

Edelweiss Alternative Asset Advisors (EAAA)

Environment, Social & Governance (ESG) Policy

Title	Environment, Social & Governance (ESG) Policy
Release Date	January 2017
Version No.	4.0
Review Date	August 2021
Policy Owner	EAAA Operational Risk & Governance
Policy Administrator	EAAA Operational Risk & Governance

This document is the sole property of Edelweiss Alternative Asset Advisors (EAAA). Any use or duplication of this document without express permission of EAAA is strictly forbidden and illegal.

Please note that this version of the policy and its contents will only be applicable to those funds that have done their closing post the Review Date of this policy. The prior version of the policy will be applicable to the earlier funds.

1. Purpose

Edelweiss Alternative Asset Advisors (“EAAA”) believes in a principled approach to doing business. This ESG Policy (“Policy”) seeks to formalise the process and lay down the framework for its ESG efforts. The purpose of this Policy is to specifically define EAAA’s approach towards integrating the consideration of Environmental, Social, and Governance (“ESG”) factors into the firm and investments made through its funds.

This Policy sets out our approach to ESG considerations and risks, ESG approach to the investment strategies we manage, how we resource and manage this function from a governance perspective, as well as how we engage with our stakeholders on material ESG topics, our efforts and progress.

EAAA seeks to incorporate ESG into strategies, policies and procedures, and believes this will be a key component of sustainable long-term business growth. EAAA seeks to use the UN Global Compact (“UNGC”) Principles as a guiding light to formulate its policies and practices in the areas of human rights, labour, environment and anti-corruption. Further, it is looking to the UN Principles of Responsible Investing (“UNPRI”) to guide ESG integration in investment, engagement, training and disclosure, thus seeking to drive the growth of responsible investments.

EAAA commits to consider material ESG issues during the course of its pre-investment due diligence (as applicable) and in the monitoring of portfolio investments to the extent reasonably practical under the circumstances, in any event, abide by the provisions of fund documents of respective funds. For the purpose of this Policy, ESG issues are defined as those issues that EAAA, in its sole discretion, determines as having or having the potential to create a direct substantial impact on an organization’s ability to create or preserve economic value or cause erosion to environmental and social value for itself and its stakeholders.

2. Scope

This Policy, in general, applies as standard to all direct portfolio investments made by funds or vehicles or entities which EAAA manages or provides advisory / sub-advisory services. In instances where EAAA believes it to be appropriate, reasonable efforts would be made to encourage portfolio companies to consider relevant ESG related principles.

Our ESG policy is guided based on United Nations Principles of Responsible Investment (“UNPRI”) and United Nations Global Compact (“UNGC”).

3. Roles and Responsibilities

The investment / advisory teams of our respective funds are primarily responsible for ensuring that the consideration of ESG issues is integrated into investment decision making process in collaboration with the risk, compliance and product teams. External resources, as relevant and necessary, may be utilized if additional subject matter expertise is needed.

4. Goals

Subject to the scope described above, EAAA seeks to do the following, as applicable and reasonably practicable on a case-to-case basis:

- Consider certain relevant ESG issues with target portfolio companies while evaluating investments opportunities;
- Endeavour to engage with portfolio companies to promote certain key identified ESG aspects, as appropriate;
- Remain committed to comply with applicable national, state, and local labor laws; provide a safe and healthy workplace in conformance with relevant laws;
- Encourage policies & practices to promote good governance in areas such as anti-bribery and corruption, insider trading etc.;
- Remain committed towards being environmentally conscious by
 - Complying with applicable environmental laws;
 - Avoiding direct investments in the companies that (directly or indirectly, through entities in which such companies control at least a 20% ownership stake) derive 30% or more of their revenue from mining thermal coal or derive 30% or more of their generated electricity from thermal coal (applicable only for electric utilities)
- Engage with relevant stakeholders and work to foster transparency; provide timely information to EAAA's stakeholders on the matters addressed herein

While we consider a range of ESG factors in our evaluation, in practice, we pay particular attention to governance, as our experience has been that governance factors tend to have significant investment relevance and could potentially be a key contributing factor in an investment decision. Lenders of capital need to have confidence and trust that the issuer can and will be able to repay their debt.

5. EAAA's Approach to ESG Integration in Investments

EAAA will seek to integrate the consideration and thoughtful management of ESG issues throughout the investment cycle.

(a) Pre-investment:

i. Exclusions / Negative Screenings

Exclusions prohibit certain investments by our funds and SMAs as per the fund documents.

In addition, EAAA applies an exclusions policy on direct investments in companies which derive their revenue from the following –

- animal testing
- sex industry
- betting
- gambling
- production of defense equipment / weapons

The exclusions policy will also apply on direct investments in companies that (directly or indirectly, through entities in which such companies control at least a 20% ownership stake) derive 30% or more of their revenue from mining thermal coal or derive 30% or more of their generated electricity from thermal coal (applicable only for electric utilities).

In addition, for specific funds and vehicles, EAAA would exclude sectors or companies which have been agreed to be excluded as a part of fund / investor agreements or side letters.

To clarify, the above-mentioned exclusions will not be applicable in case of investments in the case of acquisition of debt portfolios comprising of multiple entities from banks and / or other financial institutions.

ii. Pre – Investment ESG Assessment

To ensure the integration of ESG considerations in the pre-investment phase of investments, and subject to EAAA’s determination of what is reasonable and appropriate for each investment, EAAA seeks to do the following.

Undertake ESG Assessment

- The respective fund investment teams seek to conduct an assessment of ESG factors for potential investments. On a case-to-case basis and as required, external advisors may be engaged to carry out additional ESG related due diligence. ESG related considerations, applicable, will form a part of the investment process and will be shared with the Credit Committee / Investment Committee / Fund Board / equivalent.
- Any ESG risk(s) identified in relation to a potential portfolio company does not necessarily preclude investing in such portfolio company if any ESG risk(s) identified is not material from an investment perspective, or if EAAA believes any such ESG risk(s) can be mitigated in some form, or if the investment risk-reward analysis adequately reflects and compensates for this.

Seek Documentation

- In cases where ESG related issues are considered during the due diligence process, EAAA will seek to document, for internal use, the issues considered, findings, and next steps, if any.

(b) Post investment:

To manage ESG risks and value creation opportunities in its portfolio investments post-investment and subject to EAAA’s determination of what is reasonable and appropriate for each investment, EAAA will:

i. Monitor progress

Where there are material issues identified during the due diligence process, EAAA will monitor ongoing progress on ESG issues, as applicable. Where management of, or performance on, material issues considered by EAAA need improvement, EAAA on a best effort basis will work with portfolio company to support the development of a corrective action plan and monitor its progress through appropriate means. EAAA may seek information from the portfolio companies regarding adoption of / adherence to certain standards / policies / processes, as may be applicable on a case-to-case basis.

▪ **Engage post investment**

- EAAA will encourage the portfolio companies to identify and raise material ESG issues to the relevant decision makers in their companies
- Where appropriate and subject to the scope above, EAAA will assist portfolio companies in the development of corrective action plans to adequately address the identified ESG related risks and opportunities
- EAAA will seek to obtain regular reporting from portfolio companies, where applicable and practicable on certain identified ESG parameters
- Where appropriate and reasonable, EAAA will support its portfolio companies’ efforts to report externally and internally on their ESG approach

and performance as related to material ESG issues

ii. [Performance standards](#)

To prioritize and focus its ESG assessment and management efforts prior to investments and throughout the life of investments, EAAA seeks to consider the magnitude of ESG related risks and impacts associated with each individual portfolio company as follows:

▪ **Magnitude of ESG Risks & Impact**

We believe ESG factors, and specifically ESG risks, are relevant to the returns of the assets we manage as they can potentially have an impact on the long-term financial performance of the portfolio companies' and could cause an actual or potential material negative impact on the value of investments.

Across all our investment strategies, poorly managed ESG risks can lead to inefficiencies, operational disruption, litigation and reputational damage, which may ultimately impact the portfolio company's ability to meet their financial responsibilities. Incorporating ESG analysis (in particular ESG risks) into traditional financial analysis by reviewing ESG related management practices and performance is, therefore, not only prudent, but also in line with EAAA's fiduciary duty to optimise investor returns.

ESG Risk Map

An identified set of material ESG parameters for the portfolio companies will be monitored for each investment through an ESG risk map. This ESG Risk Map will be tracked through the life of the investment on a regular basis and discussed in risk reviews conducted for the funds.

▪ **Area of operation**

In addition, EAAA will also consider the scope and area of operations of the portfolio and help portfolio companies in its efforts to improve upon their ESG standards in certain key identified areas, to the extent practicable and appropriate.

6. [ESG Governance and Resourcing](#)

[\(a\) ESG Governing Council](#)

An ESG Governing Council would be constituted and presided by the Chairman – Edelweiss Asset Management Business or the Head – Edelweiss Asset Management Business or equivalent. It would comprise relevant members from EAAA and the Edelweiss Group and may also include external experts in ESG.

The ESG Governing Council would provide a strategic direction for ESG efforts, act as a sounding board for ESG initiatives and also act as a forum for sharing best practices across the industry to act as a guide for ESG practices at EAAA. The ESG Governing Council would be given periodic updates on the activities related to ESG at EAAA.

[\(b\) ESG Task Force](#)

To support and steer the day-to-day implementation of ESG initiatives at EAAA, a dedicated ESG Task Force has been created. The Task Force would be presided by the Head – Asset Management Business or Head of EAAA or equivalent and is currently composed of the following members.

- Chief Financial Officer
- Head – Compliance
- Head – Credit & Operational Risk
- Head – Product Strategy & Marketing
- Head – Human Resources

Each of the members can appoint a delegate to be a part of the ESG Task Force. The composition of the ESG Task Force may be modified as deemed appropriate.

The Task Force would be responsible for identifying and resolving gaps with respect to the existing ESG processes and policies, developing internal tools and resources that promote awareness and understanding of ESG factors in the organisation. The Task Force would be periodically apprised on ESG related updates (including ESG Risk Map) of portfolio companies.

7. Collaboration and Promoting Best Practices

EAAA is committed to working with its stakeholders on promoting the incorporation of ESG into its organisation and investments. The development of this Policy and EAAA's ESG practices have been formulated in accordance with the current industry best practices with regards to ESG investing. Being an iterative and dynamic process, our approach and strategy with regards to ESG will evolve over time as we build on, and learn from, our own efforts as well as from others.

8. Transparency and Accountability

EAAA is committed to providing timely and relevant external communication and reporting of our ESG efforts, in line with regulatory requirements. Where-ever possible, ESG information will be made publicly available, including on the firm's corporate website. We also produce annual ESG reports, which summarise our practices and performance for the relevant reporting period.

9. Annexure

(a) UN Principles of Responsible Investing (UNPRI)

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4: We will promote acceptance and implementation of principles within the investment industry.

Principle 5: We will work together to enhance our effectiveness in implementing the principles.

Principle 6: We will each report on our activities and progress towards implementing the principles.

(b) UN Global Compact's Ten Principles

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: Make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: Elimination of all forms of forced and compulsory labour;

Principle 5: Effective abolition of child labour; and

Principle 6: Elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: Undertake initiatives to promote greater environmental responsibility; and

Principle 9: Encourage the development and diffusion of environmental-friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all forms, including extortion and bribery.