



SUNDARAM ALTERNATES
— Sundaram Finance Group —

Climate Transition & ESG Policy

2024

SUNDARAM ALTERNATE ASSETS LIMITED

Sundaram Towers, 1st Floor, No. 46, Whites Road,
Royapettah, Chennai- 600014



+ ESG Vision

To be a leader in sustainable finance by actively addressing ESG risks including climate transition risks and opportunities while prioritizing stakeholder value creation through responsible and resilient investment practices.

+ Scope of Policy

This policy is applicable to the Private Credit Funds run by Sundaram Alternate Assets.

+ Guiding Principles

At Sundaram Alternates, we adopt best practices in sustainable investing from across the globe, ensuring our policies are continually improved. Our activities are aligned with several key international standards and guidelines. We align ourselves with the following guiding principles:

- **Prioritize Climate and Environment Resilience**

- Implement technologies/strategies to reduce greenhouse gas emissions and adapt to the physical impacts of climate change.
- Support investments that promote sustainable land use, energy efficiency, and resource conservation.

- **Promote Sustainable Construction Practices**

- Support investments in green buildings that meet high sustainability standards.
- Encourage the adoption of circular economy principles in real estate development and management, reducing waste and promoting resource efficiency.

- **Ensure Workforce health and safety practices**

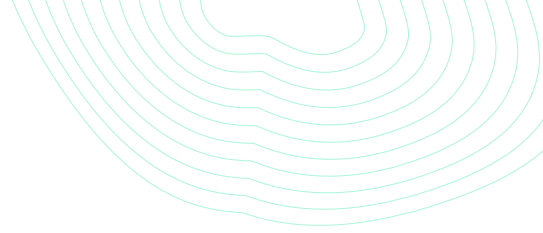
- Ensure a working environment that is safe, healthy, and free from hazards or risks.
- Develop and implement emergency response plans to address potential hazards and accidents.

- **Strengthen Corporate Governance**

- Implement clear and transparent decision-making processes, ensuring accountability and oversight in operations
- Promote ethical behaviour and adhere to high ethical standards.

- **Pursue ESG integration in investment analysis**

- Identify and assess the material ESG factors relevant to the fund's investments.
- Incorporate ESG considerations into investment criteria, alongside financial and risk factors.



- **Facilitating Low-Carbon Transitions for High-Emission Sectors**

- Encourage and support investments that provide climate financing for the development of renewable energy infrastructure, low-carbon technologies, and climate-resilient infrastructure.
- Offer structured financial solutions to facilitate transitions for sectors traditionally dependent on high-emission practices.

Commitments

SAAL commits to integrating ESG into its investment process and decisions by

- Identify and assess the ESG risks and impacts of investments.
- Encourage portfolio companies to enhance positive ESG impacts and minimize negative ones
- Implement robust internal controls and risk management systems for ESG integration
- Avoid financing activities that do not meet eligibility criteria.
- Monitor, evaluate, and improve ESG performance through appropriate performance indicators.

ESG Management System

To effectively implement our Climate Transition & ESG Policy, we have developed a comprehensive ESG Management System (ESG-MS). This system integrates the core guiding principles of Responsible Investment into the material ESG parameters considered in our investment decisions.

Key components of the ESG-MS include :

- **Materiality Assessment -**

Identifying and prioritizing ESG factors that are most relevant and significant to our investments.

- **ESG Scoring Matrix -**

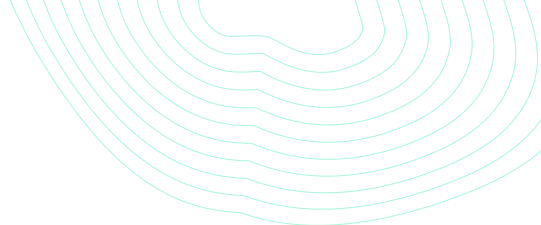
A structured approach to quantifying ESG performance, providing a clear and consistent evaluation framework.

- **Due Diligence Protocols -**

Rigorous processes to ensure thorough examination of ESG factors in potential investments.

- **Roles and Responsibilities -**

Clearly defined duties and accountability for the ESG team to ensure effective implementation and oversight.



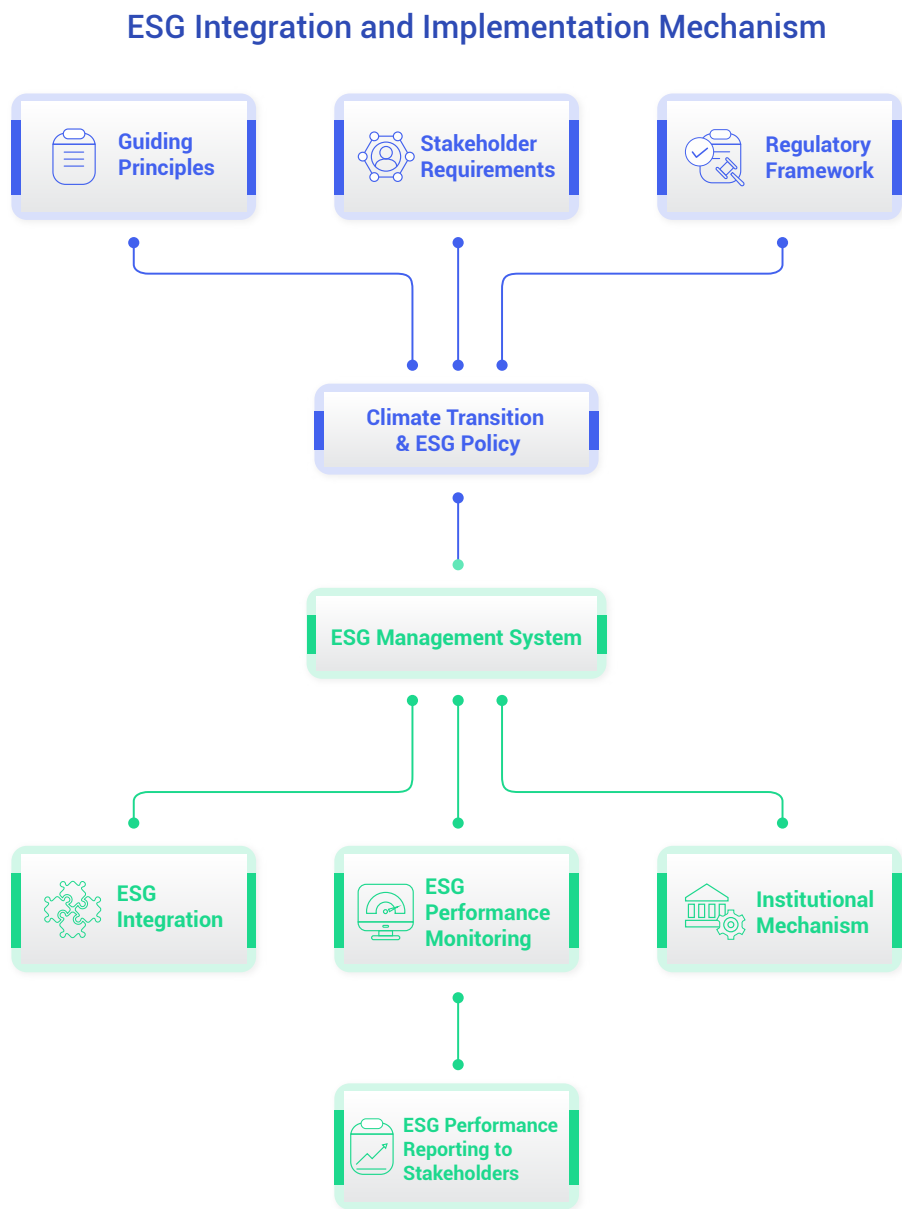
- **Reporting Mechanisms -**

Transparent and regular reporting on ESG performance to stakeholders, ensuring accountability and continuous improvement.

Through the ESG-MS, we ensure that our investment decisions are not only financially sound but also aligned with our commitment to sustainability and responsible investing.

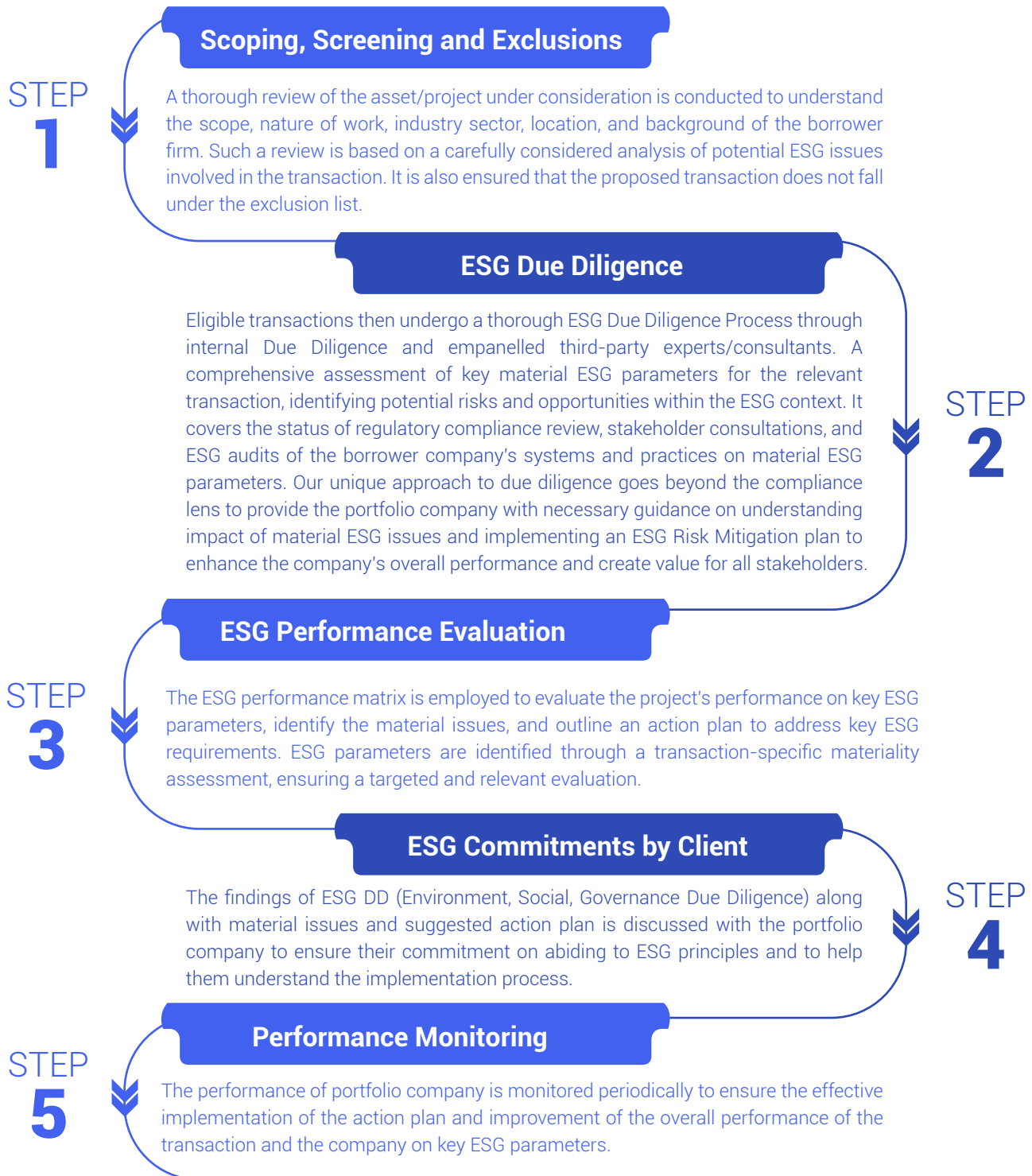
+ Stakeholder Inclusion and Engagement

Stakeholders are engaged from the early stages of the investment decision process. Regular engagement is maintained with both internal and external stakeholders regarding ESG strategies to seek their views and valuable feedback.



ESG Integration Process¹

The material ESG parameters are integrated into underwriting criteria, right from the inception. The ESG integration process consists of the following key steps:



¹ We may exclude some of the steps of ESG Integration Process for a specific type of fund where we are unable to influence the Investee Company's Climate Transition & ESG Policy, and in the case where it is not feasible to implement certain ESG parameters due to the nature of business of the Investee Company. However, we strive to implement our ESG vision in every transaction.

+ Exclusion List

We do not fund projects/assets which are associated with the businesses which involve manufacture or trading of alcohol, tobacco, gambling, weapons, and other controversial areas, as specified in the exclusion list. We also do not strictly fund projects involving violation of human rights and projects with irreversible and significantly negative environmental and social impacts. (Refer Annexure-1 for detailed Exclusion List)

+ ESG Institutional Mechanism

Members from all levels of the organization are involved in ESG implementation. The ESG program is facilitated by the ESG Team led by the ESG Officer & overseen by the Investment Committee.

At the transaction level, the process of ESG due diligence and ESG performance review is supervised and driven by the ESG Officer along with a team of Analysts, who also coordinate the integration process with the investee company. During the ESG performance review process at the transaction level, the ESG Officer is also advised by third-party ESG consultant(s) as required.



+ ESG Reporting

We practice regular ESG reporting to keep stakeholders informed about the progress of ESG initiatives, the performance of Environmental, Social, and Governance (ESG) parameters, and the positive impact on the ESG performance of investee companies' projects and the fund under consideration. These comprehensive reports are shared with the relevant stakeholders both annually and on an on-demand basis, ensuring consistent transparency, accountability, and engagement in ESG performance and initiatives.

+ Climate Transition & ESG Policy Review

Our Climate Transition & ESG Policy and ESG Management System are reviewed, updated, and if required, redefined every year. The policy is also reviewed regularly to ensure that the latest changes in the regulatory requirements, systems, products, scope, and stakeholder considerations are incorporated in a timely manner.



Annexure-1: Exclusion List

We do not knowingly finance the projects / business activities which involve any of the following scenarios:

1. Production or activities involving harmful or exploitative forms of forced labour
2. Production or activities involved in child labour
3. Production or trade in alcoholic beverages
4. Production or trade in tobacco and tobacco products
5. Gambling, gaming establishments, casinos
6. Any trade related to pornography or prostitution
7. Production and distribution, or investment in, media that are racist, antidemocratic or that advocate discrimination against a part of the population
8. Production or trade in product containing PCBs (polychlorinated biphenyl)
9. Shipment of oil or other hazardous substances in tankers that do not comply with IMO requirements (IMO, MARPOL and SOLAS)
10. Setting up of new coal/ lignite fired thermal power plant(s)
11. Production or activities that may impact rights of indigenous people negatively, or involve disputed land
12. Commercial logging operations or the purchase of logging equipment
13. Production or trade in unbound asbestos. This does not apply to the purchase or use of cement linings with bound asbestos and an asbestos content of less than 20%
14. Production or trade in forestry products other than those obtained from sustainably managed forests as per specific regulations
15. Activities that involve exploitation of diamond mines and marketing of diamonds where the host country has not adhered to Kimberly's process
16. Production or trade in radioactive material except the activities that have adequately shielded radioactive material or the product where it is trivial to use radioactive material such as medical equipment, quality control equipment or any other such equipment
17. Production of or trade in any product or activity which is considered illegal under national laws and regulations
18. Activities which have detrimental effects on areas which are particularly worthy of protection