



Environmental, Social & Governance Policy

Version	Approval Date	Approving authority
V1	7 th February 2024	Board of Directors
V2	9 th May 2024	Board of Directors
V3	8 th August 2024	Board of Directors

Contents

- 1. PREAMBLE3
- 2. OBJECTIVES.....3
- 3. FUND MANAGER OF ABS/VIRAF'S DO NO HARM STATEMENT3
 - 3.1 FINANCIAL INCLUSION STATEMENT.....4
- 4. PRINCIPLES4
- 5. VAM'S (FUND MANAGER OF ABS/VIRAF) ROLES AND RESPONSIBILITIES.....4
 - 5.1 Towards Environment.....4
 - 5.2 Towards Social, labor and working conditions.....4
 - 5.3 Towards Governance5
- 6. GOVERNANCE MATRIX6
 - 6.1 ESG Risk Assessment Committee.....6
 - 6.2 Governance Hierarchy.....6
- 7. ESG Risk Integration6
 - 7.1 Exclusion list6
 - 7.2 ESG Risk Assessment.....7
 - 7.3 Model7
 - 7.4 Climate Risk Management.....8
- 8. REPORTING8
 - 8.1 Sustainability & Impact Reporting.....8
 - 8.2 VSAM Reporting.....8
- 9. RISK CATEGORISATION9
- 10. MONITORING9
- 11. ENGAGEMENT9
 - 11.1 Materiality Assessment.....9
 - 11.2 Stewardship Engagement.....10
- 12. DOCUMENTATION10
- 13. TRAINING OF DESIGNATED PERSONNEL.....10
- 14. APPLICATION TO EXISTING CLIENT10
- 15. POLICY REVIEW10
- 16. LEGEND.....11
- 17. ANNEXURE 1 PROHIBITED ACTIVITIES.....12
- 18. ANNEXURE II TRIGGER EVENTS.....13

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

1. PREAMBLE

Vivriti Asset Management Private Limited (VAM), a company incorporated under the Companies Act, 2013, is a subsidiary of Vivriti Capital Limited (VCL) and acts as the manager of Alternate Investment Funds established in accordance with the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012 (AIF Regulations). VAM, inter alia, acts as the manager of the schemes of Vivriti Vihaan Trust registered as a Category II Alternative Investment Fund and schemes of Vivriti Treasury Optimizer Trust registered as Category III Alternative Investment Fund.

- 1.1 Vivriti Asset Management Private Limited (IFSC Branch) is registered with International Financial Services Centres Authority ("IFSCA") as a Registered Investment Manager (Non-Retail) under the IFSCA (Fund Management) Regulations, 2022 ("IFSC FM Regulations") and acting as the fund manager entity of the funds and schemes of the funds registered with/as may be registered with IFSCA under the IFSC FM Regulations.
- 1.2 Vivriti Asset Management Private Limited (VAM) is cognizant of environmental and social risks in investing and hence has adopted the ESG Policy in its journey towards its commitment on attaining sustainability. The ESG philosophy aligns with Vivriti's core business strategy. The policy is built around the three pillars of ESG, outlining its purpose and Vivriti's responsibility to the environment, its customers, employees, and the community at large.
- 1.3 Unless otherwise defined, capitalised terms have the meanings given to them in the "Legend" provided at the end of this document.
- 1.4 This policy is applicable to VAM also referred herewith as the '**Fund Manager**' of the **ABS/VIRAF Fund (Vivriti India Retail Assets Fund)**, which is also called the '**Fund**'.

2. OBJECTIVES

- 2.1 To approve a framework for the environment, social and governance ("**ESG**") practice specific to the Fund
- 2.2 To integrate the ESG framework in the existing overall risk assessment of all the funds under VAM
- 2.3 To study, measure and monitor the impact on the performance of the investment
- 2.4 To identify opportunities to promote sustainability and equitable growth through our products
- 2.5 To provide ESG/impact disclosures to effectively demonstrate our ESG commitment to our investors/stakeholders

3. VAM'S (FUND MANAGER OF ABS/VIRAF) DO NO HARM STATEMENT

The Fund aligns with socially and environmentally responsible practices, encapsulating the principles of 'Do No Harm'. The Fund ensures compliance with applicable environmental and labour laws, standards and regulations, and that of our investees through our enhanced evaluation and due diligence process. Our stringent exclusion list reflects our commitment to ethical transactions, strictly prohibiting activities that have adverse impacts of the society, communities, and the environment.

3.1. FINANCIAL INCLUSION STATEMENT

The Fund's focus on financial inclusion is through its sustainable investment flows/impact-oriented capital catering to the financial needs of low-income families, women borrowers, MSMEs, farmers/agricultural purposes, rural regions (including mobility solutions), emergency & educational needs, sanitation provisions, among others. The Fund reflects VAM's major objective of creating long-term impact along with providing risk adjusted returns to its investors.

4. PRINCIPLES

- 4.1 Through the Fund, VAM (Fund Manager of ABS/VIRAF) will conduct its business and operations in compliance with all environmental, social and labour laws (local and central).
- 4.2 The Fund shall adhere to all the policies of the Government of India or any department thereof concerning any environmental, social or labour related issues applicable to. The Fund shall also require its investees to adhere to these policies to the extent applicable.
- 4.3 The Fund will conduct ESG Due diligence on its prospective and existing investees basis the screening as per the exclusion list and a detailed assessment made on the Vivriti Sustainability Assessment Model.

5. VAM'S (FUND MANAGER OF ABS/VIRAF) ROLES AND RESPONSIBILITIES

5.1 Towards Environment

VAM (Fund Manager of ABS/VIRAF) shall conduct its business and operations in compliance with applicable environmental, health and safety laws or policy issued by Government of India or any department thereof.

- Developing financial solutions that generate other positive environmental impacts
- Minimizing the environmental impacts of our physical operations
- Partnering with organizations to advance sustainable development

Implemented Policies

Vivriti's Energy Policy
Sustainable Finance Policy

5.2 Towards social, labor and working conditions

VAM (Fund Manager of ABS/VIRAF) is committed to conduct its business and operations in compliance with applicable social and labor laws and policies issued by Government of India or any department thereof.

- Developing financial solutions that improve quality of life and generate other positive social impacts
- Expanding economic opportunity in the communities where we do business
- Investing in our human capital
- Promoting diversity, equity and inclusion
- Strengthening consumers' financial health
- Addressing human rights-related risks

Implemented Policies

Human Rights Policy
Health, Safety & Environmental (HSE) Policy
Diversity, Equity & Inclusion (DEI) Policy
Childcare Allowance Policy
Corporate Social Responsibility (CSR) Policy
Prevention of Sexual Harassment (POSH) Policy
Sustainable Stewardship Policy
IT Data Protection Policy
IT Audit Policy
IT Third Party Vendor Onboarding & Offboarding Policy
IT Data Privacy Policy
IT Risk Management Policy
IT Disciplinary Process Policy

5.3 Towards Governance

VAM (Fund Manager of ABS/VIRAF) is committed to sound governance, a system of checks and balances and the highest standards of integrity with the following aspects:

- Cultivating a strong risk and control environment
- Fostering a culture of transparency and ethical behavior
- Maintaining effective Board leadership and management processes
- Safeguarding privacy and cybersecurity

Implemented Policies

Anti Bribery & Anti-Corruption Policy
Corporate Governance Policy
Nomination & Remuneration Policy
KYC & AML Policy
Grievance & Redressal Mechanism Policy
Whistle Blower Policy
Vendor Code of Conduct Policy
Vendor Management Policy
Violation of Code of Conduct & Action Policy
Related Party Transaction Policy
Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information
Code of Conduct to Regulate, Monitor and Report Trading
IT Cyber Security Policy
IT Security Awareness Policy
IT Governance Framework Policy
Vivriti Group Tax Strategy

6. GOVERNANCE MATRIX

6.1 ESG Risk Assessment Committee

The ESG Risk Assessment Committee is established by the Board of Directors of Vivriti Asset Management Private Limited for assisting the Board in oversight of the company's ESG and its portfolio's ESG risk profiles on an ongoing basis.

The committee will comprise of the Managing Director and the Chief investment officer. The Committee will meet periodically to evaluate ESG risks of its investee companies, assign final ESG performance scores, and discuss all relevant matters.

The head of Sustainability and Impact (S & I team) shall be permanent invitee to all the committee meetings.

The Committee shall be governed by its charter and any instructions/decisions as may be mutually agreed at a meeting of committee, subject to its approval/ratification by the board of the company.

The Committee will also oversee and manage the environmental, social and management risks within VAM's (Fund Manager of ABS/VIRAF) investing portfolio and, by doing so, help implement the ESG Policy.

6.2 Governance Hierarchy



7. ESG RISK INTEGRATION

VAM (Fund Manager of ABS/VIRAF) has integrated ESG risks into its existing risk management framework by establishing a comprehensive structure to identify, evaluate, monitor and manage these risks through exclusion list, risk assessment structure and Vivriti's Sustainability assessment model.

7.1 EXCLUSION LIST

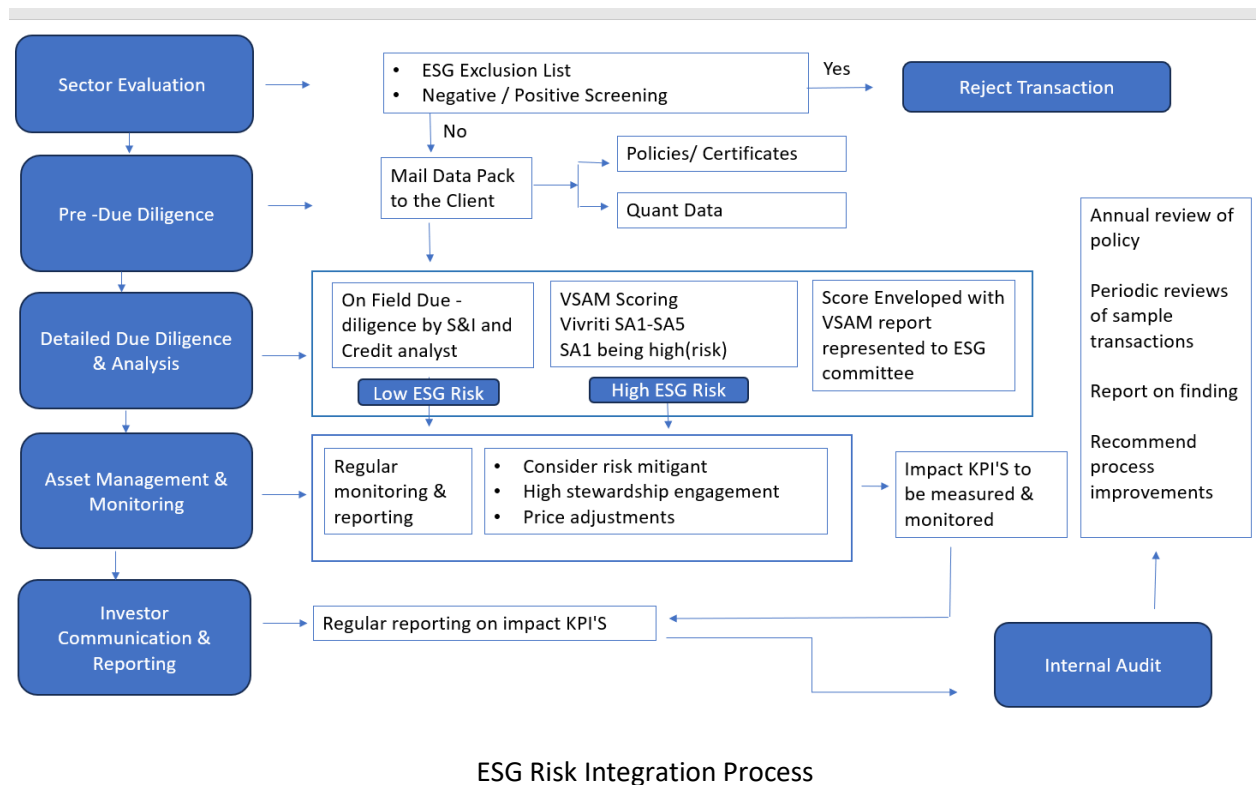
VAM (Fund Manager of ABS/VIRAF) will not enter arrangements/transactions with any institutions or persons that are engaged in any of the activities set out in Annexure I of this policy ("**Prohibited Activities**"). This list will be updated from time to time based on guidance provided by the Board and Vivriti's senior management.

7.2 ESG Risk Assessment

- Preliminary diligence of prospective and existing enterprise investee of VAM (Fund Manager of ABS/VIRAF) shall be carried out by the Sustainability & Impact analyst/Credit analyst basis sector.
- In the case of a new enterprise investee to which VAM (Fund Manager of ABS/VIRAF) proposes to invest any money or on-balance sheet financing, the client's ESG risk/ opportunity is assessed on the Vivriti Sustainability Assessment model.
- Over a period of time, this allows us to understand the trend of the ESG practices of the investee.

7.3 Model

VAM (Fund Manager of ABS/VIRAF) has developed its own ESG methodology through the Vivriti Sustainability Assessment Model (VSAM) to determine the ESG risks/opportunities of the investee. Each investee basis the due diligence and understanding of their E, S & G practices, policies and processes receives a proprietary overall ESG score (Vivriti SA1-SA5).



7.4 Climate Risk Management

Globally, climate action is gaining momentum across sectors and becoming a priority material topic. VAM (Fund Manager of ABS/VIRAF) considers the urgency of addressing the climate emergency problem and playing its part in fortifying its climate ambition.

The ESG Risk Assessment Committee has oversight of the climate risks, while climate risk management is a joint responsibility of the ESG Risk Assessment Committee and the Board. The ESG Risk Assessment Committee has formed the Sustainability & Impact function in Vivriti that is responsible for execution and implementation of the various processes & procedures related to ESG and climate action. Our Board members are also equipped with relevant climate-related knowledge, skills and expertise.

Our ESG processes & procedures are based on best practices and continuous improvement through alignment with relevant national & international standards and frameworks, that include climate risk management as a major addition. We continue to strengthen our climate commitments on an ongoing basis to gradually align with the Paris threshold pathways of 1.5 to 2 deg C.

Supplementing our climate risk management practices, we have –

- Developed policies like the Energy Policy & the Green Finance Framework
- Built the client ESG assessment process & Vivriti Sustainability Assessment Model (VSAM) that covers climate parameters - environmental management, management of climate change risks and opportunities, GHG emissions, energy efficiency, waste management, and green products & services
- Created a transparent measuring, accounting & reporting system for managing ESG risks (including climate related risks)
- Adopted decarbonization initiatives in our offices to reduce carbon emissions
- Consciously expanding of our portfolio towards climate-centric sectors
- Our forward-looking climate & decarbonization strategy will align with the requirements of global climate reporting & target-setting frameworks (TCFD Guidelines, CDP, SBTi, etc)

8. REPORTING

8.1 Sustainability & Impact Reporting

Vivriti will publish its Sustainability Report based on the Global Reporting Initiative (GRI) standards that would demonstrate Vivriti's E, S and G practices along with the impact reporting for the ABS/VIRAF Fund. We will also continue to disclose our ESG information in relevant ESG forums to demonstrate our commitment to stakeholders.

8.2 VSAM Reporting

VAM (Fund Manager of ABS/VIRAF) employs VSAM to generate comprehensive sustainability assessment/ ESG reports tailored to its clientele. Through this specialized approach, the Fund Manager offers investees an in-depth insight into their ESG (Environmental, Social, and Governance) scoring metrics. These reports are instrumental in assisting issuers to comprehend and evaluate their ESG portfolio effectively. By harnessing the capabilities of VSAM, the investees receive accurate and actionable data, enabling them to make informed decisions concerning their ESG performance and improvement.

9. RISK CATEGORISATION

The risks will be categorized based on the below criteria –

Score	Grading Scale	Significance
0-20	Vivriti SA1	An investee company that is impacted by ESG risks and requires immediate intervention to implement a systematic risk management framework
21-40	Vivriti SA2	An investee company that has just embarked on its sustainability journey but needs to establish a systematic risk management framework
41-60	Vivriti SA3	An investee company that has implemented sustainability initiatives to address ESG risks but needs to address the gaps to have a robust framework
61-80	Vivriti SA4	An investee company that has successfully navigated its sustainability journey but needs to fortify its practices
81-100	Vivriti SA5	A sustainability leader with a positive track record of implementing best practices in managing material ESG risks

10. MONITORING

10.1 The Sustainability & Impact Team, shall conduct a periodic ESG risk assessment on the enterprise investee on the basis of the scoring derived from VSAM as under –

Score	Grading Scale	Monitoring
0-20	Vivriti SA1	Bi-annually
21-40	Vivriti SA2	Bi-annually
41-60	Vivriti SA3	Annually
61-80	Vivriti SA4	Annually
81-100	Vivriti SA5	Annually

10.2 For enterprise investee in which VAM (Fund Manager of ABS/VIRAF) has on-balancing exposure, the Sustainability & Impact/Credit Teams, will also conduct site visits on the occurrence of any trigger events specified in Annexure II

10.3 Any non-compliance identified during the periodic assessment/diligence will be reported to the ESG Risk Assessment Committee, who will decide on any further action to be taken.

11. ENGAGEMENT

11.1 **Materiality Assessment** – In order to make it a meaningful sustainable journey, it is of prime importance to VAM (Fund Manager of ABS/VIRAF) to engage with all our stakeholders in the value chain on a periodic basis for a better alignment with broader business performance metrics and organizational impact. Our engagement channels would include – 1. External: Board Members, Investors, Regulators, Customers, Community, Suppliers, auditors, consultants, legal advisors and 2. Internal: Employees. This engagement allows VAM (Fund Manager of ABS/VIRAF) to prioritize material topics for long-term stakeholder value creation.

- 11.2 **Stewardship Engagement** - VAM (Fund Manager of ABS/VIRAF)'s commitment to sustainability extends far beyond mere integration into our investment processes. Central to our ethos is the active engagement of stewardship responsibilities, underlining our proactive approach to driving positive ESG outcomes. Through rigorous ESG due diligence, we delve deep into understanding the intricacies of each client's operations, assessing potential risks, and identifying opportunities for sustainable transformation. Our ESG assessment model serves as a robust framework, generating insightful outputs and comprehensive reports that illuminate areas of improvement and strategic alignment with global sustainability benchmarks.

Furthermore, our stewardship and engagement processes are meticulously designed to empower our investees on their sustainability journey. By leveraging our ESG assessment model outputs, we provide tailored recommendations and actionable insights, enabling investees to refine their sustainability strategies effectively. This collaborative approach fosters a symbiotic relationship, wherein VAM (Fund Manager of ABS/VIRAF) acts as a catalyst for change, guiding investees in adopting sustainable practices, policies, and actions. Through continuous dialogue, monitoring, and support, we not only enhance our investees' ESG performance but also contribute to building resilient, responsible, and future-ready businesses. In essence, VAM's (Fund Manager of ABS/VIRAF) deep-rooted commitment to stewardship engagement transcends transactional interactions, fostering enduring partnerships committed to shaping a sustainable future.

12. **DOCUMENTATION**

- (a) All investing documentation must contain such environmental, social and labour standards-related covenants as may be prescribed by the Committee.
- (b) All investing documentation entered into by VAM (Fund Manager of ABS/VIRAF) must contain representations and covenants from the client in relation to compliance with all applicable laws (including all, local and central, environment, social and labour laws).
- (c) Any failure of the client to perform such covenant or representation should be classified as an event of default under the investment documentation entered into with the client.

13. **TRAINING OF DESIGNATED PERSONNEL**

All Designated Personnel - Sustainability & Impact Team, Credit Teams, Investment Management Team and all members of the ESG Risk Assessment Committee concerned with this policy - will keep themselves updated with all ESG related developments. Periodic training and updates on ESG will be provided to all verticals at VAM (Fund Manager of ABS/VIRAF) by the Sustainability & Impact Team.

14. **APPLICATION TO EXISTING CLIENT**

VAM (Fund Manager of ABS/VIRAF) will endeavor to ensure compliance of its existing investees with this policy, by obtaining appropriate declaration/representation from the investee in relation to compliance of applicable environment and labour laws and other applicable laws, to the extent data can be retrieved from existing investees.

15. **POLICY REVIEW**

This policy shall be reviewed periodically on such basis and at such times as may be prescribed by the ESG Risk Assessment Committee.

16. LEGEND

S. NO.	TERM	PARTICULARS
1.	ESG Risk Assessment Committee	Comprises of the Managing Director and Chief Investment officer
2.	Sustainability & Impact	Members of the team tasked with the execution of the ESG policy
3.	Business Team	Means the business team of VAM (FUND MANAGER OF ABS/VIRAF)
4.	Credit Teams	Means the respective credit teams of VAM (FUND MANAGER OF ABS/VIRAF)
5.	Designated Personnel	Means the members of the Credit Teams, the Investment Management Teams and the Sustainability & Impact Team

ANNEXURE I - PROHIBITED ACTIVITIES

Fund Manager of ABS/VIRAF will not enter into arrangements/transactions with any institutions/persons that are engaged in any of the activities set out below:

1. Conversion or degradation of critical forest areas or forest-related critical natural habitats. Production or trade in wood or other forestry products other than from sustainably managed forests.
2. Any company whose total revenue from prohibited alcoholic beverage is more than 5% and subject to the condition that the funds received from VAM (Fund Manager of ABS/VIRAF) shall not be utilized towards the activity relating to production of or trade in prohibited alcoholic beverages.
3. Projects or companies where the primary business activities (directly, or through entities it controls) are in the following prohibited sectors such as gambling, casinos, equivalent enterprises or betting in any form, media communications of an adult or political nature, production of or trade in tobacco.
4. Production of or trade in controversial (chemical, biological & nuclear), defense and other weapons and ammunitions, including any paramilitary materials - Any company or corporation which earned more than 5% of its revenues from the manufacturing of weapons or tailor-made components thereof. Weapons are defined as products or basic components of products that have been 'designed to injure/kill'. Tailor-made components are components that are developed primarily in order to be integrated into a weapon system.
5. Companies found by a court or administrative body of competent jurisdiction engaging in unlawful practices.
6. Any company or corporation which is listed on an EU or UN sanctions list or is in severe and/or systemic breach of the United Nations conventions and declarations, including the United Nations Global Compact (UNGC) on human rights (including human trafficking, child labour, labour rights/forced labour), and environmental degradation and systemic corruption.
7. Projects or companies identified by the Government to be in violation of local applicable laws related to environment, health, safety, labour, and public disclosure.
8. Production or trade in any product or activity deemed illegal under the laws or regulations of India or international conventions and agreements, or subject to international phaseouts or bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCB's, wildlife or products regulated under CITES.
9. Polluting industries unless the units have clearance from pollution control authorities and have installed effluent treatment plants.
10. Setting up of new units consuming/producing Ozone Depleting Substances (ODS) such as chlorofluorocarbons (CFCs), halons and units manufacturing aerosol products using CFCs.
11. Any company involved in the extraction of conventional and unconventional oil and gas.
12. Carbon intensive power generation – Any company that depends on coal fired power plants and more than 5% on oil and gas.
13. Coal mining – Any company that generates its revenue from extraction of thermal coal.
14. Cannabis - Any company or corporate that directly or through entities it controls, produces, or sells cannabis for non-medical or recreational purposes, which shall include production and sale of end products containing cannabis for the same purpose.
15. Animal testing on Non-medical Grounds – Any company or corporation that practices animal testing on non-medical grounds.
16. Production or trade in radioactive materials - This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
17. Production or trade in unbonded asbestos fibres - This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
18. Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
19. Commercial logging operations in tropical rainforests.

ANNEXURE II TRIGGER EVENTS

1. For any notice issued by regulatory authority to any client for non-compliance of provisions of applicable environment and labour laws (including human rights).
2. In case of labour unrest or dispute with the client.
3. On levy of significant fines or penalties or any other liabilities under any applicable labour (including human rights), and environmental laws by any regulatory authority.
4. Whether any notice issued, or proceedings initiated against the company for any violation or non-compliance of any environment and labour laws (including human rights).
5. When there is any fraud and non-compliance of anti-money laundering laws.