carbon taxes have been in place for some time. Although the company's Indian operations have not exported significant quantities to the EU, focusing primarily on domestic markets and neighbouring countries, its European operations, particularly in the Netherlands, are more directly affected by CBAM.

In the Netherlands, the company expects CBAM to significantly impact prices, with carbon costs potentially reaching 100-130 EUR/ton of CO2. Marginal EU steel producers emit approximately 2.05 times CO2 per ton of crude steel, and even with efficiency improvements, emissions would be around 1.84tCO2/tcs. With free allowances set close to 1.5 times, carbon prices (currently 80-90 EUR/tCO2) are projected to rise, benefiting domestic producers and incentivizing emission reductions. Free allowances will gradually phase out from 2026 to 2035, increasing the financial burden on higher-emitting producers.

Given the capital-intensive nature of steel production, government support is crucial for the transition to lower emissions. The company is in continuous discussions with governments to secure support for carbon capture, utilization, and storage (CCUS) and other decarbonization technologies. They anticipate receiving conditional and time-bound support for energy, capital grants, and other resources necessary for the transition. This support is essential for mitigating the costs associated with the shift from high-emission processes to greener alternatives.

For the company's Netherlands operations, which are profitable and poised to benefit from CBAM, the transition involves managing the reline of blast furnaces and exploring alternatives until full transition plans are implemented. In the UK, ongoing discussions with the government are expected to yield similar support for transitioning. The company is monitoring potential retaliatory measures, such as carbon taxes in other countries, which could affect its exports to various geographies. They emphasize that developing economies, like India, require flexibility to meet their developmental needs without the immediate imposition of high carbon taxes, which could hinder infrastructure projects. The company's strategy includes gradually reducing emissions and adopting greener technologies, but they recognize the need for a balanced approach to avoid inflationary pressure.

The transition to green hydrogen is seen as a long-term goal, likely to take 7-8 years. The company's operations in the UK and Netherlands already face high costs due to existing carbon taxes. In India, power requirements are still largely met through fossil fuels, but efforts are underway to reduce reliance on these sources. The company has partnered with a power provider to secure 400 MW of green power capacity, though challenges remain in scaling hydrogen use for steel production due to cost and logistical issues. The company remains committed to reducing its carbon footprint and transitioning to greener steel production through strategic government partnerships and proactive measures.

Conclusion:

The company is committed to reducing its carbon footprint and transitioning to greener steel production through strategic government partnerships and proactive measures. While challenges remain, particularly in balancing costs and technological feasibility, the company's engagement with regulatory bodies and focus on sustainability position it well to navigate the evolving landscape of carbon regulations and achieve long-term ESG objectives.

Case Study 4: Understanding the ESG initiatives of a Healthcare Company

Introduction:

The ESG team engaged with the Head of ESG, Head of Strategy, and Investor Relations of the company to review and discuss their environmental, social, and governance (ESG) practices. The meeting aimed to assess the company's current performance and identify areas for improvement, particularly in comparison to industry peers.

Engagement Discussions:

The company's energy intensity is higher than its peers but has improved year-on-year. Differences in business models, such as peers generating significant revenue from less energy-intensive operations like pharmacy sales, might explain this disparity. To better manage energy usage, the company is analyzing per-bed carbon emissions, water consumption, and energy consumption, which will guide future sustainability strategies. In water consumption, the company has outperformed peers by significantly reducing usage through proactive recycling and reuse initiatives.

Employee attrition rates are high, particularly among female staff, aligning with industry norms but notably higher among nurses, who comprise 60-70% of the workforce. Nurses often leave for better opportunities abroad after receiving extensive training in high-precision departments like ICUs and cancer wards. Additionally, many female employees leave post-marriage. Conversely, turnover rates among non-nursing staff are low. Workplace injuries, predominantly needle-stick injuries among nursing staff, pose a risk of communicable diseases. The company ensures annual preventive shots and immediate medical attention for affected staff. Despite 190+ incidents per year, the relative incidence rate is low given the high volume of daily injections administered. The company also faces numerous consumer complaints, mainly about waiting times for doctor consultations in outpatient departments (OPD) and hospital food quality. Investigations revealed many food complaints stem from patients' altered taste due to medication. To address these issues, anonymous feedback mechanisms have been introduced to encourage reporting and resolution of concerns.

Governance practices have improved, but challenges remain, particularly in data privacy and board composition. The company lacks ISO 27001 certification but is exploring obtaining it to enhance data protection. In response to media reports on pricing and billing issues, the company has enhanced billing transparency by providing detailed itemized bills at various stages: pre-procedure estimates, mid-procedure updates, and final billing. This has improved transparency and patient trust. The board does not have 50% independent directors, and while the company values the presence of new promoters (IHH) on the board, they have not committed to adding more independent directors as suggested.

Conclusion: The company has made notable strides in its environmental and social initiatives but still faces challenges in governance and data privacy. The absence of ISO 27001 certification for data privacy and a less-than-50% independent board are areas needing attention. Despite these challenges, the company has improved billing transparency and continues to refine its ESG practices. Ongoing engagement and support will be crucial to foster further advancements in their ESG performance.

Case Study 5: Engagement with a Cement player on Decarbonisation Strategy

Introduction:

SBIFM engaged with one of the largest cement companies in the Eastern region of India which has a sizeable market share in the region. SBIFM met the company's senior management team to understand their decarbonization goals and challenges encountered by them to sustain their blending ratios. In the past, SBIFM has visited their plant to understand the different stages of manufacturing in cement, process emissions and ground realty of implementation of ESG strategies.

Net Zero Target and Blending:

Currently, the company has the best carbon emissions intensity among the peers, they are also the members of GCCA (Global Cement and Concrete Association). In the interim, solutions such as achieving higher blending ratios, alternative fuel resources and using waste heat recovery might achieve short term goals w.r.t reducing carbon intensity. The company is constantly improving its clinker ratio since its IPO in 2020 and has one of the highest blending of slag in the cement mix. One of the reasons for high blending is due to its long-term contract, with the country's largest steel provider which ensures steady supply of slag. The company is also venturing into LC3 (Limestone Clay Calcined Cement) which will increase their blended cement, this will lead to more substitution of OPC based cement. The emissions from manufacturing LC3 are lesser as compared to OPC due to lesser consumption of clinker and energy. Further, it will enable the company to have a stability in the blending ratio since the consumption of fly ash and slag is at its peak in multiple areas which put some pressure on the cost economics of blending.

In India, cement companies supply OPC for multiple government contracts especially for infrastructure projects. Since this company supplies lesser quantity of cement to government, it does not have a large footprint of OPC cement. The company is also increasing their renewable energy consumption and capacity. As of 2023, the mix of green energy is 20% with a capacity of 1.5 MW capacity of solar and they are aiming to have 37 MW Solar power by FY 25.

Conclusion:

Our engagement with the company, helped us gain more clarity regarding the company's decarbonisation efforts and certain nuances and challenges encountered for achieving higher blending ratios. Further, it helped the company to understand our perception as an investor about the ESG profile about the company.

Case study 6: Encouraging ESG disclosures for the largest fast-food chain in the country

Introduction:

In this case study, we focused our engagement with the fast-food chain company to gain clarity regarding the various health trends ongoing in the country and to understand how the company is striving towards food innovation in developing food which is low in calories. Additionally, we encouraged the company to disclose more ESG related information and to get material certifications for the company.

Engagement:

In recent times, the conversation regarding food safety and healthy lifestyle has increased manifold. The company works with top 2-3 suppliers for poultry who have strict standards and are highly organized players and they assess the suppliers w.r.t Hazard safety points and Bio security, which involves nutritious feeding to chicken and ensure that no adulteration or improper feeding happens. Further, most of their raw material are sustainably sourced, where vendors have certifications relating to RSPO (Roundtable on Sustainable Palm Oil), FSC, marine stewardship certificate (with respect to overfishing), etc.

Healthy Lifestyle:

As frequency of eating out increases, people start to explore healthier options. This is more evident in metro cities as compared to tier-2 cities. Further, in tier-2 cities, people come with their families for indulgence, whereas in metro cities, people will be exploring healthier alternatives. Health consciousness is increasing in the age group of 30-40 years. The company will also launch products related to mock meat to capture the vegan market, once they adequate demand.

Landscape study:

In order to improve the ESG disclosures and ratings of the company, we prepared a comprehensive landscape study. This study involved identifying material ESG issues faced by the company in the hotel and restaurants industry. We highlighted how these material issues could affect the company's operation and how addressing them will help in long term value creation. In addition, we also conducted an extensive study on their national and international peers and highlighted how they incorporated best practices in their operations.

Appreciation:

The company appreciated our efforts in providing them with insightful input. They will be publishing an integrated report in the coming financial year. Our continued efforts with the company served as a catalyst for encouraging them to move in the right direction.

Conclusion:

Our engagement with the fast-food company, as an active owner, demonstrated our commitment to fostering better ESG practices and disclosures. The landscape document helped the company to better understand the right steps to be taken for further enhancement in their ESG journey. We continue to foster our relationship with the company in case of further efforts required.

Case study 7: Landscape Study for One of India's largest hotel chains in the mid-priced hotel

Introduction:

The company is one of India's largest hotel chains in the mid-priced hotel and hospitality sector, operating in both the upscale and mid-market segments, consisting of the upper-midscale, midscale, and economy segments. We conducted an ESG engagement call with a company executive who leads the sustainability initiatives.

Engagement Discussion:

Our engagement commenced to understand the company's preparedness for reporting according to the BRSR (Business Responsibility and Sustainability Report) standards. The hospitality sector relies heavily on human capital, prompting us to explore the social initiatives undertaken by the company in the best interest of its employees.

The company has set ESG targets for FY 26, including social targets like increasing the female workforce and environmental initiatives like achieving 100% certified Green Building status and a 40% reduction in GHG emissions. As an energy-intensive business, it's actively working to increase its renewable energy portfolio to reduce reliance on traditional sources. Aligned with the national goal of reaching 30% Electric Vehicle (EV) penetration by 2030, the company aims to transition to a 100% EV fleet across operations by FY31. Despite the low participation of women in the workforce, the company employs 50% of its staff from the local community and significant employees from economically/socially marginalized backgrounds, making it one of the leading employers in this sector in terms of disability inclusion and support for vulnerable populations.

Materiality Analysis and Best Practices Document:

The company sought our assistance in understanding the best practices adopted by Indian and global peers regarding ESG and strategies for achieving Net Zero targets. Recognizing the significance of ESG factors in driving long-term value and risk management, we provided valuable guidance, leveraging our sustainability expertise and conducting extensive research on best practices adopted by national and international peers. To gain a comprehensive understanding of the firm's ESG priorities, we identified the most material ESG issues in accordance with SASB Standards relevant to the firm's operations and stakeholders' expectations. This analysis formed the basis for developing a robust ESG disclosure strategy. Acknowledging that ESG reporting standards are continuously evolving, we shared knowledge of the latest regulatory requirements and industry best practices, including recommendations on reporting frameworks, metrics, indicators, opportunities, risks, and threats specific to the hospitality sector.

Conclusion:

Our engagement with the company provided clarity regarding its efforts to align with industry best practices and the challenges it faces. Furthermore, it helped the company understand our perspective as investors regarding its ESG profile.