

Axis Asset Management Company Limited

Document Title	Responsible Investing Policy
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Reviewer	Shreyash Devalkar
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Change Management

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Sr. No.	Version No.	Date	Key Changes
1.	Version 1	Oct 14, 2022	No change
2.	Version 2	Oct 06, 2023	Deleted the line " <i>It may be noted that from October 1, 2022</i> " & " <i>The existing investments for which there are no BRSR disclosures would be grandfathered by SEBI for a period of one year i.e., till September 30, 2023</i> " as the same were not applicable after due date
3.	Version 3	Jan 17, 2024	Change in name of fund incorporated as " <i>Axis ESG Integration Strategy Fund</i> "
4	Version 4	Oct 10, 2024	<ul style="list-style-type: none"> • Changed investment limit in global sustainable companies from 20-30% to 0-30%. • Included Quintile 3 for portfolio construction • "ESG compliant Overseas securities" used in place of global sustainable companies
5	Version 5	September 30, 2025	No major change

Version control is being operationalized from September 2022 onwards.

In case version control is not available previously:

Note: This document existed earlier, however version control is being operationalized for this document from

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Responsible Investment Policy

Our Objective and Strategy

At Axis Asset Management Company Ltd ('Axis AMC' or 'Axis'), we view ourselves as the 'owners' of the business we invest in. This is reflected not only in the way we evaluate a business and work with management, but as well as our time frame for investment. As a house, we are long term in focus. The approach is not just as an investor but as an 'owner' which is a key differentiating feature and reason for our success.

We focus on generating long term capital appreciation by investing in a diversified portfolio of companies demonstrating sustainable practices across Environmental, Social and Governance (ESG) parameters. In our analysis, quality companies are those that have a strong competitive positioning, sound balance sheets and cash flows, credible management team and sustainable growth potential. Companies that meet these criteria are included in the investment universe and on which detailed fundamental research is carried out. Our portfolio construction approach is bottom-up, benchmark-agnostic and focused on investing in our best ideas that can provide sustainable growth while controlling portfolio risks.

Much of the prevalent ESG thought process is therefore embedded in our investment philosophy and is largely incorporated in our investment process. The Axis ESG Integration Strategy Fund will invest in a portfolio of companies that meet the internal ESG criterion on an ongoing basis. The ESG score will be a points based evaluation of companies on environment, social and governance parameters.

Our Approach

At Axis we see ourselves as long-term stewards of our investors' capital and this philosophy naturally leads us to focus on the long-term prospects for the companies in which we invest. Axis manages its portfolio with the objective of generating returns consistent with funds' objectives. It is therefore central to our investment process to consider each company's ability to create, sustain and protect value. We believe that analysing a company's exposure to, and management of, Environmental, Social and Governance (ESG) factors, in addition to traditional financial analysis, will enhance our understanding of a company's fair value and its ability to deliver long-term sustainable returns.

Integration

We employ an integration approach to ESG rather than a simple screening. We believe that relying on ratings or quantitative screens, risks oversimplifying ESG considerations. A more careful analysis can enable investors to understand the business models and motivations of management, within the context of a company's operating environment. This is particularly relevant in Indian markets where disclosure levels are uneven. Furthermore, engagement with investee companies can improve our understanding of the issues they face and their approaches to managing them, helping us to protect or enhance the value of our investments.

ESG analysis helps determine which companies we look at, how we assess their sustainability and, hence, how we value them. Our insights can play a final role in the investment process by capping exposure to weaker ESG situations in the form of single-stock and aggregate limits in portfolios. Avoiding companies in certain sectors is a given, but our analysis is broad reaching and we are interested in the upside return implications as well as the downside risks that we identify.

Filtration Criteria

Furthermore, we also exclude invested in certain companies based on its negative impact on society. The same is elucidated below.

The ESG process will be executed at 3 levels as detailed hereunder:

- **Sector level screening:**

The scheme will sift through sectors/ themes that are deemed harmful from a societal perspective. We will avoid investment in companies operating in those industries and maintain that exclusion on an ongoing basis. Our current Sector blacklist includes companies involved in Cluster Munitions, Anti-Personnel Mines, and Chemical and Biological Weapons, Tobacco, Alcoholic Beverages.

- **Stock Level Screening:**

All stocks with an internal proprietary model based ESG Score will form part of the investment universe for the fund. Our scoring mechanism utilises information such as annual reports, publicly available information on the company, Bloomberg/ Reuters information. Each stock will be bucketed into 5 quintiles based on stock specific/industry specific factors. Composite scores across E/S/G will provide a homogenous score that grades stocks on an ordinal scale

ESG factors considered during the process of portfolio construction could include

- **Environment:**

- o The industry the company is in and its impact on environment.
- o GHG emissions, water usage targets that the company has set and its performance

- **Social:**

- o The hiring and training processes for employees of the company
- o Staff turnover
- o Partnership with vendors and evaluation of vendors on ESG metrics

- **Governance:**

- o Board Structure
- o Capital allocation

Factors considered would differ based on the Company and the environment and industry operated in. We monitor the Companies on a periodic basis and decide on addition and deletion to portfolio based on our evaluation. It may be noted that while we do our due diligence in monitoring and constructing the portfolio, there are limitations in forecasting the companies' performance against ESG metrics, due to the dynamic nature of the information evaluated.

We monitor Companies and engage with them regularly to bridge this gap to the best of our abilities. We also have various policies such on voting, stewardship in this regard.

- **Portfolio Construction**

We invest approximately 0-30% of the funds in ESG compliant Overseas securities Further, a minimum of 80% of the domestic portfolio will be in companies in Bucket 1,2 & 3 (highest scoring quintiles). No investment would be made in companies which are in stark contrast to our ESG philosophy.

It may be noted that from October 1, 2022, we shall only invest in securities which have Business Responsibility and Sustainability Report (BRSR) disclosures in accordance with the SEBI mandate. In case of overseas securities, we would choose any global equivalent of the BRSR as specified by Association of Mutual Funds in India (AMFI).

Engagement and Intervention

Monitoring

As active investors, Axis continually monitors a company's management and performance, including developments which may have a significant impact on valuation or risk profile, as part of our investment process and ownership responsibilities.

The extent and frequency of monitoring will be partly dependent on the type of investment. The analysis of publicly reported information makes up the bulk of our monitoring activity. However, we will proactively contact management where we think that this information requires more explanation. We meet with hundreds of companies every year and it is an important part of investment process. While dealing with the investee company, we make companies aware of our position to ensure that we do not inadvertently receive non-public price sensitive information.

If an investee companies' ESG disclosures are insufficient to allow Axis to gain an appropriate understanding of the company's sustainability-related risks, Axis will encourage the company to make more robust public ESG reporting.

Engagement and Intervention

Axis will engage on any issue affecting the long-term sustainable value of a company in which it is invested. Issues may include, but are not limited to, business strategy, performance, financing and capital allocation, management, acquisitions and disposals, operations, internal controls, risk management, industry level issues, related party transactions, shareholder rights/ grievances, the membership and composition of governing bodies/boards and committees, sustainability, governance, remuneration, climate change, leadership issues, litigations, environmental and social responsibility, etc.

We ordinarily hope to address any concerns we may have through the regular meetings we hold with company management. However, there may be instances where a company does not respond constructively, our concerns have not been sufficiently addressed or we do not feel confident that the company intends to address these concerns. Under these circumstances, we may decide to extend our engagement activity and/or escalate specific areas of concern in order to effect the change we are seeking.

In case the Mutual Fund's intervention is not successful (either fully or partially), it will not automatically result in the Mutual Fund being required to exit its investment in the investee company. The decision to purchase more equity or sell all or part of the Mutual Fund's investment in the investee company shall be made by the responsible Fund Manager, which may consider the outcome of the intervention as an input in his decision-making process.

We prefer to engage confidentially with company management to discuss issues and concerns, as we believe this is the most constructive and effective approach. However, if we feel that we are not being heard, we may express these concerns publicly.

There may be occasions when it is more effective to work with other institutional shareholders to influence company management and effect positive change. For example, where our discussions with management have failed to achieve the desired outcome or where we own a very small percentage of the company. We review collaborative engagements on a case-by-case basis to ensure that the objectives of such engagements are aligned with our policies and investment objectives. Axis can work with other institutional investors, either bilaterally or through industry forums such as Association of Mutual Funds of India ('AMFI').

Disclosure of Stewardship Code

This Stewardship Code and amendment thereto, shall be disclosed on the website (www.axismf.com). Any amendment or modification to this Stewardship Code shall be disclosed on the website. It may be noted that stewardship activities undertaken are in accordance with the philosophy and objective. Axis AMC shall periodically report how it fulfilled its stewardship responsibilities in an easy-to understand format.

Voting

This Voting policy and amendment thereto, shall be disclosed on the website (www.axismf.com). Any amendment or modification shall be disclosed on the website. It may be noted that voting related activities undertaken are in accordance with the philosophy and objective. Axis AMC shall periodically report how it fulfilled its responsibilities in an easy-to understand format.

Disclosure

The general policies and procedures stated above for exercising the voting rights in respect of shares held by the Scheme(s) of the Mutual Fund will be disclosed on the website of the Mutual Fund in format prescribed on a quarterly basis or at such frequency as may be specified by SEBI.