

# **Kotak Investment Advisors Limited**

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## **ESG Policy Framework**

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# 1 Introduction

## 1.1 Background to ESG Policy

Kotak Investment Advisors Limited (KIAL) advises / manages funds across different asset classes, viz. Private Equity, Real Estate, Infrastructure, Special Situations, Listed Strategies, and Investment Advisory ("Strategy/ies") as shown below.

Each asset class is managed by independent teams ("Business Verticals") and each Business Vertical (BV) will also, from time to time, raise additional capital ("New Funds") from domestic and / or international investors and make investments in investee companies from such New Funds. Such New Funds may acquire majority or minority equity stakes, invest through mezzanine instruments and / or provide credit to their investee companies.



*Figure 1-1: KIAL's Business Verticals*

KIAL has developed its Environmental, Social and Governance (ESG) Policy Framework to mainstream ESG considerations in its funds management business.

## 1.2 Applicability of the Policy Framework

The KIAL ESG Policy shall be applicable to New Funds managed by KIAL as may be decided by ESG Committee from time to time, and is intended to provide a guidance to the Business Verticals (BVs) for developing specific Fund Level E&S Management System (FL-ESMS) consisting of E&S Policy, Principles, Procedures and Guidelines as applicable to New Funds.

Unless decided otherwise by KIAL, existing funds managed by the BVs (i.e., funds which have had a partial or full closing prior to May 30, 2021) shall continue to be guided by and comply with the ESG related requirements (if any) set out by their respective Limited Partners (LPs).

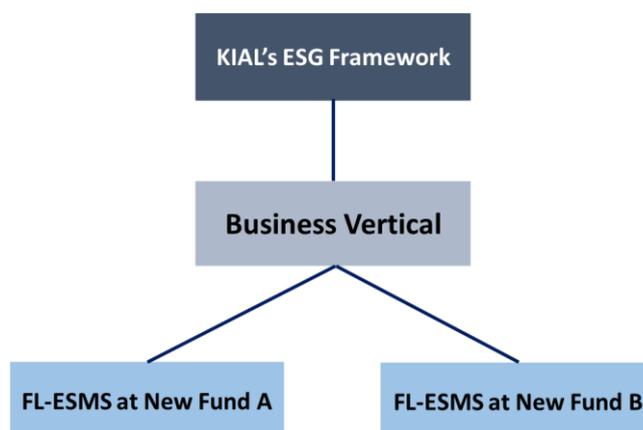
**This document presents the salient features and provisions of KIAL's ESG Policy Framework.**

## 2 KIAL's ESG Policy Objectives

ESG Policy Objectives
<p>KIAL envisions that investment made by New Funds will be in compliance with India's national and state governments' environment and social policies &amp; regulations and guidelines as applicable.</p> <p>In addition, KIAL will make every effort that the investments made by BVs follow fair labour practices, providing safe and healthy working conditions, restoring livelihoods of affected communities, and providing mechanisms to address grievances.</p> <p>Investments by New Funds will endeavour to promote adoption of Good International Industry Practices (GIIP)<sup>1</sup> and promote responsible use, ensuring protection of natural resources and biodiversity through conservation and following climate friendly practices.</p>

### 2.1 Framework Approach Based on ESMS

KIAL acknowledges that BVs may have different priorities and operational requirements regarding ESG depending on the requirements of the LPs. Therefore, KIAL will follow a framework approach that will encourage customizing FL-ESMS for the New Funds launched by the BV. Such a customization can be done depending on the investment strategy, asset class and investment time horizon and requirements of the LPs, without compromising KIAL's ESG Policy Objectives.



### 2.2 Core Elements of the Fund Level Environmental and Social Management

Subject to alignment with a Fund's LP requirements, the ESMS at the Fund level is expected to conform to KIAL's ESG Policy Objectives. The FL-ESMS will describe the integration of E&S risk management in the business process and decision making and will be supported by procedures, formats, and tools for implementation.

<sup>1</sup> Good international industry practice for a New Fund refers to ESG related requirements of investors in the New Fund

The following will be the core elements of a FL-ESMS

- Guiding/Operational E&S Principles
- Screening and Categorization of projects/investments
- Identification of E&S risks and assessment using appropriate tools<sup>2</sup>
- Stakeholder identification and engagement including Grievance Redress Mechanism
- Recommendations on Risk management measures to form E&S Action Plan<sup>3</sup>
- Monitoring of ESAP during as well as post implementation and reporting
- Training and Capacity Building

### 3 Approval

The ESG Policy Framework will be formally approved by the Board and shall be effective from the date of approval.

### 4 Implementation Arrangements

KIAL, in consultation with the Board, will constitute an ESG committee to provide to provide strategic inputs as well as ensure harmonization across the various FL-ESMS. The ESG Committee will also be responsible for oversight and implementation of the requirements of the ESG Policy Framework. Where required, the KIAL ESG Committee may also draw upon external ESG expertise.

The KIAL ESG Committee will meet as and when required to decide on applicability of the ESG Policy Framework for new Funds, but at least once a year with the following objectives:

- Discuss the implementation experience of KIAL's ESG Policy Framework and the FL-ESMS's
- Explore ways to strengthen KIAL's ESG Policy Framework.

In addition, KIAL will appoint an ESG Coordinator to ensure effective implementation of the ESG Policy Framework.

#### 4.1 Roles and Responsibilities

As the investment manager of various funds, KIAL shall, under this ESG Policy Framework:

1. Institute and operationalize FL-ESMS for each New Fund as applicable
2. Annually review and evaluate FL-ESMS and present its findings to the ESG Committee of KIAL
3. Annually report to LPs of a New Fund on the E&S performance / rating in respect of the New Fund's portfolio

<sup>2</sup> Examples of tools are Environmental and Social Due Diligence, Environmental and Social Impact Assessment, Environmental Site Assessment etc.

<sup>3</sup> The ESAP will ensure compliance with the policy and applicable reference frameworks. It will also include recommendations on the GIIP as relevant to the sector/project

4. Appoint an ESG Co-ordinator to ensure that the FL-ESMS are in line with applicable E&S regulations in India and Good International Industry Practices (GIIP)