Sustainability Related Disclosures

Kotak Funds – India ESG Fund

I. Summary

Kotak Asset Management has been a signatory to the United Nations Principles for Responsible Investment (UNPRI) since 2018. As UNPRI signatories, we commit amongst others to incorporate Environmental, Social and Governance (ESG) issues and risks into our investment analysis and decision-making process, whereby ESG issues refer to both (a) the impact of ESG-related risks on investments as well as (b) their impact on sustainability factors. As active managers with focus on long term investing, other than just financial outlook, we combine multiple factors to take a view on an investee company. Principles of ESG are an integral part of the investment process at KMAMS and are embedded in the investment philosophy we follow in relation to listed public equities.

Our sustainable investment approach is guided by the United Nations Principles of Responsible Investment (UNPRI) and incorporates the following:

- Identifying and integrating ESG issues and sustainability risks into investment analysis and decision-making processes.
- Making appropriate disclosure on ESG issues
- Regularly reporting on activities and progress towards implementing the same

Kotak Funds – India ESG Fund (the "Fund") will seek to deliver returns in a socially responsive manner by combining a value and growth oriented investment philosophy with an Environmental Social and Governance ("ESG") principle overlay. The Investment Manager integrates ESG factors in its investment management process and evaluates companies on the basis of these factors before an investment decision is made, thereby promoting, among other characteristics, environmental and social characteristics within the meaning of Article 8 of SFDR. While identifying investee companies, the Investment Manager will seek to incorporate ESG considerations within the fundamental analysis and seek to gain an understanding of the relevant ESG issues applicable to such companies.

The Investment Manager will seek to limit and/or exclude direct investment (as applicable) in corporate issuers which, in its opinion have exposure to, or ties with, certain sectors. In addition to exclusion, the Investment Manager shall use a rating method developed by an external service provider of global repute and / or approved by regulators. Investee companies for which a score is not available or with a score of more than 40 (categorised as "severe" on "ESG risk severity" scale by the external service provider) shall be limited, in aggregate, to 20% of the Sub-Fund's portfolio at the time of investment.

II. No sustainable investment objective

This financial product promotes environmental or social characteristics, but does not have as its objective a sustainable investment.

III. Environmental or social characteristics of the financial product

Kotak Funds – India ESG Fund (the "Fund") will seek to deliver returns in a socially responsive manner by combining a value and growth oriented investment philosophy with an Environmental Social and Governance ("ESG") principle overlay. The Investment Manager integrates ESG factors in its investment management process and evaluates companies on the basis of these factors before an investment decision is made. While identifying investee companies, the Investment Manager will seek to incorporate ESG considerations within the fundamental analysis and seek to gain an understanding of the relevant ESG issues applicable to such companies.

Some of the key factors relating to environment or social characteristics that are considered in the investment decision include (but not limited to) the following:

Environment	Social
Carbon emission and its environmental impact	Compliance with employment safety and protection
Energy consumption and focus on resource efficiency	Employee retention policies / attrition levels
Extreme weather events and its impact	Participation of women in the work force / diversity
Environmental pollution and its impact	Presence of unionized staff
	CSR (Corporate Social Responsibility) spends

The investments underlying of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

IV. Investment strategy

The objective of the Fund is to achieve long term capital appreciation by primarily investing at least two thirds of its total assets in equity and equity linked securities of companies registered in India or deriving a significant portion of their business from India. The Sub-Fund will invest at least 50% of its total assets in equity securities.

The Sub-Fund will invest directly and/or indirectly in equity and equity-linked securities of companies that in the opinion of the Investment Manager have one or more of the following characteristics:

i. Companies which are expected to sustain high growth due to their ability to create new markets, develop nascent business segments, operate successfully in niche segments with scale-up potential.
ii. Companies expected to create and deliver long term value due to innovation and IPR development.
iii. Companies with the potential for value unlocking in the medium to long term due to strategic sale, change in management, deregulation, economic legislation and reform.
iv. Companies which are sectoral leaders and enjoy leadership in their respective segments.
v. Companies which are strong asset plays.
vi. Companies which are expected to witness operational and financial improvement due to positive swing in their business cycles.

In addition to the above, the Investment Manager will seek to limit and/or exclude direct investment (as applicable) in corporate issuers which, in its opinion have exposure to, or ties with, certain sectors including but not limited to:

(i) the production of certain types of controversial weapons such as cluster munitions;
(ii) the distribution or production of firearms or small arms ammunition intended for retail civilians;
(iii) the extraction and distribution of certain types of fossil fuel (excluding distribution of gas) and/or the generation of power from them for onward sale;
(iv) the production of tobacco products;
(v) production of alcohol products;
(vi) the ownership or operation of gambling-related activities or facilities; and
(vii) production of adult entertainment materials.

The assessment of the level of involvement in each activity may be based on percentage of revenue or any other parameter connected to a restricted activity. Currently, the revenue threshold followed by the Investment Manager is 0% revenue share from activities listed in items (i), (ii) and (vii) above and 10% revenue share from activities listed in items (iii), (iv), (v) and (vi).

In addition to exclusion as mentioned above, the Investment Manager shall use a rating method developed by an external service provider of global repute and / or approved by regulators. Currently, the Investment Manager uses the rating provided by Sustainalytics and the rating methodology is available on the website: https://www.sustainalytics.com/esg-data, whereby an ESG risk rating measuring the degree to which a company's economic value is at risk driven by ESG factors is attributed to investee companies. Based on the rating assigned to an investee company, the latter will fall within one of the following categories of ESG risk severity:

Score	**ESG Risk Severity**
0-10	Negligible
10-20	Low
20-30	Medium
30-40	High
40+	Severe

Investee companies for which a score is not available or with a score of more than 40 shall be limited, in aggregate, to 20% of the Fund's portfolio at the time of investment. For investee companies where Sustainalytics doesn't provide coverage, the Investment Manager may use rating provided by other approved external ESG rating service providers. The direct interactions of the Investment Manager with the investee companies will also be taken into account in its investment decisions. Please refer to the Manager's engagement policies as described in the PAI policy and Sustainability Risk policies.

If the Investment Manager determines that an investee company no longer meets its ESG criteria (such as the development of controversial behaviour, an acquisition, a change of business mix or due to new information), the Investment Manager will first seek to remediate through engagement with the investee company. Where the investment is deemed inappropriate in respect of the Investment Manager's ESG criteria and the investment objective and policy of the relevant Fund, a commercially reasonable effort will be made to divest promptly. If divestment is not practical or would be inconsistent with sound financial management, the Investment Manager will develop a reasonable plan for divestment. There is no blanket requirement for forced disposals, and there may be occasions where the exposure to undesirable investments or restricted activities (in respect of the ESG criteria) may take a period of time to be eliminated.

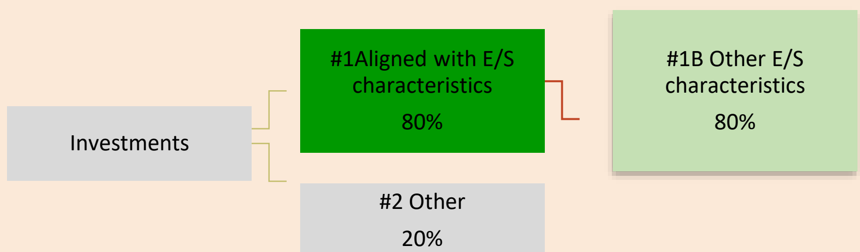
To understand the good governance practices of the investee companies, some of the parameters assessed include:

Parameters assessed	**Details**
Shareholder structure	Concentration of shareholding, Promoter holding, Private equity holding and ownership etc.
Board composition: Size and structure / tenure etc.; Independence of the Board; remuneration	Size and structure of the Board and its committees, Background and expertise of Directors, No. of independent directors, No. of women directors, remuneration policies for all Board members etc.
Integrity and ethical behavior	Integrity in business decisions and reporting by the management, Transparency: About a company's policies and practices ; effective and independent audit function etc.
Capital allocation policies	Capital allocation policies followed in the past and whether it is fair to minority shareholders etc.
Regulatory compliance	Compliance with all regulatory norms at the Board and the company level ; transparent and consistent reporting practices, risk management practices and oversight etc.

Note: the list is representative of the key factors tracked and not necessarily exhaustive

V. Proportion of investments

Generally, the Fund would seek to - invest atleast 80% in instruments alignment with E/S characteristics. However, the Fund may invest some portion (generally not exceeding 20%) in other instruments.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

- Sector exclusion **-** The Investment Manager will seek to limit and/or exclude direct investment (as applicable) in corporate issuers which, in its opinion have exposure to, or ties with, certain sectors including but not limited to:
  (i) the production of certain types of controversial weapons such as cluster munitions;
  (ii) the distribution or production of firearms or small arms ammunition intended for retail civilians;
  (iii) the extraction and distribution of certain types of fossil fuel (excluding distribution of gas) and/or the generation of power from them for onward sale;
  (iv) the production of tobacco products;
  (v) production of alcohol products;
  (vi) the ownership or operation of gambling-related activities or facilities; and
  (vii) production of adult entertainment materials.

  While clauses (i), (ii), (iv), (v), (vi) and (vii) above promote social characteristics, clause (iii) promote environmental characteristics

The assessment of the level of involvement in each activity is currently based on percentage of revenue connected to a restricted activity.

- Further, the fund shall ensure that at least 80% of the portfolio comprises of investee companies with an "ESG Risk Severity" of 40 or below, as per the rating method developed by Sustainalytics, an external service provider of global repute and / or approved by regulators.

- In line with its ESG methodology, the Fund promotes, inter alia, the aforementioned environmental criteria but does not commit to invest in taxonomy-aligned environmentally sustainable activities which contribute to the environmental objectives set out under Article 9 of Regulation (EU) 2020/852.

VI. Monitoring of environmental or social characteristics

A. ESG integration framework (3E) (Evaluation – Engagement – Exclusion (mandate specific))

ESG Integration into the investment Process is a based on our 3E methodology in addition to our fundamental analysis framework.

(i) **Evaluation**

We believe that understanding securities holistically — including their ESG characteristics — helps informed investment decision making. We seek to integrate the analysis of material ESG factors that we believe would impact long term risk adjusted returns into our investment and risk-management processes as detailed in the due diligence process section later.

We, evaluate companies on ESG parameters not only on a current basis but also continuously track the changes that these companies incorporate over time. Changing regulatory requirements will also guide our investment process, engagement and monitoring of our investee companies.

We may from also engage the services of a third-party service provider to aid in the process of ESG evaluation of companies.

(ii) **Engagement**

We believe in the need to adopt a positive engagement approach whereby we engage with all our investee companies especially whenever we experience shortfalls on any of the principles of ESG. We seek to continuously engage with companies to understand better their ability to create sustainable value and assess their understanding of ESG factors, which we believe may affect the future of these companies.

(iii) **Exclusions (as specified in V above)**

B. Proxy voting

We consider proxy voting as one of the important tools in our engagement process for promoting ESG awareness. Therefore, we have a constituted an internal voting policy which guides us in this respect, and designed to promote accountability of a company's management and board of directors to its shareholders, to align the interests of management with those of shareholders and, to encourage companies to adopt best practices in terms of their corporate governance. While we do consider the advice of the proxy advisor in the voting decision, the final decision is made by the fund manager post consultation with the concerned research/ESG analyst as outlined in the voting policy.

C. ESG research team

There is an in-house analyst who specialise in ESG research on the investment universe. In addition to the same, the managers also have access to the ESG research made available through the central research team of Kotak Mahindra Asset Management Company Limited, the domestic (Indian) asset management arm of the group and other third party brokers/service providers.

The ESG research of the firm will also be guided by the inputs received from the ESG committee.

D. Review and monitoring

As active managers, we continuously monitor the companies in which we invest and their ESG scores.

E. ESG Committee

We have set up an ESG committee comprising of senior personnel to guide and oversee the ESG principles and approach for the firm. The ESG Committee sets the guidelines for investments and helps formulate and approve policies including ESG related policies and these are periodically reviewed.

F. Reporting and disclosure

All of our ESG related policies can be found on our public website: https://www.kotakamc.sg/ESG/. Further, being signatories to UNPRI, we complete our mandatory reporting requirement annually and our public reporting disclosures are available on the PRI website.

VII. Methodologies

The Investment Manager will seek to limit and/or exclude direct investment (as applicable) in corporate issuers which, in its opinion have exposure to, or ties with, certain sectors including but not limited to:

- the production of certain types of controversial weapons such as cluster munitions;
- the distribution or production of firearms or small arms ammunition intended for retail civilians;
- the extraction and distribution of certain types of fossil fuel (excluding distribution of gas) and/or the generation of power from
- them for onward sale;
- the production of tobacco products;
- production of alcohol products;
- the ownership or operation of gambling-related activities or facilities; and
- production of adult entertainment materials.

The assessment of the level of involvement in each activity may be based on percentage of revenue or any other parameter connected to a restricted activity.

In addition to exclusion as mentioned above, the Investment Manager shall use a rating method developed by an external service provider of global repute and / or approved by regulators. Currently, the Investment Manager uses the rating provided by Sustainalytics and the rating methodology is available on the website: https://www.sustainalytics.com/esg-data, whereby an ESG risk rating measuring the degree to which a company's economic value is at risk driven by ESG factors is attributed to investee companies. Based on the rating assigned to an investee company, the latter will fall within one of the following categories of ESG risk severity:

Score	ESG Risk Severity
0-10	Negligible
10-20	Low
20-30	Medium
30-40	High
40+	Severe

Investee companies for which a score is not available or with a score of more than 40 shall be limited, in aggregate, to 20% of the Fund's portfolio at the time of investment. For investee companies where Sustainalytics doesn't provide coverage, the Investment Manager may use rating provided by other approved external ESG rating service providers. The direct interactions of the Investment Manager with the investee companies will also be taken into account in its investment decisions.

If the Investment Manager determines that an investee company no longer meets its ESG criteria (such as the development of controversial behaviour, an acquisition, a change of business mix or due to new information), the Investment Manager will first seek to remediate through engagement with the investee company. Where the investment is deemed inappropriate in respect of the Investment Manager's ESG criteria and the investment objective and policy of the relevant Fund, a commercially reasonable effort will be made to divest promptly. If divestment is not practical or would be inconsistent with sound financial management, the Investment Manager will develop a reasonable plan for divestment. There is no blanket requirement for forced disposals, and there may be occasions where the exposure to undesirable investments or restricted activities (in respect of the ESG criteria) may take a period of time to be eliminated.

VIII. Data sources and processing

The data pertaining to sector exclusion is identified by the Investment Manager based on the research inputs available from own and central research team. This input is then utilised to identify the investment universe. The ESG risk scores are obtained from a third party service provider. Both these inputs as then used for pre and post trade checks.

To analyse ESG specific factors of investee company prior to investing, the portfolio manager uses ESG specific reports available for the investee company from the central research team as well as third party service provider who also provides data related to various ESG related factors of the investee company. Once this data is processed by the portfolio manager, the portfolio manager's own assessment is used to finally arrive at the investment decisions.

The information used by the third party service providers is based on the publicly available documents like annual reports, press release etc as well as through regulatory filings made by the investee company. In addition, third party service providers may also use their own estimation and understanding of the industry and the company.

The ESG specific reports prepared by the central research team is also based on publicly available information.

IX. Limitations to methodologies and data

Disclosure by investee companies on issues relating to environmental, social and governance characteristics are still evolving in India compared to developed countries.

While the external research provider base the ESG rating score on publicly available information of the investee company and certain industry wide estimates, the data accuracy and reliability will likely improve over time as regulatory oversight on ESG disclosure increases.

X. Due diligence for environmental or social characteristics

The Investment Manager uses a combination of in-house research as well as external resources to conduct its due diligence on the investee companies.

Research notes seeks to cover the material ESG issues including principal adverse impact indicators relating to the investee company and the road map for the addressing the same. The ESG specific company reports are updated annually. However, controversies relating to a company or any change in disclosures are tracked regularly through press releases, news monitoring, and controversy reports by third party research provider etc in order to identify its impact on the long term sustainability of that company.

The investment team uses third party ESG service providers who provide ESG reports highlighting the key ESG indicators and risks for the investee companies.

The companies are further evaluated by portfolio managers on sustainability factors and their ability to manage the risks associated with ESG compliant business practices (which is considered essential for sustainable growth), their ability to strategically manage longer-term issues surrounding ESG and the potential impact this may have on a company's financials. The composition of the portfolio finally rests with manager and hence the manager may make appropriate decision which may be based on the regular inputs from research team and from the third party service providers.

XI. Engagement policies

Stewardship lies at the heart of our ESG approach. Portfolio managers and research analysts collaborate in order to engage with companies which are part of the coverage universe. As active managers, we continuously monitor these companies to discuss various ESG related issues and risks. These could include strategy and performance risk management, board composition, remuneration, audit, climate change, labor issues, human rights and bribery and corruption, among others.

Our stewardship efforts and ongoing engagement activities enables us to identify and monitor PAIs at portfolio company level. We believe in the need to adopt a positive engagement approach whereby we engage with all our investee companies especially whenever we experience shortfalls based on the internal research assessment on any of the principles of ESG. As part of this, we engage with the company those parameters and where possible provide guidance to address those concerns in order to understand the road map in achieving their respective ESG goals. We, therefore, evaluate companies on ESG factors not only on a current basis but also monitor the changes that these companies incorporate over time and continuously engage with them across various management levels. Changing regulatory requirements will also guide our investment process, engagement and monitoring of our investee companies.

Further, we consider proxy voting as one of the important tools in our engagement process and for promoting ESG awareness. Therefore, we have an internal voting policy, which guides us in this respect, and designed to promote accountability of a company's management and board of directors to its shareholders, to align the interests of management with those of shareholders and, to encourage companies to adopt best practices in terms of their corporate governance. While we do consider the advice of the proxy advisor in the voting decision, the final decision is made by the fund manager post consultation with the concerned research/ESG analyst as outlined in the voting policy.

XII. Designated reference benchmark

The Fund does not use any reference benchmark for attaining environmental or social characteristics.