



Responsible Investment Policy

July 2024

Introduction

UTI International manages the offshore interests of UTI Asset Management Company (UTI AMC) as well as the global marketing of the firm's investment strategies. Our business comprises of two incorporated entities, one each in Guernsey and Singapore i.e. UTI International Ltd (Guernsey) and UTI International (Singapore) Pte Ltd respectively. This policy is applicable to both entities.

UTI AMC is one of India's largest money managers across Equities, Fixed Income and Alternative Assets. It is listed on both the National Stock Exchange (NSE) and the Mumbai Stock Exchange (BSE). UTI group currently has an AUM of USD 150.31 billion (as on Dec 31st 2020) and manages money for more than 11 million clients.

As a group, we believe that promoting good environmental, social and governance (ESG) standards in the companies we invest in, is an essential part of our ownership responsibilities. UTI International has been a signatory of the UN Principles for Responsible Investment (UN PRI) and the Singapore Stewardship Principle (SSP) since 2015 and 2020 respectively. UTI AMC became a signatory to UN PRI in 2020.

Our Approach

This policy has been approved by the Risk Committee of UTI International.

UTI AMC has developed its own Responsible Investment policy and has established a framework which comprehensively incorporates various ESG factors into the investment decision making process. It also leverages ESG ratings and scores of various investee companies provided by an external rating agency. Additionally, an ESG Coordinator has been appointed to ensure consistent adoption of the principles across the firm. Given the dynamic nature of ESG principles, the policy is expected to evolve over time in line with global developments.

UTI International relies entirely on its parent, UTI AMC for investment research and analysis and receives advice under an Advisory Agreement. This policy will shape and filter the investment advice issued by UTI AMC for the purposes of investment products managed by UTI International.

Compliance with this policy will be monitored by the Risk Committee and its findings will be presented to the Board of Directors of UTI International.

Stewardship

UTI is fundamentally committed to building long-term, sustainable businesses, which will grow, provide employment and generate economic benefit in an environmentally and socially responsible manner, both during and after UTI's ownership.

This Responsible Investment (RI) policy sets out how UTI International seeks to implement our stewardship responsibilities taking into consideration various factors related to the environment, society, and corporate governance.

As a client-centric asset manager, we are responsible, in our fiduciary capacity, to act in the best interests of our investors as a good steward for the assets our clients are entrusting us with. Together with our parent company, UTI AMC, we seek to be a positive force for change in India on all matters regarding Responsible investing. This is a shared value among all of our partners, employees and management and it is reflected in our practice and policy.

Our ownership activities are aimed at promoting sustained profitability and risk management in portfolio companies in order to protect shareholder value and deliver long term returns. We engage with investee companies and use our vote on several issues, including shareholder rights, board composition, remuneration and risk management.

We believe that the board of directors and senior management of investee companies are responsible for creating a sound corporate governance structure. We hold them accountable for overseeing the effectiveness of the company's governance of environmental, social and business ethics-related issues and risk, and protecting shareholder rights.

The process for identifying and prioritizing engagement activities is based on materiality. Topics that we may raise to our investee companies in our dialogue may include but not limited to matters like insufficient disclosures, non-compliance to regulations, performance parameters, governance issues, remuneration and composition of Board, leadership issues, litigation, corporate plans/ strategy, CSR and environment and society related matters. However, we recognize that we are likely to have an influence only on the smaller investee companies in which we hold significant stakes.

Screening

As a house, our approach is to kindle positive improvements in investee companies. While engagement and activism improve a company's ESG rating, we have decided to exclude the following companies from our investment universe:

1. Companies in the business of production, exploration, mining & processing of thermal coal.
2. Companies that generate more than 75% of their captive power using thermal coal.
3. Companies that derive more than 25% of their revenue from activities related to fossil fuels.
4. Companies that derive more than 20% of their revenue from Alcohol, Tobacco or Gambling.
5. Companies that are engaged in the manufacturing or distribution of controversial weapons, which includes :
 - Cluster bombs and munitions
 - Landmines
 - Chemical and biological weapons
 - Nuclear weapons
 - Depleted uranium
 - White phosphorous
 - Blinding laser weapons
 - Non-detectable fragments

6. Companies that have been found guilty of exploiting children for labour.
7. Companies that have been found guilty of the following in a persistent and systemic manner without any acceptable corrective actions taken and the issue is considered to be material in the context of the overall operations of the company.
 - Violating human rights
 - Environmental pollution
 - Corruption

Implementation Scope

A. Comprehensive Instrument Exclusion: When a company is identified for exclusion under our RI policy guidelines, all components of its capital structure, such as equity, bonds, and derivatives, come within the purview of this exclusion.

B. Scope Across Managed Assets: The RI policy exclusion is applicable to all assets under management, encompassing all funds wherein UTI International exercises full discretion for investment management. For Index funds and non-discretionary mandates, compliance with the specific investment objective would prevail over the RI policy.

C. Customized Investment Solutions: We acknowledge the global diversity in definitions of responsible investing. Our clients, with their distinct preferences, might seek to filter the investment universe based on their idiosyncratic responsible investing objectives. In these scenarios, UTI International remains committed to offering solutions that are tailored to each client's unique responsible investment aspirations.

Continuing Journey

This policy is an evolving statement of our commitment to the planet, the society and our investors. As such, this policy will be formally reviewed at least once a year if not sooner. We expect that this policy will progressively become more stringent and specific over time. The exclusion list in particular is expected to progressively apply a higher qualification hurdle.

As newer challenges emerge, this policy will be amended to reflect our stand on crucial issues. As India's leading money manager we intend to lead the narrative on responsible corporate behavior and influence the financial eco-system to direct capital to conscientious businesses.

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