

ISAF III (India Special Assets Fund III) – Pre-Contractual disclosures under SFDR

SFDR

Regulation 2019/2088 on sustainability-related disclosures in the financial services sector dated 27 November 2019 (the “SFDR”)

The following disclosures are made pursuant to the SFDR. For the purposes of these disclosures, a sustainability risk means an environmental, social or governance (“ESG”) event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of portfolio companies and/or the Fund’s investments.

Integration of Sustainability Risks

Using the UN Global Compact and the Principles of Responsible Investing as guiding principles in the areas of human rights, labour, environment and anti-corruption, Edelweiss seeks to incorporate the principles into strategies, policies and procedures and it believes this will be a key component of sustainable long-term business growth.

Edelweiss integrates sustainability risks in its investment analysis and investment decision-making process and has an ESG Policy to ensure ESG factors are considered in its investment decision making process.

During the investment phase, investments are initially screened through a list of sectors which are a part of the exclusion list as per the ESG policy. For all qualifying investments, the investment team uses a specific ESG checklist to conduct an ESG analysis for each potential investment. Key observations from the ESG assessment are shared by the Investment Evaluation Committee and the Investment Adviser with the Board of the Master Fund prior to making investments. The review and categorization process used during the investment phase helps identify key areas of ESG-related focus for each portfolio company.

During the post-investment or ownership phase, Edelweiss integrates sustainability in value creation plans by:

- requiring management teams of portfolio companies to adopt identified social characteristics and monitor their progress,
- providing portfolio companies with training, support for development of any corrective action plan and sharing best practices, and
- requiring regular and periodic reporting on material ESG issues.

The identification and assessments of sustainability risks will take place on an investment-by-investment basis in accordance with the above process. As a result of following this process, Edelweiss does not anticipate that sustainability risks will have a material negative impact on returns, although there can be no guarantee that the process will successfully identify and mitigate all material risks.

The above process may not be applicable in the case of certain portfolio investments by the Fund (including, but not limited to):

- buyout of loan portfolios from lenders
- secondary market acquisitions of debt
- investments where the Fund holds less than 15% of the portfolio company’s debt

Promotion of Social Characteristics

As a part of its commitment to responsible investment, Edelweiss has identified a UN Sustainable Development Goal (“SDG”) as a guideline to its investment process related to the Fund. The SDG considered, together with a corresponding key performance indicator (“KPI”) is SDG 16: Peace, Justice and Strong Institutions, more

specifically, Target 16.5, which is to substantially reduce corruption and bribery in all their forms. Specifically, the Fund seeks to focus on the reduction of (i) corruption and bribery in all their forms; (ii) anti-money laundering; (iii) insider trading; and (iv) sexual harassment at the workplace. The KPIs used to measure the attainment of this social characteristic is in assessing the number of portfolio companies implementing relevant policies and systems.

Meeting Identified Social Characteristics

The Fund will aim to meet the foregoing social characteristics by following the ESG Policy (as further described above). The investment process includes a responsible investment checklist to assess specific issues based on due diligence on the investment, which enables the Fund to address and meet the identified social characteristics in a systematic and consistent manner.

When the Fund makes an investment in a portfolio company, key and material sustainability risks are identified during the due diligence phase. The target portfolio company's current practices in relation to the identified social characteristics are reviewed. Where Edelweiss deems appropriate, representations and warranties related to the identified social characteristics may be required from the portfolio company, and accordingly, form a part of the investment documentation. This process includes issues such as anti-corruption, anti-money laundering, insider trading and prevention of sexual harassment. Edelweiss actively engages with portfolio companies during the investment stage to promote the importance of sustainability and share best practice.

Methodologies to assess, measure and monitor environment/social characteristics

KPIs aligned with each of the identified characteristics will be in place for the Fund's portfolio companies. The KPIs will be measured annually and detailed information on how such companies are meeting identified social characteristics will be included in the Fund annual report provided to investors. The annual report will also contain detail on how the KPIs are set, assessed and monitored.

Good governance

Edelweiss engages with its portfolio companies to encourage strong corporate governance, including legal compliance, business ethics, fair tax practices and whistleblowing systems. Portfolio companies would be encouraged to undertake training programmes for their employees to promote good governance practices and the Fund's identified social characteristics in their organizations.

No consideration of principal adverse impacts

While Edelweiss will continue to take into account sustainability factors in its investment process, it does not consider adverse impacts of investment decisions on sustainability factors as specifically set out in the SFDR. Edelweiss has chosen not to do so for the present time, since it considers its ESG Policy to be appropriate and proportional to the investment strategies of its funds, including the Fund. Edelweiss will continue to monitor regulatory developments with respect to the SFDR and other applicable ESG-focused laws and regulations, and will as appropriate make changes to existing policies and procedures.