

ENVIRONMENTAL AND SOCIAL POLICY STATEMENT

Intent and Vision

As a growth oriented investor in India's healthcare sector, Somerset is committed to identify, mitigate and manage E&S risks and enhance opportunities within the larger sustainability context of its existing and prospective portfolio companies. Somerset also recognises that the following Sustainable Development Goals (SDGs) underpin its investment approach and thesis within subsectors of healthcare:

- Goal 3: Good Health and Wellbeing;
- Goal 5: Gender equality, particularly in view of access to healthcare; and
- Goal 8: Decent work and economic growth.

In this regard, Somerset has adopted this Environmental and Social Policy Statement (E&S Policy Statement) as the core of its ESMS.

Investment Standards

The Environmental and Social Policy Statement (E&S Policy Statement) of SIHIF will apply to all current and prospective investments of SIHIF that are henceforth considered by the Fund's Investment Committee. The E&S Policy Statement has been developed with reference to the following legal requirements and other international standards:

- Applicable Indian laws (national, state and local) on environmental and social issues;
- Environmental and Social Policy Statement of the Overseas Private Investment Corporation (OPIC), February 2017;
- IFC Performance Standards, 2012;
- NIIF's E&S Requirements which are based on:
 - AIIB Environmental and Social Framework (ESF); Environmental and Social Policy (ESP); Environmental and Social Standards (ESS); Environmental and Social Exclusion List (ESEL);
 - ADB Safeguard Policy Statement (2009) (SPS);
 - ADB Gender and Development Policy (1998); and
 - ADB Social Protection Strategy (2001); and
 - NDB E&S Framework & Standards (2016)
 - IFC/World Bank EHS General and Sector Specific Guidelines

Investment Principles

Core Principles

Somerset will adopt the following investment principles for SIHIF:

- SIHIF will not invest in any Excluded Activity¹;
- SIHIF will require portfolio companies to operate in compliance with Fund's Investment Standards;

¹ A project of the type based on DFC's Categorically Prohibited Activities, DFC's Exclusion List and NIIF's Environment and Social Exclusion List where potential adverse environmental or social impacts of the project preclude SIHIF investment

- Where SIHIF's investments could result into significant adverse environmental and social impacts (2) in certain category A or B investments, the Fund shall cause such investments to identify potential environmental and social risks and mitigation measures through an environmental/social impact assessment (ESIA) and require appropriate actions to ensure that the portfolio company is in compliance with the Fund's Investment Standards. A category C project will not require an ESIA unless it is a regulatory obligation;
- Portfolio companies of SIHIF would be expected to achieve compliance for the following aspects:
 - To establish, maintain, update and strengthen as necessary, an ESMS appropriate to the size, scale and nature of the business or an environment and social management plan (ESMP) that ensure a systematic approach to identify, manage, monitor and report on environmental and social issues and have organizational structures with clearly defined roles, responsibilities and authorities, appropriate human and financial resources allocated for implementation and adequate training for employees and contractors;
 - To develop and adopt commitments to promote resource efficiency, gender development, responsible procurement and the protection of ecosystems commensurate to the nature and scale of their operations;
 - Meeting the following requirements on internationally recognised worker's rights for its employees and third-party workers:
 - Not to employ or make use of forced labour ⁽³⁾;
 - Not to employ or make use of child labour ⁽⁴⁾;
 - Pay wages which meet or exceed industry of legal minimum wage requirements;
 - Not to discriminate in terms of recruitment, progression, terms and conditions of work and representation, on the basis of personal characteristics unrelated to inherent job requirements, including gender, race, colour, caste, disability, political opinion, sexual orientation, age, religion, social or ethnic origin, marital status, membership of workers' organisations, legal migrants, or HIV status;
 - Respect the right of all workers to join or form workers' associations to raise reasonable workplace concerns; and
 - Provide reasonable working conditions including a safe and healthy work environment, working hours that are not excessive and in clearly documented terms;
 - To meet the requirements related to stakeholder engagement, access to information, consultation and an appropriate grievance mechanism that is available to all workers, affected communities and where appropriate to other stakeholders.

(2) If the company's activities involve or could be reasonably expected to involve: significant air emissions (including greenhouse gases), significant use of water or generation of liquid effluents; generation of hazardous or other solid wastes or resource use inefficiencies; transactions that generate adverse community health and safety impacts; significant risks to the health and safety of workers; the acquisition and/or use of land that results in economic or physical displacement; significant negative impacts on biodiversity, habitat or ecosystem services; significant impacts on indigenous peoples or other marginalised and vulnerable groups; significant impacts on cultural heritage; or other significant negative environmental or social impact.

(3) As covered by the ILO Forced Labour Convention (No. 29) and the Abolition of Forced Labour Convention (No. 105). See www.ilo.org/ilolex/english/docs/declworld.htm;

(4) As regulated under the Child Labour (Prohibition and Regulation) Act, 1986 (as amended) considering that India has not ratified the ILO Minimum Age Convention (No. 138).

Supporting policy commitments

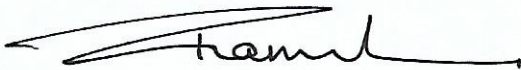
The above investment principles will be concurrently implemented along with two supporting policy commitments. These policy commitments are with respect to "Human Resources (including Gender Development)" and "Sustainability Innovations".

Environmental and Social Considerations

In order to implement the Investment Principles (Core and Supporting Policy Commitments), the following environmental and social considerations will be consistently integrated into SIHIF's investment process:

- Somerset will ensure that each prospective investment undergoes a screening, categorisation and E&S due diligence (ESDD) process to meet the requirements of the Fund's Investment Standards;
- Somerset will establish decision making criteria for prospective investment by SIHIF based on the outcome of the ESDD which shall also determine the scope of the conditions of investment including creation of an appropriate environmental and social action plan ("ESAP");
- Somerset will develop implementable action plans that help portfolio companies to comply with the requirements of the Fund's Investment Standards;
- Somerset will monitor the E&S performance of each portfolio company and will also put in place a process imperative for reporting and disclosure between the portfolio company to the fund and from the fund to its investors and other stakeholders;
- In cases where the relevant IFC Performance Standards, DFC requirements, NIIF requirements and EHS Guidelines are more stringent than Indian regulations, the Fund shall apply the relevant requirements to their investment activities with specific targeted actions to be implemented over an appropriate timetable;

Somerset will put in place an organisational structure, roles and responsibilities and resources to implement the Environmental and Social Policy Statement. The Fund will also maintain transparency about the investment process to concerned stakeholders.



Ramesh Kannan

Director E&S

Date - 28.01.2021