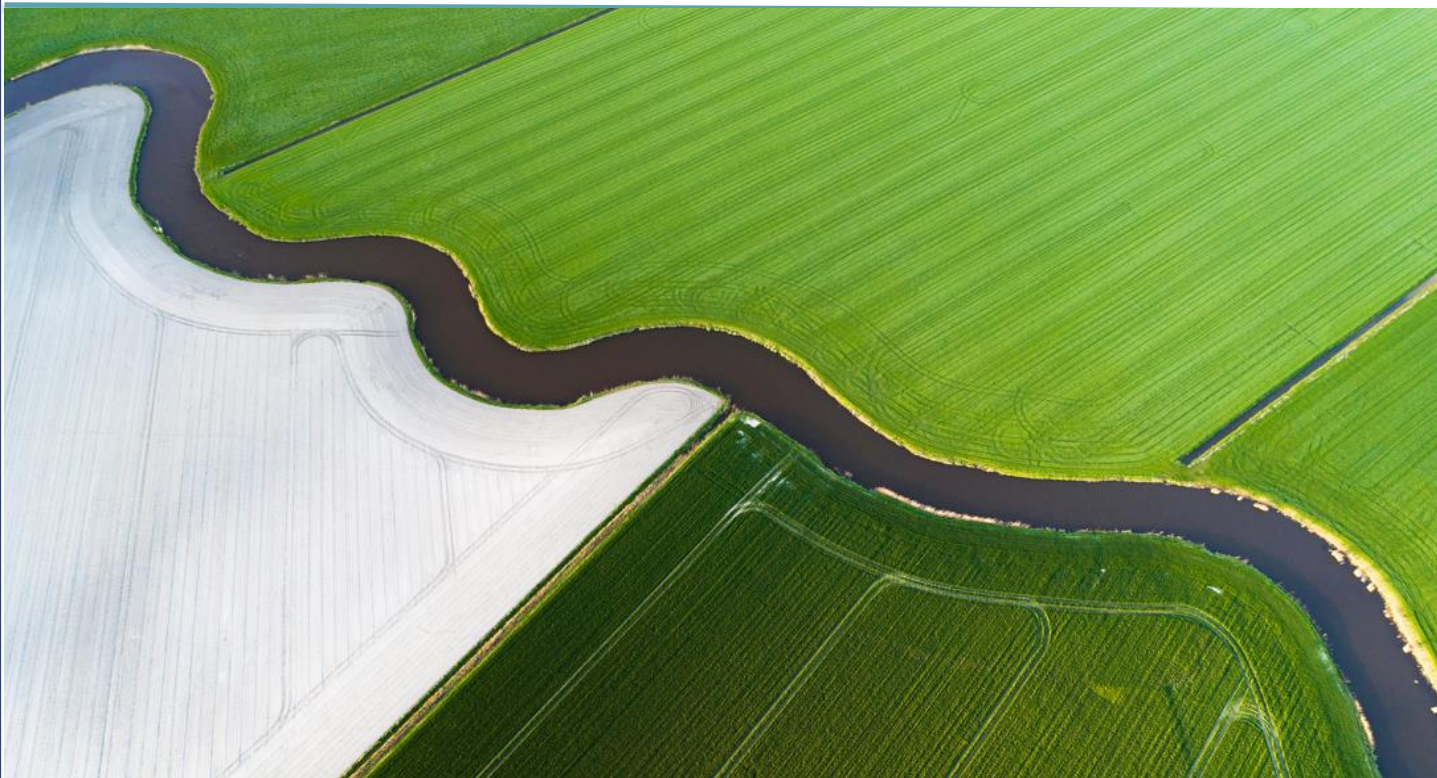


Responsible Investment (RI) Policy

Kedaara Capital

February 2023



I. Introduction

1.1 Background

Kedaara Capital (“Kedaara” or “we” or “Fund”) is a private equity fund focused on growth-oriented strategic and minority investments in India. Kedaara has been formed to make value-oriented, private equity investments in Indian businesses with significant potential for improved business and financial performance. Kedaara follows an operationally oriented strategy, and its experienced investment team is complemented by a senior operating team comprising former CEOs with proven track records of building market leading businesses and creating significant value.

Since its inception, Kedaara has remained singularly dedicated to its stated strategy of focusing on investments built through trust-based relationships with best-in-class entrepreneurs and management teams across secular fast growing end markets. Kedaara’s resources are devoted to delivering consistent and superior risk-adjusted returns. The total Asset Under Management (AUM) managed/advised by the investment team of Kedaara is ~USD 3.6 billion.

1.2 Commitment to Responsible Investment (RI)

Kedaara believes that integration of Environmental, Social and Governance (ESG) parameters with the investment cycle of the Fund is well aligned with its core investment mandate and its aim to generate long-term sustainable returns for investors, while being good corporate citizens.

Kedaara’s RI philosophy reflects the Fund’s recognition that there can be a strong and positive correlation between financial performance and corporate, social and environmental responsibility. The Fund believes that the observance of sound ESG strategies is essential for building strong brands and safeguarding reputation, which in turn is vital for long-term success.

1.3 Scope

This RI Policy provides the overarching charter for Kedaara’s approach to responsible investing. This RI policy is applicable for all the investments that will be made by the Fund.

II. RI Principles and Considerations

2.1 Purpose of RI Policy

The RI policy outlines Kedaara’s commitment to ESG principles, and the processes by which it aims to integrate this commitment across the investment lifecycle. The policy communicates Kedaara’s approach to the identification and management of ESG-related risks and opportunities and describes its expectations of investee companies and other stakeholders.

The purpose of this RI Policy is to:

- Articulate the approach towards ESG integration - to ensure every investment made by the fund demonstrates good Corporate Governance, Business Integrity, and Environmentally and Socially sustainable practices.
- Provide a mechanism to engage with all relevant stakeholders on ESG matters.
- To encourage greater transparency and accountability across ESG topics internally and externally through periodic reporting and disclosures.

2.2 RI Principles

Kedaara is guided by the **Principles for Responsible Investment (PRI)** to promote the incorporation of ESG aspects in investment decisions.

The Fund aims to encourage Portfolio Companies to take responsibility for the ESG impact of their business operations. In particular, where consistent with its fiduciary responsibilities, contractual and other obligations, the Fund shall:

- (a) consider social, ethical and environmental issues affecting its Portfolio Companies both (i) during the due diligence stage for target Portfolio Companies and (ii) as part of our ongoing collaboration with the management of existing Portfolio Companies;
- (b) seek to be accessible to, and engage with, a range of stakeholders on key issues and challenges relating to the social, environmental and ethical issues addressed by this RI policy;
- (c) identify areas of improvement during the due diligence phase and work with the management of Portfolio Companies to address environmental, public health, safety, and social issues, with the goal of improving long-term sustainability and performance and minimizing adverse impacts arising from these areas;
- (d) seek to ensure that Portfolio Company managers are able to maintain appropriate levels of oversight in the areas of audit, risk management and potential conflicts of interest; and
- (e) encourage Portfolio Companies to advance the principles outlined in this RI policy in a manner consistent with their obligations to their stakeholders.

In addition to the Fund's responsibility for the ESG impact of its operations, the Fund shall, on a case-to-case basis, determine prior to making any investments if Prospect Companies meet the requirements of the Fund with respect to ESG compliance and refrain from making investments in any such companies that do not meet such requirements. An exclusion list in this relation is attached as Annexure-I.

Further the Fund, to the extent commercially and reasonably practical, shall include covenants relating to environmental, health, safety and ethical practices in its agreements with Portfolio Companies, which shall include covenants that the Portfolio Company shall:

- (a) provide safe and healthy working conditions for its employees and contractors;

- (b) encourage the efficient use of natural resources and promote the protection of the environment;
- (c) treat all employees fairly in terms of recruitment, progression, remuneration and conditions of work, irrespective of gender, race, colour, religion, language, disability, political opinion, age or national/social origin;
- (d) provide forums for employees to present their views to the management;
- (e) take account of the impact of their operations on the local community and seek to ensure that potentially harmful occupational health, safety, ESG effects are properly assessed, addressed and monitored; and
- (f) uphold high standards of business integrity and honesty and operate in accordance with local laws and international good practice (including those intended to fight extortion, bribery and financial crime).

2.3 ESG Considerations

Kedaara's vision is to invest and support the development of enduring and successful companies, that create long-term value and generate outstanding risk-adjusted returns for its investors while maintaining high ESG standards.

The Fund believes that the principles outlined in this RI policy not only serve to align its Portfolio Companies with the broader objectives of society, but also help build better businesses and thus support the Fund's primary objectives of generating superior investment returns and complying with its fiduciary, contractual and other obligations. Prospect Companies will be evaluated on three ESG risk categories, designated as high, medium and low risk representing different risk levels:

- (a) High Risk: This shall mean Prospect Companies with business activities with significantly adverse ESG impacts that are sensitive, diverse, or unprecedented. A potential impact is considered sensitive if it may be irreversible (such as loss of a major natural habitat), affect vulnerable groups or ethnic minorities, involve involuntary displacement and resettlement, or affect significant cultural heritage sites.
- (b) Medium Risk: This shall mean Prospect Companies with business activities with specific ESG impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures and international best practices. Potential adverse environmental impacts on human populations or environmentally important areas are less adverse than those of high-risk transactions.
- (c) Low Risk: This shall mean Prospect Companies with business activities with minimal or no adverse ESG impacts.

An ESG risk categorization system is expected to enable monitoring and evaluation of exposure to ESG risks at the Prospect Company level. An impact analysis will be performed while analyzing each investment opportunity. The Fund will have due processes in place to mitigate or minimize any adverse ESG impact of its Portfolio Companies to the extent commercially and reasonably practical given its fiduciary, contractual and other obligations.

III. ESG in Practice

Kedaara's approach to the integration of ESG within the Fund and across its investment cycle is structured as follows.

3.1 Governance Structure

- Provide support and training to employees to ensure that Kedaara is able to operationalise its RI commitments.
- Develop a pool of professionals with experience in identifying ESG risks and opportunities at deal sourcing stage. Kedaara will also engage with external third-party service providers in cases wherein support is required.
- Monitoring regularly for any roadblocks in implementation of this policy. The firm is responsible for overseeing the correct implementation of the policy and ensuring that all the relevant stakeholders are aware of the policy and adhere to the same.
- Allocate responsibility to individual investee companies in order to map their progress against ESG issues identified at the time of investment.

3.2 The Approach



Pre-Investment Evaluation

- **Initial Screening**
 - Application of negative screening by means of exclusion principles for opportunities involving harmful products/services.
 - Undertake desk-based preliminary review and assign preliminary risk categorization to guide the need, scope, and deliverables for detailed due diligence.
- **ESG Due Diligence**
 - Identify associated ESG risks, and non-compliances vis-a-vis the RI policy. The due diligence findings shall be summarized into an ESG Due Diligence (ESG DD) report.
 - Development of ESG Corrective Action Plan (ESGCAP) that suggests corrective action and provides recommendations to mitigate ESG risks.

- Where possible, identify ESG opportunities and indicators for value creation (impact) aligned with the investee's business strategy. Application of negative screening by means of exclusion principles for opportunities involving harmful products/services.

Investment Decision

- **Investment Decision, Agreement**

- Go/No-Go investment decision after reviewing ESG DD and ESGCAP.
- Coming to an agreement with the management of the investee company on all ESG-related matters, including corrective measures, performance standards, and reporting.
- Include negotiated ESG terms and conditions into investment agreement and finalize ESGCAP.

Post-Investment Monitoring

- **Investment Management, Monitoring**

- Use existing relationships with Management/CEO/Board through dialogue, consultation, and monitoring to promote ESG Risk Management in investee companies.
- Promoting development of relevant ESG policies and creation of internal systems and processes in investee entities.

Exit



- **Exit process, Realisation**

- Help investee companies to articulate their ESG journey and present the benefits of improved ESG performance.

3.3 Training

The Fund will organize an ESG management system training for staff and other person authorized by the Fund to oversee and monitor compliance with this policy, as reasonably required, to explain:

1. an overview of the purpose of this RI policy
2. an overview of the Fund's potential investments by industry sector including ESG aspects of such industry sectors
3. procedures and specific staff expectations during implementation of the RI policy; and
4. any updates and revisions, as necessary.

3.4 Policy Review and Approval

The RI policy will undergo periodic reviews and may be updated to incorporate changes arising from changing business operations and any changes in applicable ESG standards. The firm will depute relevant personnel to be responsible to conduct the review process from time to time.

IV. Annexure-I Exclusion List

The following is a list of exclusion principles adopted by Kedaara.

Sectors or activities which will be totally restricted and/or excluded by Kedaara while doing business:

Sr. No.	Activities and/or sectors
1	Production or activities involving forced labour ¹ or child labour ²
2	Production of, or trade in, any product or activity deemed illegal under applicable local or national laws or regulations or subject to internationally agreed phase-outs or bans
3	Trade in wildlife or wildlife products regulated under CITES ³
4	Destruction ⁴ of Critical Habitat ⁵ and any forest project under which no sustainable development and managing plan is carried out
5	Pornography or prostitution
6	Drift net fishing in the marine environment using nets in excess of 2.5 km in length

Kedaara will endeavour to exclude companies which generate more than 50% of their revenue from the below sectors or industries. This restriction does not apply to customers and/or suppliers of such sectors or industries:

Sr. No.	Activities and/or sectors
1	Construction of new and extension of any existing coal fired thermal power plants
2	Production or trade in arms, weapons, and munitions, other than as a supplier to a national army
3	Gambling and casinos ⁶
4	Production of tobacco products ⁷
5	Production of nuclear energy ⁸
6	Creation of a genetically identical copy of a human through the artificial reproduction of human cells and tissue (i.e., human cloning) ⁹

¹ Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions.

² Employees may only be taken if they are at least 14 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art. 2), unless local legislation specifies compulsory school attendance or the minimum age for working. In such cases the higher age shall apply.

³ CITES: Convention on International Trade in Endangered Species or Wild Fauna and Flora.

⁴ Destruction means the (1) elimination or severe diminution of the integrity of a habitat caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the habitat's ability to maintain its role (see footnote 10) is lost.

⁵ Critical habitat is a subset of both natural and modified habitat that deserves particular attention. Critical habitat includes areas with high biodiversity value that meet the criteria of the World Conservation Union (IUCN) classification, including habitat required for the survival of critically endangered or endangered species as defined by the IUCN Red List of Threatened Species or as defined in any national legislation; areas having special significance for endemic or restricted-range species; sites that are critical for the survival of migratory species; areas supporting globally significant concentrations or numbers of individuals of congregatory species; areas with unique assemblages of species or which are associated with key evolutionary processes or provide key ecosystem services; and areas having biodiversity of significant social, economic or cultural importance to local communities. Primary Forest or forests of High Conservation Value shall be considered Critical Habitats.

⁶ Does not include skill based or chance-based gaming platforms

⁷ Does not include production of tobacco substitution products such as inhalers, sprays, patches, gums, lozenges, medication, electronic cigarettes, etc

⁸ Does not include businesses, where the application is in the medical field, for space exploration, water desalination or in agriculture or food

⁹ Does not include businesses where the application is for medical research, medical treatment such as for transplants or embryonic cells