

MARCELLUS INVESTMENT MANAGERS PRIVATE LIMITED

MARCELLUS RESPONSIBLE INVESTMENT POLICY

Table of contents

Contents

| | |
|--|---|
| I. Policy Objective..... | 2 |
| II. Responsible Investment Policy Framework | 2 |
| II a. Integration of ESG Factors in Investment Decisions | 2 |
| II b. Engagement and Voting | 3 |
| II c. Industry Wide Activities and Client communication | 4 |
| III. ESG Governance..... | 5 |
| Annexure 1 | 6 |

I. Policy Objective

At Marcellus Investment Managers Private Limited including its associates ("Marcellus"), our purpose is to make wealth creation simple and accessible by being trustworthy and transparent capital allocators. As an Investment Manager, our fiduciary responsibilities towards our clients include long-term wealth creation and risk mitigation, and towards the community at large including matters of social, governance and environmental factors. At Marcellus, as part of our fiduciary responsibility, it is our core belief that a business, run in best interests of all stakeholders seldom fails to create a lasting value for its investors. This responsibility can be best served, not by trying to maximise short-term profitability, but by ensuring optimisation of long-term return and risks.

Our belief is that a Responsible Investment (RI) approach is perhaps the best way to ensure longer term wealth creation for our clients. We expect the regulatory framework to evolve towards increasing transparency and increased efforts towards environmental sustainability. We expect many corporations to start reporting and go beyond their mandate to create positive value within the matrices of environment and society in which they operate. Marcellus actively encourages the integration of ESG criteria in the investment process.

Marcellus is a signatory to the Principle for Responsible Investment Initiative under the aegis of United Nations (UNPRI).

II. Responsible Investment Policy Framework

The Responsible Investment framework of Marcellus is focused on three main areas:

- **Integration of ESG Factors:** We seek to include material environmental, social and corporate governance (ESG) factors within the investment decision making processes.
- **Engagement and Voting:** We are an active owner and use our position as an Investment Manager to promote good ESG practices with our investee companies.
- **Industry Wide Activities:** We engage with various stakeholders including policy makers, regulators, industry bodies, market participants and media to create a supportive environment for responsible investing.

The responsible investment framework is applicable to all our products. We are committed to integrate responsible investment factors in the investment appraisal for equities.

II a. Integration of ESG Factors in Investment Decisions

At Marcellus, we integrate ESG factors into our research and investment decision making process. ESG research focuses on the critical environmental, social and governance factors which can have a material impact on the long-term sustainable performance of the company. We firmly believe companies with improved management of ESG practices, can optimise their business models thereby increasing productivity, creating a distinct competitive advantage and increasing consumers' brand trust to deliver sustainable shareholder value. It also presents an avenue to effectively manage risks as well as take advantage of opportunities.

Marcellus has developed a bottom-up investment framework to evaluate companies on ESG for its equity investments. The integration process is as follows:

Screen → Research → Invest → Monitor → Engage

Screen: This is the first stage and involves filtering out stocks. We use a comprehensive screener to filter companies based on accounting quality. We use a proprietary forensic accounting model to filter out undesirable companies.

Research: While undertaking research on the stocks that clear the accounting quality filter, analysis of various governance, social and environment factors is an important element. Material issues like emissions, waste management, water consumption, effluent management, energy efficiency, initiatives towards improving sustainability outcomes, disclosures related to the workforce (health and safety issues, gender diversity), community relations and governance practices related to board composition, accounting and audit quality and disclosures, anti-bribery policies etc. are covered in our ESG integration process. The framework is also evaluated at regular intervals and is updated to ensure continuing robustness of our ESG assessment.

Invest and Monitor: We invest in companies that fit our financial decision parameters as well as our ESG considerations. Our portfolio holdings are monitoring on a regular basis to confirm that they continue to perform as per the financial as well as ESG parameters assessed at the time of the investment.

Our ESG integration involves assessing companies on varied parameters. These parameters cover disclosures as well as actions taken on the ESG front. Each company is scored on these parameters and company with a higher score considered to be more compliant. A list of these parameters is given in Annexure I to this policy.

Each company is bucketed in to either of three categories, depending on its score. The follow-up action after the scoring is as per the table below:

| Category basis of score | Action |
|-------------------------|---|
| Compliant | No specific action |
| Moderately Compliant | Engage with the company on improving disclosures or addressing deficiencies on the specific ESG parameters where they score poorly |
| Needs Improvement | Engage with the company on improving disclosures or addressing deficiencies on the specific ESG parameters where they score poorly; in case the score does not improve in the next round of reporting, reduce the 'Succession and Sustainability' score of Marcellus' Longevity framework |

We are conscious of possible conflicts between the human capital needs of India and ESG parameters. Given the stage of development that India is at, we do not exclude any specific industries or sectors on a blanket basis. Rather our endeavour is to consider such sectors for their net impact on job creation and economic development vis-à-vis the ESG parameters.

II b. Engagement and Voting

Engagement and voting for listed Investments will be a core RI activity at Marcellus. Marcellus will be an active owner and considers that effective management and board oversight of ESG issues to be integral to long-term performance.

Engagement:

The investment team will monitor and engage with the investee companies on ESG matters where scoring in the Research step has shown some issues. We will engage with the investee company to take measures at correcting deficiencies. Engagement can take many forms, such as sending letters to individual investee companies, participating in collaborative engagements or one-to-one meetings with the investee companies' management team.

The aims of individual engagements can also vary, including for example:

- Stewardship engagement to monitor assets and ensure appropriate ESG standards are being applied.
- Relationship engagement to ensure that Marcellus develops a strong relationship with management, as a long-term investor.
- Active engagement to encourage change in order to see material value enhancement or ESG risk reduction. Some of the issues that we will be focusing during such dialogues are:
 - o Improvement in ESG standards and disclosures
 - o Importance of sustainability initiatives and transparency, with relevance to their business
 - o Peer comparison and global/national positioning with respect to sectors
 - o Evolving regulatory frameworks with an increased focus towards ESG.

Marcellus will undertake all the above forms of engagement on a continuous basis and as appropriate. The engagements may be proactive or reactive. Engagements may be event driven or undertaken in response to specific opportunities such as collaborative initiatives led by other investors. Engagement priorities are determined by the investment team considering our stakes in the companies as well as their weights in various benchmark indices.

Voting:

At Marcellus, we consider shareholder voting to be an important shareholder right and a valuable tool in the engagement process and we endeavor to vote on all relevant resolutions of investee companies which are critical for protecting and enhancing the investor's interests. While we use proxy voting advisory services from reputed service provider to help analyse company proxy materials and statements, all votes are confirmed in house by the analyst team, in discussion with the portfolio manager/s. We aim to vote in an informed and pragmatic manner, taking into consideration a company's unique circumstances. We take into consideration any additional information we may receive from the company before making a final decision.

We have a separate Voting policy. The Investment committee has the oversight of the voting mechanism of Marcellus. Marcellus also uses services of Proxy advisory firms to augment its voting process.

II c. Industry Wide Activities and Client communication

At Marcellus, we seek to influence and address thematic, sector and market related issues that could impact the performance of its investments. We will actively engage with the regulators and other stakeholders on policy advocacy matters. We will also actively contribute to consultations and participate in industry debates on these topics. We will be participating in various forums regarding our experience of ESG integration and the roadmap ahead as a means to share knowledge as well as create awareness.

To ensure that client is acquainted with Marcellus Responsible investing efforts for its investee companies, we send communications to our clients. These communications focus on given policy and its changes, Voting policy, actual voting undertaken and investee companies ESG rating (scores). With regular communications, we intent to create awareness about significance of ESG integration in investing decisions.

III. ESG Governance

ESG Committee:

Marcellus has an ESG committee comprised of Chief Investment Officer (CIO), Fund Managers and Head of Research. The CIO heads the ESG Committee. The ESG Committee reviews and guides the team managing ESG compliant strategies in various aspects of ESG Integration and engagement with investee companies. The responsibility of implementing the ESG policy is with the team of research analysts, under the supervision of the Head of Research. The research analysts are tasked with assessing ESG parameters for the companies under their coverage.

The ESG committee to meet periodically as required, and following activities are undertaken in the periodic review meetings:

- Tracking ESG Integration with investment universe
- Progress on deliverables of international commitments like UNPRI
- Tracking and reporting the progress on engagement initiatives with investee companies
- Brainstorming on new ideas and strategies to initiate more companies on ESG disclosures and performance benchmarking
- Discussion on new ESG trends/regulations in the country and future actions for the committee.

Annexure 1

| Parameters List |
|---|
| Governance |
| Is the Chairman of the Board independent? |
| Are the Chairman and MD/CEO roles separated? |
| How many independent directors are on the board? |
| Have ALL independent directors attended at least 75% of board meetings? |
| How many independent directors have been on the board for > 10 years? |
| How many women directors are on the board? |
| What % of the audit committee is comprised of non-independent directors? |
| What proportion of people on the executive board and CxO positions are > 70 years of age? |
| Does the company host investor access events more than once a year (excluding AGM)? |
| Do the promoters/parent have other companies in the same business (listed or unlisted)? |
| What proportion of revenues come from RPTs? |
| What proportion of total costs are paid to RPTs? |
| Does the company have a policy on insider trading? |
| Is a policy on employee code of conduct, including gifting, anti-corruption etc. publicly available? |
| Social |
| What proportion of the mandated CSR contribution has been spent in cash? |
| What proportion of CSR spends are through RPTs? |
| Is there a policy on prevention of sexual harassment at the work place? |
| What % of sexual harassment complaints received during the year were addressed as appropriate? |
| Does the company disclose safety statistics at the workplace? |
| Has the company undertaken training/learning programs for employees? |
| Does the company have an equal opportunity hiring policy? |
| What is the % of permanent women employees? |
| Environment |
| Does the company have a policy for sustainability / ESG or related? |
| Does the co. make products /services which help the environment, reduce carbon footprint etc.? |
| Does the company disclose its electricity consumption? |
| Does the company disclose sources of electricity consumed (coal, renewable etc.)? |
| Is there any reduction (YoY) either in the consumption of total electricity or fossil fuel-based electricity? |
| Does the company disclose consumption of water? |
| Is there any reduction in the consumption of water? |
| Does the company disclose details of waste generation - either waste water or solid waste? |
| Is there any reduction (YoY) in the quantum of waste generated/discharged? |
| Does the company recycle effluents/waste/sewage? |
| Does the company disclose emission data of CO/SOx/Nox? |
| Is there any reduction (YoY) in the quantum of emissions? |
| Sustainability Outcomes |
| Has the company adopted any national or international standards like UN SDGs? |
| Does the company disclose the impact of its activities on the individual SDGs? |
| Does the company conservation efforts (marine or terrestrial biodiversity, forest protection etc.) or spends on them through its CSR? |
| Does the company support health initiatives or spends on them through its CSR? |
| Does the company support education initiatives or spends on them through its CSR? |
