

Marcellus Investment Managers

Summary of ESG Scores of Coverage Universe
based on FY24 disclosures



Overview

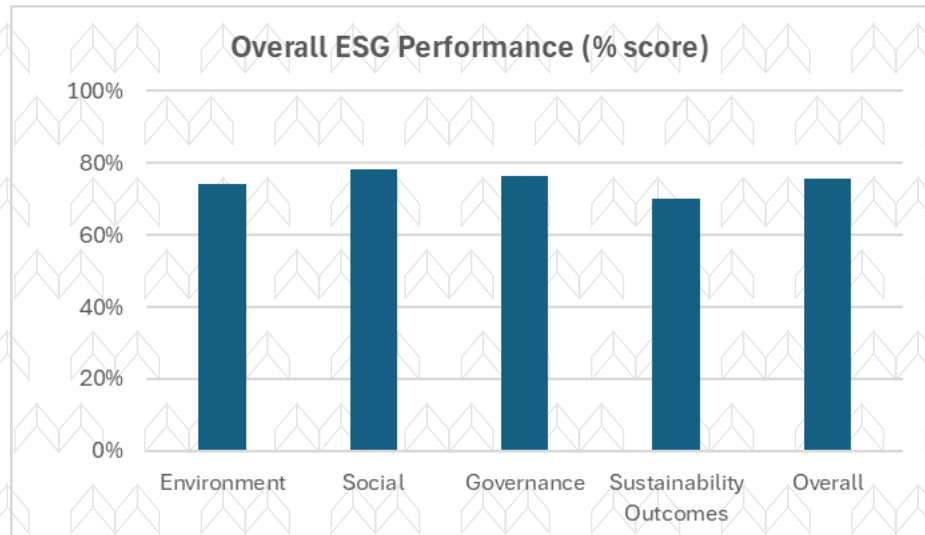


- In pursuit of our objective of long-term wealth creation, we invest in businesses that are durable and that sustain over many years.
 - A sustainable business can be built only if the management of the business has adequate focus on (i) having a sound governance structure that adds to the business' longevity, (ii) optimally utilising the finitely available natural and other resources, and (iii) being a responsible corporate citizen.
- Therefore, we believe that in discharging our fiduciary responsibilities towards our clients, it is incumbent upon us to incorporate ESG considerations in our investments.
- We integrate ESG factors in our research and investment process; an important part of the process is an ESG scoring framework that we undertake for all our portfolio stocks (in Annexure 1)
- Total number of companies across portfolios = 56
- Maximum score possible = 31.5
 - Max score on Environment factors: 7.5
 - Max score on Social factors: 8.0
 - Max score on Governance factors: 13.0
 - Max score on Sustainability Outcomes: 3.0

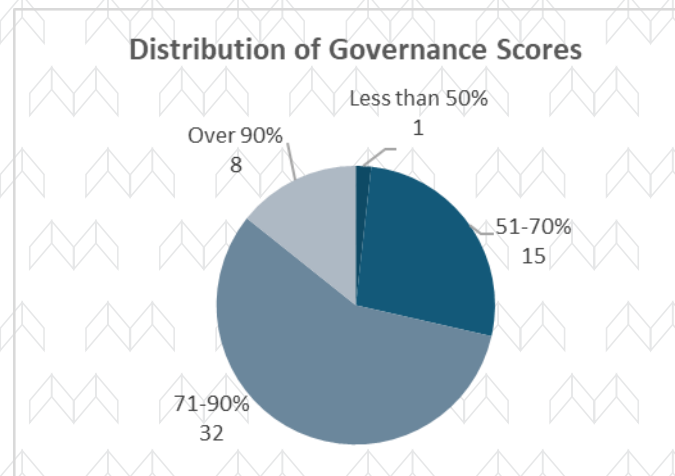
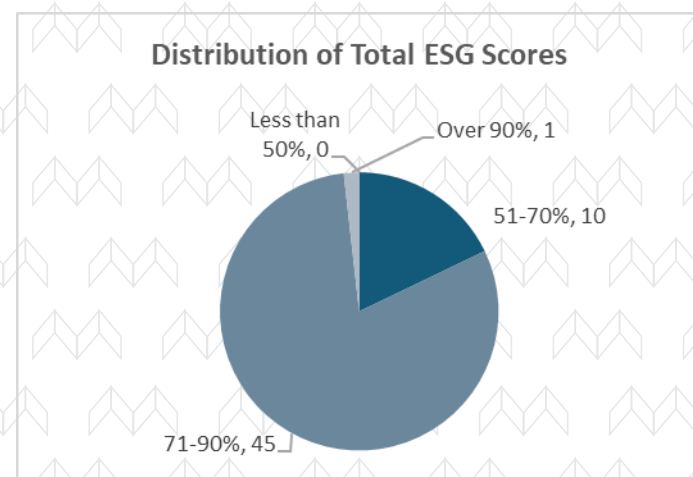
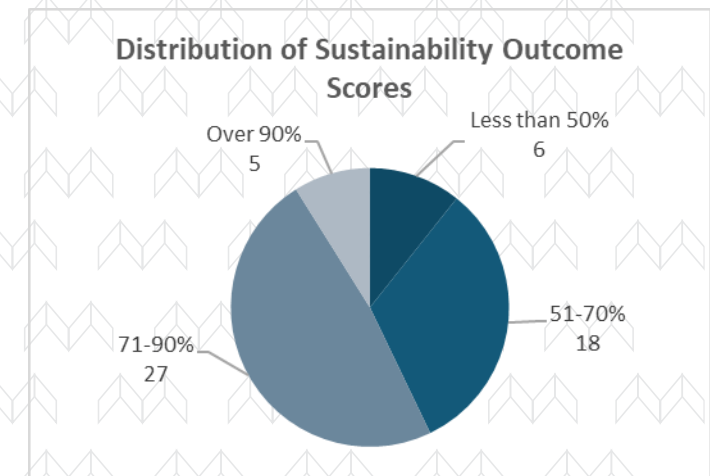
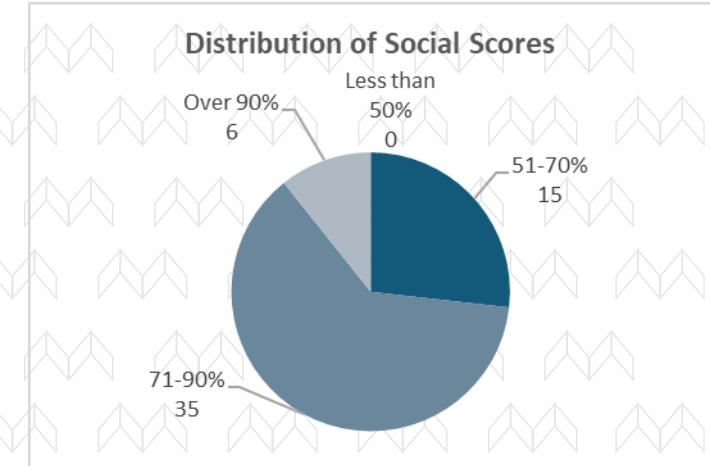
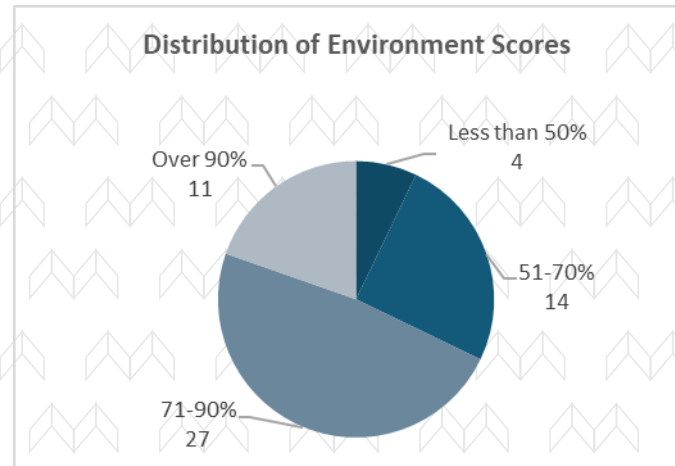
Summary Scores



Average Score of Marcellus Portfolio Universe



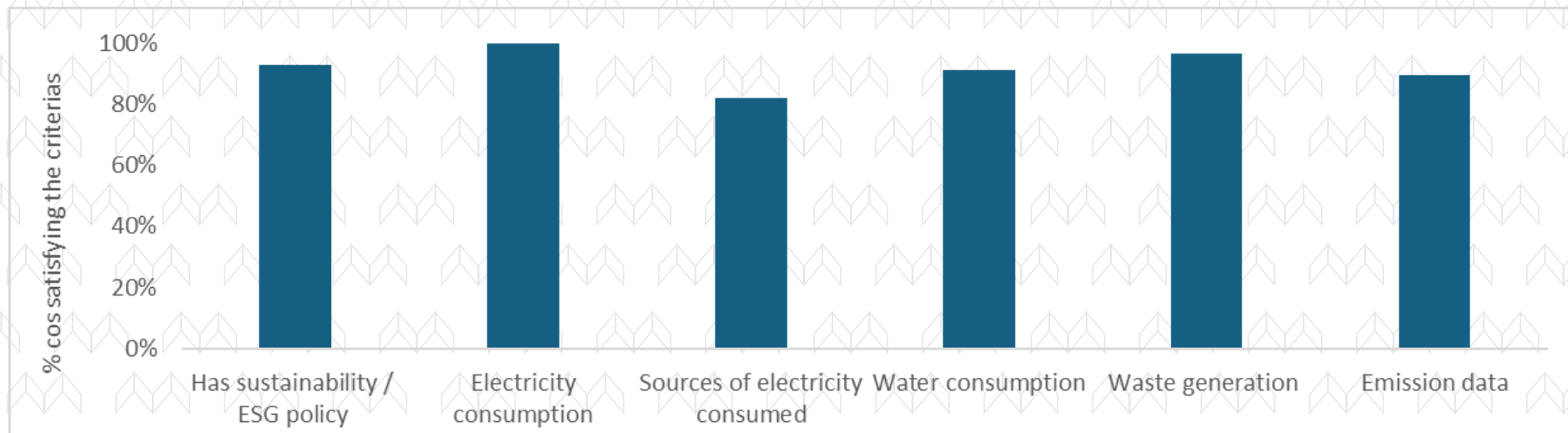
How the scores are distributed across the portfolio universe (no. of companies)



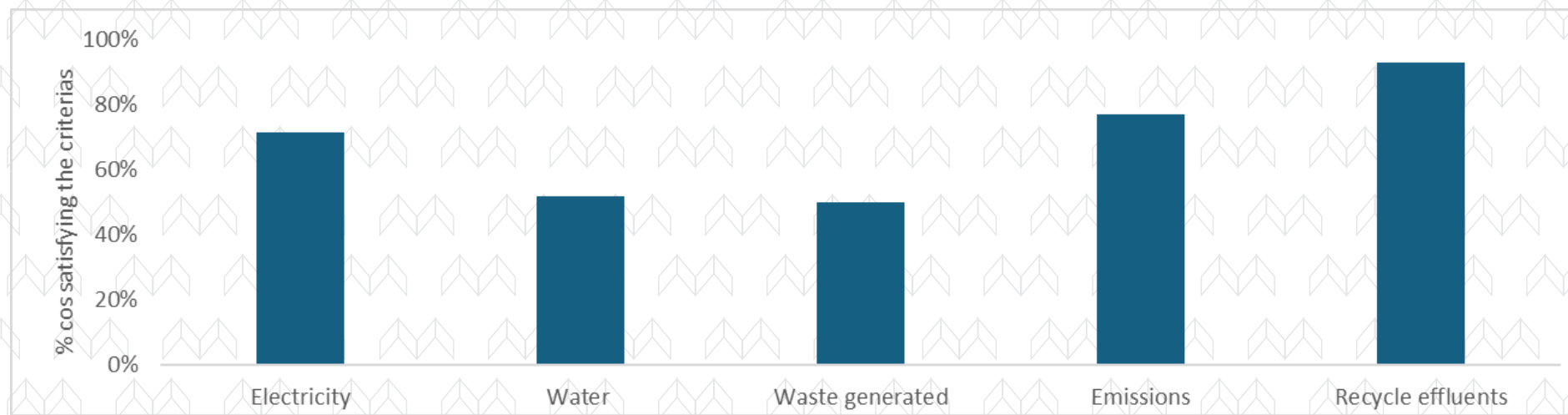
Assessment of Environment related factors



% of total portfolio companies that are making relevant disclosures on environmental factors



% of total portfolio companies that have reduced usage of key resources compared to the previous year



Assessment of Social factors



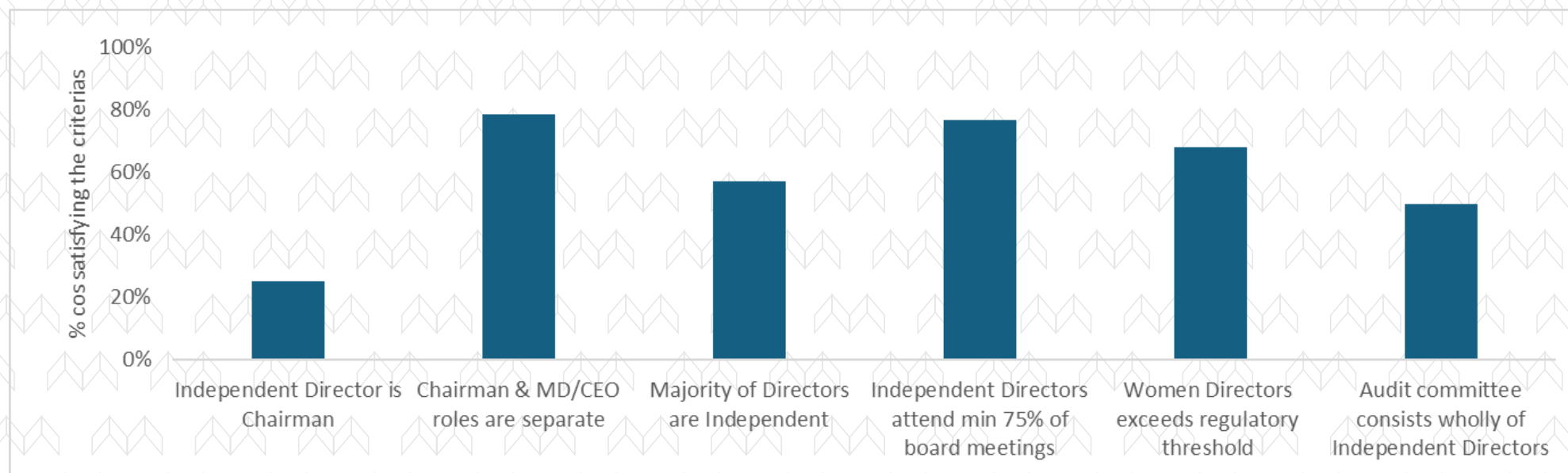
% of total portfolio companies that are making relevant disclosures and implementing key policies on social factors



Assessment of Governance factors



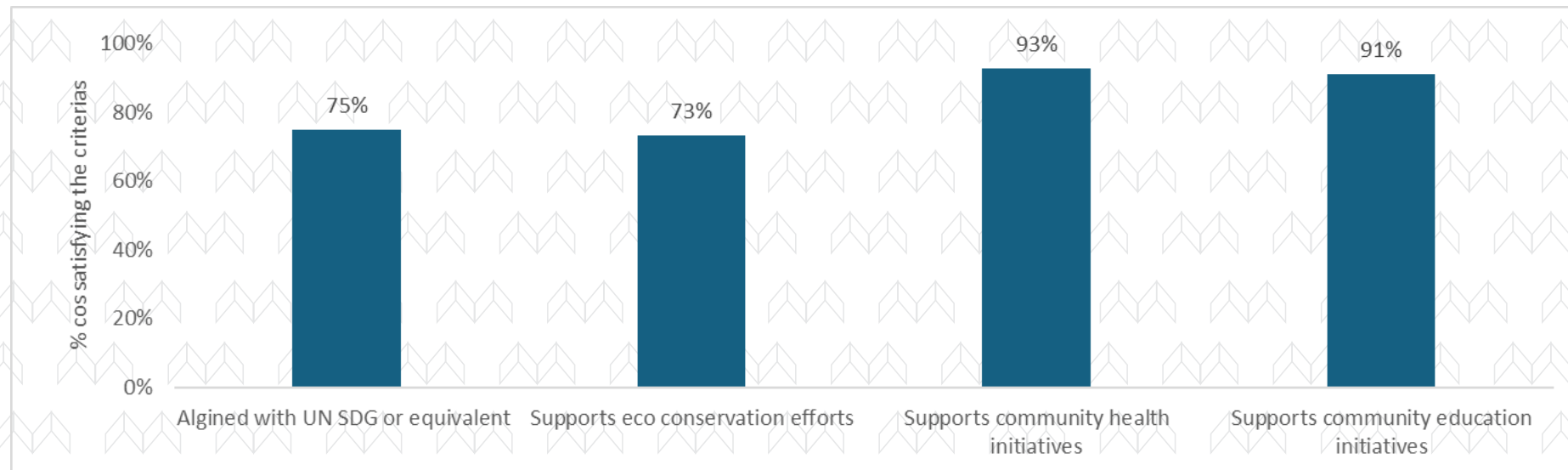
% of total portfolio companies that follow governance best practices, even if not mandated by regulation



Assessment of Sustainability Outcomes



% of total portfolio companies that have aligned with sustainability outcomes under aegis of UN Sustainable Development Goals or equivalent



Annexure 1: Our ESG Scoring Framework



Parameters to score Governance factors	Rationale for considering the criteria
Is the Chairman of the Board independent?	The Chairman should ideally be independent so that board agenda and discussions are not driven solely by promoter's will and someone unbiased is present who can objectively question the board and protect the interests of minority shareholders
Separate Chairman and MD/CEO roles	We want both the roles to be separate as it will separate the Board-level decision-making and execution of these decisions
Independent directors are on the board	While law mandates minimum 33% of board to be independent, higher ID representation lends credibility to the board and ensures that all decisions are thought through keeping in mind the interests of minority shareholders; we assign progressively higher scores to Boards with greater proportion of independent directors
Attendance of Independent Directors in Board meetings	Independent Directors have an important responsibility in protecting interests of minority shareholders. That is why their presence in Board meetings is crucial.
Independent directors tenure > 10 years	Long tenures breed familiarity and therefore we prefer that Independent Directors do not serve for more than 10 years
How many women directors are on the board?	We believe diversity leads to better decisions and therefore assign higher scores to companies that go beyond the minimum legal
Non-independent directors in Audit Committee	The Committee is a check on the financial & regulatory functions of a company and should not have promoters or executives as members
What proportion of people on the executive board and CxO positions are > 70 years of age?	While senior Board Directors in executive roles bring in a lot of experience, the presence of a higher number of such directors increases the risk of succession in the company. We assign a lower score to a company where the proportion of Executive Directors >70yrs is higher.
Does the company host investor access events more than once a year (excluding AGM)?	In our view there should be adequate opportunities for investors to communicate directly with the management to understand their plans and raise relevant questions. So, companies must host investor meets at least once a year
Do the promoters/parent have other companies in the same business (listed or unlisted)?	We believe promoter's skin in the game is very important, so having conflicting businesses not only dilutes his focus on the listed entity but also raises potential for several corporate governance issues
What is the quantum of transactions with related parties?	A higher proportion of RPTs with group entities has the potential to raise questions on propriety and hence we like our investee companies to limit transactions within the group entities to the extent possible
Does the company have a policy on insider trading?	Company must have a well-established policy to restrict insiders take undue advantage of their position at the cost of minority investors who are not privy to price sensitive information.
Is a policy on employee code of conduct, including gifting, anti-corruption etc. publicly available?	A company must have a code of conduct which ensures that employees work in the best interest of their employer and do not put the company at risk through their conduct or activities

Annexure 1: Our ESG Scoring Framework (contd)



Parameters to score Social factors	Rationale for considering the criteria
What proportion of the mandated CSR contribution has been spent during the year?	Company law mandates certain portion of profits to be spent towards social cause and we believe that companies must ensure to spend the mandated amount each year.
What proportion of CSR spends are through RPTs?	CSR funds must be spent altruistically, keeping in mind the spirit of the same. We assign lower scores to companies that spend CSR funds in a way that gives them a business advantage or in a way that promotes the promoter's family name instead of the company's
Is there a policy on prevention of sexual harassment at the workplace?	Company must have a strict policy in place to protect its employees from sexual harassment and ensure that safe working environment is provided to all.
What % of sexual harassment complaints received during the year were addressed as appropriate?	Company must resolve sexual harassment complaints on priority to ensure safe working environment for its staff and must ensure that no cases are pending to be addressed.
Does the company disclose safety statistics at the workplace?	Safe workplace is a fundamental right for every employee and company should disclose safety statistics and must endeavour to take necessary steps to eliminate occurrence of future incidents
Has the company undertaken training/learning programs for employees?	Skill development is essential not only for companies but also for employee's professional growth. Hence company must conduct regular trainings to ensure its workforce is kept updated with the latest developments and information
Does the company have an equal opportunity hiring policy?	We believe equal opportunity policy emphasizes fairness and diversity in the workplace and ensures that all employee related decisions are solely based on merit, without any consideration to caste, gender etc. This also helps companies attract the right talent
What is the % of permanent women employees?	The Company must try to employ more women in its workforce in order to empower them and enhance diversity with the team

Annexure 1: Our ESG Scoring Framework (contd)



Parameters to score Environment factors	Rationale for considering the criteria
Does the company have a policy for sustainability / ESG or related?	Having a Responsible Investing policy is the mark of a mature company that is aware of its responsibilities to shareholders, employees and the community, of building a sustainable business
Does the co. make products /services which help the environment, reduce carbon footprint etc.?	Our framework rewards companies that actively make products that help the environment.
Does the company disclose its electricity consumption?	Companies must disclose and track electricity consumption data as a first step towards becoming aware about the extent of electricity it is consuming, which will then help it find ways to reduce it
Does the company disclose sources of electricity consumed (coal, renewable etc.)?	Companies must not only disclose reduce electricity consumption but also increase renewables within the overall energy mix to protect environment. In this journey disclosing the sources & its mix is the first step towards re-aligning the energy mix
Is there any reduction (YoY) either in the consumption of total electricity or fossil fuel-based electricity?	We believe in order to reduce environmental damage through consumption of finite resources, companies should reduce its consumption of electricity every year. Small incremental reductions will go long way to protect the environment
Does the co. disclose consumption of water?	Companies must disclose and track water consumption data as a first step towards becoming aware about the extent of water it is consuming, which will help it then find ways to reduce it
Is there any reduction (YoY) in the consumption of water?	We believe in order to reduce environmental damage through consumption of finite resources, companies should reduce its consumption of water every year. Small incremental reductions will go long way to protect the environment
Does the company disclose details of waste generation - either wastewater or solid waste?	Companies must track waste generation as a first step towards becoming aware about the extent of damage it is causing, which will then help it find ways to either reduce or treat it effectively before releasing into the environment
Is there any reduction (YoY) in the quantum of waste generated/discharged?	We believe in order to reduce environmental damage through release of untreated / partially treated waste into the environment, companies should showcase reduction in the quantum every year. Small incremental efforts will go long way to protect the environment
Does the co. recycle effluents/ waste/sewage?	We believe companies must have treatment facilities or other means to recycle harmful wastes before releasing it into the environment. This will reduce environmental damage to a great extent
Does the co. disclose CO/SOx/Nox emission data?	Companies must disclose and track emissions data as a first step towards becoming aware about the extent of emissions it is releasing into the environment, which will then help it find ways to reduce it
Is there any reduction (YoY) in the quantum of emissions?	We believe in order to reduce environmental damage caused by emissions, companies must showcase year on year progress in reducing the quantum. This will reduce the damage caused by harmful substances

Annexure 1: Our ESG Scoring Framework (contd)



Parameters to score Sustainability Outcomes	Rationale for considering the criteria
Has the company adopted any national or international standards like UN SDGs?	We, as investors, have a responsibility to the communities we live and work in, as well as the world that we live in. Therefore, it is important that our investment activities are aligned with the broader development priorities of the society. One way to do this is to invest in companies that do their bit towards achieving sustainable development goals (SDGs).
Does the company disclose the impact of its activities on the individual SDGs?	Measuring the impact of business activities on the SDGs is a starting point towards making conscious choices to reducing any negative impact and driving positive impact
Does the company support conservation efforts (marine or terrestrial biodiversity, forest protection etc.) or spends on them through its CSR?	Deforestation, land degradation and species extinction are severe threats to people and the planet. Our framework rewards companies that make efforts to support or protect biodiversity.
Does the company support health initiatives or spends on them through its CSR?	Inequalities in access to healthcare is a persisting global problem, especially in a developing nation like India. As a result, our framework rewards companies that use their CSR funds to reduce this inequality and/or promote general health and wellbeing of the communities they do business in.
Does the company support education initiatives or spends on them through its CSR?	There exist unequal opportunities for basic education in many parts of India. Companies that support or promote educational initiatives get higher scores in our ESG framework

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Thank you!

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