

Edelweiss Alternative Asset Advisors Pte Limited – ESG Policy

Date: 4 March, 2021

1. Fund Details

Edelweiss India Alternative Equity Fund (“EIAEF”) is a sub-fund of Edelweiss UCITS Funds ICAV (the “ICAV”).

- **Fund Jurisdiction:** Ireland.
- **Investment Manager & Promoter:** Edelweiss Alternative Asset Advisors Pte Limited (“EAAA”), Singapore – MAS regulated CMS licensed entity in the Accredited / Institutional investors Fund Management Category.
- **Management Company:** KBA Consulting Management Limited : They keep an oversight on the fund’s activities and safeguard investors’ interests.
- **Global Custodian and Administrator:** RBC Investor Services Ireland Limited
- **Auditor:** KPMG
- **Investment Advisor :** Edelweiss Asset Management Limited

2. Overview

This policy (the “**Policy**”) sets out the policy and related procedures of the EAAA with respect to environmental, social and governance (“**ESG**”) considerations in relation to its portfolio management activities. . EIAEF has three strategies: a core long portfolio, special situations and risk arbitrage and shorts, each of which has their own ESG considerations.

In simple terms, our core mission is to have long ESG positive businesses and short ESG negative businesses in the EIAEF portfolio. By taking this approach, our intention is to drive capital towards businesses and management that have a positive impact on the environment and society at large.

For the purposes of this Policy:

“**Sustainability risk**” means an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of an investment.

“**Sustainability factors**” mean environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters. For example, carbon emissions, ratio of female to male board members, whistle-blower protection policies (or lack thereof).

3. Purpose

EAAA believes in a principled approach to doing business. While EAAA has been incorporating ESG elements as a part of its requirements, this Policy seeks to formalize the process and lay down framework for ESG efforts of EAAA. Specifically, the purpose of this Policy is to define EAAA’s approach to integrating the consideration of ESG factors into investments made by EIAEF.

Using the UN Global Compact and the Principles of Responsible Investing as a guide in the areas of human rights, labour, environment and anti-corruption, EAAA seeks to incorporate the principles into strategies, policies and procedures and it believes this will be a key component of sustainable long-term business growth.

EAAA commits to consider material ESG issues in the course of its due diligence (as applicable) and in the monitoring of portfolio investments of EIAEF to the extent reasonably practical under the circumstances. For the purposes of this Policy, “material” ESG issues are defined as those issues that EAAA, in its sole discretion, determines have or have the potential to have a direct substantial impact on an organization’s ability to create, preserve, or erode economic value, as well as environmental and social value for itself and its stakeholders.

4. Scope

This Policy will apply to investments considered by the investment team of EIAEF and it will be duly acknowledged by the Investment-Advisor. In such instances where EAAA believes it to be appropriate, reasonable efforts will be made to encourage portfolio companies to consider relevant ESG related principles.

5. Principles of Responsible Investing

1. We incorporate ESG issues into investment analysis and decision-making processes.
2. We are active owners and incorporate ESG issues into our ownership policies and practices.
3. We seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We promote acceptance and implementation of principles within the investment industry.
5. We work together to enhance our effectiveness in implementing the principles.
6. We each report on our activities and progress towards implementing the principles.

6. UN Global Compact’s Ten Principles

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. Make sure that they are not complicit in human rights abuses.
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. The elimination of all forms of forced and compulsory labour;
5. The effective abolition of child labour; and
6. The elimination of discrimination in respect of employment and occupation.
7. Businesses should support a precautionary approach to environmental challenges;
8. Undertake initiatives to promote greater environmental responsibility; and
9. Encourage the development and diffusion of environmentally friendly technologies.
10. Businesses should work against corruption in all its forms, including extortion and bribery.

7. Identification of sustainability risks

Examples of sustainability risks may include the following:

- Environment considerations (i.e. climate change, natural resources, pollution and waste, extreme weather-related event risks)
- Social considerations (i.e. human capital and human rights, product liability, stakeholder opposition to controversial practices of any kind)
- Governance considerations (i.e. an empowered and effective board, effective systems for internal control and risk management covering ESG and other areas of risk, suitable transparency and accountability business ethics, anticompetitive practices, corruption)]

8. Integration of sustainability risks in investment decision-making

The EAAA portfolio managers have an ESG checklist, as set out in 8.2 below, against which to benchmark investment decisions.

Sustainability risks will be monitored on an annual basis and reviewed at the time of any material corporate event. In the event of a material deterioration in the sustainability metric, EAAA will engage with the portfolio company to understand and address the shortfall. If there is a permanent deterioration in the sustainability risk metric that materially changes the discounted cash flow value of the business, then EAAA will reserve the right to divest the holding from portfolios.

8.1 Restricted Sector List

Companies having more than 25% of revenue at a consolidated level over the past 3 years from the below industries are restricted from investment by EIAEF:

- a. Alcohol.
- b. Coal Mining
- c. Defense Manufacturing and Contracting
- d. Explosives
- e. Gambling
- f. Mining
- g. Nuclear power
- h. Power generation from plants using fossil fuels.
- i. Tobacco

Companies having the following issues are also restricted from investment by EIAEF:

- a. Significant environmental litigation or regulatory violations as defined as fines or contingent liabilities greater than 10% of consolidated revenue. The time period for consideration is the last 3 years.

- b. Significant workplace litigation or employee safety violations as defined as fines or contingent liabilities greater than 10% of consolidated revenue. The time period for consideration is the last 3 years.
- c. Companies subject to material proxy battle from minority shareholders.
- d. Companies with abusive related party transactions – one time or recurring.
- e. Companies that are party to any fraudulent scheme or scandals – involving or not involving government agencies.
- f. Companies that have had material bribery and corruption issues.
- g. Companies with material criminal litigation against either the company or management as defined as fines or contingent liabilities greater than 5% of consolidated revenue. The time period for consideration is the last 5 years.
- h. Companies with material civil litigation or arbitration, excluding tax claims, against either the company or management as defined as fines or contingent liabilities greater than 10% of consolidated revenue. The time period for consideration is the last 3 years.

8.2 ESG Checklist

EAAA considers the following checklist when considering investments for EIAEF’s portfolio based on discussions with management of the Portfolio Company (the “PC”) or from publicly available documents to the best of its ability.

| Serial Number | Item | Yes / No | Remarks |
|---------------|--|----------|---------|
| 1 | Does the portfolio company (PC) fall under the restricted sector list in 8.1 | | |
| 2 | Does the PC have its own ESG policy? | | |
| 3 | Does the PC consider ESG issues when making capital allocation decisions? | | |
| 4 | Has the PC undertaken initiatives to promote environmental responsibility / take precautionary measures to environmental challenges? | | |
| 5 | Are all necessary clearances obtained from national/state environmental authorities prior to the start of a new project. | | |
| 6 | Does the PC comply with national, state and local labour laws of India? | | |
| 7 | Does the PC comply with national, state and local labour laws of overseas jurisdictions in which it does business? | | |
| 8 | There are no violations of human rights and labour standards | | |
| 9 | There are no child and/or forced labour issues | | |

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|----|---|--|--|
| 10 | Have there been any labour related breaches related to environmental standards, labour related | | |
| 11 | Does the PC certify IFC 2012 performance standards | | |
| 12 | Does the PC certify UN Global Compact's Ten Principles | | |
| 13 | Does the PC certify principles of responsible investing for Social and Environmental Sustainability | | |
| 14 | ESG Audits: <ul style="list-style-type: none"> - Are ESG audits conducted internally by the PC? - Have audits been conducted by regulators / authorities? | | |
| 15 | Anti bribery & corruption <ul style="list-style-type: none"> - Has the PC / promoter been chargesheeted - Are there any ongoing CBI cases on the PC / promoter. - Has the PC been alleged of bribing. - Has the PC been alleged of cheating or fraud. - Has the promoter been jailed in the past | | |
| 16 | Pollution and Waste Management <ul style="list-style-type: none"> - Does the PC release material pollutants and effluents in the environment - Does the PC have a defined waste management process. | | |
| 17 | Does the PC have any significant environmental litigation or regulatory violations as defined as fines or contingent liabilities greater than 10% of consolidated revenue. The time period for consideration is the last 3 years. | | |
| 18 | Does the PC have any significant workplace litigation or employee safety violations as defined as fines or contingent liabilities greater than 10% of consolidated revenue. The time | | |

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|----|--|--|--|
| | period for consideration is the last 3 years. | | |
| 19 | Is the PC subject to material proxy battle from minority shareholders. | | |
| 20 | Does the PC have any abusive related party transactions – one time or recurring. | | |
| 21 | IS the PC party to any fraudulent scheme or scandals – involving or not involving government agencies. | | |
| 22 | Have the PC had any material bribery and corruption issues. | | |
| 23 | Does the PC have any material criminal litigation against either the company or management as defined as fines or contingent liabilities greater than 5% of consolidated revenue. The time period for consideration is the last 5 years. | | |
| 24 | Does the PC have any material civil litigation or arbitration, excluding tax claims, against either the company or management as defined as fines or contingent liabilities greater than 10% of consolidated revenue. The time period for consideration is the last 3 years. | | |
| 25 | Does the PC meet the environmental standards as highlighted in the first part section 9 below | | |
| 26 | Does the PC meet the governance requirements as highlighted in the second part of Section 9 below | | |
| 27 | Overall assessment of ESG risk (Low/Moderate/High): <ul style="list-style-type: none"> - Environmental - Social - Governance | | |

8.3 Carveouts from policy

EAAA will complete the ESG checklist detailed above for each proposed investment for EIAEF but will allow for the following exemptions in the portfolio as detailed below:

| Serial Number | Investment Type | Rationale |
|---------------|---------------------------------------|--|
| 1 | Special Situations - Buyback | Pure arbitrage transaction. Short holding period. |
| 2 | Special Situations – Open Offer | Pure arbitrage transaction. Short holding period. |
| 3 | Special Situations – Merger Arbitrage | Pure arbitrage transaction. Short holding period. |
| 4 | Single name shorts | The purpose of our short portfolio is to bet against broken businesses trading at expensive valuations. Hence, it is possible that we are short companies having negative ESG factors. |

9. Positive ESG Practices & Engagement Model

1. EAAA seek the following good environmental practices among EIAEF’s portfolio companies and encourage businesses to adopt all of the below in our periodic management interactions.
 - a. Zero net-carbon emissions.
 - b. Increasing % of renewable energy.
 - c. Reducing energy consumption.
 - d. Water recycling.
 - e. Zero hazardous & untreated waste.
 - f. No deforestation & land degradation.

2. EAAA seeks the following good governance practices among EIAEF’s portfolio companies and encourage businesses to adopt all of the below in our periodic management interactions.
 - a. Separation of the CEO and Chairman role.
 - b. Majority of independent directors.
 - c. Compensation and nomination committee to be made up of independent directors.
 - d. Board diversity including adequate gender diversity.
 - e. Moderate CEO and senior management compensation.
 - f. Minimal related party transactions in terms of revenue, supply and M&A.
 - g. Auditor rotation.

10. Principal adverse impacts

EAAA does not currently consider the principal adverse impacts of its investment decisions on sustainability factors. EAAA has opted against doing so, primarily as the regulatory technical standards

supplementing SFDR which will set out the content, methodology and information required in the principal adverse sustainability impact ("PASI") statement remain in draft form and have been delayed. EAAA intends to consider the principal adverse impacts of investment decisions on sustainability factors once the regulatory technical standards come into effect, which is expected to occur on 1 January 2022.

11. Compliance, Verification and Monitoring

- EAAA relies on public disclosures by companies, independent verification and ESG advisory reports from third party agencies or based on discussions with the management of the company or from publicly available documents to the best of its availability to assist EAAA's investment decisions. These resources are adequate for Principle Adverse Impact (PAI) reporting when it becomes mandatory.
- This checklist will be signed off by a representative of EAAA at the time of initiating an investment.
- All investments will be subject to a half yearly review for this checklist – on June 30th and December 31st of each year. The half yearly review will be completed within 1 month of the relevant cut-off date.
- Both the initial ESG screen and the periodic review will be done by the fund manager and the results presented to the board of the ICAV and the business risk and compliance groups at EAAA.

12. Review of Policy

This Policy will be reviewed on an annual basis or sooner should there be a material change in the systems and procedures or regulatory and legal requirements.