

	ENVIRONMENTAL, SOCIAL AND GOVERNANCE		
Issue Date 30 June 2023	Effective 30 June 2023	Replaces 30 June 2022	Approved by BOD

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (“ESG”) POLICY

The Manager is committed to conducting business in a manner that is compliant with:

- Applicable host country laws on environment, health, safety and social issues, including requirements on information disclosure and consultation with affected people and communities.
- International Financial Corporation (IFC) Exclusion List (IEL), Asian Development Bank (ADB) Prohibited Investment Activities List (PIAL), European Development Finance Institutions (EDFI) General Exclusion List and EDFI Fossil Fuel Exclusion List; and
- IFC Policy Requirements, ADB Safeguards and Social Requirements (applicable policies in regard to environment, involuntary resettlement and Indigenous Peoples as defined in ADB’s Safeguard Policy Statement, June 2009), ILO core labour standards and ILO Basic Terms and Conditions of Employment

The Manager endeavours to be considerate of the ESG, including climate related, impact of its investment decision; and is committed to continuous improvements with management of ESG aspects of KV Asia and its investee companies, including ways to engage effectively with stakeholders. This Policy shall be reviewed and approved by the Board to ensure that it is integrated as part of the Manager’s standard operating procedures, and is communicated to all staff of the Manager together with the Compliance Manual that it is contained herein.

1 **Guiding Principles**

ESG Code is an integral part of our business model and will apply to all our investments considered or made.

1.1 **Environmental and Social Standards**

The Manager observes the following environmental and social standards:

i) Social and Environmental Assessment and Management System

The objectives are:

- To identify and assess the social and environmental, including climate related, impacts, both adverse and beneficial, of any potential investment;
- Avoid, or where avoidance is not possible, minimise, mitigate or compensate the adverse impacts on workers, affected communities and the environment;
- Promote improved social and environmental performance of the companies through effective management systems.

ii) Environmental, Health and Safety (“EHS”) Guidelines

Industry-specific EHS Guidelines are reference standards applied wherever applicable, to understand how potential investments and/or investee companies perform and what measures could be undertaken to improve environmental, health and safety measures.

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1.2 Business Integrity and Good Corporate Governance

Objectives:

- To ensure that the Manager, and the businesses in which our capital is invested, exhibit honesty, integrity, diligence and respect in all business dealings; and
- To enhance our good reputation.

The Manager and the businesses in which our capital is invested will conduct business in a manner that:

- Comply with all applicable laws including those laws intended to prevent extortion, bribery and financial crime;
- Uphold high standards of business integrity and honesty;
- Prohibit all employees from making or receiving gift of substance in the course of business;
- Prohibit the making of payments as improper inducement to confer preferential treatment;
- Properly record, report and review financial and tax information;
- Promote transparency and accountability with sound business ethics;
- Clearly define responsibilities, procedures and controls with appropriate checks and balances in organisation structures;
- Use effective systems of internal control and risk management covering all significant issues where applicable.

2 Environmental and Social (E&S) Organisation, Resources and Training

The E&S Manager is responsible for securing approval of the policy by the Board, leading and ensuring its proper implementation, ensuring E&S matters are discussed at IC meetings and reporting to the Board and investors. The E&S Manager takes into account the fund structure and processes, as well as the existing time commitments and capacity building of the individual(s) to ensure that adequate time is devoted to driving the ESMS. The E&S Manager leads the evaluation of the adequacy of due diligence for each deal for the IC, in order to provide a 'check and balance' mechanism.

The E&S Officer oversees the implementation of the ESG policies and ensure that these procedures are integrated with the Manager's business processes. The responsibilities of the E&S Officer include: -

- During due diligence, the evaluation of E&S compliance of a target investee company with the relevant E&S requirements.
- Supervising projects in the portfolio against on-going compliance

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- The preparation of an Annual E&S Performance Report to the relevant parties, based on the annual performance report prepared by the investee companies.

The E&S Officer will ensure that the E&S procedures are implemented for each investment, and that records of E&S reviews are maintained. The E&S Officer will be supported by additional resources if required to ensure adequate E&S implementation and monitoring for all the Manager's investments. The E&S Officer (or other designated officer) will ensure that all investment decisions are supported by appropriate due diligence documentation. The E&S Officer (or other designated officer) will ensure the periodic review of the E&S procedures and incorporate changes agreed upon by the management.

The Investment Staff ensure that due diligence process, portfolio management process and exit process meet the requirements of the Policy. They are responsible for the portfolio companies' implementation of E&S action plans (ESAP), reporting and continued compliance with E&S requirements.

To ensure effective implementation across KV Asia, it is necessary to allocate resources to prepare and distribute E&S documentation and materials, to train staff on E&S procedures, and to account for staff time to perform their E&S responsibilities in their day-to-day duties.

3 Grievance Redress Mechanism

If not already in place, the Manager will use its best endeavours to require all its investee companies to establish a grievance redress mechanism ("GRM") as part of the investee company's ESMS.

At the fund level, the Manager has a GRM to address any possible concerns and dissatisfaction of affected groups regarding the social and environmental impact of its activities. The E&S Officer will be responsible for coordinating the GRM process concerning the environmental and social impacts of its investments.

In the event of a major grievance, it will be escalated immediately to the Grievance Redress Committee (GRC). If minor grievances cannot be resolved with twenty (20) working days, they will be escalated to the GRC. The GRC will consist of the E&S Officer, KV Asia's Partners, relevant KV Asia deal team, representative of investee company (if applicable); representative of relevant stakeholders; and representative of legal, financial and other support teams (both internal and external) of the Manager, as needed. The GRC will determine the merit of each grievance and resolve grievances in a reasonable time after receiving the grievance. The E&S Officer will keep records of all grievances. The E&S Officer will also monitor the implementation of the remedial action.