

ANNEXURE 3: DETAILS OF ESG STRATEGIES⁴⁷⁰

- 1. Exclusion:** Exclude securities based on certain ESG related activities, business practices, or business segments. The strategy should specify
 - 1.1. the characteristic / type of exclusion (Adverse impact, Controversy, Faith)
 - 1.2. threshold or condition for exclusion, and
 - 1.3. reference, where applicable, to any law/ regulation/ third-party standard/ guideline/ framework used in the establishment or evaluation of the criterion.
- 2. Integration:** Explicitly consider ESG related factors that are material to the risk and return of the investment, alongside traditional financial factors, when making investment decisions.
- 3. Best-in-class & Positive Screening:** Aim to invest in companies and issuers that perform better than peers on one or more performance metrics related to ESG matters. The details/specifics of the metrics should be disclosed.
- 4. Impact investing:** Seeks to generate a positive, measurable social or environmental impact alongside a financial return and how the Fund Manager intends to achieve the impact objective.

Provide methodology used to assess the effect that investments have, or may have, on environmental or social or governance issues. Describe the process for identifying and avoiding, mitigating, or managing adverse effects that the scheme or underlying companies' activities have, or may have, on environmental or social issues. The fund should seek a non-financial (real world) impact and evaluate if that impact is being measured and monitored.

- 5. Sustainable objectives:** Aim to invest in sectors, industries, or companies that are expected to benefit from long-term macro or structural ESG-related trends. Describe the focussed objective including rationale for focussing on that objective.
- 6. Transition or transition related investments:** Aim to invest in companies and issuers that support/facilitate environmental transition and just transition. The investment should generate a positive and measurable social and environmental transition.

⁴⁷⁰ Inserted by SEBI Circular No. SEBI/HO/IMD/IMD-I –PoD1/P/CIR/2023/125 dated July 20, 2023