

# **[SFDR Article 8 (Sub-)Funds – Website Disclosures Sections based on Articles 23 to 36 SFDR Delegated Regulation (EU) 2022/1288**

**Full name of the Article 8 Fund: ASK INDIAN ENTREPRENEUR FUND**

**Legal entity identifier: 635400KBCAN3AMBKDK88**

## Summary

The following information relates to ASK Indian Entrepreneur Fund (“the Fund”), and is provided in accordance with Article 10(1)(a) to (c) of the Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability related disclosures in the financial services sector (the “SFDR”).

The Fund promotes environmental and social characteristics within the meaning of Article 8 of the SFDR. In identifying investments which allow the Fund to promote environmental, social and governance (“ESG”) characteristics, the Investment Manager considers sector specific key ESG factors. The Fund pursues the ESG integration and engagement approach in the investment process.

The ESG investment strategy of the Fund is based on integration of ESG factors into the investment lifecycle. The Investment Manager uses internal bottom-up ESG framework to evaluate and monitor ESG performance of investee companies. The internal ESG framework outlines our approach to integrating financially material environmental, social, and governance (ESG) considerations - those that we believe may impact the financial performance of the Fund - into our investment decision-making.

The internal ESG assessment helps in identifying risks associated with investments. We endeavour to engage with companies with material sustainability risk to deepen our understanding of management views and strategies with regards to both business and ESG-related issues. During engagement with portfolio companies, we focus on helping them improve their ESG practices, management of material sustainability risks and issues and public ESG disclosures.

### **No sustainable investment objective**

The Fund promotes environmental or social characteristics but does not have an objective of sustainable investments within the meaning of SFDR.

## Environmental or social characteristics of the financial product

The Fund promotes environmental and social characteristics, as further described below, by utilising the Investment Manager’s internal bottom-up Environmental, Social, and Governance (ESG) framework and in accordance with the Investment Manager’s Responsible Investment Policy.

### Environmental characteristics

<b>Greenhouse gas emissions</b>	Promoting measures to Greenhouse gas (GHG) reduce emissions
<b>Resource utilization</b>	Promoting effective water utilization strategies
<b>Waste management</b>	Promoting the adoption of sustainable waste management practices

### Social characteristics

<b>Employee welfare</b>	Promoting effective employee retention strategies
<b>Health and safety</b>	Promoting safe and healthy working conditions
<b>Cybersecurity and data privacy</b>	Promoting robust cybersecurity and data privacy measures

The Investment Manager uses bottom-up internal ESG framework to evaluate and monitor ESG performance of investee companies. The framework consists of sector-specific ESG factors and sustainability indicators. The Investment Manager carries out research on these ESG factors and sustainability factors to gauge the sustainability of the business and risk emanating from them. The insights from ESG analysis are incorporated into investment decision.

## Investment strategy

The general investment policy of the Fund is to invest primarily in equities and equity-related instruments, collective investment schemes which are listed or traded on recognized exchanges as well as money market instruments. The investment philosophy is based on the principle of capital preservation followed by capital appreciation over a length of time. The Investment Manager aims to achieve this by carefully filtering and selecting businesses which have the ability to grow consistently over time. The investment process focuses on businesses that have the attributes to generate long-term wealth for investors. The Investment Manager follows a bottom-up investment process, focusing on individual businesses and invests with a long-term orientation. Further information can be found in the section of the supplement entitled “Investment Objective and Investment Process”.

The ESG investment strategy of the Fund is based on integration of ESG factors into the investment lifecycle. The Investment Manager uses bottom-up internal ESG framework to evaluate and monitor ESG performance of investee companies. The internal ESG framework outlines our approach to integrating financially material environmental, social, and governance (ESG) considerations - those that we believe may impact the financial performance of the Fund - into our investment decision-making. The framework consists of sector-specific ESG factors and sustainability indicators. The Investment Manager carries out research on these ESG factors and sustainability factors to gauge the sustainability of the business and risk emanating from them. The insights from ESG analysis are incorporated into investment decision.

The Investment Manager uses ESG rating provided by CRISIL ESG Ratings & Analytics (part of Crisil Limited which is an S&P Global company). The rating methodology is available on the website: <https://www.crisilesg.com/en/home/understanding-rating.html>. CRISIL’s ESG rating provides a classification on an issuer’s ESG profile by assessing its exposure to ESG risks, internal governance factors, impact on society and environment, and ability to manage ESG risks and opportunities over the medium term. It assigns ESG ratings on a scale of 0-100 and the ratings are categorised into five buckets, as described below:

Score bucket	Category
71-100	Leader
61-70	Strong
51-60	Adequate
41-50	Below average
0-40	Weak

The investment manager shall ensure that exposure to investee companies with a score of less than 40 shall be limited, in aggregate, to 30% of the Fund’s invested capital. For investee companies where CRISIL ESG Ratings does not provide coverage, the Investment Manager shall carry out the relevant assessment based on available data by utilising its internal ESG framework, as described above.

The environmental characteristics considered and promoted by the Fund include (i) measures to reduce Greenhouse gas (GHG) emissions (ii) effective resource utilization and (iii) efficient waste management.

For assessment of a company's practices on GHG emissions, Investment Manager evaluates factors such as greenhouse gas emissions intensity, targets set for reducing GHG emissions, share of renewable energy in total energy consumption. For assessment of a company's practices on resource utilization, Investment Manager evaluates factors such as water consumption intensity, existence of water recycling facilities and operations in water stressed regions. For assessment of company's practices on waste management Investment Manager evaluates factors such as waste generation intensity, share of waste recycled, reused or recovered, measures taken to reduce waste generation.

The social characteristics considered and promoted by the Fund include (i) employee welfare (ii) health and safety and (iii) robust cybersecurity and data privacy measures.

For assessment of company's practices on employee welfare, Investment Manager evaluates employee related policies, attrition rate and practices around training and development. For assessing company's practices on health and safety at workplace, Investment Manager evaluates safety related incidents and training coverage on health and safety measures. For assessing company's practices on at cyber security and data privacy, Investment Manager evaluates policies on cybersecurity and data privacy, instances and impact of data breaches, regulatory observations and customer complaints.

The governance factors considered by the Fund include board composition and functioning, gender diversity in the board, board independence, ESG oversight of the board, anti-corruption/anti-bribery policies, procedures to avoid/manage conflicts of interest involving members of the board, complaints against board members and KMPs, regulatory and tax compliance among others.

The Investment Manager engages with investee companies to raise awareness on ESG aspects that can have material impacts on the company's performance and to encourage them to take necessary steps that would impact the business positively and enhance the value of the Fund's investment.

## **Proportion of investments**

A minimum proportion of 70% of the Fund's assets are used to attain the environmental and social characteristics promoted by the Fund.

The remaining proportion includes cash and cash equivalents for the purposes of liquidity management and efficient portfolio management and investment in investee companies that do not satisfy the environmental and social criteria. There are no minimum environmental or social safeguards applicable to these investments.

## **Monitoring of environmental or social characteristics**

The Fund monitors the E&S performance of portfolio companies and encourages them to establish ESG policies, processes, procedures, and governance mechanisms. The Investment Manager conducts regular monitoring to ensure adherence to environmental and/or social standards. This involves continuously tracking environmental and social factors using bottom-up internal ESG framework. Further, the Investment Manager conducts trend analysis and comparative analysis of sustainability indicators to identify patterns and compare the performance of companies over time and against peers. Trend analysis helps to detect improvements or deteriorations in ESG practices while comparative analysis helps to understand competitive advantage, performance variation and unique attributes among peers. Together, such trend and comparative analysis provides an insight into the ESG trajectory of the companies and any gaps and strengths in the ESG profile of the companies. The Investment Manager monitors sustainability indicators and engages constructively with companies on enhancing their environmental and social practices.



## Methodologies

The Fund employs a sector specific internal bottom-up ESG integration framework which factors in pertinent material environmental and social factors while evaluating potential and existing portfolio companies. The internal ESG framework outlines our approach to integrating financially material environmental, social, and governance (ESG) considerations - those that we believe may impact the financial performance of the Fund - into our investment decision-making. The Investment Manager further carries out research on the environmental and social factors outlined in the above section '*Environmental or social characteristics of the financial product*' to gauge the sustainability of the business and risk emanating from them. The insights from ESG analysis are incorporated into investment decision.

To complement the internal assessment, the Investment Manager uses the ESG ratings provided by CRISIL ESG Ratings & Analytics, (part of CRISIL Limited which is an S&P Global company.) CRISIL ESG Ratings & Analytics is Securities and Exchange Board of India (SEBI) approved ESG Rating Provider. CRISIL's ESG rating provides a classification on an issuer's ESG profile by assessing its exposure to ESG risks, internal governance factors, impact on society and environment, and ability to manage ESG risks and opportunities over the medium term. CRISIL ESG Ratings assigns ESG ratings on a scale of 0-100, where 100 is the highest and 0 the lowest, in-line with SEBI's prescribed scale. The ratings are categorised into five buckets:

Score bucket	Category
71-100	Leader
61-70	Strong
51-60	Adequate
41-50	Below average
0-40	Weak

Based on the ESG ratings, the Investment Manager also engages with investee companies to raise awareness on ESG aspects that can have material impacts on the company's performance and to encourage them to take necessary steps that would impact the business positively and enhance the value of the Fund's investment.

## **Data sources and processing**

The Fund acknowledges the critical role of ESG data in providing transparency to its investors and other stakeholders. In order to monitor the environmental and social characteristics promoted by the Fund, the Investment manager uses publicly available information shared in annual reports, sustainability reports of the companies as well as from third party data providers such as CRISIL ESG Ratings and Analytics (part of CRISIL Limited which is an S&P Global Company). The Investment Manager also endeavours to engage with the investee company's management and related stakeholders in case ESG related disclosures are not available. Additionally, insights from discussions with company's representatives are incorporated. To maintain data integrity, the Fund utilizes sector-specific standardized data templates, such as excel spreadsheets.

The data collected on environmental considerations such as energy and greenhouse gas emissions, waste management and resource utilization, social factors like employee welfare, health, and safety issues and on parameters related to data privacy and cybersecurity, where applicable, are processed and ESG score is determined for the investee company.

## **Limitations to methodologies and data**

The ESG integration model encounters major limitations due to unavailability of quality data on environmental and social factors. These limitations primarily stem from the absence of externally assured data and the inconsistency in reporting standards among companies, impeding effective comparisons. Furthermore, the absence of globally accepted standards for data verification poses significant obstacles to accurate analysis. Moreover, the presence of varied reporting boundaries and metrics within industries further complicates data interpretation. The subjective nature of ESG assessments also necessitates continuous analyst oversight as well as internal verification of collected data.

Additionally, disparities in reporting quality based on jurisdiction, asset class, and corporate size, coupled with the lack of mandates for private and IPO companies to disclose ESG data, exacerbate issues related to data availability. The use of scoring benchmarks varies among rating agencies, adding further complexity to the ESG integration process.

Despite facing these challenges, the use of internal ESG integration model assists in assessing the investee companies on E & S factors in a more structured way. The model helps to alleviate the limitations associated with relying solely on ESG scores or ratings provided by rating agencies and data from third parties. Furthermore, the Fund endeavours to mitigate the impact of these limitations through various measures, including active engagement, channel checks, company and factory visits, and a thorough examination of regulatory disclosures. Also, recent regulatory frameworks, like the Business Responsibility and Sustainability Reporting (BRSR) in India, which mandates disclosures on ESG factors for the top 1000 listed entities and further assurance requirement of selected parameters, enhances transparency and responsible corporate action from listed entities. It is expected that with evolving regulations, ESG data from both private and public entities shall be available publicly, accompanied by external assurance, further strengthening the integrity and reliability of the data.

## **Due diligence**

At ASK Investment Funds ICAV, the investment due diligence process incorporates an internal Environmental, Social, and Governance (ESG) integration framework tailored to each sector. The ESG integration framework evaluates potential portfolio companies and investments by considering pertinent material ESG factors, which vary based on industry, company, and asset class. The Investment Manager carries out research on these ESG factors and sustainability factors to gauge the sustainability of the business and risk emanating from them. The Investment Manager also uses third party data providers to complement its ESG analysis. The insights from ESG analysis are incorporated into investment decision. Further, using data available from publicly available sources, such as annual reports, sustainability reports of the companies, as well as third-party data providers, the Investment Manager considers trend analysis and comparative analysis of sustainability indicators to identify patterns and compare the performance of companies over time and against peers. Additionally, we tap into insights from market knowledge experts regarding industry trends and dynamics, enhancing our assessment on ESG performance of potential investee companies to classify ESG risks.

## **Engagement policies**

The Fund strives to constructively engage with portfolio companies with the aim of enhancing medium to long term investment return for its clients and beneficiaries by improving and fostering the portfolio companies' corporate value and sustainable growth. The Investment Manager has devised an engagement plan based on its internal ESG framework for assessing ESG risks. Based on the internal ESG assessment, the level of engagement, monitoring and intervention with the portfolio company is determined. The engagement plan includes management meetings, interaction with industry experts, company and factory visits. During engagement, the Investment Manager focuses on improvement in ESG disclosures, higher transparency and increased awareness around material ESG issues.

**Designated reference benchmark**

The Fund is under active management and does not track any specific index designed as a benchmark to align with the environmental or social characteristics promoted by the Fund.