Edelweiss
Ideas create, values protect

# INVESTING IN SUSTAINABILITY

**EDELWEISS ALTERNATIVE ASSET ADVISORS**
**ESG REPORT**
**FY 2019-20**

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## Investing in Sustainability

At Edelweiss Alternative Asset Advisors Limited (EAAA), we are proud to shoulder the responsibilities that come with the privilege of helping businesses grow. While protecting our clients' capital and achieving the desired investment results from our portfolio companies continue to be our priorities, we understand that asset managers like us are uniquely positioned to invest in the creation of a better world.

In our endeavour to create shared value, we are increasingly incorporating Environmental, Social and Governance (ESG) considerations into our investment decisions to catalyse positive change. Not only do we screen potential investments for their performance on these parameters, but we are also making a conscious effort to invest in areas aligned with national and global sustainable development goals. Our investments in renewable energy, infrastructure, affordable housing and stressed assets are ushering in positive change by saving as well as creating jobs, reducing carbon emissions, enhancing access to opportunities and mobility, and powering the growth of the economy.

We strive to carry forward the Edelweiss Group's rich legacy of ethical conduct, compliance, customer-centricity, collaboration and robust risk management. Our maiden ESG report, which marks another step in this direction, outlines some of the measures, policies and initiatives we have taken towards this end. Through its publication, we hope to initiate a dialogue that amplifies the value we create for our stakeholders and enhance our ESG performance.

# About This Report

This is EAAA's first Environmental, Social and Governance report, which details our efforts to create shared value for our stakeholders in FY 2019-20. It summarises our business strategy, risk management framework and corporate governance structure. The contents of this report are based on material ESG aspects identified through a structured process of stakeholder engagement.

The report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option, and the GRI guiding principles have been applied to define its quality and content.

This report is for information purposes only and does not constitute an offer or solicitation for the purchase or sale of any products / financial instrument/s or as an official confirmation of any transaction/s with Edelweiss and may not be relied on in any manner as legal, tax or investment advice. The information contained herein must not be reproduced or redistributed or passed on directly or indirectly in any form. This does not constitute an offer or solicitation to any person in any jurisdiction to raise funds.

## Report Scope and Boundary

This annual report details the ESG performance of EAAA between April 1, 2019 and March 31, 2020. The data reported pertains to our offices in India and Singapore. However, data pertaining to our Assets Under Management (AUM), funds managed, and portfolio companies is as of October 31, 2020, to reflect the significant change since the reporting period. There have been no significant changes to our supply chain in FY 2019-20.

## Forward-Looking Statements

This report contains certain forward-looking statements that describe our projections and expectations, based on reasonable assumptions and past performance. These are subject to change considering developments in the industry, geographical market conditions, government regulations, laws and other incidental factors. These statements must not be used as a guarantee of our future performance, as the underlying assumptions could change materially.

## Feedback

For any feedback or queries related to this report, please reach out to *Niranjan.Risbood@edelweissfin.com*

# Note from the Chairperson

Dear Stakeholders,

The last year has seen its fair share of ups and downs, but the impact of the COVID-19 pandemic and the socioeconomic fallout resulting from it, is reshaping the world as we know it. In this landscape characterised by volatility and ambiguity, one thing is certain – It is now more important than ever for businesses, especially those in the financial services domain, to leverage their reach and competencies to work towards the greater good. And while there are risks aplenty, the new normal also presents a host of opportunities to create shared value for society.

At the Edelweiss Group, we pride ourselves on providing the right solutions at the right time, to over 1.4 mn clients through our network of 447 offices, spread across 202 national and international locations. We endeavour to fulfil the needs of all our stakeholders, while operating in a fair, collaborative manner, and cementing our brand reputation. Edelweiss Asset Management (EAM), one of India's leading asset management platforms with Assets Under Management of over $10 bn, has been instrumental towards this end, delivering continuous value to our stakeholders.

Edelweiss Alternative Asset Advisors Limited, an arm of the EAM business, has become the largest and most diversified private debt and alternatives product platforms in the country. In line with the Group's efforts to constantly strengthen our Environmental, Social and Governance performance, EAAA conducts its business in a responsible manner. From a borrower's perspective, we have identified and reached sectors and businesses across our fund strategies that are underserved by traditional credit providers. From our client's perspective, our funds seek to generate attractive risk-adjusted returns in the form of periodic cash flows in an environment, where the world is increasingly searching for yields.

As a provider of capital, we are doing our part by funding sectors and businesses that are working towards solving some of the social and environmental challenges facing the world today. This includes lending our support to renewable energy, infrastructure, and mid-income and affordable housing providers. During the year, we have committed to invest ~₹9 bn in 12 renewable solar power assets through our infrastructure fund. We have also financed ~25,000 mid-income and affordable apartments through our real estate credit funds so far. Our investments in the distressed credit space focus on revival of companies and thus, indirectly help save jobs. As an example, our investment in a paper company through our distressed credit fund has helped its revival, thus helping save over 5,000 jobs.

We also put our investee companies through a screening on various ESG parameters, including – but not limited to – human rights, labour practices, ethical conduct, legal compliance and environmental performance. We believe that this ESG screening, combined with our robust risk management processes, is helping us towards our goal of investing in sustainability.

ESG considerations also form a part of our day-to-day functioning at EAAA and the Edelweiss Group. We have gone beyond compliance to enhance energy and resource efficiency at our corporate office – Edelweiss House, and are constantly introducing new initiatives to reduce our environmental footprint. These include the rationalisation of our business travel requirements, utilisation of renewable energy, waste management, and responsible consumption of various resources. The share of renewable sources in the Group's total electricity consumption has increased 2.3 times since FY 2017-18.

We strive to do right by our people, and ensure that our success translates into theirs as well. Towards this end, we are working to provide them with a workplace that is conducive to their personal and professional growth and development. We have encouraged and enabled employees to work from home and continue to support them through the pandemic to ensure their health, safety and productivity.

Our people, in turn, have not only been instrumental in delivering value to our clients and partners, but also to our communities. Their contribution to the EdelGive Foundation's CSR efforts has helped further the causes of women's empowerment, education and sustainable livelihood creation. I am pleased to share that Edelweiss was awarded the National CSR Award in 2019 for Excellence in Corporate Social Responsibility by the Ministry of Corporate Affairs for the work done by EdelGive Foundation. This year began with a very exciting partnership between EdelGive Foundation and the India Climate Collaborative (ICC). Founded by leaders such as Anand Mahindra, Ratan Tata, Nadir Godrej, and Rohini Nilekani, the ICC is a first of its kind, India-focused platform enabling bold and coordinated climate action, recognising the importance and urgency of tackling climate change.

Over the last decade, EAAA's Assets Under Management have grown to over $4.0 bn (as on October 31, 2020). In the past six months, we have announced the final close of ESOF III, our performing credit fund, at ~$900 mn and EIYP I, our fund focussing on buying operating infrastructure assets, at ~$450 mn.

Despite the uncertain times that lie ahead, we at EAAA, remain unwavering in our commitment towards meeting client objectives and helping our investee companies emerge stronger on the other side of this crisis, while continuing to contribute to nation-building. We believe that sharing our performance on ESG through this report will not only help us to seek your feedback and get better but also help us move forward in our journey of improving Sustainability of our business. We extend our gratitude to our clients, investee companies, employees, communities and the Government of India. Finally, we welcome your feedback and suggestions on how we can continue to create shared value to help our business and all our stakeholders #BeUnlimited.

Thank you,

**Venkat Ramaswamy,**
Vice Chairman, Edelweiss Group
Chairman, Edelweiss Asset Management

# EAAA at a Glance

Headquarted in Mumbai, Edelweiss Alternative Asset Advisors Ltd. is a part of the Edelweiss Group, one of India's leading diversified financial services companies, providing a broad range of financial products and services to a substantial and diversified client base that includes corporations, institutions and individuals. Edelweiss' products and services span multiple asset classes and consumer segments across domestic and global geographies. The Group's research-driven approach and proven history of innovation has enabled it to foster strong relationships across all client segments. Its businesses include Corporate Credit, Retail Credit, Wealth Management, Asset Reconstruction (ARC), Asset Management, Life Insurance and General Insurance.

**Assets Under Management**
~$4 billion*

**Employees**
129

**Investment Professionals**
57

**Portfolio Companies**
106

**Number of Strategies**
4

** Data is as on October 31, 2020*

EAAA, the largest Indian alternatives platform, is a part of the decade-old Edelweiss Asset Management business, which manages customer assets aggregating approximately $10 bn (~₹75,000 cr) across alternatives and mutual funds. EAAA focusses on providing high-quality alternative investment opportunities in India, catering to offshore and domestic investors. It was incorporated as an India-focussed alternative asset manager in 2008.

EAAA is in the business of connecting capital to yield. From a borrower's perspective, EAAA provides capital for situations, entities or sectors that are underserved by traditional providers of capital like banks and non-banking financial companies (NBFCs). From an investor's perspective, EAAA aims to provide attractive risk-adjusted returns in the form of periodic cash flows. In a world where yields on traditional investment products have declined to multi-year lows, these products help long-term investors like insurance companies and pension funds meet their liabilities by enhancing the returns on their overall portfolios.

The platform has a strong reach and established client base in North America, Europe & Middle East and Asia-Pacific (including India). This has helped us develop strong relationships with large institutional investors across the globe. Our clients include large global pension funds and insurance companies. We also have investments from India-based family offices and ultra-high net worth individuals in our funds.

Our investment strategies are focussed on long-term, structural and sustainable investment opportunities in India, which have the ability to provide attractive risk-adjusted returns to our clients.

Each of our strategies is managed by a dedicated team of investment professionals. We have a team of 57 members, with a cumulative investment experience of 700+ years across all our strategies.

EAAA has also developed asset management expertise across strategies for monitoring existing investments. In addition, EAAA has an in-house turnaround team for dealing with any creditor issues. It comprises 10+ members, who bring a total of more than 100 years of experience to the Company. This team actively engages with portfolio assets, taking a 'Beyond the Numbers' view and bringing in industry experts as required. Further, it monitors active cash flow at a company level.

EAAA lays a strong emphasis on high governance standards, a robust risk management process and putting the customer first. The experienced investment teams are supported by a 40+ member strong team that focusses on aspects like regulatory compliance, risk management, legal, operations and investor servicing.

## Our Strategies:

Private Debt

### Performing Credit

This sector-agnostic strategy focusses on providing bespoke solutions to promoters of mid-sized investment-grade companies for special situations like growth, mergers & acquisitions, and stake enhancement. For investors, it aims to provide attractive risk-adjusted returns in the form of coupons, redemption premiums and an upside linked to operational or valuation parameters.

Key funds: ESOF I: $230 mn (fully exited), ESOF II: $345 mn (investment period), ESOF III: $890 mn (investment period), ECOF: $46 mn (exit phase)**

### Distressed Credit

This strategy focusses on the revival of stressed companies that are unable to borrow from traditional capital providers like banks. It invests in stressed companies that are asset-heavy, EBITDA-positive and have a turnaround potential. The strategy seeks to generate returns by buying stressed loans from financial institutions and providing primary financing to companies for a one-time settlement with banks.

Key funds: EISAF I: $77 mn (exit phase), EISAF II: $1.3 bn (investment period), ESTAR: $29 mn (exit phase)**

### Residential Real Estate Credit

This strategy focuses on providing credit to mid-income and affordable housing projects for construction and completion. It invests in the top five residential cities of the country, i.e. Mumbai Metropolitan Region (MMR), National Capital Region (NCR), Chennai, Bengaluru and Pune. A majority of the strategy's investments are intended to be in the form of debt instruments with periodic coupon payments and redemption premiums.

Key funds: EREF: $530 mn (investment period), EROF: $68mn (investment period)**, RECOF I: $165 mn (investment period)**

### Core Infrastructure

The focus of this strategy is to buy availability-based operating infrastructure assets that have long-term contracts. Thus, the strategy helps developers and the Government monetise operating infrastructure assets, while providing cash flows from them as a yield to investors. EAAA plans to primarily invest in the three target segments of renewables, power transmission and annuity roads as a part of this strategy.

Key fund: EIYP I: $435 mn (investment period)**

*** Commitments are in INR; for conversion, USDINR rate of 73.8450 has been used*

# Our Response to COVID-19

The COVID-19 pandemic resulted in lockdowns that put enormous pressure on businesses and economies across the globe. In India, we saw a strict lockdown being imposed to stem the virus' spread. All economic activities except essential services were restricted beginning mid-March 2020, and the opening up of economic activities has been gradual, even after the lockdown. The impact was evident in a ~23.9% decline in India's GDP in the first quarter of the financial year.

At EAAA, we enabled a swift and seamless transition to work from home, without any significant loss in productivity. While we are still working towards returning to normalcy, our utmost focus is on ensuring the health and safety of our employees, while maintaining effective communication with all our stakeholders. We have been available to and stayed connected with all our stakeholders despite the physical distance, and have transitioned efficiently to adapt to the new normal.

### Impact of COVID-19 on Investment Strategies

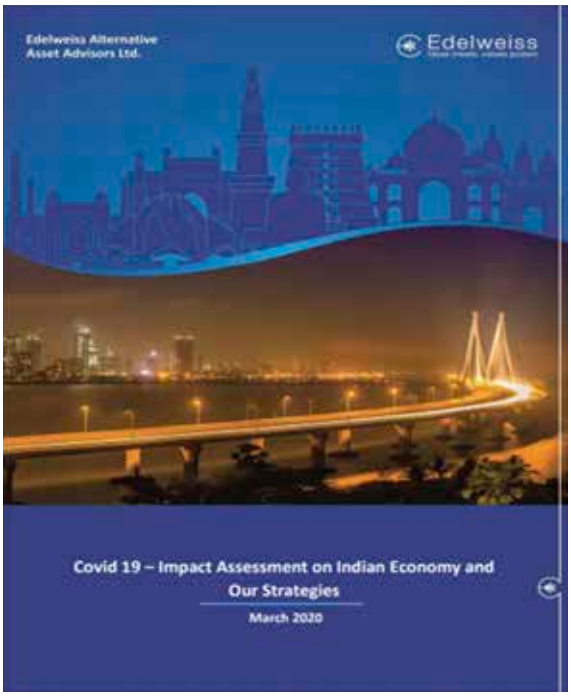
We believe that the current scenario following the pandemic has accelerated the mainstreaming of private debt in India. Reduced competition from traditional debt providers is expected to benefit alternative asset managers that can provide long-term patient capital. With infrastructure developers looking to reduce leverage and the Government looking to manage its fiscal deficit by monetising their assets, the pandemic has also created a conducive environment for buying operating infrastructure assets in India.

We have mapped the impact of the pandemic on each of our strategies:

| Strategy | Impact |
|---|---|
| Performing Credit  | Due to the COVID-19 crisis, the credit environment in India has tightened, leading to NBFCs receding from wholesale structured lending. The structure of open-ended mutual funds has proven unsuitable for such illiquid investments. This is expected to enhance the opportunities available to alternative funds like ours. We also expect more opportunities for providing structured credit at an operating company level, as traditional credit providers shy away from lending to mid-market companies. |
| Residential Real Estate Credit  | A longer sales cycle for residential real estate is expected to increase the capital requirement for projects. Going forward, a higher demand is expected for projects which have been completed or where there is visible progress in construction activity.<br><br>This offers a large addressable investment opportunity for providing completion finance to residential real estate projects. This is expected to provide an attractive risk-adjusted return to investors. The risk for such funding is lower, due to priority over cash flows from the projects and investment in projects at a mid to late stage. |
| Distressed Credit  | Owing to the current turmoil, the investment opportunity in stressed assets is expected to increase. As per RBI estimates, non-performing assets (NPAs) in the Indian banking system are expected to increase by 400 bps to ~12.5%.<br><br>In this environment, we expect good-quality companies facing working capital challenges or lender repayment issues to raise capital from alternative sources. Lenders are expected to be more than willing to sell stressed exposures and reduce the NPAs on their books. Pricing and yields for new deals are also expected to be higher in the current environment. |
| Core Infrastructure  | The current scenario further restricts the availability of capital for infrastructure developers and construction companies. The Government would also be looking at monetising infrastructure assets to manage its fiscal deficit. This is expected to increase the deal flow for this strategy, leading to better investment opportunities.<br><br>Further, in case of softening interest rates due to an easy monetary policy, the cost of financing will improve at an asset level, especially for high-quality assets. This may help improve overall returns from the asset. |

## Our Responsibility Towards Clients

In such unprecedented times, it was natural for our clients to be anxious about the business and their investments. Our existing Business Continuity Plan (BCP) was evaluated and updated by a Central Task Force, in concurrence with the business teams, to adapt to the situation at hand. We kept our clients abreast of our BCP and approach to navigating the pandemic. We went the extra mile to ensure proper information is disseminated, while eliminating ambiguity and guiding them on the way forward.




We have also been pro-actively communicating with our clients regarding the impact of COVID-19 on the Indian economy, our strategies and portfolio companies, through reports and by leveraging virtual delivery platforms.

In accordance with the Reserve Bank of India's guidelines, we extended moratoriums to some of our investee companies across the performing credit, distressed asset and real estate credit strategies, to support them through this difficult time.

## Risk Management in Times of COVID-19

We are closely monitoring the socioeconomic impacts of the COVID-19 pandemic to enhance the resilience of our portfolio. We have incorporated new and emerging risks into our strategies for our existing and prospective investments.

| Strategy | Description |
|---|---|
| Performing Credit  | **For existing investments -** We expected the market volatility to have an impact on our listed collaterals. Hence, we have continued to monitor the share price, top-ups required, and unencumbered shares of the promoters.<br><br>**For investment proposals going forward -** Given the environment, our focus remains on opportunities with groups and companies where the overall leverage situation is in control, so that they have the ability to withstand shocks. We expect to take more diversified collateral, including real estate, to mitigate the risks in these transactions. |
| Residential Real Estate Credit  | **For existing projects -** Providing last-mile financing to projects where construction is partly completed continues to be a priority. The focus continues to be on conserving capital and locking in sales for projects under construction.<br><br>**For investment proposals going forward -** We will invest in opportunities with developers having low leverage, the ability to sell and a strong execution track record. We will also look at opportunities to partner with reputed names, and with a strong margin of safety on project sales price, cost and project tenor. |
| Distressed Credit  | **For existing investments -** We have been in active dialogue with the management teams of our portfolio companies to reduce manageable costs, preserve cash, enable proper plant maintenance and ensure business continuity.<br><br>**For investment proposals going forward -** We will prioritise opportunities with companies where demand parameters are expected to be strong in the future. We feel that pent-up demand could resurface in sectors like cement, heavy engineering and others, once the economy recovers. We will continue to look at companies that are asset-heavy, have a positive EBITDA and turnaround potential. |
| Core Infrastructure  | **For existing projects -** The availability of adequate spares is important in the current scenario, where there could be supply chain disruptions. Our portfolio companies continue to monitor the situation, and have maintained spares at their respective sites. Business continuity planning has been initiated for acquired projects to ensure smooth day-to-day operations.<br><br>**For investment proposals going forward -** Our preference would be to refinance projects acquired for a long term. All the current investments are financed through long-term debt with long tenure repayments. |

## Our Responsibility Towards Our People

The sheer strength and adaptability shown by our people after the COVID-19 outbreak is a testament to the EAAA spirit. All our employees began operating remotely overnight and quickly adapted to the new normal. At our end, we ensured that their transition was made smooth by keeping them informed and enabled.

We have undertaken the following initiatives to support our employees during the pandemic:

- **Incident Room:** At the outset of the pandemic, we activated an incident room (the Edelweiss emergency response hub) to respond to employee queries and track their travel history. It was also used for regular advisory communications and updates.
- **COVID-19 Helpline:** A dedicated helpline service has been set up for all employees to connect them to qualified doctors, if required. It also facilitates access to information verified by the World Health Organization (WHO) and Government of India (GoI), quells myths and addresses queries about COVID-19.
- **Counselling Helpline:** Access to online consultation services with a qualified psychologist ensures employees have a non-judgmental space to manage stress and anxiety.
- **Mediclaim Insurance:** All employees were reassured that in case of any hospitalisation, quarantine or treatment related to COVID-19, the group medical insurance policy provides adequate coverage to them and their family members.
- **Early Pay Day:** In order to help employees navigate through the financial uncertainties brought on by the sudden lockdown, salaries for the month of March were pre-paid.
- **Learning and Development:** Employees were encouraged to use the time to upskill themselves via online learning courses on platforms like Coursera, Udemy and LinkedIn Learning. All relevant paid courses were reimbursed.
- **Wellness Sessions:** Weekly webinars on managing stress, dealing with anxiety, meditation, yoga, parenting, nutrition and immunity are being conducted.
- **Virtual Events:** Increased level of engagement virtually via talent shows, jam sessions, fitness challenges, cook-offs, virtual gaming and other celebrations.

We have also established our internal communications practices to motivate and support our employees. This includes:

- **Leadership Connects:** Our leadership team regularly connects with all critical functions for grievance redressal, guidance, appreciation and assurance.
- **Town Halls:** Multiple virtual town halls have been conducted to ensure transparent and two-way communication between the business leaders and employees.
- **Employee Connects:** One-on-one intervention by the Human Resources (HR) team helped provide the necessary support during the transition to remote working.
- **Pulse Survey:** An anonymous pulse survey was conducted to understand employee grievances.

All this was built upon a strong foundation of technology enablement, which maximised productivity and efficiency, despite the ongoing crisis.

- **Seamless Transition:** Equipped all employees with the necessary tools for a smooth shift to a work from home setup.
- **Enhanced Security:** Upgraded overall cyber security to safeguard client information and data.
- **Strengthened Collaboration:** Adopted the Office 365 collaboration suite, including platforms like Microsoft Teams and Yammer, to facilitate collaboration.

## Our Response as a Responsible Citizen

As a part of the Edelweiss Group, we have been actively supporting the EdelGive Foundation's CSR efforts, including COVID-19 relief measures. Working with reputed non-governmental organisations (NGOs), the Foundation has been providing aid to support the communities worst affected by the pandemic. Some of the interventions during this period include:

EdelGive Foundation has committed **₹100 mn (₹10 cr)** in the first quarter of FY21 towards its **NGO partners**

Contributed **₹20 mn (₹2 cr)** to the **PM CARES Fund** and **₹5 mn (₹50 lakh)** to the **Chief Minister Relief Fund,** Maharashtra

Edelites collectively raised **₹1.2 mn (₹12 lakh)** to support **30,000+ migrant families**

The Foundation contributed over ₹200 mn (₹20 cr) in the first 16 weeks of the lockdown. The funds were used to support NGOs working at the grassroots level across the country. Meanwhile, EdelGive Foundation's reach and network within the philanthropy community is being used to raise awareness for NGOs' needs, and encourage collaborative action. To cement its commitment to providing relief, EdelGive has also become one of the founding signatories to the Common Charter for the Indian Donor and Philanthropic Community. The initiative, signed by some of India's leading philanthropic organisations, was created to offer collective support to NGOs.

# Ethics and Governance

Good governance is the foundation upon which a resilient business is built. While the need for it is industry-agnostic, we believe that a strong governance framework is the backbone of financial institutions, in particular. Not only does it help us earn the trust of our stakeholders, but it also helps us identify and mitigate the risks inherent to our organisation. We, therefore, strive to ensure the highest levels of ethical conduct through our policies, practices and the checks and balances that we have put in place.

In addition to formulating our own policies, we have imbibed our parent Group's guidelines, to govern our behavior as an organisation. These include:

**These policies are applicable at the Edelweiss Group level.*

## Code of Conduct

The Group-level Code of Conduct aims to sensitise all our personnel about Edelweiss' philosophy, values, practices and culture. It lays down an ethical roadmap for employee conduct, defining our expectations from them. The objectives of the Code include:

The Code of Conduct covers various topics including – but not limited to – sexual harassment, whistleblowing, gifting and entertainment, insider trading, unpublished price sensitive information, e-mail security, data privacy and equal opportunity. We drive adherence to the Code by conducting various awareness sessions and workshops. A disciplinary mechanism has been put into place to enforce and ensure compliance with the Code of Conduct. No instances of violation of the Code of Conduct were recorded in FY 2019-20.

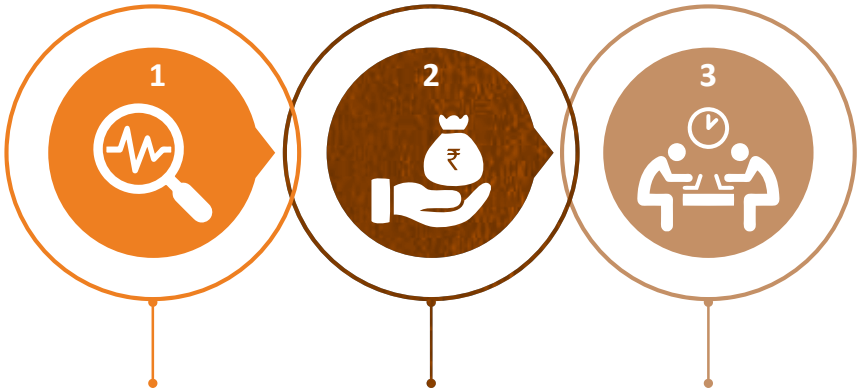
## Board of Directors

Our Board of Directors oversees our activities, ensuring that we create value for our stakeholders. The Board comprises of our Managing Director and CEO, two Independent Directors and a Non-Executive Director. It is chaired by Suresh Soni, Head – Private Debt. Our directors bring varying levels of experience in the sector, giving us access to a diverse set of perspectives. Ten meetings of the Board were held in the reporting period.

## Risk Management

Identifying, assessing, monitoring and managing risks is an integral aspect of our endeavour to deliver value to our clients. Our risk management strategy consists of three lines of defence. The first of these is by the investment team, whereas an independent risk and control function forms the second line of defence. Their respective assessments are monitored by the centralised independent risk management group and committee.

Risk management also underlies each phase of the investment lifecycle, helping us maintain a healthy portfolio. The activities undertaken in each phase are summarised below:




### Pre-Investment

- Gathering market intelligence
- Providing inputs to fund team
- Case-basis management meeting

### Investment

- Independent observations and inputs to Credit Committee (CC)
- Risk sign-off prior to disbursement

### Post-Investment

- Real-time monitoring and sharing of risk alerts
- Monthly portfolio discussions with fund teams
- Monthly risk grading of portfolio
- Fortnightly update on investments under watch
- Quarterly portfolio reviews with CC

We seek to unearth risks at the pre-investment stage by conducting an independent evaluation of each proposal submitted to the Credit and/or Investment committee (IC). This evaluation encompasses various aspects, including an analysis of the business and its financials, proposed deal structure, vetting of financial model, due diligence, and interactions with external parties like rating agencies, clients, sector experts and due diligence agencies.

Following the investment, our risk monitoring framework serves as a benchmark to help us detect, manage and mitigate risks throughout the lifecycle of the investment. When it comes to our portfolio companies and security collaterals, we track factors like price changes of listed companies, payment status and regulatory actions in the news in real time. For collateral that is unlisted or in the form of real estate, we typically carry out an independent valuation exercise on an annual basis to revalidate the market value. Further, regular asset reviews help us capture key risks and developments, and formulate action plans to mitigate them. Our Early Warning System helps us do this, by alerting us on banking conduct, account conduct, negative news, industry updates, downgrades in credit rating, and breaches of covenants, among much more.

We continue to monitor and manage risks until the exit stage. Digital platforms enable us to seamlessly report to the Edelweiss hierarchy, track the performance of our investments, and conduct industry and company-specific research. Some of the parameters we evaluate on a periodic basis include:

### Daily Basis

- Price alert
- Covenant tracking
- News alert
- Extreme event
- Regulatory action

### Fortnightly Basis

- Updates on investments under watch

### Monthly Basis

- Portfolio Tracker
- Risk grading framework

### Quarterly Basis

- Fund-based risk reviews

### Overdue Follow-Ups

- Repayment alerts

All this helps us identify potential risks, and mitigate their impact in a timely manner, consequently ensuring the best possible outcomes for our clients and portfolio companies.

# Stakeholder Engagement & Materiality Assessment

At EAAA, we believe that engaging with our stakeholders is crucial to the success of our organisation. We strive to understand and address their needs and concerns which, in turn, helps us monitor and improve our performance on those parameters.

## Stakeholder Engagement

Our stakeholders are individuals or groups that have the ability to influence operations or are impacted by them. We have established an effective stakeholder communication model, through which we regularly engage with our stakeholders, and identify and cater to their needs. Even during the pandemic, we reached out to them, and we plan to further increase the number of stakeholder groups we consult in the near future.

| Stakeholders | Why They Are Important | Engagement Mechanisms | Areas of Importance |
|---|---|---|---|
| Employees | They are the most important asset for our business, helping us drive operations, productivity and profits | • One-on-one meetings<br>• Emails<br>• Skip-level meetings<br>• Townhalls | • Training and Education<br>• Diversity and Equal Opportunity<br>• Human Rights<br>• Employee Wellbeing<br>• Customer Satisfaction |
| Clients | They entrust their money with us for investments across our strategies | • Meetings<br>• Newsletters<br>• Periodic update calls<br>• Annual General Meetings (AGMs) | • Return on Equity<br>• Business Growth<br>• Enterprise Risk Management<br>• Responsible Investment Practices<br>• Business Ethics and Anti-Corruption |
| Edelweiss Group Shareholders | Their support for the Group in the form of capital, leadership and experience translates into EAAA's growth | • Committee meetings<br>• Regular functional reviews<br>• AGMs | • Employment<br>• Community Engagement<br>• Responsible Use of Natural Resources |

## Materiality Assessment

A detailed materiality assessment exercise was conducted in FY 2019-20 to understand the topics that are material to our stakeholders. Through this interaction, we were able to list and prioritise areas that are of importance to our stakeholders and organisation. The material topics have been reviewed and approved by our management.

This stage involves creating a list of issues based on an in-depth review of peer companies and global sustainability standards, and interaction with senior management.

The stakeholders weighed in on each of the material topics' significance to our business. Their responses were analysed in this stage of the exercise.

In the prioritisation stage, topics were sorted on the basis of their importance to stakeholders. This, combined with our senior leaders' inputs, was used to derive the materiality matrix given below.

| Importance to EAAA | Importance to Stakeholders: Medium | Importance to Stakeholders: High | Importance to Stakeholders: Very High |
|---|---|---|---|
| Very High | | • Employee Wellbeing<br>• Customer Satisfaction | • Corporate Governance<br>• Business Ethics and Anti-Corruption<br>• Enterprise Risk Management |
| High | • Community Engagement | • Diversity and Equal Opportunity<br>• Training and Education<br>• Human Rights<br>• Emissions<br>• Responsible Investment Practices<br>• Occupational Health and Safety<br>• Employment<br>• Return on Equity<br>• Business Growth<br>• Responsible Use of Natural Resources | |
| Medium | • Indirect Economic Impacts | • Waste Management | |

1

**Material Topic:**
Human Rights

**GRI Topic:**
Human Rights Assessment

*GRI 412-3*

2

**Material Topic:**
Diversity and Equal Opportunity

**GRI Topic:**
Non-discrimination

*GRI 406-1*

3

**Material Topic:**
Occupational Health and Safety

**GRI Topic:**
Occupational Health and Safety

*GRI 403-6, GRI 403-9, GRI 403-10*

4

**Material Topic:**
Training and Education

**GRI Topic:**
Training and Education

*GRI 404-1, GRI 404-3*

5

**Material Topic:**
Emissions

**GRI Topic:**
Emissions

*GRI 305-1, GRI 305-2, GRI 305-3*

6

**Material Topic:**
Employment

**GRI Topic:**
Employment

*GRI 401-1, GRI 401-2*

7

**Material Topic:**
Customer Satisfaction

Non-GRI Topic

8

**Material Topic:**
Enterprise Risk Management

**GRI Topic:**
General Disclosures: Governance

*GRI 102-30*

9

**Material Topic:**
Employee Wellbeing

**GRI Topic:**
Employment

*GRI 401-1, GRI 401-2*

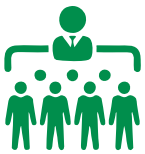
10

**Material Topic:**
Business Ethics & Anti-Corruption

**GRI Topic:**
General Disclosures: Ethics and integrity

*GRI 102-16, GRI 102-17*

11



**Material Topic:**
Corporate Governance

**GRI Topic:**
General Disclosures: Governance

*GRI 102-18*

12

**Material Topic:**
Responsible Investment Practices

Non-GRI Topic

13

**Material Topic:**
Community Engagement

**GRI Topic:**
Local Communities

*GRI 413-1*

14

**Material Topic:**
Return on Equity

**GRI Topic:**
Non-GRI Topic

15

**Material Topic:**
Responsible Use of Natural Resources

**GRI Topic:**
Non-GRI Topic

16

**Material Topic:**
Waste Management

**GRI Topic:**
Effluents and Waste

*GRI 306-2*

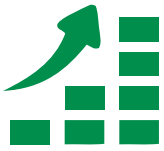
17

**Material Topic:**
Indirect Economic Impacts

**GRI Topic:**
Economic Performance

*GRI 203-2*

18



**Material Topic:**
Business Growth

Non-GRI Topic

# Responsible Investment

We believe that responsible investment can not only make societies more inclusive and sustainable, but also enhance the performance of our portfolio. In this regard, we have identified and prioritised ESG considerations, which have been integrated in our investment process. Our ESG Policy uses the UN Global Compact (UNGC) and the UN Principles of Responsible Investment (UNPRI) as guiding lights in the areas of human rights, labour practices, environment and anti-corruption, among others.

Responsible investment practices are of high importance to us as well as our stakeholders. We consider material ESG issues during the due diligence phase (as applicable) and in the monitoring of portfolio investments, to the extent reasonably practical under the circumstances. Covenants, as necessary, are also added to the agreements signed with borrowers to ensure compliance with laws and regulations related to labour, anti-money laundering, and environment, health and safety. Through these measures, we endeavour to minimise the ESG risks associated with the investments.

We are engaged in the business of managing alternative investments on behalf of our clients that commit their capital to our funds. These funds provide capital to sections of the economy – such as mid-market companies, real estate developers and distressed companies – that are underserved by traditional capital providers. Our investments create significant direct and indirect economic impacts, such as:

1. Helping in asset monetisation of infra developers and the government, thus freeing up their capital for productive use
2. Delivering electricity to households, thereby increasing per capita consumption through transmission assets
3. Connecting the economy and people in different regions through road assets
4. Supporting mid-income and affordable housing development and providing completion finance to residential real estate projects
5. Investing in renewable energy, thereby contributing to India's clean energy transition
6. Reviving distressed companies, leading to job retention
7. Facilitating growth of companies, leading to job creation
8. Buying the NPAs of banks and NBFCs, thus enhancing their ability to provide credit in the economy

### Highlights of Responsible Investment at EAAA in FY 2019-20

Approximately **₹5311 mn (₹531 cr)** invested in revival of **distressed assets**

Approximately **₹13340 mn (₹1334 cr)** committed to **infrastructure assets**, out of which approximately **₹9000 mn (₹900 cr)** commitment to **renewable energy assets**

Approximately **₹5650 mn (₹565 cr)** invested in **mid-income** and **affordable housing projects**

Almost **25,000** flats financed in mid-income and **affordable housing space** so far

## ESG Considerations in EAAA's Investment Process

Investment teams of the respective funds, along with the EAAA operational and credit risk team, are primarily responsible for integrating ESG criteria into investment decisions. These include:

- Consideration of environmental, public health, safety and social issues associated with target portfolio companies, both in the pre-investment and investment phase
- Compliance with applicable national, state and local labour laws in India, including the right to collective bargaining, the provision of competitive wages and a safe work environment
- Ensuring positive community impact and fair human rights and labour practices, such as the prohibition of discrimination, and child and forced labour
- Accessibility to, and engagement with, stakeholders either directly or through our portfolio companies
- Encouraging policies in portfolio companies that prohibit bribery and other improper payments to public officials

As part of our internal due diligence process, we assess companies on what we consider to be the magnitude of potential ESG risks and impacts. This includes their impact on immediate surroundings, as well as existing and emerging laws and regulation. The geographical location of the project or company is also factored in during this process, to prioritise and address locally relevant ESG risks.

**Pre-Investment**

The investment team initially conducts an assessment of ESG factors – including potential risks and value creation opportunities – for prospective investments. Identified material ESG issues are discussed with the Credit or Investment Committee and, if needed, external advisors may be engaged to carry out additional ESG due diligence. Where management or performance of a material issue is considered by EAAA as needing improvement, we work with company's leadership to develop a corrective action plan, especially in companies where we have a controlling stake.

**Post-Investment**

We continue to work with our portfolio companies to manage ESG risks and amplify value creation opportunities, post-investment as well.

- We encourage portfolio companies' management teams to identify and raise material ESG issues to the relevant decision-makers in their companies.
- Where appropriate or as per the agreed terms and conditions, we assist portfolio companies in the development of corrective action plans to adequately address ESG-related risks and opportunities.
- Where appropriate and reasonable, we support our portfolio companies' efforts to report their ESG approach and performance, both internally and externally.

## Responsibilities of Operational and Credit Risk Team

During the investment process, the risk team assesses credit and operational risks in addition to ESG risks.

**Pre-Investment Phase:**

The team gathers market intelligence on the associated company. The identified risks and mitigating actions are discussed with the fund's investment team.

**Investment Phase:**

Once the investment team has submitted its assessment findings to the CC, the operational and credit risk team independently assesses the investment and provide their observations and inputs to the CC.

The operational and credit risk team is ultimately responsible for providing the risk sign-off prior to disbursement.

In case of any high risk or exceptions, the Group Risk Committee (GRC) is approached for broader, group-level risk assessments and strategy development related to the investment decision.

**Post-Investment Phase:**

The operational and credit risk team is responsible for real-time monitoring and sharing of risk alerts, portfolio risk grading with the fund's IC or CC (including monthly portfolio discussions), quarterly portfolio reviews and fortnightly updates about the investments on watch.

## ESG Exclusion List

We have developed an exclusion list that ensures we do not directly invest in companies or projects that are incompatible with our corporate values.

We do not invest in the following sensitive business areas:

- Weapons
- Coal
- Mining
- Nuclear energy
- Animal testing
- Human trafficking
- Betting and gambling

## ESG Screening Checklist

Our ESG screening checklist is completed for each opportunity by the respective fund's investment team during the pre-investment phase. Some of the key risks assessed are:

- Whether the portfolio company falls in an EAAA-restricted sector
- Whether the portfolio company considers potential and existing environmental, public health, safety and social issues
- Necessary clearances from national and state environmental authorities prior to the project's commencement
- The project's potential adverse impact on human rights and labour standards
- Alleged, past or pending corruption or bribery cases, if any, against the portfolio company

# Distressed Credit - Residential Township Project

**Company Overview:**

- A residential township project with saleable area of 4.2 mn sq ft on a 19.65 acres land parcel. The site is in Tellapur near the IT and new financial hub of Hyderabad. The real estate growth in that locality is driven by development in the IT and ITES industry.
- The project has a development plan to construct over 2,000 units across 14 towers.

**Reasons for Stress:**

- Slowdown in Hyderabad real estate market
- Project cost overrun due to time delays
- Lack of funds for completion of remainder of the project due to slowdown in sales and receivables

**Investment Thesis:**

- Strategically located 10 km from Gachibowli and financial district and 12 km from HITEC city. Base rates of comparable projects in the micro market are ₹4,500-5,000 per sq. ft.
- Improved connectivity with six-lane road under construction, which will connect the project with the outer ring road
- Strong promoter incentive, with a pre-tax project surplus of ₹1.60 bn (₹160 cr)

**EAAA's Value Additions:**

- Provided finance to accelerate construction, which was almost at a standstill
- Appointed project and cost monitoring agencies for better control and planning
- Appointed local real estate expert for regular monitoring and consultancy
- Implemented Client Relationship Management (CRM) package for effective construction planning, sales tracking and sales stratregy, and leveraged the virtual reality platform to boost sales

**Investment Impact:**

**Construction Restarted in a Stalled Project:**

- ▲ At the time of funding, construction work had been stopped. There were over 1,000 customers who had bought flats in the project without any clarity on completion timelines.
- ▲ Following the funding, there has been a significant uptick in construction activity.
- ▲ Out of the 14 towers, two were near completion at the time of funding. Since then, superstructure work of two more towers has been completed. Additionally, three towers are in advanced stages of superstructure construction.
- ▲ Over 550 units have been constructed post-investment, and the company plans to construct 300 more units.

**Handover of Apartments to Stranded Customers:**

- ▲ Over 70 units have been handed over to customers post-completion.
- ▲ The company further plans to hand over 500 units to customers in the next 12 months.

# Distressed Credit – Paper Company

**Company Overview:**

- One of India's largest manufacturers of writing and printing paper
- Operates three plants across Maharashtra, with a capacity of ~6,70,000 MTPA
- Wide distribution network, history of market leadership

**Reasons for Stress:**

- Operations hampered due to working capital constraints in FY 2016-17
- EBITDA loss of over ₹1.50 bn (₹150 cr) in the nine months prior to our entry
- Expected sale of one of the portfolio company's investments did not materialise, severely impacting liquidity
- Over-leveraged balance sheet due to large capacity additions

**Investment Thesis:**

- Infusion of working capital to restart operations
- Quick operational turnaround possible, as distributor and supplier network mostly intact
- Consolidate and restructure debt to a sustainable level, supported by the paper company's operations

**EAAA's Value Additions:**

- Infused working capital of ₹1.50bn (₹150 cr) to restart operations
- Aggregated debt from 15 lenders, and brought lenders to a common platform
- Drove restructuring as lead lender in the Joint Lenders Forum (JLF) and implemented debt restructuring in line with the company's cash flows
- Cash flow monitoring agent appointed to aid efficient cash management
- Trust and Retention Account mechanism implemented
- Active working capital management assistance provided by Edelweiss' in-house operational turnaround team
- Identified non-core assets that can be monetised

**Investment Impact:**

**Improved Sustainability in Business Operations and Helped Job Creation:**

- ▲ Significant improvement in operations after the infusion of working capital in March 2017
- ▲ EBITDA of ₹6.21 bn (₹621 cr) in FY 2019-20 and ₹6.49 bn (₹649 cr) in FY 2018-19, against an EBITDA of ₹50 mn (₹5 cr)
- ▲ Faster decision-making due to seven lenders, as opposed to 15
- ▲ Repaid over ₹11 bn (₹1100 cr) to its lenders during FY 2018-19 and FY 2019-20
- ▲ Ramped up capacity utilisation back to historic levels, thereby generating employment
- ▲ Currently employs ~5,600 people
- ▲ Enhanced ability to negotiate with customers and suppliers
- ▲ No threat of losing critical contracts, licenses or approvals
- ▲ Arranged funds for project completion and thus, stopped value depletion
- ▲ Financial discipline instilled through cash flow control and monitoring by a third-party agency

# CASE STUDIES

## Performing Credit - Renewable Energy Deal

**Company Overview:**

- The company is one of India's biggest waste-to-energy treatment players, with current operational capacity of 44 MW and capacity of 67.5 MW under construction.
- It sources waste from local municipal bodies and processes it to generate Refuse-Derived Fuel (RDF) which, in turn, is used for the generation of power.
- The investee group also converts biomass into bio-pellets, to be used as an alternative to coal in manufacturing plants.

**EAAA's Investment:**

- The fund invested ₹2350 mn (₹235 cr) between FY 2015-16 and FY 2016-17, exiting the investment in June 2020.
- The investment was used to fund capital requirement for the growth of its waste-to-energy capacity.

**Investment Impact:**

**Capacity Addition in Energy from Waste Business:**

▲ Capacity Addition in Energy to Waste business thereby keeping the environment clean and contributing to pollution reduction. Following our investment, the group added a capacity of 30 MW to their waste-to-energy plants, and a further 67.5 MW is currently under construction.

**Helped in Job Creation and Sustainability:**

▲ The group directly employs 740+ people, and supports rural entrepreneurs via contractual agreements for procuring agro-waste.

▲ It works with rural communities to provide income and employment to enable higher productivity and efficiency through training in agricultural best practices.

▲ It buys biomass from farmers to produce bio-pellets that replace fossil fuels like coal.

**Adoption of GRI Standards:**

▲ The portfolio company has adopted the GRI Standards to report its sustainability performance.

# Performing Credit – Healthcare Deal

**Company Overview:**

- Founded in 1957, the company is one of the leading ophthalmology chains in India, with a predominant presence in Tamil Nadu. The group has also expanded internationally to 10 countries in Africa.
- It offers comprehensive services in the eye care segment, including those related to cataract, glaucoma, cornea transplants and laser correction, among others.
- It currently has 95+ eye hospitals and centres around the world, with an estimated market share of ~33% in the organised eye care space in India.

**EAAA's Investment:**

- The fund invested ₹1000 mn (₹100 cr) in June 2017 and exited the investment in December 2019.

**Investment Impact:**

**Enhanced Reach of Healthcare Facilities:**

- ▲ Following our investment, the Group added 14 centres in India, thus ensuring better reach of world-class healthcare facilities to a greater number of people. It currently has a network of 95 centres in 11 countries.
- ▲ The investee company has also set up a training institute to skill the next generation of optometrists.
- ▲ In addition to shedding light on optical health, the company hosts various seminars and camps to increase awareness about eye donation.
- ▲ The company has been at the forefront of innovation in the field of ophthalmology with procedures such as Glued IOL, PDEK and Phakonit and Single-Pass Four-Throw, along with pinhole pupilloplasty.

**Contribution to Social Development:**

- ▲ As part of its CSR efforts, the Group conducts a considerable number of surgeries free of cost or at subsidised rates for economically weaker sections.

# Residential Real Estate Credit – Real Estate Deal

**Company Overview:**

- The investee company is developing five projects in a prime location in Mumbai's western suburbs.
- The projects have received all major approvals and site clearances.
- Substantial progress and sales have been made in four projects.
- It has a strong in-house team that handles all key functions related to project development, management and execution.

**EAAA's Investment:**

- The strategy invested ₹420 mn (₹42 cr) in the project in February 2018, with a second tranche of investment of ₹150 mn (₹15 cr) in July 2020.

**Investment Impact:**

The investee company has integrated ESG practices, including documentation and disclosures related to responsible business practices.

**Practices with Environmental Impacts:**

- ▲ Procurement of materials locally, thereby reducing carbon emissions associated with transportation and logistics.
- ▲ Reduced water use, the visibility of which can be seen across projects with water reserves, rainwater harvesting basins and flow fixtures.
- ▲ Disposal of all waste as per the standard operating procedure. The company has implemented a green system across project sites to reduce paper wastage.
- ▲ Conducted a road beautification programme, including plantation alongside roads and at dividers near project areas.

**Practices with Social Impacts:**

- ▲ The company provides labour safety training to all contractors on site.
- ▲ Following the COVID-19 outbreak, the company made all the necessary arrangements to protect its labourers. A standard operating procedure was established, dealing with temporary residence for on-site labour and construction team, social distancing and thermal screening. Moreover, personnel were provided with personal protective equipment, hand sanitisers and meals to ensure their health, safety and wellbeing.
- ▲ The company's CSR initiatives are focussed in the areas of education, skill development, healthcare and social infrastructure.

# Core Infrastructure – Operational Improvements in an Infrastructure Asset

The changed course of a river in Bihar flooded the operational area of one of our investee companies' subsidiaries. This challenge was turned into an opportunity to technically strengthen the asset by building the impacted towers on, and moving additional towers to, pile foundations, and ensuring the asset's long-term integrity. Along with the strengthening exercise, the team on ground also implemented a temporary evacuation that enabled continued power flow to the region, in line with our commitment to being a prudent operator.

As an outcome, our transmission assets achieved a technical availability in excess of 99.75%, thereby recovering normative revenues as well as full entitlement of incentives. We are also conducting transmission line inspection through drone technology to mitigate any associated risks.

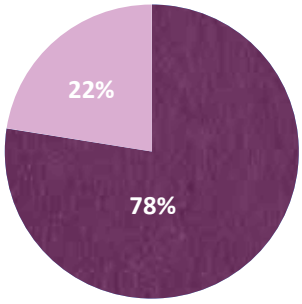
# People Practices

At EAAA, we believe in fostering a diverse and conducive work environment for our employees. We strive to ensure proactive communication, career progression, learning and development, and employee engagement. Our employees are invaluable to our success, and we seek to create a safe working environment for them by ensuring their physical, emotional and financial wellbeing.

## Our Workforce at a Glance

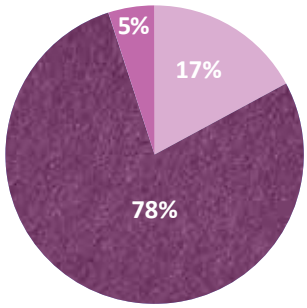
At EAAA, we believe in hiring the right talent for strengthening our business operations. We have a diverse workforce, which gives us access to a varied range of experience, skills and competencies for carrying out our day-to-day operations. We are constantly working towards enhancing our policies, practices and processes to ensure diversity, inclusion and non-discrimination.

Gender Diversity



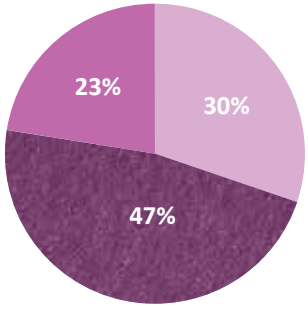

Male
Female

Age-Wise Distribution




Below 30 years
Between 30-50 years
Above 50 years

Workforce Distribution




Junior Management
Middle Management
Senior Management

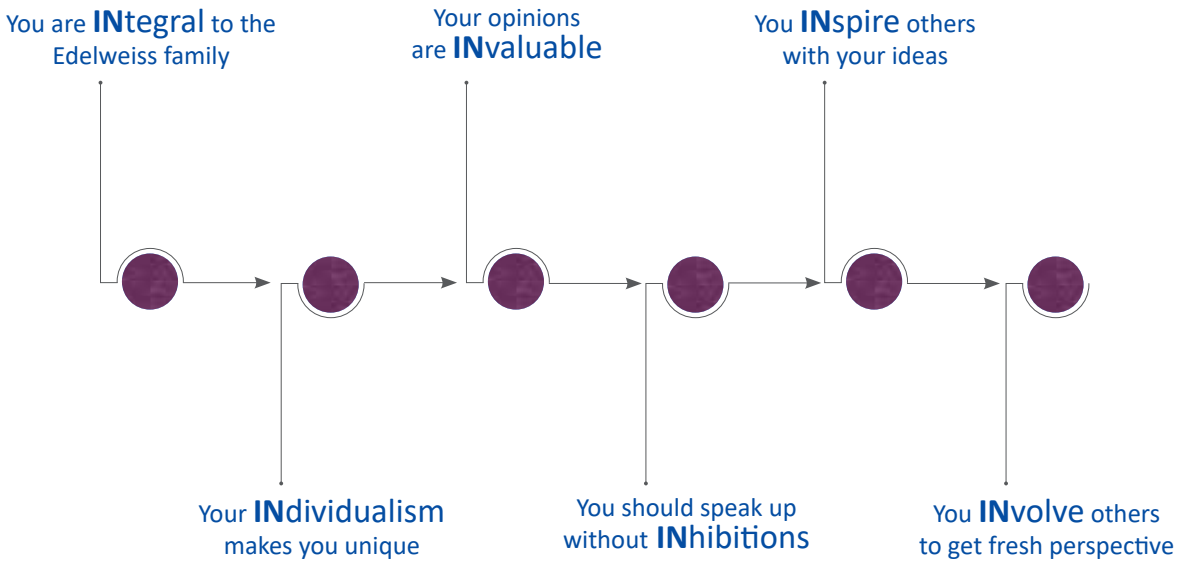
We are committed to enriching the strength of our organisation by attracting the best available talent. During the reporting period, we hired 12 employees for our business, five of whom are female.

We also had 25 employees – 8 female and 17 male – discontinue their journey with EAAA for various reasons, such as retirement or higher education.

### Diversity and Equal Opportunity

We strive to eliminate discrimination by ensuring fair and equal opportunities for all employees. Diversity gives us a competitive advantage and we, therefore, seek to foster an inclusive work environment through our policies and practices. Our Equal Opportunity Policy ensures that there is no discrimination on the basis of gender, race, caste, sexual orientation, age, disability, religion or socioeconomic status, among other factors.

Sensitivity towards inclusion has been reinforced at all levels because of the importance it holds for the Edelweiss Group. We embrace uniqueness through our beliefs of "All IN", which comprise of the following key aspects:




Grievance redressal and communication platforms have been set up at EAAA for employees to report and raise any concerns regarding incidents of discrimination. No such incidents were reported in FY 2019-20.

### Health, Safety and Wellbeing

Ensuring the health and wellbeing of our people is the cornerstone upon which our people management strategy is built. Not only does it enhance workforce productivity and consequently, our performance as a business, but it also helps us attract and retain key talent. Some of our efforts to ensure this include:

- Flexible working hours
- Work from home
- Bereavement leaves
- Sabbatical leaves
- Parental leaves
- Crèche facility

Several controls have been incorporated to manage health and safety risks:

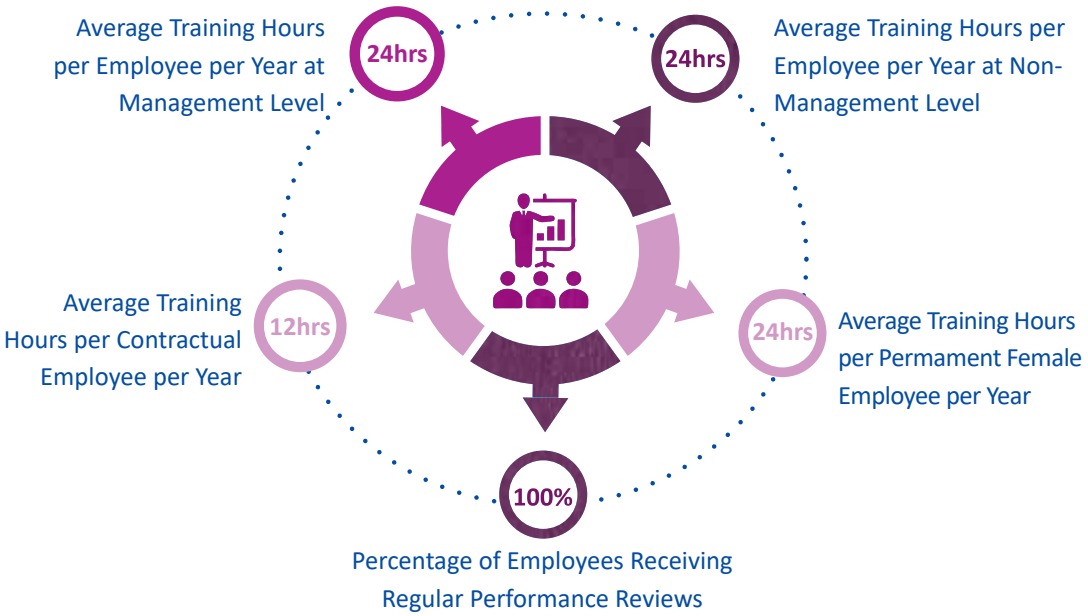
- Employees are covered by Health, Accident and Life Insurance policies
- Free annual health checkup facility
- First aid kits made available on every floor of the corporate office
- Regular doctor, nutritionist and gynecologist visits
- Ambulance facility is made available in the office
- Quarterly fire drills are conducted for the safety of the employees
- Emergency Response Teams are present on all floors

We encourage our employees to participate in various initiatives conducted for healthy living at the Edelweiss Group level. These include marathons, yoga, meditation camps and sports competitions. All this has culminated in a health and safety-centric organisation culture, which has helped us ensure zero work-related injuries, ill-health and fatalities in the reporting period.

### Training and Development

Our efforts in this realm are aimed at building a culture of continuous learning. We identify training needs by aligning the organisation's focus areas with the needs of the individual through performance reviews and other inputs. EAAA provides trainings to all permanent and contractual employees in the form of internal knowledge-sharing sessions, case study discussions and functional trainings. Additionally, 100% of our employees – including all the women on roll – received performance and career development reviews in the reporting period.

This year, training on restructuring and negotiation was conducted in order to upskill our employees. Soft skill and behavioural sessions were also conducted to elevate the quality of customer interaction and experience.



Even during the pandemic, employees were encouraged to undertake online trainings focusing on skill-based learning and real-time case studies in order to upskill themselves. We have also created a fund manager platform named 'MindFire' for knowledge-sharing, which leverages on varied experiences to disseminate learning.

### Succession Planning Programmes

At EAAA, we ensure that the immediate juniors of all team leaders are encouraged to go through on-the-job learning, leadership programmes and functional trainings. Our hiring strategy also works on similar lines, where we ensure one to two years of overlap between new and old employees to ensure the seamless transition of work portfolio. This helps us create future-ready leaders, with little to no impact on productivity.

### Employee Engagement

We, at EAAA, believe that keeping employees engaged is instrumental to enhancing their productivity. Good performance is rewarded and recognised through spot awards. Additionally, we regularly carry out programmes focussed on fun, family, fitness and fame to keep our employees motivated and engaged. We also seek to foster a sense of togetherness by celebrating festivals and employees' birthdays. This year, we held a cricket tournament, which saw overwhelming participation.

Our employees have been a key part of our community engagement efforts, and have enthusiastically participated in our CSR programmes as well. Their volunteering and contribution have been invaluable in supporting the EdelGive Foundation's initiatives, such as blood donation camps, stationery distribution and afforestation drives.

Employee engagement has continued to be a priority in the work from home scenario, wherein we have organised virtual events and wellness sessions for our workforce. All this has culminated in a motivated, driven and productive workforce that continues to deliver on client expectations.

*Recognising our star performers at TITANS*

*Company offsite in Alibaug*

*Cricket tournament*

*Festivities at EAAA*

# Corporate Social Responsibility

EAAA's CSR programmes are implemented by the EdelGive Foundation, which is the Edelweiss Group's philanthropic arm. Over the last 12 years, the Foundation has emerged as a leading grant-making organisation, funding and supporting the growth of high-calibre grassroots NGOs across India.

EdelGive's mission is to enable the growth and scaling up of small to mid-sized NGOs working with vulnerable communities across India.

In line with its mission, EdelGive focusses on providing financial and non-financial support to NGOs that facilitate quality education for children, promote social and economic empowerment of women, and build self-sustaining communities. Due to the focus on the grassroots level, the interventions developed by these NGOs are targetted, community-driven, impactful and sustainable.

In FY 2019-20, EdelGive Foundation supported 42 NGO partners across India by providing over ₹1bn (₹100 cr) as commitments to the aforementioned focus areas.

EdelGive Foundation, which has a 26-member team, has logged approximately 40,000 employee engagement hours, over the years. It has made a significant impact across the country, including in Mumbai, India where EAAA operates.

### Financial Support

- Building New Programmes
- Scaling Existing Programmes

### Non-Financial Support

- Capacity-Building
  - Finance and Sustainability
  - HR and Communications
  - Strategy and Leadership
  - Process and Technology
- Awareness-Building

Reached 14 states and 111 districts across India

₹3.3 billion (₹330 cr) influenced through commitments to NGOs

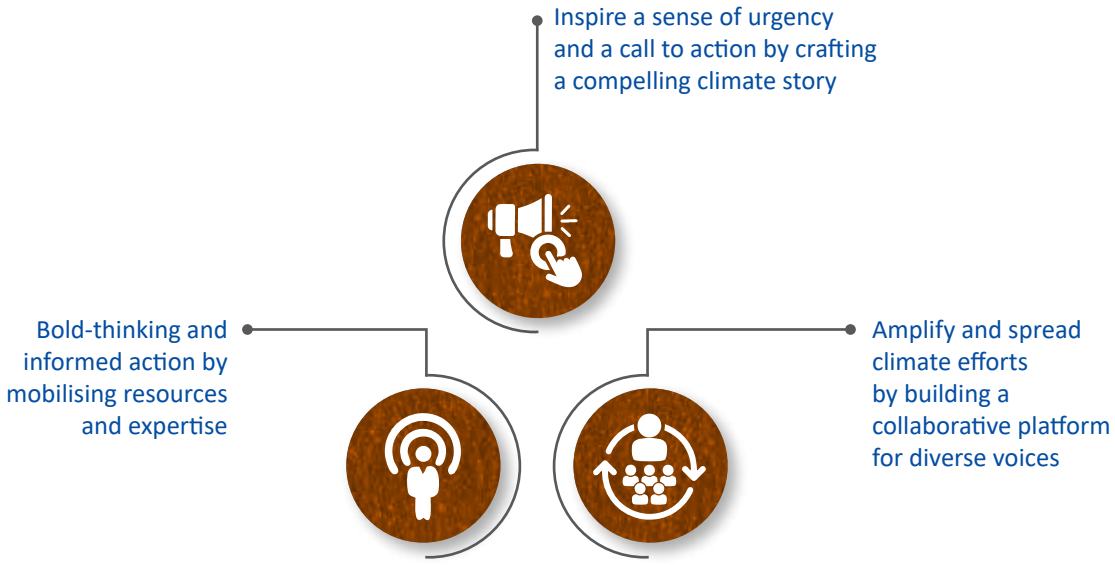
Supported over 150 NGO partners

145 capacity-building and skilled volunteering projects

### Partnership with India Climate Collaborative

This calendar year began with a very exciting core partnership between EdelGive Foundation and the India Climate Collaborative. Founded by leaders such as Anand Mahindra, Ratan Tata, Nadir Godrej, and Rohini Nilekani, the ICC is a first-of-its-kind, India-focussed platform, enabling bold and coordinated action to tackle climate change.

With a strong belief in collaborative philanthropy as the way forward, the partnership leverages respective expertise and assists the global philanthropic ecosystem to aid the rapid development of a stronger narrative in the Indian climate space. Through collaboration with international philanthropies and sector stakeholders, the ICC platform has launched programmes in air quality, sustainable land use, water security and clean energy with threefold goals of:



## EdelGive's Investments During the Reporting Period

### Women's Empowerment

EdelGive Foundation is committed to reducing social and economic inequalities prevalent in society, and helping women and girls achieve their full potential. It focusses on five key areas:

- Freedom from violence and discrimination
- Access to legal justice
- Grassroots leadership
- Access to rights and entitlement
- Freedom from economic dependence

Towards this commitment, EdelGive has partnered with 15 NGOs to support 23 projects across 10 states in India.

### Education

EdelGive strives to support organisations that enhance access to quality education. It works across four priority areas:

- School transformation
- Early childhood development
- Innovation and experimentation
- Research and advocacy

EdelGive Foundation worked on 17 projects with 13 NGO partners across 6 states, to enhance learning outcomes for 3,89,963 children in 5,747 schools.

### Building Resilient Livelihoods

EdelGive aims to provide capacity-building support, promote value-based enterprises and build institutions that ensure better purchasing power of community members. It reduces inequalities by working in the following areas:

- Water for livelihood
- Financial inclusion
- Skill and institution-building
- Employability and skill-building

EdelGive has supported 14 projects of 13 NGO partners, working with the most vulnerable communities across 8 states in India.

## EAAA's Contribution to Maximising Good

EAAA encourages its employees to contribute towards EdelGive's CSR initiatives by volunteering during their spare time. They dedicated 135 manhours and ₹121,325 towards various initiatives in the reporting period.

Following the COVID-19 outbreak, various employees made financial contributions aimed at providing relief to impacted communities. One of our employees developed a workplan for pandemic relief at Elder Care Trust, an NGO based in Ahmedabad.

Other volunteering activities undertaken by our employees in the year included a stationery kit distribution drive, rehabilitation centre visit at Vakola, and participation in seed ball-making activities at the Sanjay Gandhi National Park.

**Stationery Distribution Drive**

This drive involved sorting and packaging stationery items for students of a zilla parishad school at Shahapur.

**Seed Ball-Making**

Our employees participated in the seed ball-making initiative, aimed at developing golf-sized seed balls that enhance the speed and efficiency of tree plantation.

**Skilled Volunteering**

One of our employees used her professional expertise to develop a financial plan for Gurukul Public School. This helped the school manage and plan its resources in an organised manner.

## Rehabilitation Centre Visit

Support Foundation is a charitable trust dedicated to the rehabilitation and mainstreaming of children and youth involved in substance abuse in Mumbai. This year, 20 EAAA employees visited the rehabilitation centre to interact and engage with the children.

# Environmental Stewardship

We are committed to protecting and nurturing the environment, both within our operations and through our investments. In our corporate office, we are reducing our footprint through the responsible use of energy and water, in addition to our waste management initiatives.

However, as one of the largest alternative asset managers in India, we recognise that our impact on the planet extends far beyond our own operations. We, therefore, take environmental factors into consideration while making our investment decisions. Consequently, none of our funds invest in coal mining, and our exclusion list going forward also includes any direct or primary investments in coal-based thermal power plants as well.

EAAA has a direct environmental footprint due to business-related travel and the day-to-day consumption of resources like electricity, water and paper. We adhere to all applicable rules, regulations, guidelines and recommendations of both the Maharashtra Pollution Control Board (MPCB) and Central Pollution Control Board (CPCB), along with other environmental compliances. There have been no cases of non-compliance in this or any preceding financial years.

The environmental data represented in our first ESG report is at the Edelweiss Group level, and covers the Edelweiss House, Kohinoor House and Fountainhead Leadership Centre.

## Energy Consumption

At EAAA, we have aligned our environmental initiatives with the Group's commitment towards improving energy efficiency and increasing renewable energy sources.

Over the past three years, the Edelweiss Group has been steadily reducing its dependence on grid electricity and augmenting electricity generation at our premises wherever possible. The Group's total consumption shows a favourable trend for FY 2019-20 and it has also made good progress on the solar & wind electricity generation front. Share of renewable sources in total electricity consumption has increased 2.3x since FY 2017-18.

| MWh | Electricity Generated | Electricity Purchased | Total Electricity Consumption |
|---|---|---|---|
| FY 2019-20 | 1,677 | 6,437 | 8,115 |
| FY 2018-19 | 1,665 | 7,154 | 8,819 |
| FY 2017-18 | 1,562 | 7,216 | 8,779 |

Generated electricity includes solar and wind power, which have been procured through a Wind Power Purchase Agreement. Meanwhile, purchased energy details the energy consumed through diesel generators.

| MWh | Renewable Energy | Non-Renewable Energy | Total Electricity Consumption |
|---|---|---|---|
| FY 2019-20 | 3,636 | 4,478 | 8,115 |
| FY 2018-19 | 4,387 | 4,432 | 8,819 |
| FY 2017-18 | 1,562 | 7,217 | 8,779 |

*Data for consumption through diesel generator is not available for FY 17-18*

## Energy Conservation Initiatives

Several measures and initiatives have been implemented across the Edelweiss Group's operations to reduce our energy consumption and move towards the adoption of clean energy.

- Rationalisation of business travel requirements has allowed us to reduce air fuel emissions by 11% from the previous year.
- Installation of own 1.2 MW solar power plant (ERCSL) at Solapur, to supply solar power to the Edelweiss House led to an emission reduction of 1,265 $tCO_2e$. Electricity generated at the plant is supplied to the grid, in lieu of equivalent electric grid consumption credits.
- Generation of 2,756 MWh of wind power through power purchase agreements for Edelweiss House, resulting in emission reduction of 2,067 $tCO_2e$.
- 85% of lighting fixtures across operations are light-emitting diode (LED) lights. Use of motion sensors, sleep mode and night mode lighting automation has further optimised energy consumption.
- Use of an integrated Air Handling Unit (AHU) with room sensors, which modulates the Variable Frequency Drive (VFD) on sensing the return air temperature, thus reducing power consumption.

## Emissions

We have estimated a 7% reduction in net emissions in FY 2019-20. Our direct emissions comprise of Scope 1 emissions from paper consumption across our office locations and fuel used in company-owned cars at the Fountainhead Leadership Centre. Indirect emissions comprise of Scope 2 emissions from electricity consumption through non-renewable sources, and other indirect emissions (Scope 3) include air travel of our employees for business purposes.

| | Scope 1 (1,000 $tCO_2e$) | Scope 2 (1,000 $tCO_2e$) | Scope 3 (1,000 $tCO_2e$) |
|---|---|---|---|
| FY 2019-20 | 2.5 | 3.4 | 7.9 |
| FY 2018-19 | 2.7 | 3.3 | 8.9 |

Our concerted efforts to reduce our GHG emissions have helped us achieve a 9% reduction in GHG emissions intensity.

| | Total Emissions (Scope 1+2+3) (1,000 $tCO_2e$) | Floor Area-Space (sq. ft.) | GHG Intensity ($CO_2e$/sq. ft.) |
|---|---|---|---|
| FY 2019-20 | 13.9 | 5,89,617 | 23.5 |
| FY 2018-19 | 14.9 | 5,78,939 | 25.8 |

## Water Management Initiatives

We have reduced our total water consumption in FY 2019-20 by approximately 4%, with the majority of water being supplied by third-party sources. The following initiatives have been undertaken across our facilities to reduce and optimise our water consumption:

- Installation of fine aerators and flow regulators in taps to reduce water consumption.
- Savings of 730 kilolitres (kl) of water achieved through the installation of rainwater harvesting systems. At the Edelweiss house, we have installed rooftop rainwater collection systems, which collect and store rainwater. At the Fountainhead location, meanwhile, we have installed straining pits that recharge groundwater level and associated borewells.
- 8,800 kl of sewage water recycled through Sewage Treatment Plants (STPs) is reused for landscaping and gardening.

## Waste Management Initiatives

We have integrated the 3Rs approach, i.e. Reduce, Reuse and Recycle, across our operations to optimise our waste management. Some of our initiatives in this area have been highlighted below:

- Replacement of approximately 8,500 plastic water bottles with glass jars within our premises, reducing plastic waste.
- Conversion of 7.34 tonnes of food waste through composting in captive pits and its utilisation for gardening and horticulture at the Fountainhead Leadership Centre.
- Collaboration with specialised NGOs to convert and recycle 8.04 tonnes of paper waste into Edelweiss writing pads.
- Recycling of approximately 32.4 tonnes of e-waste generated across our premises.

# Glossary of Abbreviations

| ABBREVIATION | FULL FORM |
|---|---|
| AHU | Air Handling Unit |
| AUM | Assets Under Management |
| BCP | Business Continuity Plan |
| CC | Credit Committee |
| CEO | Chief Executive Officer |
| CHRO | Chief Human Resources Officer |
| CPCB | Central Pollution Control Board |
| CRM | Client Relationship Management |
| CSR | Corporate Social Responsibility |
| EAAA | Edelweiss Alternative Asset Advisors |
| EBITDA | Earnings Before Interest, Taxes, Depreciation, and Amortisation |
| ECOF | Edelweiss Credit Opportunities Fund |
| EISAF | Edelweiss India Special Assets Fund |
| EIYP | Edelweiss Infrastructure Yield Plus |
| EREF | Edelweiss Real Estate Fund |
| EROF | Edelweiss Real Estate Opportunities Fund |
| ESG | Environmental, Social and Governance |
| ESOF | Edelweiss Special Opportunities Fund |
| ESTAR | Edelweiss Stressed and Troubled Assets Revival |
| FY | Financial Year |
| GOI | Government of India |
| GRC | Global Risk Committee |
| GRI | Global Reporting Initiative |
| HR | Human Resources |
| IC | Investment Committee |
| IT | Information Technology |
| ITeS | Information Technology-Enabled Services |
| kl | kilolitre |
| LED | Light-Emitting Diode |
| MPCB | Maharashtra Pollution Control Board |
| MSME | Micro, Small and Medium Enterprises |
| MW | megawatt |
| MWh | megawatt hour |
| NBFC | Non-Banking Financial Company |
| NCR | National Capital Region |
| NGO | Non-Governmental Organisation |
| NPA | Non-Performing Asset |
| PM CARES | Prime Minister's Citizen Assistance and Relief in Emergency Situations |
| RECOF | Real Estate Credit Opportunities Fund |
| STP | Sewage Treatment Plant |
| UN PRI | United Nations Principles for Responsible Investment |
| UNGC | United Nations Global Compact |
| VFD | Variable Frequency Drive |
| WHO | World Health Organization |

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