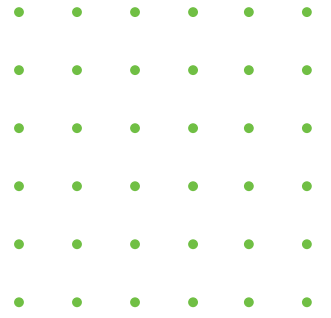


SUSTAINABLE INVESTMENT ACTION IN INDIA



A blueprint for driving responsible investments



ऑक्सफैम इंडिया
OXFAM
India



cKinetics
Accelerating Sustainability

Citation Guideline: Sustainable Investment Action in India



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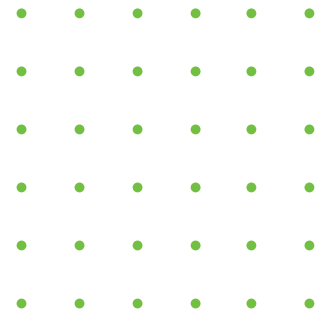
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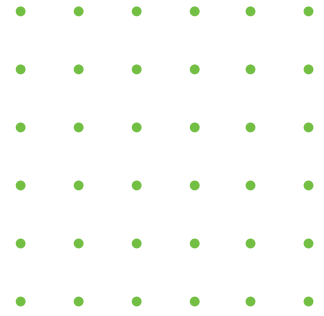
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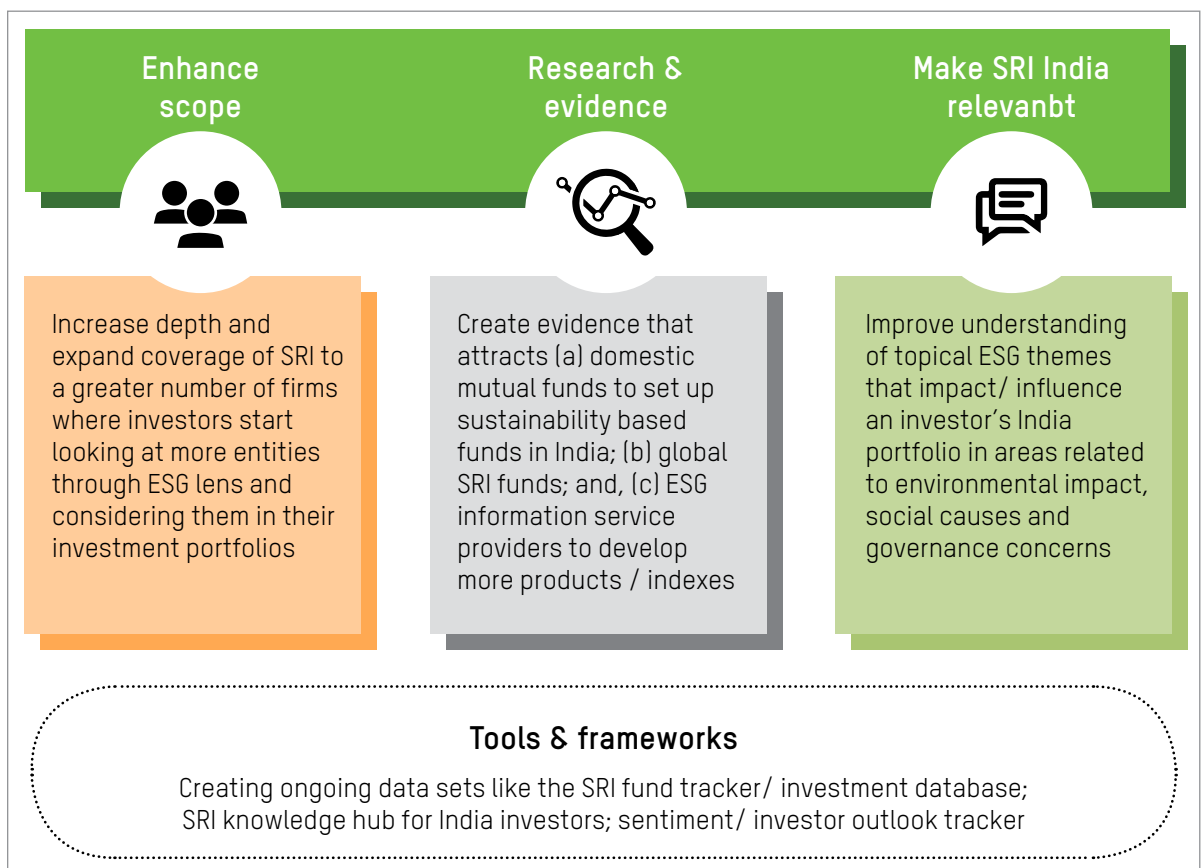
INTRODUCTION TO THE DOCUMENT



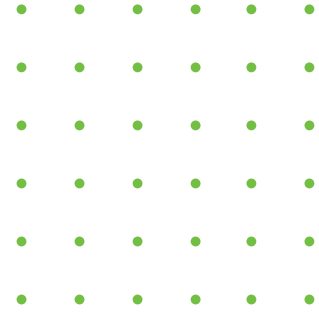
FINANCIAL MARKETS ARE MOVING TO A TIPPING POINT WHERE THERE WILL BE MORE ASSETS ALIGNED TO SUSTAINABLE AND RESPONSIBLE CONSIDERATIONS THAN BEFORE, AND INVESTORS WILL REALIZE THAT PERFORMANCE AND POSITIONING ARE AT SEVERE RISK IF THESE ARE NOT ADDRESSED.

For emerging and developed economies, the meaning of sustainable and responsible investing (SRI) will evolve and improve as investor-led implementation, corporate motivations and consumer interest drive acceptance. Financial market stakeholders globally have already started to direct this progress by integrating environmental, social, and governance (ESG), as part of SRI strategies, and some have also started incorporating these into their emerging market investment portfolios.

Market evidence suggests that consideration of ESG information delivers returns – Indian ESG indexes have outperformed their conventional counterparts by a margin that ranges between 36 basis points (bps) and 55 bps over a 5-year period. But the uptake for active use of ESG information in equity investments has been slow as only a few domestic funds have tested the market. Furthermore, investment appears to be limited to large companies and select sectors only when there are over 180 multi-sectoral mid-cap stocks in NSE 500 that potentially meet investment considerations for stock liquidity, trading turnover and deliver competitive price performance. Further still, there is insufficient discussion on ESG information's benefits or successes that is backed by ongoing data capture and investor-investee engagement on ESG issues remains retroactive and inconsistent.

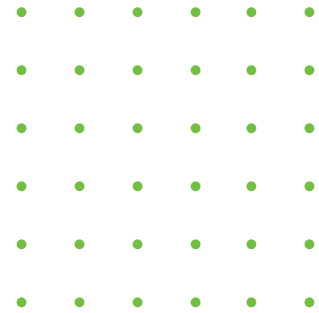


ABOUT OXFAM INDIA



Oxfam India, a fully independent Indian organization, is a member of an international confederation of 20 organisations. The Oxfams are right based Organisations, which fight poverty and injustice by linking grass root interventions to local, national and global policy developments.

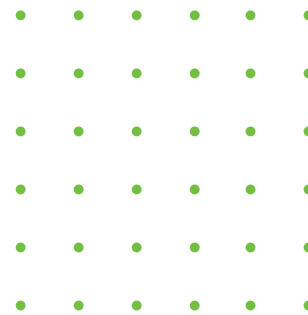
ABOUT CKINETICS



cKinetics is a mission driven Sustainability Insight, Innovation & Capital Advisory Firm, working with businesses, investors industry groups as well as thought leaders to continually generate market insights and catalyse change. cKinetics has a practice dedicated to Sustainable Finance and SRI that developed this document.



STATUS OF SRI MARKET IN INDIA



Indian SRI market is growing at one-third the rate at which global SRI markets are moving. SRI investor allocations to India have moved up only marginally 6% over the past two years to reach \$28 billion¹ compared to global SRI flows that moved up at 16% CAGR to \$30.7 trillion (2016-18)².

Globally, ESG integration (\$17.5 trillion) is among the most adopted strategies, and although global SRI funds invest in the Indian markets, the quantum of funds brought into the country still remains small at around \$28 billion (Indian SRI market is mostly foreign investor driven at this point).

On the domestic front, major Indian asset management companies or AMCs (together controlling 50% of the market) are ready to introduce ESG funds³, although the investing market is some distance away from adopting ESG as an embedded metric when investing into stocks and bonds (like how one would look at credit rating of an instrument before investing). A prominent domestic fund, the SBI Magnum Equity ESG Fund (first ESG branded fund in India), has delivered 19.28% returns over the last one-year period, outperforming benchmark Nifty 100 ESG TRI⁴ (15.15%) and S&P BSE Sensex TRI (17.97%).

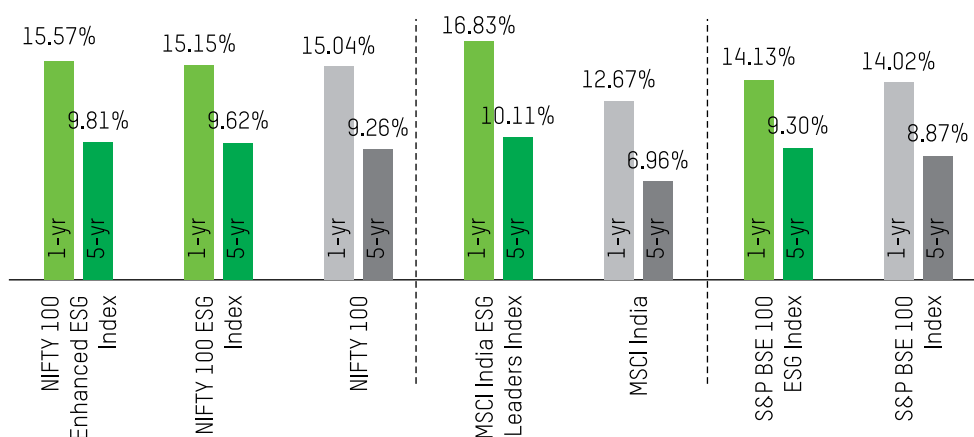
For additional perspective on the application of ESG, as it currently stands in the Indian market, an overview of ESG⁵ and conventional indexes is undertaken below alongside a review of the ESG funds focusing on India.

USE OF ESG INFORMATION TO WEIGHT INVESTMENTS DELIVERS RESULTS

ESG index returns have outperformed their conventional counterparts by a margin that ranges between 36 basis points (bps) and 55 bps over a 5-year period (not including MSCI India ESG Leaders, which outperformed MSCI India by 315 bps⁶) likely reflecting the role of stock specific weightage and individual stock price performance. **This outperformance, in ways, also evidences that SRI strategies, achieved through the implementation of ESG as-sessments (exclusionary, best-in-class, integration, etc.⁷), do not harm investor returns even if these may not be considered as the single-most important criteria for outper-formance every time.**

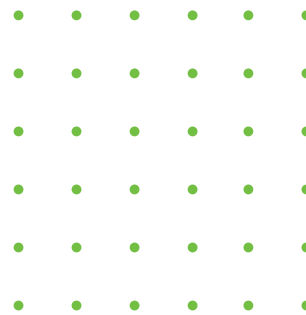
Among the ESG indexes reviewed, MSCI India ESG Leaders Index outperformed Nifty and S&P (1-year returns outperformance: 126 bps and 270 bps; 5-year returns outperformance: 30 bps and 80 bps, respectively).

ESG & Conventional Index Returns in India



Source: NSE, MSCI, S&P Global. As of 31 October, 2019

INCLUSION OF MID-CAPS CAN EXPAND ESG INVESTMENT CHOICES



Below we look at some of the market enablers in place that can allow ESG investors to invest in the market while complying with prudent investment guidelines and standards.

- India offers a sizeable equity market with over 5,000 listed stocks and \$2 trillion market capitalisation (market cap). The market has witnessed increase at 12% CAGR or over three-fold increase in market capitalisation (\$647 billion in 2008), faster than all others except China in the past decade.

Country	GDP at current prices		Equity market cap		Number of companies listed
	USD billion	10-year CAGR	USD billion	10-year CAGR	
US	20,494	3%	30,436	10%	4397
China	13,407	11%	6,325	14%	3584
Japan	4,972	1%	5,297	5%	3652
Germany	4,000	3%	1,755	5%	465
UK	2,829	3%	4,773	10%	1166
France	2,775	2%	2,299	5%	457
India	2,717	13%	2,083	12%	5065
Brazil	1,868	8%	917	4%	334
South Korea	1,619	5%	1,414	12%	2186
South Africa	368	7%	865	6%	289
Hong Kong	363	5%	3,819	11%	2161

Source: IMF, World Bank, Stock exchanges

* As of December, 2018

- Within the NSE 500 stocks by market cap, the opportunity is well spread out across a number of large, mid and small cap stocks, with competitive returns. While the large sized stocks (>\$25billion in market cap) have delivered outsized returns over a 3-year horizon, stocks falling in the \$1 – 5 billion range (20% share in NSE 500 market cap) offered the second-highest set of returns over a 3-year period. There are over 180 stocks that fall under this range.

Market cap levels	Number of stocks	% share in NSE 500 Market cap	Average returns %	
			1-year	3-year
Over \$25 billion	15	41%	25	103
\$10 - 25 billion	29	21%	21	41
\$5 - 10 billion	37	12%	3	21
\$1 - 5 billion	182	20%	8	50
Less than \$1 billion	238	6%	-12	16

Source: Stock exchanges, Moneycontrol, Edelweiss

*As of November, 2019



- A higher stock market free-float ensures better liquidity and enhances institutional participation. Such liquidity levels are available in mid cap stocks where average daily trading turnover stood around \$8 million.

Market cap levels	Free float market cap (USD billion)	Average daily trading turnover (USD million)
Over \$25 billion	524	122
\$10 - 25 billion	172	32
\$5 - 10 billion	114	24
\$1 - 5 billion	174	8
Less than \$1 billion	54	2

Source: Stock exchanges, Moneycontrol, Edelweiss

*As of November, 2019

Mid-caps offer opportunities for investment managers. Over 180 mid-cap stocks in the NSE 500 meet considerations for liquidity, turnover and returns that are available across 17 sectors. The opportunity for ESG uptake sits well in the middle market range, where

- companies may be more willing to improve their ESG performance if it enhances their brand image and improves their interaction with investors;
- companies stand to benefit from the low-carbon push (in buildings, transport, power, waste sectors, etc.) and demands from the rising middle class (across healthcare, financing, technology, real estate, mobility). For instance, mid-caps play a critical role in manufacturing components (for sectors like automobiles & ancillaries, consumer durables, capital goods), and provide services at the grassroots level (through mid- and small-sized bank & NBFCs); and,
- offer the highest potential for ESG-led improvements programs that can help unlock revenue opportunities, reduce environmental & social costs, increase productivity, and directly affect the bottom line and stock performance

SOME SRI FUNDS ALREADY GOING BEYOND THE TOP 100

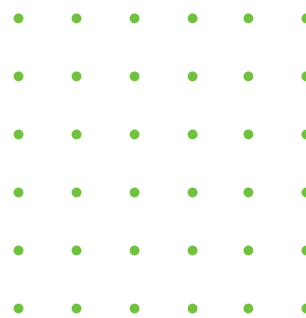
Indian ESG Funds are more focused on the Top 100. In contrast, some India-focused global SRI funds have a higher exposure to mid-caps (in the \$1 - 5 billion market cap range), which could be an indicator of the investing pool and the opportunities that ESG's progress in investment products could entail as more domestic AMCs launch ESG schemes.

Parameter	Indian SRI Fund	Global SRI Funds	
	SBI Magnum ESG Equity Fund	Matthews India Fund	Fidelity India Focus Fund
Fund size (INR million)	23,486	84,023	129,687
Number of mid-cap stocks in the fund	5	17	20
Fund shareholding in mid-caps	6%	36%	16%
Market cap invested in mid-caps (INR million)	1,402	30,148	21,308

Source: AMC fund portfolio breakdown

*International funds where full portfolio breakdown is available were analysed

OPPORTUNITY TO DEVELOP DIFFERENTIATED ESG INDEXES



Currently, there is a high degree of commonality and concentration of ESG and conventional indexes on three sectors - financial services, IT and energy. A high degree of similarity is part of the design element also. An ESG version of a benchmark index looks to minimize tracking error⁸ by taking exposure to similar stocks/sectors⁹. With that, a methodology bias is introduced that seeks to identify ESG top performers from within the benchmark pool of securities. That said, an ESG version of a benchmark should still look to identify and direct investments that promote better ESG behaviour.

As it stands, there seems limited distinction in the top holdings composition of ESG indexes vs. conventional comparables (see sector weights and top 10 holdings in tables below), with exclusions primarily resulting from tobacco screens, and selected cases of governance. This, in turn, sends inconsistent signals to the market to whether/ if an ESG index is actually making a difference by gaining exposure to companies with better E, S & G performance factors or not. As a point of comparison, the MSCI USA Large cap index and MSCI USA Large Cap ESG Leaders Index have only 4 common securities out of the top 10¹⁰ despite both indexes similarly focusing on Financials, IT and Healthcare sectors.

Top 3 sector weights %	Financials	IT	Energy
NIFTY100 Enhanced ESG Index	38	15	13
NIFTY100 ESG Index	38	14	13
Nifty 100 Index	38	11	14
MSCI India ESG Leaders Index	23	25	22
MSCI India Index	26	16	16
S&P BSE 100 ESG Index	43	14	13
S&P BSE 100 Index	na	na	na

Company name	ESG Top 10 Holdings			Conventional Top 10 Holdings		
	NIFTY100 Enhanced ESG	MSCI India ESG Leaders	S&P BSE 100 ESG	Nifty 100	MSCI India	S&P BSE 100
Reliance Industries	11.16%	18.74%	*	8.86%	11.78%	*
HDFC Bank ¹¹	9.81%		*	9.40%		*
Housing Development Finance Corporation	8.22%	15.64%	*	6.50%	9.84%	*
Axis Bank	5.91%	6.89%	*	2.90%	4.33%	*
Infosys	5.65%	10.63%	*	4.44%	6.68%	*
Tata Consultancy Services	5.40%	9.17%	*	4.22%	5.76%	*
Kotak Mahindra Bank	4.90%		*	3.72%		*
Larsen & Toubro	4.32%			3.22%		*
Hindustan Unilever	3.21%	6.34%			3.98%	



Company name	ESG Top 10 Holdings			Conventional Top 10 Holdings		
	NIFTY100 Enhanced ESG	MSCI India ESG Leaders	S&P BSE 100 ESG	Nifty 100	MSCI India	S&P BSE 100
Mahindra & Mahindra	2.30%	2.03%			1.28%	
ICICI Bank				5.29%		*
ITC				3.92%		*
Bharti Airtel		3.45%			2.17%	
HCL Technologies		2.83%			1.78%	
Asian Paints		2.34%			1.47%	
State Bank of India			*			
Maruti Suzuki			*			
Bajaj Finance			*			

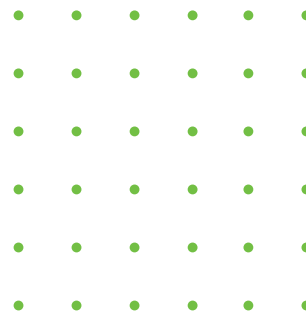
Source: NSE, MSCI, S&P Global

*stock weights not disclosed

Given that there are several more firms that meet the liquidity criteria of most funds, Index providers have an opportunity to expand their range of sustainable indexes, introduce theme-based index products (e.g. in areas of carbon emissions, sustainable

development goals, clean technologies, social impact metrics, etc.). This will not only bring new thematic areas into index creation but also deepen index compositions to explore beyond the top 100 stocks.

SRI MEGATRENDS DRIVING CHANGE



Below we look at some of the megatrends and themes that are influencing policy, regulatory and investor action globally towards sustainability and review how/ in what form these trends are likely to be relevant to the Indian investment ecosystem.

1. CLIMATE-RELATED ACTION AND INITIATIVES

- Climate change is at the center of most international conversations. Alliances are being formed and measures being taken to push for climate impact assessment and building readiness within the system. For instance, the Network for Greening the Financial System (NGFS) is bringing together central banks to build a more sustainable financial system. The UK financial system is leading sustainable finance initiatives such as stress testing banks and insurers for climate risks.
- The Taskforce for Climate-related Financial Disclosures (TCFD) set up in 2015 by the Financial Stability Board (FSB) recommends a useful framework for companies to report climate-related financial risk disclosures across four key pillars – Governance, Strategy, Risk management, Metrics and Targets. Institutional investors are increasingly active in engaging with their investees, raising shareholder resolutions to push for meaningful corporate action and expectations for climate-related disclosure enhancements from corporates (e.g., climate resolutions filed at Royal Dutch Shell, ExxonMobil, BP, etc).
- Investor coalitions such as Climate Action 100+ are persuading corporates to formalize their commitment to reducing emissions, disclose climate strategy and highlight how they are aligning operations to Paris goals. Others like as RE100 encouraging corporates to make a public commitment to 100% renewable electricity.

- In January 2020, world's biggest asset manager Blackrock (with over \$7 trillion in assets) in a landmark climate move announced its intent to exit thermal coal investments. The fund manager also plans to launch new investment products that screen fossil fuels and has asked companies to undertake disclosures that are more closely aligned to Sustainability Accounting Standards Board (SASB) and TCFD recommendations.

India action:

- India among the few countries close to meeting a substantial part of the Paris commitments (2° compatibility¹²) – massive investment into renewable energy already underway.
- Indian companies such as Dalmia Cement, Hatsun Agro Products Ltd, Infosys, etc. are members of RE100; Aditya Birla Chemicals, Hindustan Zinc, Mahindra group companies and Wipro have committed to set science-based targets. More concerted action by private sector is needed to make climate risk assessments part of business strategy, operational decision-making and long-term scenario analysis.

2. RESOURCE EFFICIENCY, SUSTAINABLE PRODUCTION AND PLASTIC WASTE COMING INTO FOCUS

- Policy initiatives like the Extended Producer Responsibility (EPR) in plastics are being implemented to make producers responsible for collection and processing of their own products at the end of their life. OECD countries (see example on Germany in Box 1.), Japan and China have benefited from EPR programmes.
- The world's largest importer of waste plastic under their Chinese National Sword policy placed a ban on a range of imported recyclable solid waste from other countries (Australia,



the US and the UK) in an effort to halt an overwhelming inflow of contaminated materials and exacerbating the environmental problems of the country.

- Conversations on corporate sustainability are recognizing plastic debris (on land and in oceans) as an issue to discuss with chemicals and petroleum producers that manufacture these items and consumer goods, and distribution and retail companies that extensively use plastics in product packaging. Robeco, a large asset manager, identified single-use plastics as a major theme in 2019 engagement activities with food and beverage companies and plastic producers¹³.

India action:

- Draft National Resource Efficiency Policy proposed in 2019 focuses on the efficient use of material and resources based on the principle of 6R (reduce, reuse, recycle, redesign, re-manufacture and refurbish) and green public

procurement. The policy aims to implement resource efficiency across materials, sectors and lifecycle stages; minimizing waste generated from plastic packaging and plastic waste management; discusses zero landfill approach and policy instruments such as tax on natural gravel, landfill taxes.¹⁴

- In India, e-waste¹⁵ collection and recycling targets are provided under the E-Waste (Management) Amendment Rules, 2018.
- Plastic Waste Management (PWM) Rules of 2016 made a reference to EPR that made producers, importers and brand owners responsible for setting up a system for collecting their own product waste¹⁶. Some Indian corporates are running pilot projects like PepsiCo India that has been working with the Producer Responsibility Organisations (PROs) to collect and recycle their PET plastic waste in Maharashtra, although the overall progress on corporate recycling efforts has been slow.

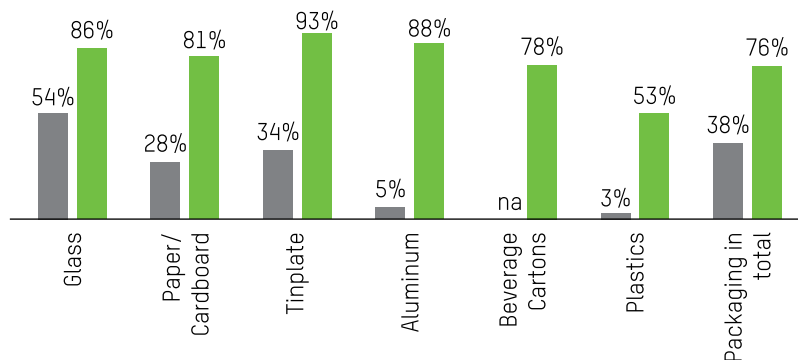
BOX 1. IMPLEMENTATION OF EXTENDED PRODUCER RESPONSIBILITY IN GERMANY

Extended Producer Responsibility (EPR) requires companies to take responsibility for the impact of their products starting from the materials used in their manufacturing to end-of-life recycling.

The German government set up a “dual system” of waste collection in the 1990’s after a new packaging law was passed which required manufacturers to take care of recycling or disposal of any packaging material they sell. Under the dual system, German industry picks up household packaging in parallel to the municipal waste collection system. The company, Der Grüne Punkt (Green Dot), was the first dual system (set up by retail and consumer goods industry) to provide nationwide collection of used packaging material, collecting it for the licensed fee payers. Green Dot is a logo placed on the product packaging by licensed fee payers (manufacturers and distributors) to identify their product for processing by the company.

Data on recycling rates of sales packaging indicate a marked difference in these rates in 2016, especially for plastics, aluminium and paper/ cardboard packaging.

Recycling rates of sales packaging in Germany, 1991-2016



Source: Der Grüne Punkt

- The government has directed all states and Union Territories to curb and in time phase out single-use plastics replacing them with environment friendly alternatives. E-commerce companies such as Amazon, Flipkart have been advised to remove single-use plastics from product packaging of items sold on their platforms. Stronger restrictions on plastic use are likely to push a pause and reset button for petroleum and chemical industries that derive revenue from plastics¹³.

3. MODERN SLAVERY, LABOUR RIGHTS AND SUPPLY CHAINS

- The UN Sustainable Development Goals (SDG) aim to eradicate slavery by 2030¹⁷. This has brought about the issues of modern slavery in focus and encouraging companies to take a deeper look at their supply chains and track material as well as labour sourcing. The Norwegian wealth fund and, Government Pension Fund Global (GPF), have blacklisted companies from its investible portfolio (such as G4S Plc, Luthai Textile Co) citing cases of serious human rights violations and forced labour.
- There is greater action on fighting modern slavery and preventing human rights violations in business supply chains through introduction of new laws and creation of investor coalitions that are coming together on responsible business initiatives. Some examples include Australia Modern Slavery Bill, UK Slavery Act, French Corporate Duty of Vigilance Law, California Transparency in Supply Chains Act, Brazil's Slave Labour Dirty List, OECD Guidelines for Multinational Enterprises.
- Investor and consumer awareness level is improving – indexes such as the Global Slavery Index and UN Guiding Principles on Business and Human Rights are delivering a stronger awareness message of slavery issues in supply chains. Corporate Human Rights Benchmark, a UK-based multi-stakeholder initiative, published its study of the world's largest publicly traded companies across three at-risk sectors: apparel, agriculture products, and extractives. Finance Against Slavery and Trafficking's Blueprint provides a collective action framework for the whole financial sector and professional service providers to accelerate action to end modern slavery and human trafficking¹⁸.

India action:

- The National Guidelines on Responsible Business Conduct (NGRBC)¹⁹ are, by far, the most comprehensive policy framework on business responsibility in India, and take a rights-based approach covering multiple dimensions of business responsibility including employee wellbeing and human rights²⁰.
- There is limited traceability and linkages to these issues as currently assessed and disclosed by corporates in their supply chains²¹.
- Government has published zero draft of National Action Plan on Business and Human Rights and committed to prepare a National Action Plan (NAP) by 2020.

4. CORPORATE RESPONSIBILITY AND SUSTAINABILITY


- Mandatory and voluntary ESG disclosures for listed entities (China, Hong Kong and, Thailand)
- Sustainable investment disclosure rules in EU carrying ESG disclosure requirements for financial market participants and financial advisers to disclose how ESG is being integrated into investment decisions.

India action:

- Need to encourage corporates to move beyond the minimum reporting requirements under the BRR and adopt a more robust ESG reporting framework such as the one already provided by the stock exchange²² to provide quality disclosures.

5. PENSION FUNDS ACTIVELY TILTING PORTFOLIOS TOWARD SUSTAINABILITY

- A recently initiated United Nations-convened Net-Zero Asset Owner Alliance is bringing together institutional investors, currently representing nearly \$4 trillion in assets under management, that are committed to transitioning their portfolios to net-zero GHG emissions by 2050.
- In Japan, the government is leading by example in integrating sustainability into pension portfolio and demanding their asset managers to similarly integrate ESG into investment processes. The **\$1.4 trillion Government Pension Investment**



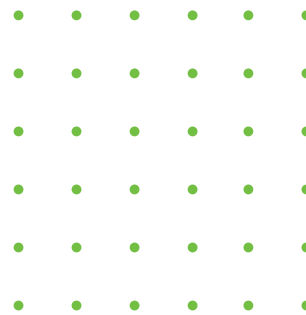
Fund (GPIF) has become a major regional influence – using carbon and diversity benchmarks for passive investment tracking of portfolios²³, disclosing climate-related information of its portfolio as per TCFD recommendations, joining Climate Action 100+ initiative, evaluating asset managers on their ability to integrate ESG into investment processes

India action:

- Introduction of Common Stewardship Code by the Pension Fund Regulatory and Development

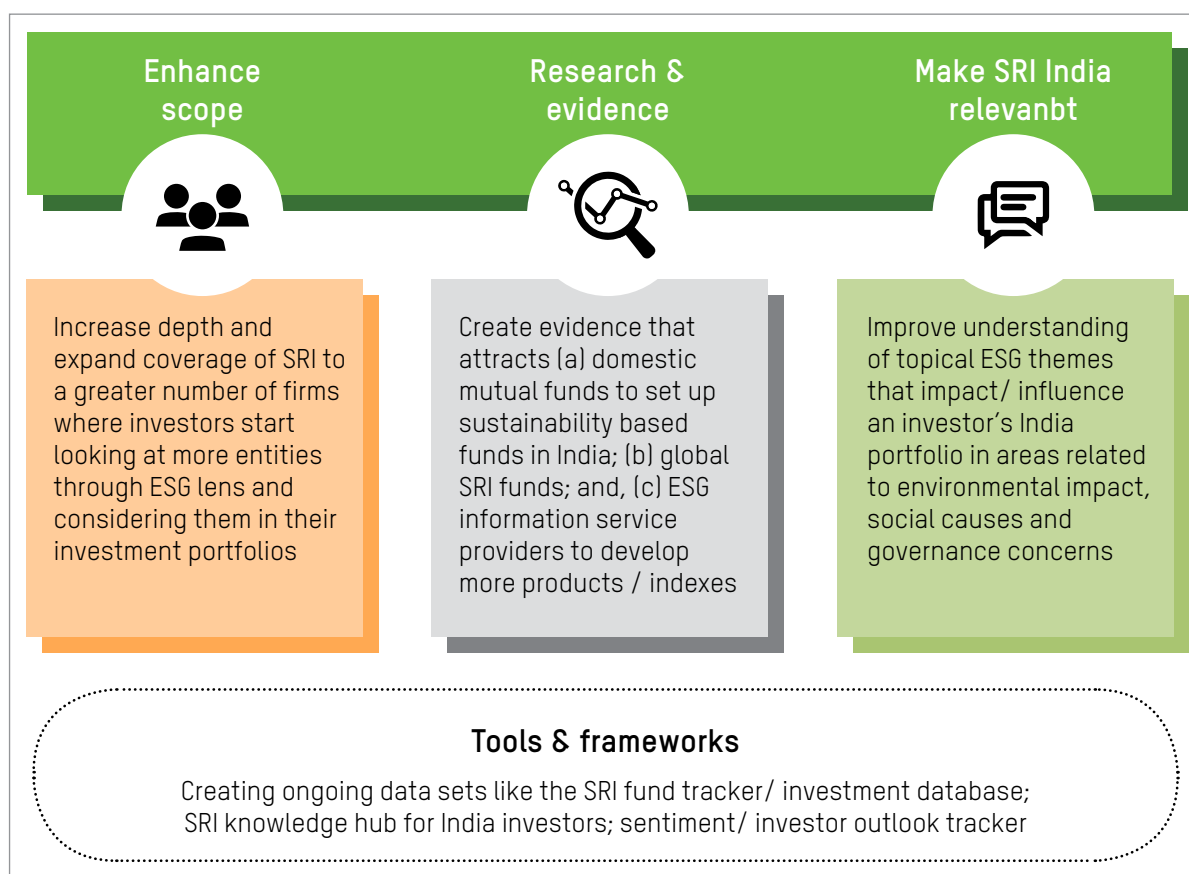
Authority (PFRDA) as a measure of good corporate governance in 2018²⁴. Stewardship responsibilities include monitoring and engaging with investees on corporate governance as well as material ESG issues, among others. Institutional investors are required to publicly disclose their stewardship policy, their voting policy and periodic reporting on their voting activities. Similar code is expected to be implemented for Mutual Funds and Alternative Investment Funds (AIFs) in 2025.

CREATING AN SRI BLUEPRINT FOR INDIA



To address existing barriers to a wider adoption of sustainable investing in India, to bring the market to consciously view and address ESG issues and incorporate ESG assessments into investment processes, a multi-stakeholder working group is envisaged. This multi-stakeholder working group will seek to engage with funds /fund managers, financial institutions (including intermediaries), ESG data/information providers, policy makers and regulators, businesses and catalysts, focused at evolving a vibrant SRI market in India.

KEY AREAS OF FOCUS TO ACHIEVING GREATER SRI ACTION IN INDIA



ENHANCE SCOPE OF SRI TO A GREATER NUMBER OF FIRMS

Action:

Identify areas of focus where ESG information flow is insufficient and work with policy makers and regulators to support sustainable investment information disclosures

- Although larger companies are relatively better (or at least rated better) at disclosing their sustainability related initiatives, these may not always directly respond to investor needs for information
- Mid-sized companies are as yet an untapped opportunity area for SRI funds where need for



business expansion capital continues to exist and that can help encourage a prompt response by these entities to meeting sustainability related requirements of investors

- Expanding the investment pools of SRI funds will help deepen the market and create a positive feedback loop for entities to raise the bar on sustainability

RESEARCH AND EVIDENCE THAT BUILDS A CASE FOR SRI ADOPTION

Action:

Create case studies that share investor experiences of SRI implementation and provide guidance on how to adopt sustainability into mainstream investment operations

- Mainstream investors have seen limited application of SRI in regular business operations and may not have sufficient knowledge of the subject
- Sustainable investor experiences in India are rather limited and go largely undiscussed, especially the experiences of global SRI investors in India

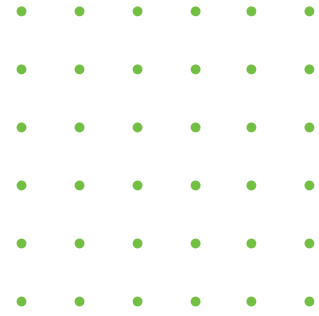
MAKE SRI CONVERSATION RELEVANT TO INDIAN CONTEXT

Action:

Broader SRI trends that could potentially impact Indian investments need to be high-lighted to ensure corporates are responding to these in a timely and appropriate manner


- Emerging megatrends likely to have a significant bearing on the operations of Indian corporates cover environmental issues around climate-related preparedness, TCFD reporting, climate change scenario analysis. The issue may be more relevant for certain industries such as extractives, financial services, insurance, and agriculture
- Environmental issues around plastic use and waste recycling would be critical for chemicals and petrochemicals, foods & beverage producers, retailers and distributors
- Labour and human rights issues in the supply chain of food, textiles, real estate (brick kilns) and extractives will likely gain more prominence as investors seek more information on private sector action in ensuring supply chain compliance to labour standards

ENDNOTES



- ¹ Shakti Foundation, 2019. Catalysing Private Capital for Green Investments in India. Retrieved from <https://shaktifoundation.in/wp-content/uploads/2019/08/CatalysingPrivateCapitalforGreenInvestmentsinIndia.pdf> (As accessed on October 31, 2019)
- ² Global Sustainable Investment Alliance, 2018. 2018 Global Sustainable Investment Review. Retrieved from http://www.gsi-alliance.org/wp-content/uploads/2019/03/GSIR_Review2018.3.28.pdf (As accessed on Oct 31, 2019)
- ³ In 2019, new ESG fund documents were filed with Securities and Exchange Board of India (SEBI) by Axis Bank, ICICI Prudential, Kotak Mahindra and BNP Paribas.
- ⁴ SBI Mutual Funds. Retrieved from <https://www.sbimf.com/en-us/equity-schemes/sbi-magnum-equity-esg-fund#about> (As accessed on Oct 31, 2019)
- ⁵ ESG indexes look to offer exposure to companies with higher ESG performance
- ⁶ Note that there are 34 constituents in MSCI India ESG Leaders Index compared to 80 in MSCI India Index
- ⁷ For a detailed overview and discussion on the SRI strategies, refer to cKinetics report on Catalysing Private Capital for Green Investments in India, <https://shaktifoundation.in/wp-content/uploads/2019/08/CatalysingPrivateCapitalforGreenInvestmentsinIndia.pdf>
- ⁸ Tracking error here refers to the difference between an (ESG) index's returns and the benchmark that it is based upon.
- ⁹ MSCI ESG Leaders Index methodology notes, "The indexes are designed for institutional investors seeking exposure to companies with a strong sustainability profile and with relatively low tracking error to the underlying equity market.", <https://www.msci.com/msci-esg-leaders-indexes>
- ¹⁰ MSCI USA Large Cap Index, MSCI USA Large Cap ESG Leaders Index (as of 29 November 2019)
- ¹¹ Banks like HDFC, Kotak Mahindra and many other leading private sector banks are not part of many MSCI indexes due to the limited additional stock available to foreign portfolio investors (FPIs). Due to existing FPI holdings in these stocks, there may not be enough headroom for foreigners to buy fresh stock from the market, given the foreign holding cap by the RBI.
- ¹² Climate Action Tracker. Retrieved from <https://climateactiontracker.org/countries/india/> (As accessed on Nov 5, 2019)
- ¹³ Robeco, Retrieved from <https://www.robeco.com/en/insights/2019/01/single-use-plastic-among-robecos-2019-engagement-themes.html> (As accessed on Nov 5, 2019)

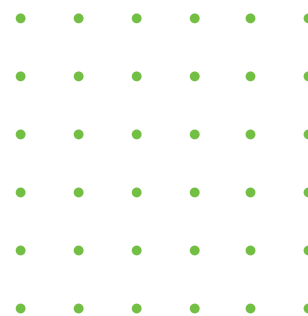


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- ¹⁵ e-waste means electrical and electronic equipment including discarded mobile phones, refrigerators, electronic office equipment, computers, television sets and electronic entertainment devices
- ¹⁶ Plastic waste management rules, 2016. Ministry of Environment, Forest and Climate, Change, Government of India, 2016. Retrieved from <http://www.mppcb.nic.in/proc/Plastic%20Waste%20Management%20Rules,%202016%20English.pdf> (As accessed on Dec 23, 2019)
- ¹⁷ UN SDG Target 8.7 - Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms
- ¹⁸ Finance against slavery and trafficking. Retrieved from <https://www.fastinitiative.org/> (As accessed on Nov 15, 2019)
- ¹⁹ National Guidelines on responsible Business Conduct, 2019. Ministry of Corporate Affairs, Government of India. Retrieved from https://www.mca.gov.in/Ministry/pdf/NationalGuideline_15032019.pdf (As accessed on Dec 23, 2019)
- ²⁰ Principle 3 covers all policies and practices relating to the dignity and well-being of employees in the workplace and in the supply chain. Principle 5 takes into account the corporate responsibility to respect human rights under Pillar II of the UN Guiding Principles on Business and Human Rights.
- ²¹ Business and Human Rights Journal / Volume 3 / Issue 1 / January 2018. Measuring Business Responsibility Disclosures of Indian Companies: A Data-Driven Approach to Influence Action. Retrieved from <https://www.cambridge.org/core/journals/business-and-human-rights-journal/article/measuring-business-responsibility-disclosures-of-indian-companies-a-datadriven-approach-to-influence-action/DAD9852706B2C1DF89E5688F4AAF0E7B> (As accessed on Dec 23, 2019)
- ²² BSE India. Guidance Document On ESG Disclosures. Retrieved from https://www.bseindia.com/downloads1/BSEs_Guidance_doc_on_ESG.pdf (As accessed on Nov 15, 2019)
- ²³ Government Pension Investment Fund, 2018. Retrieved from <https://www.gpif.go.jp/en/topics/GPIF%20Selected%20Global%20Environmental%20Stock%20Indices.pdf> (As accessed on Nov 15, 2019)
- ²⁴ Pension Fund Regulation and Development Authority, 2018. Common Stewardship Code. Retrieved from <https://www.pfrda.org.in/writereaddata/links/circular-%20common%20stewardship%20code%2004-05-186ec9a3b4-566b-4881-b879-c5bf0b9e448a.pdf> (As accessed on Nov 15, 2019)
- ²⁵ https://www.sebi.gov.in/legal/circulars/dec-2019/stewardship-code-for-all-mutual-funds-and-all-categories-of-aifs-in-relation-to-their-investment-in-listed-equities_45451.html (As accessed on Nov 5, 2019)

SELECT SRI INFORMATION



PULSE OF THE SRI MARKET 2017-2019²⁶



ANNEXE I – SRI FUND ALLOCATIONS IN INDIA

Indian SRI Funds		India allocation (\$ million)	
Fund Name	Asset Management Company	2017	2019
SBI Magnum Equity ESG Fund	SBI Mutual Fund		318
Pure Stock Fund	Bajaj Allianz Life Insurance Company Ltd	107	194
Tata Ethical Fund	Tata Mutual Fund	72	79
Pure Equity Fund	Bajaj Allianz Life Insurance Company Ltd	6	6
Taurus Ethical Fund	Taurus Mutual Fund	5	5
Pure Stock Pension Fund	Bajaj Allianz Life Insurance Company Ltd	2	2
Reliance ETF Shariah BeES	Reliance Mutual Fund	0.49	0.49
Capital allocation		192	605

Global SRI Funds		India allocation (\$ million)	
Fund Name	Asset Management Company	2017	2019
Stewart Investors Asia Pacific Leaders Fund	Stewart Investors	3,855	2,643
Franklin India A (acc) USD	Franklin Templeton Investments	*	1,994
Goldman Sachs India Equity Portfolio	Goldman Sachs Asset Management International	*	1,860
Aberdeen Standard SICAV I - Indian Equity Fund	Aberdeen Standard Investments	3,400	1,661
India Focus Fund	Fidelity International	1,602	1,577
HSBC GIF Indian Equity AD USD	HSBC Global Asset Management	*	1,310
Amundi Funds SBI FM Equity India	Amundi	555	1,123
Cartica Capital	Cartica Capital	913	824
JPMorgan Funds - India Fund	J.P. Morgan Asset Management	1,086	823
Emerging Markets Fund	Fidelity International	547	689
Vontobel Fund - Emerging Markets Equity	Vontobel Asset Management S.A.	*	677
Stewart Investors Global Emerging Markets Leaders Fund	Stewart Investors	296	600
BGF India Fund	Blackrock	580	579
Asian High Yield Fund	Fidelity International	399	552
Aberdeen Standard India Opportunities Fund	Aberdeen Asset Management	*	521
Capital allocation		13,234	17,433

Note: Represents the Top 15 global SRI funds in India in 2019. Comparable capital allocation from 2017 presented where relevant and available.

Deployment by SRI funds

India allocation (\$ billion)

	2017	2019
Indian SRI funds	0.21	0.61
Global SRI funds	25.18	27.25
Total	25.39	27.86

²⁶ From cKinetics tracker on SRI funds

ANNEXE II – NEW SRI FUND ANNOUNCEMENTS

Fund name	Asset Manager	Announcement date	Fund focus	Strategy
Aventus India ESG Fund	Aventus Capital Public Markets Alternate Strategies	August 30, 2018	Top 100 NSE stocks	ESG integration
Q-Ecube India ESG Fund	Quantum Advisors	January 28, 2019	Mid-cap, small-cap	ESG integration
BNP Paribas India ESG Fund	BNP Paribas Mutual Fund	June 11, 2019	Multi-cap	Negative screening, ESG integration
Quantum India ESG Equity Fund	Quantum Mutual Fund	June 13, 2019	Multi-cap	ESG integration
ICICI Prudential ESG Fund	ICICI Prudential Mutual Fund	July 18, 2019	Nifty 100 ESG TRI	Negative screening, ESG integration
Axis Sustainable Equity Fund	Axis Mutual Fund	July 26, 2019 (New Fund Offer opened in January 2020)	Nifty 100 ESG TRI	Negative screening, ESG integration
Kotak ESG Opportunities Fund	Kotak Mahindra Mutual Fund	July 31, 2019	Nifty 100 ESG TRI	Negative screening, ESG integration
Aditya Birla Sun Life ESG Fund	Aditya Birla Sun Life Mutual Fund	February 3, 2020	Nifty 100 ESG TRI	Negative screening, ESG integration
DSP ESG Fund	DSP Mutual Fund	February 17, 2020	Nifty 100 ESG TRI	ESG integration



ANNEXE III – PRESENT STOCK PORTFOLIO OF SAMPLE SRI FUNDS

Company Name	Part of NSE 500	Indian SRI Fund	Global SRI Funds	
		SBI Magnum ESG Equity Fund	Matthews India Fund	Fidelity India Focus Fund
Aavas Financiers	✓			
ACC	✓	✓		
Ahluwalia Contracts India				✓
AIA Engineering	✓			
Alembic Pharmaceuticals	✓			
Alkem Laboratories	✓	✓		
Apollo Pipes				✓
Asian Paints	✓	✓		
AU Small Finance Bank	✓			
Aurobindo Pharma	✓	✓		✓
Axis Bank	✓	✓	✓	✓
Bajaj Consumer Care	✓			
Bajaj Finance	✓	✓	✓	
Bajaj Finserv	✓	✓		
Bandhan Bank	✓			
Bata India Ltd.	✓			✓
Bharat Petroleum Corporation	✓	✓		
Bharti Airtel	✓	✓		
Blue Dart Express	✓			
Britannia Industries	✓	✓		
Caplin Point Laboratories	✓			
Chalet Hotels				✓
Chambal Fertilizers and Chemicals				✓
Cholamandalam Investment and Finance	✓			
Cipla Ltd.	✓			✓
Cognizant Technology Solutions				
Colgate Palmolive India	✓	✓		
Container Corporation of India Ltd.	✓			✓
CreditAccess Grameen	✓			
CRISIL	✓		✓	
Cummnis India	✓	✓		
Dabur India	✓		✓	
DB Corp				✓
DCB Bank	✓		✓	
DLF				✓
Dr. Reddys Laboratories	✓			✓
eClerx Services	✓			
Edelweiss Financial Services	✓			✓
Eicher Motors	✓	✓	✓	
Eris Lifesciences	✓			
Essel Propack				✓
Glaxosmithkline Consumer Healthcare		✓		
Godrej Consumer Products	✓			✓
Gujarat Fluorochemicals				✓
Gujarat Gas				✓
Gulf Oil Lubricants India	✓			
Havells India	✓			✓
HCL Technologies	✓	✓		
HDFC Bank	✓	✓	✓	✓
HDFC Life Insurance Company	✓	✓		
Hero Motocorp	✓	✓		
Hindalco Industries	✓	✓		✓
Hindustan Oil Exploration				✓
Hindustan Unilever	✓	✓		✓
Housing Development Finance Corporation	✓	✓	✓	✓

Company Name	Part of NSE 500	Indian SRI Fund	Global SRI Funds	
		SBI Magnum ESG Equity Fund	Matthews India Fund	Fidelity India Focus Fund
ICICI Bank	✓	✓		
ICICI Lombard General Insurance Company	✓			✓
ICICI Prudential Life Insurance Company	✓	✓		
Indian Energy Exchange	✓			
IndusInd Bank	✓			
Info Edge India	✓			✓
Infosys	✓	✓		
Interglobe Aviation	✓	✓	✓	
ITC	✓		✓	✓
Jadoonet.com		✓		
KEC International	✓			✓
Kotak Mahindra Bank	✓	✓	✓	✓
LA Opala RG				
Larsen & Toubro	✓	✓		✓
Larsen & Toubro Infotech	✓			✓
LIC Housing Finance	✓			✓
Lupin	✓		✓	✓
Mahindra & Mahindra	✓	✓		✓
Marico	✓	✓	✓	
Maruti Suzuki India	✓			✓
Mphasis	✓		✓	
NATCO Pharma	✓			
Nestle India	✓		✓	
NIIT Technologies	✓			
NMDC	✓			✓
Número Uno International		✓		
Oberoi Realty				✓
Petronet LNG	✓	✓		
Phillips Carbon Black				✓
Pidilite Industries	✓			✓
Poly Medicure				
Power Grid Corporation of India	✓			✓
PVR	✓			✓
Reliance Industries	✓	✓		✓
SBI Life Insurance Company	✓			✓
Shriram City Union Finance	✓			
State Bank of India	✓	✓		✓
Sun Pharmaceutical Industries	✓			✓
Sundaram Finance	✓			
Sunteck Realty				✓
Suzuki Motor				
Symphony Limited	✓			
Syngene International	✓			
Tata Communications				✓
Tata Consultancy Services	✓	✓	✓	✓
Tata Elxsi	✓			
Tata Motors	✓	✓		
Tata Steel	✓	✓		
Teamlease Services				✓
Titan Company	✓	✓		
Ultratech Cement	✓	✓		✓
UPL Limited	✓			
V-Mart Retail				✓
VST Industries	✓			
Wipro	✓		✓	
Zydus Wellness	✓			





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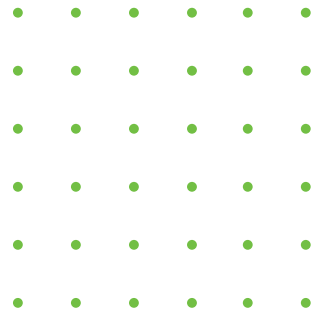
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