



# **Lighthouse AMC Private Limited**

## **Responsible Investment Policy**

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Version 1

**Approved by: The Board of Directors, Lighthouse AMC Private Limited (September 7, 2023)**

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## Background

Lighthouse Asset Management Company Private Limited (“Lighthouse” or the “Firm”) is a premier growth-stage private equity firm in India, with a strategic focus on bolstering consumer and healthcare enterprises.

Our collaboration with investee companies is designed to maximize value creation, striking a harmonious balance between the dynamism of entrepreneurial ventures and the prudence of seasoned stewardship. Over the years, Lighthouse has established itself as a trusted and equitable ally to exceptional entrepreneurs and management teams, fostering relationships built on integrity, fairness, and mutual respect.

Lighthouse is a signatory to the United Nations-supported Principles for Responsible Investment (UNPRI), underscoring our unwavering commitment to responsible investment practices. This allegiance to UNPRI signifies our dedication to operating within a framework of ethical and sustainable investment principles that are globally recognized and respected.

## Policy Scope and Coverage

The Firm’s Responsible Investment Policy (the “Policy”) articulates a steadfast commitment to ethical investment practices. It sets forth a comprehensive approach for the integration of Environmental, Social, and Governance (ESG) considerations, as well as climate-related factors, within the Firm’s operational framework and throughout the investment continuum.

In our pursuit to incorporate ESG and climate change elements into our investment decisions, we recognize that the methodologies may differ. These variations are contingent upon the nature of the asset, our level of ownership or influence, and the degree to which we can impact the practices of our investee companies. Our goal is to embed ESG considerations deeply and proactively adapt to the shifting landscape of ESG standards.

To ensure the Policy remains current and effective, it will undergo an annual evaluation, with more frequent reviews if the evolving circumstances necessitate.

## Applicable Frameworks and Commitments

### Indian laws and regulations

We comply with all applicable laws and regulations related to E&S aspects within the jurisdictions of India for investment purposes, and expect our portfolio companies also to comply with all the applicable national and local laws of the country.

### Other key E&S Reference Standards

Lighthouse also recognizes that applying other key E&S reference standards, including the global standards, may better align the E&S aspects in the overall investment cycle. Lighthouse is committed to implementing these standards in its investment process through various procedures developed as a part of the ESMS. The E&S reference standards that we follow include:

- 1) National Investment and Infrastructure Fund Limited (NIIFL) E&S Management Policy<sup>[1]</sup>
- 2) International Finance Corporation (IFC) Performance Standards (2012)<sup>[2]</sup>
- 3) The World Bank Group General EHS Guidelines (2007)<sup>[3]</sup>
- 4) Asian Development Bank (ADB) Safeguard Policy Statement (2009)<sup>[4]</sup>
- 5) ADB Social Protection Strategy (2001)<sup>[5]</sup>
- 6) ADB Gender and Development Policy (1998)<sup>[6]</sup>
- 7) Asian Infrastructure Investment Bank (AIIB) Environment and Social Framework (2016)<sup>[7]</sup>
  - i) Environmental & Social Policy (ESP)
  - ii) Environmental & Social Standards (ESS)
  - iii) Environmental & Social Exclusion List (ESEL)
- 8) AIIB Project-Affected People's Mechanism (PPM)
- 9) AIIB Sustainable Energy for Asia Strategy (SEAS) and other relevant sectorial strategies
- 10) New Development Bank (NDB) E&S Framework & Standards (2016)<sup>[8]</sup>
- 11) United Nations' Principles of Responsible Investment (UNPRI)<sup>[9]</sup>
- 12) DEG Guideline for E&S Sustainability
- 13) International Labour Organization (ILO) Conventions

[1] For more information, refer to the following link: [https://www.niifindia.in/uploads/about/NIIFL\\_ES-Policy.pdf](https://www.niifindia.in/uploads/about/NIIFL_ES-Policy.pdf)

[2] For more information, refer to the following link: [https://www.ifc.org/wps/wcm/connect/c02c2e86-e6cd-4b55-95a2-b3395d204279/IFC\\_Performance\\_Standards.pdf?MOD=AJPERES&CVID=kTjHBzk](https://www.ifc.org/wps/wcm/connect/c02c2e86-e6cd-4b55-95a2-b3395d204279/IFC_Performance_Standards.pdf?MOD=AJPERES&CVID=kTjHBzk)

[3] For more information, refer to the following link: <https://www.ifc.org/wps/wcm/connect/29f5137d-6e17-4660-b1f9-02bf561935e5/Final%2B-%2BGeneral%2BEHS%2BGuidelines.pdf?MOD=AJPERES&CVID=jOWim3p>

[4] For more information, refer to the following link: <https://www.adb.org/sites/default/files/institutional-document/32056/safeguard-policy-statement-june2009.pdf>

[5] For more information, refer to the following link: <https://www.adb.org/sites/default/files/institutional-document/32100/social-protection.pdf>

[6] For more information, refer to the following link: <https://www.adb.org/sites/default/files/institutional-document/32035/gender-policy.pdf>

[7] For more information, refer to the following link: <https://www.aiib.org/en/policies-strategies/download/environment-framework/20160226043633542.pdf>

[8] For more information, refer to the following link: <https://www.ndb.int/wp-content/uploads/2017/02/ndb-environment-social-framework-20160330.pdf>

[9] For more information, refer to the following link: <https://www.unpri.org/pri/what-are-the-principles-for-responsible-investment>

# Responsible Investing Philosophy

Lighthouse believes that responsible investing (which is the practice of incorporating environmental, social and governance factors into investment decisions) is the right thing to do. It is essential for long-term success of an organization, and companies that adopt responsible business practices are more likely to be successful in the long run. As a company, Lighthouse is committed to responsible investing that aligns with our core values of integrity, transparency, and sustainability. Our E&S Policy outlines our approach to integrating ESG considerations into our investment decision-making and ownership practices.

## ESG Considerations

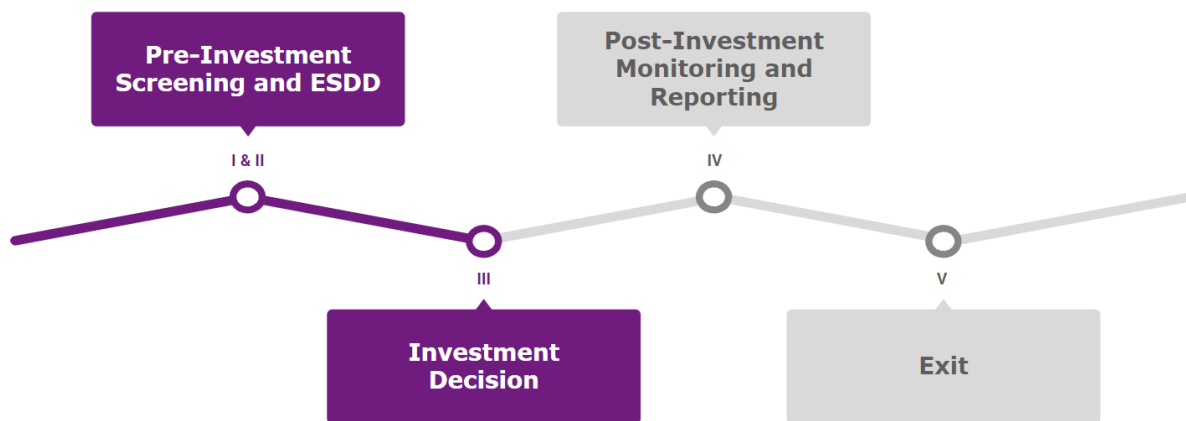
<b>Environmental Aspects</b>	<b>Social Aspects</b>	<b>Governance Aspects</b>
<p>Include environment and natural resource management applicable in each jurisdiction in which the Company carries on business. Environmental factors / criteria include aspects such as:</p> <ul style="list-style-type: none"> <li>● Waste management (such as process waste, hazardous waste, electronics waste, plastic waste, biomedical waste, municipal waste etc.)</li> <li>● Effluent discharges &amp; air emissions</li> <li>● Pollution control measures</li> <li>● Use of energy and natural resources</li> <li>● Hazardous materials and its management</li> </ul>	<p>Include social structures influencing corporate behaviour, improving accountability and transparency and driving social development. The regulations applicable in each jurisdiction in which a Portfolio Company carries on business aim to cover aspects such as:</p> <ul style="list-style-type: none"> <li>● Labour and working conditions;</li> <li>● Occupational and Community Health &amp; Safety</li> <li>● Social security;</li> <li>● Data and Information security</li> <li>● Industrial relations (between government, employers and employees);</li> </ul>	<p>Governance and business integrity refers to compliance with regulations on bribery, corruption, financial crimes, anti-terrorism, terror-financing, anti-money laundering, trade and travel embargos, economic sanctions, fraud, extortion, sound business ethics, integrity and best corporate governance practices. Governance aspects include:</p> <ul style="list-style-type: none"> <li>● Business integrity and honesty;</li> <li>● Promoting transparency and accountability grounded in sound business ethics;</li> <li>● Adopting and implementing policies and practical</li> </ul>

<b>Environmental Aspects</b>	<b>Social Aspects</b>	<b>Governance Aspects</b>
<ul style="list-style-type: none"> <li>● Greenhouse Gas emissions</li> <li>● Chemical usage and management</li> <li>● Climate Change &amp; its impacts</li> <li>● Forest &amp; Biodiversity</li> <li>● Compliance with all local Environmental laws and/or the applicable IFC &amp; other Global Standards on E&amp;S sustainability.</li> <li>● Health &amp; safety aspects that might affect Portfolio's operations and how the Portfolios are managing those risks.</li> </ul>	<ul style="list-style-type: none"> <li>● Wages that meet industry or legal national minimal;</li> <li>● Occupational as well as public health and safety;</li> <li>● Contractor &amp; supply chain management</li> <li>● Public consultation and participation in line with a regulatory requirement.</li> <li>● Protection and empowerment of indigenous peoples and ethnic groups;</li> <li>● Protection of cultural heritage; gender equality</li> </ul>	<p>procedures to prevent extortion, fraud, bribery, corruption, and financial crime in accordance with local law requirements and international best practices.</p> <ul style="list-style-type: none"> <li>● Implementation of ABC Policy and combating the financing of terrorism</li> <li>● Properly recording, reporting, and reviewing financial and tax information</li> <li>● Adopting internationally recognized and nationally accepted accounting standards satisfactory to Lighthouse;</li> <li>● Establish corporate governance practices appropriate to the size and nature of the business.</li> </ul>

## Responsible Investing Approach

ESG considerations are integrated in all stages of our investment process, from the initial deal sourcing and due diligence, throughout the ownership period. We place a considerable weight on measurement and ensuring that the right yardsticks are used to gauge progress. Over the years, we have developed a strategy that is aligned with important market standards, which will be continuously updated with the latest recommendations and guidelines. In our methodology, we tend to focus on materiality, meaning that we look into the degree a particular ESG theme can impact a company’s operational and financial performance. These material ESG themes are assessed each year and are used as the basis for setting short, medium and long-term action plans.

The approach for ESG integration across our investment cycle is illustrated below:



### I Initial Screening

- **Negative Screening:** Lighthouse employs exclusion principles to screen out investment opportunities involving harmful products or services.
- **Preliminary Review:** A desk-based initial assessment is conducted to categorize risks and set the stage for comprehensive due diligence.

### II. ESG Due Diligence

- **Risk Identification:** We identify ESG risks and assess compliance with our ESG policy, culminating in an ESG Due Diligence Report.
- **Corrective Action Plan:** An ESG Corrective Action Plan (ESGCAP) is developed, outlining measures to mitigate identified ESG risks.
- **Value Creation:** We pinpoint ESG opportunities that align with the investee’s business strategy, aiming for impactful value creation.
- **E&S Performance Standards:** Our E&S standards encompass local E&S regulations and international benchmarks, including IFC Performance Standards, ADB Safeguard Policy Statement, World Bank Group General EHS



Guidelines, AIIB Environment and Social Framework, and NIIFL E&S Management Policy.

### III. Investment Decision

- **Decision Making:** A 'Go' or 'No-Go' decision is made post-ESG DD and ESGCAP review.
- **Negotiation:** We engage with investee management to negotiate ESG terms, including mitigation measures and reporting standards.
- **Agreement Integration:** Negotiated ESG terms are incorporated into the investment agreement, finalizing the ESGCAP.
- **Legal Clauses:** Environmental and social responsibility clauses are embedded in legal agreements in accordance with our policy.

### IV. Post-Investment Monitoring

- **Access Rights:** Lighthouse secures rights to visit operational sites and review the portfolio company's records for compliance with Applicable Standards.
- **ESG Promotion:** We leverage our relationships with management to advocate for ESG risk management.
- **Policy Development:** We encourage the formulation of relevant ESG policies and the establishment of internal systems within portfolio entities.
- **ESMS Implementation:** An environmental and social manager is appointed for each portfolio company to implement the ESMS and update E&S policies.
- **Performance Reporting:** We require portfolio companies to submit environmental and social performance reports annually.

### V. Exit

- **ESG Articulation:** We assist portfolio companies in documenting their ESG journey and the added value from enhanced ESG performance.

## Reporting and Disclosures

The Firm will report and disclose its progress on ESG aspects and action plans as part of our annual reporting to our stakeholders and to the United Nations-supported Principles for Responsible Investment (UNPRI), underscoring our unwavering commitment to responsible investment practices.