

SUSTAINABILITY-RELATED DISCLOSURES

Edelweiss India Alternative Equity Fund¹

(a) Summary

- (b) **No sustainable investment objective:** The Fund promotes environmental or social characteristics, but does not have as its objective sustainable investment.
- (c) **Environmental or social characteristics of the financial product:** The environmental and/or social characteristics promoted by the Fund comprise of both negative screening and positive selection of possible investments for the Fund based on a number of parameters including companies' environmental footprint and compliance, good social and employee relations, sound board and senior management governance, respect for human rights, anti-corruption and anti-bribery.

No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Fund.

- (d) **Investment strategy:** The Fund follows a fundamental process that researches and studies equities from a bottom up perspective. The Fund is a multi-strategy fund within which the primary strategy will be a predominantly long only Indian equity strategy and the Fund will have the ability to vary its equity position through two ancillary strategies which are short strategies through the use of synthetic derivatives and corporate event arbitrage. The primary strategy tends to hold long positions in stocks that are fairly priced, have both a strong cash flow and return on equity and which are not very volatile. The allocation to the various strategies will depend on the Fund's assessment of equity markets utilising its experience, expertise and its market research, subject to the overall supervision and decision of the Directors. The Fund has no restrictions as to the proportion of assets allocated to companies in any particular Indian economic sector and the investments will be made in equities of mid to large-cap companies across a broad sector of industries in India.

In order to achieve the environmental and/or social characteristics promoted by the Fund, the Fund has in place a process comprising of both negative screening and positive selection of possible investments for the Fund based on a number of parameters including companies' environmental footprint and compliance, good social and employee relations, sound board and senior management governance, respect for human rights, anti-corruption and anti-bribery.

The Fund's "best in class" strategy is implemented based on environmental, social and governance ("ESG") data and analytics which is compiled by the Fund through discussions with the management of the relevant issuer and/or from publicly available information including but not limited to Company's Annual Reports, upcoming BRSR reporting, other Regulatory filings and complemented by proprietary analysis carried out by the Fund that form the binding elements of the investment strategy. In the case of positive selection, the positive ESG externalities are incorporated into the valuation of securities. The Fund applies ESG criteria to both its long (positive) and short (negative) positions, but does not apply ESG criteria to its special situation holdings which are temporary in nature.

The Fund also assesses the governance practices of issuers through direct engagement with the management of companies and independent analysis of management actions, capital allocation and shareholder resolutions in order to satisfy itself that the relevant issuers follow good

¹ References to the term "Fund" used in this disclosure should be understood to mean Edelweiss India Alternative Equity Fund, as applicable.

governance practices, in particular with respect to sound management structures, good employee relations, fair remuneration of staff and tax compliance.

- In terms of negative screening the Investment Manager endeavours to avoid companies with a track record or potential for environmental tail risk that includes catastrophic air and water pollution, large carbon emissions and deforestation subject to the respective limits mentioned in the Methodologies section below.

- On social criteria, the Fund strictly avoids companies who may be involved in child trafficking and exploitation of minors; companies with potential or past labour disputes; and unfair trade or worker compensation practices.

- On corporate governance, the Fund looks for the strength of the independent directors and the independence of the key Board Committees such as audit and risk, compensation and remuneration and nominations.

(e) Proportion of investments: The Fund maintains its proportion of holdings that promote environmental and/or social characteristics at a minimum of 50%. The maximum proportion of the Fund's "Other" holdings is 50% and includes hedging instruments, unscreened investments for diversification purposes, investments for which data are lacking or cash held as ancillary liquidity. There are no minimum environmental or social safeguards associated with these investments.

(f) Monitoring of environmental or social characteristics: The Fund monitors compliance with the social and/or environmental characteristics outlined above on a regular basis through the use of sustainability indicators covering environmental footprint and compliance, social and employee matters, board and senior management governance, respect for human rights, anti-corruption and anti-bribery. The sustainability indicators so used, form the methodologies of the investment strategy that are mentioned in greater details in the Methodologies section of this disclosure.

(g) Methodologies: The Fund's "best in class" strategy is implemented based on environmental, social and governance ("ESG") data and analytics which is compiled by the Fund through discussions with the management of the relevant issuer and/or from publicly available information and complemented by proprietary analysis carried out by the Investment Manager. For a minimum threshold of 50% of the Fund's portfolio, the Fund, considers the following checklist before onboarding a stock. Each of these stocks may be considered for inclusion in the Fund portfolio if, and only if, 75% of the following questions can be answered in a manner supportive of E/S characteristics.

1. Not more than 25% of the consolidated revenues of the company in the trailing 3 years has come from the following sectors:
 - a) Alcohol
 - b) Coal Mining
 - c) Defence Manufacturing and Contracting
 - d) Explosives
 - e) Gambling
 - f) Mining
 - g) Nuclear power
 - h) Power generation from plants using fossil fuels
 - i) Tobacco
2. Does the company have its own ESG policy?
3. Does the company consider ESG issues when making capital allocation decisions?

4. Has the company 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 company comply with national, state, and local labour laws of the jurisdictions where it conducts business?
7. Has the company been involved in violation of human rights and labour standards.
8. Have there been any labour related breaches related to environmental standards.
9. Does the company certify IFC 2012 performance standards.
10. Does the company certify UN Global Compact's Ten Principles.
11. Does the company certify principles of responsible investing for Social and Environmental Sustainability.
12. ESG Audits:
 - a) Are ESG audits conducted internally?
 - b) Have audits been conducted by regulators / authorities?
13. Pollution and Waste Management
 - a) Does the company release material pollutants and effluents in the environment.
 - b) Does the company have a defined waste management process.
14. Does the company have any significant environmental litigation or regulatory violations to be defined as fines or contingent liabilities greater than 10% of consolidated revenue for the trailing 3 years.
15. Does the company have any significant workplace litigation or employee safety violations as defined as fines or contingent liabilities greater than 10% of consolidated revenue for the trailing 3 years.
16. Does the company have any abusive related party transactions – one time or recurring.
17. Is the company party to any fraudulent scheme or scandals – involving or not involving government agencies.
18. Does the company meet the following environmental standards:
 - 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.

(h) Data sources and processing: The research process that the Fund follows before making investment decisions can be summarized in the following steps:

- industry specific research is conducted by the Investment Manager on the stocks spanning across various sectors of the stocks in the Indian Stock exchanges. This research involves obtaining industry overview, life cycle, growth rate, competition including market leaders, profit opportunities, law and regulations affecting that industry etc. This research by the Investment Manager is facilitated by various primary data sources such as exchanges, regulatory authorities, statistics bureaus, data aggregators such as Bloomberg and CMIE and the reports of various consulting bodies and industry associations available.

- the Fund then conducts deep and detailed fundamental research on the above stocks through study of their annual reports, different brokerage house reports, meeting company management and making on site visits where needed.
 - the Fund evaluates the business strength of the company in the context of its industry positioning.
 - the Fund builds an independent valuation model for each stock with no reliance on external valuation models only.
- (i) **Limitations to methodologies and data:** The Fund expects to collect data covering all of its investments, subject to the qualifications set out under “(e) *Proportion of investments*”. However, there are inherent limitations of ESG methodologies and calculations, such as lack of consistency, comparability, periodicity and reliability from individual companies as well as standard-setting organizations; and lack of available data from portfolio companies and/or a lack of infrastructure in place for the collection and processes of relevant data from portfolio companies. Where it is not possible to obtain data from a specific portfolio company, the Fund will use reasonable efforts to engage with such portfolio companies to work towards collecting the relevant data. To the extent that information is not available, the Fund may use estimates. The Fund does not anticipate that these limitations will be significant enough to affect the attainment of the environmental and social characteristics over time.
- (j) **Due diligence:** The Fund considers sustainability risks that are material to its investments during the course of its pre-investment due diligence and investment phase through the application of its ESG Policy and related procedures, which define its approach towards integrating the consideration of sustainability risks by its investments made.
- (k) **Engagement policies:** The Fund also assesses the governance practices of issuers through direct engagement with the management of companies and independent analysis of management actions, capital allocation and shareholder resolutions in order to satisfy itself that the relevant issuers follow good governance practices, in particular with respect to sound management structures, good employee relations, fair remuneration of staff and tax compliance.
- (l) **Designated reference benchmark:** No index has been designated as a reference benchmark to meet the environmental and social characteristics.