2019 HKVCA ESG Award of Excellence: TPG & ADIA (UPL)

UPL is one of the largest agrochemical and crop protection company in the world, operating in over 130 countries, with access to 90% of the market. TPG and Abu Dhabi Investment Authority's (ADIA) investment in UPL in 2018, furthered the company's position as a leader in agricultural solutions through the acquisition of Arysta Lifesciences, thereby supporting UPL's progress toward one of its stated post-merger goals of offering "increased sustainability to secure the world's food supply." As UPL's reach spreads, so do its contributions to social and environmental welfare. This commitment can be seen most prominently in its home country of India, where UPL works to improve the lives of local community members and set the standard for environmentally sustainable agrochemical production practices.

The investment in UPL has strengthened UPL's sustainability governance practices and improved board diversity, thereby enhancing ESG value creation in areas spanning from innovative environmental methods to social programs supporting girls' education and farmer entrepreneurship.

Sustainability Governance and Gender Equality

In early 2019, TPG and ADIA leveraged its extensive network of sustainability business leaders to bring Roberta Bowman onto UPL's board of directors. While UPL's social impact programs, such as its establishment entrepreneurship groups for women from rural villages, have made great strides in promoting gender equality more broadly, Roberta's appointment marks an important step toward enhanced diversity at the leadership level. Roberta is a highly experienced leader with expertise in environmental sustainability, having spent the majority of her business career at Duke Energy in Charlotte, NC where she served as Senior Vice President and Chief Sustainability Officer before retiring in 2012.

Upon investment in the company, TPG and ADIA also helped UPL create a board sub-committee focused on sustainability. This sub-committee has helped to formalize UPL's sustainability and social impact efforts, improving their efficacy and reach. TPG and ADIA also support UPL's ongoing microsite and annual sustainability report which are publicly available.

Environment: Goals and Results

Through its board committees and leadership team, UPL has set a number of ambitious environmental goals for 2025. These include reducing its environmental footprint (CO2 and water use) by 2025 relative to a 2015-2016 baseline, sourcing 80% of its raw material from sustainable sources by 2025, and eliminating its dependency on tanker & ground water by 2025.

As part of its leading environmental efforts, UPL decreased CO2 emissions per ton of production by 30% (relative to FY15-16 baseline), via initiatives such as waste heat recovery, fuel substitution and ratio improvement, using induction cooling in place of natural gas cooling, and the installation of evaporative coolers and LED lighting technology. Four case studies outlined here have resulted in over 74.8M Rs in annual cost savings.

UPL has also recently launched a number of innovative green projects, setting up a "Green Cell" of dedicated engineers and researchers to carry out research on waste management and carbon footprint reduction. Projects include the use of solid waste sludge to generate biogas and organic fertilizer, and high-tech wastewater treatment processes to achieve discharge reduction and reduce reliance on tanker water.

To guide future efforts, TPG's ESG Team is planning to organize trainings and workshops to educate the workforce on the benefits of environmental sustainability and support the achievement of 2025 goals.

Social: Goals and Results

On the social side, UPL's primary goal is to reduce workplace incidences by 30%. UPL established the UPL Center for Agricultural Development—a farmers' training school—and has trained over 14,000 farmers with knowledge and skills needed to increase agricultural productivity. UPL also started the ASKRSPI Livelihood Initiative, aimed at shifting farmers from traditional methods to SRI scientific methods, and launched a series of safety training for students, including one specifically devoted to improving safety for young girls.

Recognition & Support

UPL's Vietnam plant was awarded the Gold award for "Friendly Green Factory" and "Brands for Environment" by the Vietnam Association of Environmental Economics. UPL India was awarded the "India CSR Innovative project of the year, and the Most Promising Program Award in 2018 for its Vasudha nature conservation program. ESG is embedded in UPL's culture and business practices, and is a key pillar for long term value creation through the investment: "We are constantly working to reduce our environmental footprint and find innovative product solutions that benefit the society." – Chairman R.D. Shroff.

KKR

HKVCA ESG Award of Excellence 2019

BBP
Barghest Building Performance

Barghest Building Performance (BBP) is a Singapore-based provider of commercial solutions dedicated to reducing energy consumption and carbon emissions for large buildings and industrial users, while also decreasing related expenses for customers. KKR saw in BBP the opportunity to invest in the growth of a local green technology leader with significant potential for regional and global expansion.

BBP is the first investment by KKR's Global Impact strategy, launched in 2018, which focuses on identifying and investing behind companies whose core business model provides commercial solutions that contribute measurable progress towards the UN Sustainable Development Goals (SDGs). BBP contributes solutions to two of the SDGs: "Affordable and Clean Energy" and "Industry, Innovation, and Infrastructure," making it a perfect fit for this strategy. KKR announced its investment of S$45 million in December 2018.

Challenge: Energy use in buildings is one of the greatest sources of greenhouse gas emissions globally and thus inefficient buildings are a major contributor to climate change. Heating, ventilation and air conditioning ("HVAC") systems represent approximately half the total energy usage in commercial real estate developments and are the second-largest electricity consumers in the industrial sector. While there has been a shift towards more sustainable "green" buildings in new construction, older buildings have lagged well behind given the costs associated with replacing legacy infrastructure.

Response: BBP recognized this challenge and developed a technology driven solution and innovative business model that enables companies to implement more energy-efficient systems and remove the biggest barrier for sustainable technologies, which is the large upfront cost. BBP differentiated approach is defined by the following qualities:

- **Technological Solutions:** BBP provides real-time monitoring for existing HVAC systems to drive efficiency, reliability, and resiliency. Through a combination of sensors, software algorithms, equipment controls, and customized engineering design, BBP's efficiency solution allows existing HVAC systems to deliver the same cooling load to sites while consuming 10 to 40% less energy. The solution is applicable for all central chiller plant systems, regardless of brand or age.
- **Innovative Business Model:** BBP is innovating by using a performance-based business model, offering its solution on a subscription basis and providing its customers an annual energy savings guarantee (verified by third party energy audits). The energy efficiency resulting from BBP's platform generates cost savings that are shared between the customer and BBP. The Company also supports its clients with continuous commissioning technologies and comprehensive asset management services that sustain the level of savings over long periods of time.
- **Local Champion Having a Regional Impact:** BBP has helped customers across APAC in commercial sites such as office buildings, hotels, district cooling plants and large complex industrial facilities such as semiconductor fabrication sites. BBP currently operates across eight markets in SEA, India, Greater China and Taiwan. It is accredited by Singapore's national government bodies such as the Infocomm Media Development Authority, National Environment Agency and Building and Construction Authority.

Impact: BBP's contributions toward the UN SDGs can be directly measured by the kilowatt hours of electricity saved and tons of CO2 emissions avoided by customers who use BBP's solutions. In 2018, BBP's energy solutions reduced electricity use by more than 33.8 gigawatt hours, equivalent to reducing greenhouse gas emissions by nearly 17,000 tons.

Looking Forward: KKR is leveraging its extensive global expertise and working with BBP's management to continue to improve on ESG management practices as the Company continues to scale and expand the geographic reach of its innovative products and services. Areas for continued focus and improvement include standards around IP Protection, Workforce Health and Safety, and Recruiting and Managing a Global, Diverse Skilled Workforce.

To measure BBP's contribution to the UN SDGs, we continue to track three main KPIs:

- "Improvement of energy efficiency level of HVAC system per project"
- "Reduction of energy consumption per site"
- "Estimated reduction of greenhouse gas emissions"

Since its founding in 2012, BBP has received many accolades, for e.g. being included on The Peak's Power List, ranked on the first-ever APAC 25 list, awarded IFMA Singapore's FM Technology Provider of the Year, and honorable mention recipient for Best Practices at the 2017 and 2018 EENP Awards. BBP was also recently awarded KKR's Eco-Innovation Award that recognizes a current project by one of KKR's portfolio companies that provides an innovative, environmentally beneficial solution while creating business value. For more information about BBP please visit: https://bbp.sg/.

KKR's Global Impact strategy builds on KKR's long history of investing in businesses that promote solutions to societal challenges. As a firm, we are continuing to take significant strides to align our entire business with what we view as a "new normal" for sustainable business practices and sustainable investing. For more information about KKR's ESG and impact investing journey please visit: https://kkresg.com/.

Hahn & Company

Hahn & Co.'s ESG Initiatives in the Shipping Industry

Overview

In 2014, Hahn & Co. created H-Line Shipping (the "Company") by acquiring the bulk shipping business division of Hanjin Shipping, and then, in 2016, expanded the business by acquiring a similar division from Hyundai Merchant Marine, the two largest shipping businesses in Korea and one of the largest globally at that time. H-Line is now Korea's largest dry bulk and LNG carrier in the long-term shipping contract market with 55 long-term contracts and 45 vessels, representing approximately a 35% market share by number of contracts. In 2018, the Company generated US$ 656 million of revenue and US$ 245 million of EBITDA, representing an EBITDA margin of 37%, one of the highest currently in the shipping industry globally. Hahn & Co. owns 100% of the Company. Korea has one of the largest dry bulk and LNG shipping industries in the world due to an absence of any fossil fuels in South Korea. The country is entirely dependent on raw material commodity imports, with 228 million tons in dry bulk imports and 38 million tons in LNG imports in 2018. Korea's geography as a de facto island limits its modes of transportation for commodity imports, rendering shipping as the only viable option.

ESG Initiatives

Hahn & Co. believes that a strong commitment to environmental initiatives is extremely important as a private equity investor who focuses on environmentally sensitive industries like shipping, which utilize a considerable amount of traditional fossil fuels like Bunker C oil for vessel propulsion. Hahn & Co. has aggressively initiated environmental conservation initiatives at H-Line Shipping, not only because of the future savings that we and our limited partners will benefit from, but also from the fact that environmental and energy issues, which remained unresolved under prior corporate ownership, will now be resolved under private equity ownership, benefitting the overall standing of the private equity community in Asia, especially with respect to ESG.

Since the acquisition, Hahn & Co. has led a variety of transformational ESG initiatives which required a fundamental change in the day-to-day operations of the business, as well as, a significant financial investment. Summarized below are three initiatives which required a financial commitment of approximately US$350 million.

Initiative 1: Climate Change - Reducing air pollution	
Description	• Early adoption of IMO 2020 which bans shipping vessels from using fuels with sulfur content greater than 0.5%, well below current industry sulfur content average of 3.5%, by installing desulfurization equipment
Hahn & Co.'s efforts	• Hahn & Co. recommended installing such equipment and approved US$ 44.4 million of capital investment
Progress	• The review and installation of desulfurization equipment is expected to start in 2018 and be fully completed in a total of 19 vessels by 2020
Impact	• This initiative is regarded as the pioneering movement which is conducted by a shipping company for environment protection • Estimated SOx (Sulfur Oxides) emission from the vessel will be reduced 85% (from 769 to 115 ton per year)
Reference	• *Attachment 1*: News article published by Yonhap Infomax on 22th June 2018 • *Attachment 2*: Photo of desulfurization equipment
Initiative 2: Fuel Replacement - Adopting LNG-fueled vessels	
Description	• Adoption of LNG-fueled vessels, considered one of the latest technological breakthroughs globally in the shipping industry and the most environmentally friendly form of maritime transportation
Hahn & Co.'s efforts	• Hahn & Co. recommended and approved US$ 286.5 million of capital investment for 4 LNG fueled vessels
Progress	• The four LNG-fueled vessels are currently in shipbuilding stage and are expected to start operations in 2020
Impact	• The Company is the first shipping company in the world to successfully adopt this technology, which requires advanced operational capabilities and expects to serve more global customers given its first-mover advantage and know-how • Estimated emission quantity reduction in PM (particulate matter) by 90%, SOx by 100%, and CO_2 by 20%
Reference	• *Attachment 3*: News article published by Korea Shipping Gazette on 12th Oct, 2018.
Initiative 3: Energy Savings - Installing various other fuel and power saving devices	
Description	• Installation of various power saving devices, including AMPs (Alternative Maritime Power supply), which allow vessels to utilize onshore electric power rather than vessel engines to generate electricity when vessels are in ports
Hahn & Co.'s efforts	• Hahn & Co. recommended and approved US$ 11.3 million of capital investment
Progress	• Installation agreement of power saving devices is already in progress, and installation will be completed on a total of 30 vessels by 1H 2020
Impact	• CO_2 emission will be reduced to zero and SOx and NOx (nitrogen oxides) will be reduced by 98.6% • Energy saving devices are expected to reduce approximately 9% of the total fuel consumption
Reference	• *Attachment 4*: News article published by Yonhap News 30th Aug. 2019

Attachment 1

POSCO, first in Korea, installs scrubbers on bulk vessels

Choi Jin-woo and Yoon Sung-hyun, Yonhap Infomax, 22nd,June, 2018

(Seoul, Yonhap Infomax) For the first time in Korea, POSCO is installing desulfurizers on the vessels dedicated to transport raw-material in an effort to protect the maritime environment.

POSCO on 22nd signed a tri-party agreement at the POSCO Center with the Korea Development Bank (KDB) and shippers, incl. H-Line Shipping, Korea Line Corp., Pan Ocean, and Polaris Shipping that transport iron ore and coal [to POSCO] under long-term contracts, to cooperate in installing the "Scrubber" which reduces Sulfur Oxides (SOx) emissions. Under the deal, POSCO plans to install scrubbers on 20 raw-material-transportation vessels from December, 2019 to the end of 2020. The shippers will finance the cost of installation [of the scrubber] by loans from KDB and, subsequently, will be paid by POSCO in the form of transportation fare in installments.

SOx is a substance emitted when sulfur contained in fossil fuels such as coal and oil is burned, and its emission can be reduced by 90% when a scrubber is installed. The move is a part of POSCO's preemptive efforts to respond to stricter regulations on emissions from ships by the International Maritime Organization (IMO). From Jan. 1st, 2020, IMO will implement regulations to reduce the rate of SOx in a vessel's overall emissions by 86%; from 3.5% to 0.5%. POSCO expects to save more than KRW 70 bn annually in fuel costs by installing scrubbers on the raw-materials-transportation vessels.

Attendees of the signing ceremony of the agreement were Han Sung-hee, vice president of POSCO, Ho Myung-deuk, president of H-Line Shipping, Kim Yong-wan, vice chairman of Korea Line Corp., Choo Sung-yup, president of Pan Ocean, Han Hee-seung, chairman of Polaris Shipping, and Sung Ju-young, head of Corporate Banking Division of KDB.

연합뉴스

HOME > IB/기업

포스코, 국내 최초 대형 벌크선 탈황설비 장착

정선미 윤성현 기자 | 승인 2018.06.22 15:26

(서울=연합인포맥스) 최진우 윤성현 기자 = 포스코가 해양환경 보호를 위해 국내 최초로 원료 운반 전용선박에 탈황설비(Scrubber)를 장착한다.

포스코는 22일 포스코센터에서 철강원료인 철광석과 석탄 장기 운송계약을 맺고 있는 대한해운, 에이치라인해운, 팬오션, 폴라리스쉬핑 등 원료 전용선사 및 KDB산업은행과 '포스코 원료전용선 황산화물배출 저감장치 장착을 위한 업무협약식'을 가졌다.

포스코는 올해 12월부터 내년 말까지 원료전용선 20척에 탈황설비를 설치할 계획이다. 장착에 소요되는 비용은 선사가 KDB산업은행의 선박금융을 이용해 조달한다. 포스코는 향후 장착비용 전액을 선사에 운임으로 분할 지급할 예정이다.

황산화물(SOx)은 석탄·석유와 같은 화석연료에 함유된 황이 연소하면서 발생하는 물질로, 탈황설비를 장착하게 되면 90% 수준 감축할 수 있다.

이번 탈황설비 장착으로 국제해사기구(IMO)의 선박 배출가스 관련 규제에 선제적으로 대응할 수 있게 됐다.

국제해사기구는 오는 2020년 1월 1일부터 선박 배출가스에 포함된 황산화물 비율을 3.5%에서 0.5%로 86% 감축하는 규제를 시행할 예정이다.

포스코는 원료전용선에 탈황설비를 장착함으로써 연간 700억원 이상의 유류비 절감이 가능할 것으로 전망된다.

이날 협약식에는 한성희 포스코 부사장, 김용완 대한해운 부회장, 서명득 에이치라인 사장, 추성엽 팬오션 사장, 한희승 폴라리스쉬핑 회장, 성주영 KDB산업은행 기업금융부문장이 참석했다.

shyoon@yna.co.kr

Attachment 2

Exterior

Scrubber Body

Discharge Water Monitoring

Exhaust Gas Sample Conditioning System Panel

Attachment 3

H-Line Shipping, first in Korea, introduces LNG-powered overseas carriers

H-Line ordered two 180K-ton bulkers to Hyundai Samho

Choi Sung-Hoon, Korea Shipping Gazette, 12nd Oct., 2018

LNG-powered overseas cargo vessels are being introduced for the first time in Korea. The Ministry of Maritime Affairs and Fisheries on 12th announced that H-Line Shipping and Hyundai Samho Heavy Industries signed a contract to build LNG-powered bulkers that would sail on a foreign shipping route.

The LNG-powered vessels, two 180,000-ton bulkers, will serve the Korea-Australia route 10 to 11 times annually from 2021. To date, although three LNG-powered vessels are being built or already operational in the country, they are not for overseas service. LNG is noted for a next-generation energy source that can reduce air pollutants at ports by cutting 90% of fine dust, 100% of Sulfur Oxides (SOx) and 80% of Nitrogen Oxides (NOx) vis-à-vis Bunker C oil. As the International Maritime Organization (IMO) has tightened regulations on vessels fuels, the number of ships powered by eco-friendly LNG is expected to surge. The local shippers, however, have been hesitant to introduce LNG-powered vessels because those are more costly than the traditional ones.

The government is pushing hard for the introduction of LNG-powered vessels to cope with the IMO's stricter regulations and make the international maritime environment regulations a "win-win" drive among the shipping, shipbuilding and port industries. As the first step, [the government] set up a cooperative system with the Korea Gas Corp., shippers and consignors, and financial institutions to support [the introduction of] the LNG-powered vessels, and the "Plan to Vitalize Industries related to LNG-powered Vessels" was confirmed at the "7th Economy-Ministerial Meeting".

KOREA SHIPPING GAZETTE

www.ksg.co.kr

HOT | 현대상선 | 전자상거래

2018-10-12 18:24

에이치라인해운, 국내 최초 LNG로 가는 외항선박 도입

현대삼호중공업과 18만t급 벌크선 2척 건조계약

액화천연가스(LNG)를 연료로 사용하는 외항선박이 국내 처음으로 도입된다.

해양수산부는 12일 에이치라인해운과 현대삼호중공업이 LNG추진 외항선박 건조계약을 체결했다고 밝혔다.

이번에 건조되는 LNG추진 외항선박은 18만t급 벌크선 2척으로 2021년부터 한국-호주항로를 연간 10~11회 운항할 예정이다. 국내에는 현재까지 3척의 LNG추진선박이 운영·건조되고 있으나, 외항선 도입은 이번이 처음이다.

LNG는 기존 선박 연료인 벙커C유보다 미세먼지 90%, 황산화물(SOx) 100%, 질소산화물(NOx) 80% 등을 저감해 항만의 대기오염물질을 줄일 수 있는 차세대 에너지원으로 주목받고 있다. 국제해사기구(IMO)가 선박 연료유의 환경 규제를 강화함에 따라, 친환경 연료인 LNG를 사용하는 선박이 크게 증가할 것으로 전망된다. 그러나 국내 선사들은 기존 선박보다 높은 선가로 LNG 추진선박을 적극적으로 도입하지 못하는 상황이었다.

정부는 IMO의 규제 강화에 대응하고 국제 해양환경 규제를 해운·조선·항만 분야 간 상생의 동력으로 만들기 위해 LNG추진선박 도입을 적극 추진하고 있다. 먼저 가스공사, 선·화주, 금융기관 등과 협력체계를 구축해 LNG추진선박 지원 방안을 마련하고, 지난 5월에는 '제7차 경제관계장관회의'에서 'LNG추진선박 연관 산업 활성화 방안'을 확정한 바 있다.

< 최성훈 기자 shchoi@ksg.co.kr >

Attachment 4

KOMIPO installs AMP on six H-Line vessels

Kim Sung-Jin, Yonhap News, 30th Aug., 2019

(Seoul, Yonhap News) Korea Midland Power Co. (KOMIPO) on 30th announced that it has signed an agreement to install AMPs with H-Line Shipping (H-Line) in an effort to reduce fine dust emissions.

AMP is a device installed on a ship that enables electricity generated at an onshore power plant to be transmitted to vessels on the berth. Concerns have remained on the issue of fine dust emissions as ships [on the berth] generate electricity from its own generator consuming Bunker C oil.

KOMIPO currently operates 14 carriers to transport bituminous coal for power generation on a long-term charter with eight shipping companies, and has pushed for installation of the eco-friendly AMPs to cope with tight regulations of the International Maritime Organization (IMO). KOMIPO signed [today] an agreement to install AMPs on six vessels with H-Line that accounts for the largest number of chartered vessels. KOMIPO plans to install AMPs on a total of nine ships, including seven long-term chartered vessels and two coastal transport vessels for the Shin Seocheon Power Plant by the end of the year. Reduction of approximately 240 tons of fine dust emissions annually is expected with the installations.

Signing business agreements with H-Line and SK Shipping, Korea Western Power Co, (KOWEPO) also decided to install AMPs at the Taean Thermal Power Complex's loading dock and two 150,000-ton bituminous coal carriers within this year. KOWEPO expects reduction of approximately 30 tons of air pollutant emissions a year with the agreements. The company also plans on additional installation [of AMPs] on 12 long-term chartered vessels in operation from nine shippers.

연합뉴스

중부발전, 에이치라인해운 선박 6척에 육상전력설비 설치(종합)

기사입력 2019/08/30 18:52 송고

서부발전도 SK해운 등과 선박 2척에 육상전력설비 설치

(서울=연합뉴스) 김성진 기자 = 한국중부발전은 30일 벌크선사인 에이치라인(H-Line)해운과 미세먼지 감축을 위한 육상전력공급설비(AMP) 설치 업무협약을 체결했다고 밝혔다.

AMP는 부두에 정박 중인 선박이 육상의 발전소로부터 전기를 공급받을 수 있도록 선박에 설치하는 장치다.

기존에는 벙커C유를 사용해 선박의 자체 발전기에서 전기를 생산하다 보니 이 과정에서 미세먼지가 대기로 배출되는 문제가 있었다.

중부발전은 발전용 유연탄 수송을 위해 8개의 해운사와 총 14척의 장기용선을 운용 중이며, 국제해사기구(IMO)의 규제강화에 대응하기 위해 환경친화적인 AMP 설치를 추진해 오고 있다.

중부발전은 가장 많은 장기용선을 보유하고 있는 에이치라인해운과 6척의 선박에 AMP를 설치하는 협약을 체결했다.

중부발전-에이치라인해운 육상전력설비 설치 협약
[중부발전 제공]

이로써 중부발전은 장기용선 7척과 신서천 연안수송선 2척까지 모두 9척의 선박에 연말까지 AMP를 설치할 계획이다. 설치 완료 시 연간 약 240t의 미세먼지 감축이 기대된다.

서부발전도 이날 SK해운 및 에이치라인해운과 업무협약을 맺고 태안화력 하역부두와 15만t급 유연탄 수송선박 2척에 AMP를 올해 안에 설치키로 했다.

서부발전은 이번 협약 체결로 대기오염물질을 연간 약 30t 저감할 수 있을 것으로 전망하고 있다. 또 운영 중인 9개 선사 12척의 장기용선 전체를 대상으로 추가 설치도 계획하고 있다.

sungjin@yna.co.kr

ADM CAPITAL

1008 ICBC Tower
3 Garden Road
Central, Hong Kong
T: +852 2536 4567
F: +852 2147 2813

11/7/2019

HKVCA ESG Award of Excellence 2019

ADM Capital Entry: Rent-to-Own, Myanmar

In October 2016, ADM Capital provided debt and equity capital in a cornerstone financing of Rent-to-Own, a greenfield motorcycle leasing company in Myanmar focusing on low income customers in the regions outside of Yangon.

The Company rapidly grew its geographic footprint to the extent that after two years, the business covered over seven regions, including 34 branches, 300+ 'point of sales/dealers', 400 staff and with a track record of over 50,000 motorcycle contracts. This investment had a strong social benefit to Myanmar which suffers from poor credit penetration especially in the lower income segments. Financial infrastructure is limited, with no credit bureau, limited data relating to NPLs, and cap on interest rates. Indeed, in 2014, less than 25% of the population had bank accounts. Of the company's clients, the average monthly income was equivalent of USD230 and customers were largely manual workers, farmers/fishermen, shop owners/street vendors etc. By providing financial inclusion, the business helps support various Sustainable Development Goals including 9, 10, and 11.

As a start-up business, ADM Capital's approach to ESG differed from ordinary operating companies. ADM Capital designed a two stage ESG engagement programme with the first element being consultation between externally engaged ESG experts and Rent-to-Own's management to help formulate management and social policies and ESG impact agendas in connection with the Company's business plan. As a second stage, after the Company had commenced operations and grown to over 100 staff, ADM Capital's ESG consultants conducted a follow-up review to assess the business performance against previously identified objectives and IFC Performance Standards, including PS 1 and PS 2. ADM Capital, management and the external due diligence consultants agreed on a detailed Environmental and Social Action Plan with milestones for further actions to be monitored as part of ADM Capital's legal investment covenant compliance.

As a cornerstone investor, ADM Capital was entitled to representation on the board of directors, allowing it to actively monitor and provide input on environmental and social issues related to the business. As the Company grew, ADM Capital worked with the Board to design a more advanced E&S strategy involving a long-term plan for reforestation in northern Myanmar as part of a carbon sequestration programme to offset emissions from Rent-to-Own's motorcycle fleet. From a strategic and financial perspective, the board realised that the best possible growth and exit strategy would be based on ESG positioning to attract development investors.

This strategic plan succeeded, and ADM Capital was able to exit its investment in November 2018 in the context of a new round of financing by a German development bank and a Japanese financial institution. ADM Capital achieved a gross IRR of 45% and cash on cash of 1.68x.

CPE Case Study – Shanghai SUS Environment Co., Ltd.

Established in 2008, Shanghai SUS Environment Co., Ltd. (SUS) is a leading environmental technology and services company headquartered in Shanghai, China. SUS provides integrated waste management services by developing and operating waste-to-energy (WTE) facilities and eco-industrial parks (EIP). As of January 2019, SUS is reported to have a daily waste treatment capacity exceeding **45,000 tons,** annual power generation of over **5.8 billion KWH,** and annual carbon dioxide emission reduction of more than **3 million tons** across completed and ongoing projects. CPE, a leading private equity firm in China with total AUM of US$15bn, took a control stake in SUS in 2014.

Guided by CPE's responsible investment principles, SUS has undergone several major environmental and social (E&S) management upgrade initiatives post investment. In particular, CPE has helped the company address two prominent business challenges with the goal of improving its sustainability:

(1) Overcome what is commonly known as "not in my backyard" (NIMBY) when tapping the domestic market. Owing to the growing environmental awareness in the fast urbanized communities, NIMBY has become a common sentiment against building high-impact WTE facilities in the local neighborhoods. Obtaining "social endorsement" is no longer an option but a prerequisite to securing new projects for companies. In response to the situation, with strong support from CPE, SUS has developed a new management framework which takes into consideration of broader community environmental and health-related impact beyond just regulatory compliance to ensure more effective E&S management throughout the project lifecycle. The new framework adopts eco-friendly and community-friendly design with precise engineering execution; strengthens stakeholders' engagement with properly designed information disclosure and feedback mechanism; and moreover, supports various community programmes, such as building shared amenity facilities and arranging open-day events for public visit and environmental education. All these efforts have proven to foster stronger community relations in the neighborhood and help the company gain greater support from local communities (over 95% support rate in recent projects).

(2) To demonstrate that SUS is an environmentally sound and socially responsible WTE investor and operator to gain competitive edge in international competition. By leveraging its extensive project management experience and deep sector know-how in China, SUS has formed a plan to expand its geographic footprint internationally with an initial focus on Southeast Asia. With a vision that international cooperation leads to better compliance with international standards, CPE has supported the company to obtain a $100 million credit loan from the Asian Development Bank ("ADB"), the proceeds of which was used to finance a portfolio of innovative and socially inclusive WTE facilities in low carbon EIPs. As part of the loan agreement, SUS is committed to adopting ADB's E&S Safeguard Policies and Standards on projects financed by ADB. SUS also took the opportunity to undertake a full-scale, systematic upgrade of its entire E&S management system to meet the prevailing international standards, including the ADB E&S Safeguard Standards and IFC E&S Performance Standards. This upgrade is a game changer for a China-based environmental technology company such as SUS to play in an international arena with broader sustainability considerations.

Since the investment, SUS has grown its revenue and net profit by over 15x and has become a globally leading WTE service provider, making the company a top player in both domestic and global market. The SUS case demonstrated CPE's commitment to fulfilling its mission of "creating value through expertise, investing for a better world". Going forward, CPE will continue to partner with entrepreneurs in transforming their businesses to achieve more sustainable growth while creating social value for the society at large.

Company Overview

PT Champ Resto Indonesia ("CRI") is a fast-growing and well-established food and beverage platforms with currently 233 outlets and presence in 25 regencies in Indonesia, focusing on the high-growth Indonesian quick casual dining segment. It has a set of proven business formula: (1) value-for-money market-winning concepts that target the middle-low customer segments; (2) multiple self-owned brands offering complete product portfolio across the most popular cuisines in local market; (3) cost-effective; (4) highly scalable non-chef reliant platform; and (5) multi format, highly adaptive to current market trends.

Capsquare Asia Partners invested via an MBO (Management Buy-Out) together with the existing professional management in 2014 and set out to improve the company's ESG and financial performance by focusing on the following key initiatives:

Capsquare's Key Initiatives

There are four key initiative areas aimed to strengthen and grow CRI's value chain, business and revenue growth, human capital capacity building, and sustained profitability.

Government Collaboration

- Recent collaboration with Indonesian Ministry of Education and Culture via third-party partner to implement an industry-based curriculum in vocational high schools. A pioneer in its industry.
- Channel the students with vocational F&B industry training and employment contract in CRI

ERP & EHS Developments

- ERP (Enterprise Resource Planning) capability building, e.g barcoded supply chain system for quality assurance, cost control and accuracy
- Compliance betterment milestone, EHS (Environmental-Health-Safety) action plan with ERM audits as baseline
- Food standard awareness

Strengthening HR Functions

- HR Policies and Procedures
- KPI-based Performance evaluation
- HR-related industry compliance

Capacity Building

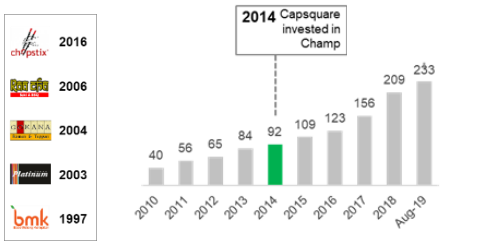
- Mentorship program
- Training workshops
- Robust in-house training/vocational capacity building to >1,000 employees per annum

Key Results and Impacts

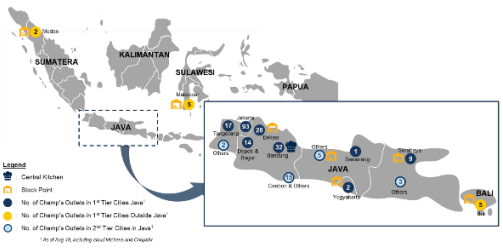
The four key initiative areas have been instrumental in making possible the deliveries of significant business results and sustained key financial growth, enabling further investments in job creations, improved average salaries, human capital capacity development, ERP system and cost improvements. This approach has proven to be solid building blocks for a sustained growth of the company's profitability. Furthermore, CRI operation reaches 25 regencies beyond 1st-tier cities thus creating further impacts to the livelihoods of smaller regencies.

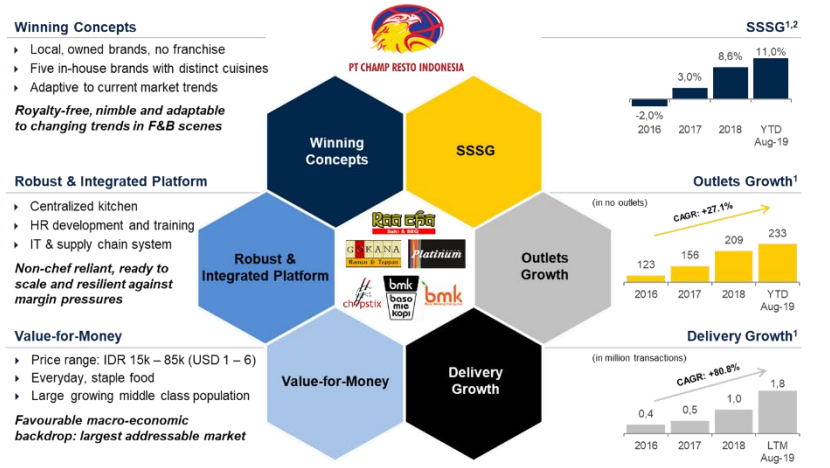
Number of Jobs in 2014	2,447	Job Growth	+ 117%	EBITDA Growth	+ 347%
Number of Jobs in 2019	5,309	Network Effect of Impact for Good	Reaching from 10 to 25 regencies	EBITDA Margin Increase	6.4% points or 56%

Company Key Milestones



Growth : From 92 outlets (2014) to 244 (LTM Sep 2019)
Reach : From 10 regencies (2014) to 25 (LTM Sep 2019)





[1] Figures including Chopstix for which the trademark is acquired in Sep-19
[2] SSSG is calculated based on outlets opened since 1st of January in the prior year
Bank Indonesia Exchange Rate (Oct 18th): 1 USD = Rp14,140

Castle Snack is a rollup spearheaded by Lunar to create a group snack food brands targeting younger Chinese customers seeking health and wellness. Castle comprises many well-known brands with strong history and regional presence ripe for modernization and new retailing.

Castle snack currently comprises four businesses it has acquired – Yao Taitai, Lifefun, Zhiqiang and Orchard Farmer and is majority owned and controlled by Lunar.

Castle Snack Strategy and ESG/CSR Initiatives

Castle's strategy is to acquire and manage well-known, regionally strong brands that can be modernized, repositioned for millennials, and can emphasize taste and health. We believe that these potential customers are very attuned to health, safety, and environmental and socially responsible initiatives, and Lunar has challenged management to develop strategies which are reviewed and assessed annually that will contribute to the overall story of our Castle brands. Management has initiated two initiatives can have the greatest near term impact on our businesses: (i) community outreach in the areas where we manufacture our products, and (ii) improving the environment through reducing our carbon footprint and hazardous pollutants during production.

I. Community Outreach Initiative

Castle's Management developed plans to achieve measurable goals in these two areas this year in respect of its operations in Lin County of Shanxi Province, which is one of China's poorest-designated counties.

Initiative	Description	Results	Learn More
Factory, Lin County, Shanxi	Factory for processing raw dates and walnuts	Created nearly one thousand jobs for the local economy	Weblink (please click)
Supplier Agreements, Lin County, Shanxi	Worked with local government to promote the development of local farming collectives and signed supplier contracts	Signed more than 10 local contracts with key suppliers in the region	Weblink (please click)
Lin County low-income outreach	Worked with local government officials to hold charity events for low-income families	Cash and other donations, such as school supplies, resulted in millions of RMB of donations provided	Weblink (please click)

I. Environmental Initiative

Castle's Management developed plans to reduce energy usage and pollution at two of its key manufacturing facilities in Beijing and Shanxi, attracting government support and recognition.

Initiative	Description	Results	Learn More
Factory improvements, (waste and omissions)	Upgrade Shanxi factory from coal fueled to ethanol fueled production equipment	Substantial reduction in SO2 and NO2 emissions. Received government recognition and subsidy (RMB 2m)	Weblink (please click)
Energy reduction efforts	Energy usage reduction at Beijing-based production facility	Reduction in energy costs of 20% Nominated for "Green Factory Certificate" by Beijing government and applying for national certification	

Contributions to Castle's success

- Poverty alleviation work in Shanxi helped to attract RMB 100m investment from SDIC/国家开发投资公司
- Shanxi-headquartered company received fast-track A-share IPO approval due to efforts in poor region
- Recognition from local government, including Green Certificate in Beijing and Quality Award in Shanghai

UCCA GROUP

UCCA Group is China's leading contemporary art institution. The Group flagship museum, which is headquartered at the 798 Arts District in Beijing, is China's most visited contemporary art institution. Around this core the UCCA manages three businesses - Education, Retail and UCCA Lab.

The UCCA Group is majority owned and controlled by Lunar, with investment from leading entrepreneurs including Jason Jiang (Focus Media), Sha Ye (Chengwei Capital), and the K. Wah Group. Since taking control, Lunar has spearheaded an aggressive growth plan, which has resulted in rapid expansion of UCCA's education business, the opening of new locations in Beidaihe and soon to open in Shanghai, and partnerships with leading fashion, design and retail houses, becoming a key platform for Lunar's "New Culture x New Lifestyle x New Retail" concept.

2019 UCCA ESG/CSR Strategy & Initiatives

UCCA Group, through its UCCA Education business, embarked on a rapid growth strategy in 2019 for its children's education business to demonstrate the positive role the humanities, art and culture can plan in boosting achievement in traditional science, technology, engineering & math (STEM) offerings. As part of its business plan, UCCA Management was charged with designing initiatives to broaden the reach for all of the Group's educational programs to gain greater societal acceptance, stronger governmental support; in the hopes that the lives we can change today will be our key beneficiaries, customers and partners in the future.

Initiative	Description	Results	Learn More
"Open the Door to Art" Initiative	Areas of focus include (i) Junior Docents program to train youth volunteers, (ii) UCCA Teens program supporting aspiring art training, and (iii) philanthropic initiatives toward less well off areas such as Guizhou, Gansu, Guangxi, Hunan and Yunnan	200 junior docents trained 30 junior docents at Picasso exhibition More than 1,000 tours completed	Weblink (please click)
"Picasso- Birth of a Genius" landmark exhibition initiatives	Along with the Sun Future Foundation, provided free admission and guided tours for local students	Welcomed more than 5,000 students from Huaao School, Cement Factory Primary School, Jindi Experimental School, Huangcun Town Second Central Primary School, Hebei Zhaoxian Hope House Orphanage, and Dandelion School	Weblink (please click)
Collaborations for public programs	Exhibitions, performances, and conversations open for the public and made available free or charge in partnership with local governments, philanthropic organizations and artists	Partnered with Beijing's Chaoyang Government's to produce historic event titled "History in the Making" Partnered with the Red Cross and singer Yuchun Li to promote singing to hundreds of local school children	Weblink (please click)

Contributions to UCCA Group's success

We believe that UCCA's commitment to ESG/CSR is having a positive social impact, and is directly contributing to the success of our business, including the following achievements made this year:

- Revenue on track to triple in 2019, driven by increasing attendance at exhibitions, paying customers for our kid's education, and growing presence of our retail partnerships
- China's most successful art exhibit of 2019 - Picasso: Birth of a Genius, achieving more than 2.8bn media impressions, 390m weibo subscribers, 715k exhibition visitors
- "没有高度的文化自信，没有文化的繁荣兴盛, 就没有中华民族伟大复兴" Aligning UCCA with the trajectory of the Nation and President Xi Jinping's call to strengthen cultural prominence

云月 LUNAR

Submission for HKVCA ESG Award of Excellence 2019

CDH has incorporated ESG into our core investment philosophy to create sustainable value for all of our partners. As a responsible investor, we not only care about financial returns, but also are focused on delivering benefits to the environment and society.

Background of the Case

Belle is one of China's largest sportswear retailers and leading shoe brands. Currently, Belle operates 20,000 stores in China. Belle has ranked 1st in sales of women's shoes in China in the past 12 years. CDH invested in Belle in 2017.

Pre-Investment

Before investing, CDH performed a detailed ESG due diligence and identified some insufficiencies that we wanted to work with management to improve, such as machinery, solvent-based glues, chemical exposure, working and living conditions, energy consumption, and worker training. Working together with Belle management we developed an Environmental and Social Action Plan as a guidance for implementing relevant corrective actions.

Post-Investment

After our investment, we have worked with Belle to share professional management metrics and know-how to promote their sustainable ESG practices. With our support on ideas, technologies and capital, Belle has increased its ESG efforts and has achieved remarkable results, as described below:

Production Improvement and Employee Protection

- Invested over RMB 40 million in its Shenzhen Plant to replace old equipment and improve production processes. 4,928 production equipment were upgraded or replaced, and 1,484 new equipment were installed.
- Invested over RMB 4 million to reduce noise, dust and chemical emissions in the workshops, such as reducing use of compressed air guns, installing new dust collectors and upgrading ventilation system.
- Replaced over 70% of the solvent-based glues with water-based glues which have much lower toxic contents.

Working and Living Conditions

- Recreation areas were provided in the workshops, and workers have additional breaks during the work day.
- Invested RMB 25 million to renovate the dormitories and canteens.

Energy Saving

- Initiated a "Green Lighting Program", 430 fluorescent lamps were replaced by 256 LED lamps in 20 workshops. As a result, 514,200 KWh of electricity were saved in 2018 compared with 2017.

Career Development

- Held over 150 rounds of training sessions that over 20,000 employees participated in 2018.

CDH will continuously support Belle to implement new ESG initiatives as part of our goal to be one of the world's leading ESG practitioners in the shoe manufacturing industry.

Before

After

For further information about this case contact:
ESG Consultant: Daniel Zhang, Greenment (daniel.zhang@greenment.net)
CDH: Stuart Schonberger (stuarts@cdhfund.com)

CDH 鼎晖投资

HKVCA ESG Award of Excellence 2019: Pharmacity

Vietnam, regardless of its amazing growth in GDP in recent years, has been suffering from a chronic phenomenon of counterfeit medicine. It is not rare to see news headlines of police raiding counterfeit medicine manufacturing facilities or exposing forged documents from pharmacies. According to a report in 2017, "there were 170 pharmaceutical factories, 3,000 companies, 9,000 pharmacies, and 12,000 private clinics across Vietnam. Meanwhile, only about 2,100 government inspectors were tasked with examining the medicine available on the local market." In fact, it is implied knowledge in Vietnam that anyone can easily open a pharmacy business by renting someone else's diploma. Pharmacity, an investee company of Mekong Capital's MEF III fund, has made improving the quality of healthcare products in Vietnamese society its mission.

Pharmacity, founded in 2012 by three entrepreneurs, is the largest pharmacy retail chain in Vietnam in terms of number of stores. After Mekong's investment in 2017, the company has enjoyed a CAGR of 18.1% in number of stores growth. By September 2019, Pharmacity has increased its store network from 43 stores before the investment to 227 stores nationwide. Pharmacity has continuously strived to set a prime example in the pharmacy industry in Vietnam by staying committed to its vision and integrating ESG initiatives into its business model.

As a hands-on value-added investor, Mekong Capital has empowered Pharmacity to declare a vision that is up-to-date and relevant to the needs of Vietnamese consumers, "*Pharmacity is the most convenient pharmacy chain where you fully entrust your health and wellness"*. Together with Mekong Capital, Pharmacity has implemented a wide range of ESG initiatives ranging from sourcing authentic medicines from authorized distributors to full compliance with legal standards in operating a high-quality pharmacy chain. Success begets success as the company keeps rolling out new stores, increases its medicine range to ensure vast majority of customers have their prescriptions filled, and implements a rigorous in-house training program for pharmacists to attract and retain local talent.

A Champion of Authentic Medicine

Traveling through the bustling metropolis in Vietnam, one can hardly miss the sights of mom-and-pop pharmacy stores without air conditions. Pharmacity, fully complying with all aspects of GPP (Good Pharmacy Practice) in Vietnam, possesses a range of temperature-controlled stores and inventory warehousing run by legally licensed pharmacists. With an unwavering commitment to sell highest quality medicine and support from Mekong Capital's expertise in ESG-oriented operational improvement, Pharmacity has been following an air-tight product quality control by applying a special QR code sticker to each box of medicine, enabling the tracking of Lot Number, Production Date, and Expiration Date by box. Furthermore, Point of Sales (POS) at each store is programmed such that any product that is past the expiration date cannot be sold or dispensed.

While other modern pharmacy chains only operate in tier-1 cities like Ho Chi Minh City or Hanoi, Pharmacity is the only chain that has been expanding its GPP-qualified stores to tier-2 cities such as Can Tho, Binh Duong, Vung Tau, Da Nang. The company is on track to expand the number of stores to 1,000 stores by 2021 and 1,700 stores by 2025 while driving continued growth in average transaction/store/month by 5.4% CAGR.

Doing Well by Doing Good

So far, Pharmacity's ESG initiatives have paid off. The company is currently boasting a total of 1.7 million customers on loyalty cards, contributing to over 70% of revenue. While the typical mom-and-pop pharmacies possess a gross margin of 8-12%, Pharmacity has been able to operate at a margin of 25% without compromising the quality of its products and still complying with all the regulations.

Besides GPP, Pharmacity is also fully compliant on VAT taxes and paying full Social & Health Insurance for its employees, a rather unique move in the market. In 2019, Pharmacity was recognized as one of the best companies to work for in Asia by HR Asia Awards.

Ever since joining Mekong Capital's portfolio, Pharmacity has been committed to achieving breakthroughs not only in business operations but also in corporate culture. With active consultation from outside experts introduced by Mekong Capital and a revised set of core values including Passion, Integrity, Data Driven, Service Culture, and Customer Experience, Pharmacity is well on its way to becoming the guardian of Vietnamese consumers' health and wellness.

Navis Capital Partner and Saitex – A socially and environmentally driven garment manufacturer in Vietnam

Since 2000, consumers have bought 60% more clothes, but are using them for half as long. The fashion industry annually consumes more energy than the aviation and shipping industries combined, requiring enough water to fill 32M Olympic sized pools and is a heavy producer of wastewater. Reuse or upcycling of unused and used garments is not widely practised and waste prevalent. Growth in the fashion industry has not translated to improved social conditions for its workers with long working hours, wages below minimum wage and unsafe environments. Additionally, consumers are becoming more aware of these social and environmental impacts, and want to see a more sustainable fashion industry.

Recognising these issues, Sanjeev Bahl founded Saitex in 2002 with a vision to produce denim products in an environmentally sustainable and socially responsible way. The company was established with five employees in an office in Ho Chi Minh City (HCMC), Vietnam, and grew to over 3,600 employees with sewing, laundry and finishing facilities in Vietnam. The facilities, located in the Amata Industrial Area of HCMC, incorporate sustainable practices with 98% of their wastewater recycled and 100% of steam generated from on-site biomass boilers. Saitex is also the only Bluesign certified laundry in the world. Sanjeev's vision and innovation impressed Navis Capital Partners, and in May 2018 became a majority owner in Saitex to support the vision in driving a linear-to-circular economy shift, whilst growing the business by 15%. Since partnering with Navis, an overview of some of the ESG initiatives being established is provided below, with additional information provided in the attached.

Saitex consumes 1.5L/ pair of jeans vs Industry average of 80L

Upstream integration - a ***US$62M state-of-the-art denim Mill is being established to carry out in-house high-quality cotton-to-fabric production***. The sustainable manufacturing practices being adopted, and the collaboration with a Japanese partner to ensure knowledge transfer, will have a positive impact on the local textile industry, workforce and environment. With a capacity of around 2M metres of fabric per month, the Mill will provide **additional employment of up to 600 people**. The collaboration with the Japanese partner will **upskill our workforce capability in producing high quality fabrics**, which will have a long-lasting impact on the Vietnamese textile industry, which has been traditionally associated with low quality fabrics.

68 buildings are LEED certified in Vietnam, only around 14 are within the garment industry

Navis + Saitex are aiming for the Mill building to be **Gold LEED certified**, which is unique to Vietnam and their garment industry. 100% of the steam purchased will be produced from renewable energy sources, with **30% (or 6,000 Tonnes) of the fuel coming from sludge** from the Industrial Park effluent wastewater treatment plant, which would otherwise be disposed to landfill, and the remainder coming from waste by-products from the agricultural industry (coconut shells or rice husks. 10% of the site's electricity will be replaced with **roof-top solar panels (3MW capacity)**. The Mill will use **4,000 to 6,000 cubic metres of grey water per day**, which will be sourced from the Industrial Park and treated by Saitex prior to use. Other initiatives include energy efficient equipment, use of non-hazardous chemicals, utilising 'Made for Order' processes and over 6,000 trees have been planted.

6,000 trees = 120,000kg of carbon adsorbed/year

Through a food-for-workforce and community program, the Mill will be building a more inclusive workforce. Almost half of the site has been allocated for agriculture to produce food for the workforce and community and will be managed by employees with a disability.

Leading in upcycling – in August 2018, we acquired 50% of Atelier & Repairs ('A&R'), a garment brand in Los Angeles, to **pioneer Saitex's upcycling or repurposing initiative for 'end-of-use', unsold or slow moving or off-specification denim garments into high end wear**. Saitex has allocated stock and provided a dedicated area to A&R (at the Saitex facilities in Vietnam), which will enable them to **increase upcycling capacity to 180,000 garments/ year** at the facilities based in Vietnam. The A&R x Saitex line in Vietnam will also help build a more inclusive workforce through a dedicated program - 'Circle of Life'. The program aims to actively employ people with disabilities, to build skills and provide meaningful jobs for them. Gap Inc, a customer of Saitex, has partnered with A&R to upcycle slow moving denim garments and be resold as premium products. Since August 2019, the partnership has **upcycled over 500 garments, and are aiming for a target of 90,000 garments/year**.

Leading practices and certifications – through various collaborations and foundations, we have established leading environmental and socially responsible practices. As a result, Saitex has been selected to participate in sustainable manufacturing programs, such as G-Star's Cradle to Cradle Certification Program and, in partnership with Gap Inc, the Jeans Redesign challenge by the Ellen McArthur Foundation and is doing its own internal LCA (Life Cycle Assessment). Saitex has also been awarded various global certifications:

- **B-Corp certified** - Saitex scored **105.6, significantly above the required score of 80** and median score of ordinary businesses of 66.8. Saitex is the only large scale denim manufacturer, and the only apparel factory headquartered in Asia to become B-Corp certified.
- **Fairtrade** - Saitex currently donates **1% through the Fairtrade premium, raising US$250,000 for social projects** for the employees. Initial ideas include kindergartens and a community pool. In future, Saitex aims to increase the premium to 2% and have all brands be part of Fairtrade.

Navis + Saitex initiatives to support a shift to circular and leading environmentally and socially responsible practices has resulted in financial recognition from a new and growing customer base. A widening portfolio of sustainability aligned brands are now choosing to manufacture at Saitex (70% of Saitex's business), with total sales in 2019 of more than US$65M from sustainability focused brands. Employment has increased from 3,600 employees to 4,300. With growing consumer awareness, the economics of sustainability in the fashion industry can no longer be ignored. All Saitex customers are drawn to its DNA, beyond social and environmental impact, and it is our firm conviction that 'closing the loop' is the future of both Saitex and the garment industry. For more information on Saitex's social and environmental highlights, please see the following video.

Executive Summary - Hexaware, an Indian company (listed on the Bombay Stock Exchange and National Stock Exchange of India) established in 1990 in Navi Mumbai, delivers Information Technology (IT), Business Process Outsourcing (BPO) and consulting services to over 200+ clients worldwide. It employs more than 16,000 employees, generates USD$600+ million in annual revenues and operates multiple Global Delivery Centers in the Americas, EMEA and Asia Pacific. Employee welfare and safety ultimately shape the company's overall ESG strategic plan from the physical workplace environment to employee recruitment and retention to Corporate Social Responsibility (CSR) related programs and activities.

ESG efforts - Since 2013, BPEA and Hexaware have been working together to implement ESG initiatives and over the years has made great strides. BPEA strives to create value and growth with a disciplined and comprehensive methodology and program for transformational change, also covering areas such as governance, social and environment factors. Hexaware's spend on CSR has been increasing year on year and in 2018 this had amounted to INR 90.5M, an increase of 29% compared to 2017.

On the **environmental** front, the company has made significant efforts to employ renewable energy to minimize carbon footprint and increase water efficiency.

Increase water efficiency through water and wastewater management	Consumption of water at Hexaware is only for domestic purposes as it is a service industry. The total amount of rainwater collected in 2018 was 9 KL. No wastewater is discharged from the premise. Following initiatives are taken up within the campus for conserving water: Rainwater harvesting pits are installed around the periphery (rainwater harvesting for 60% of -runoff from roof areas); Provision of rainwater collection sumps are built (100 KL in Chennai campus and 500 KL in Pune campus) to collect surface run off and use for future; Water as a resource is conserved to minimize dependence on municipal and bore water (Chennai campus is a zero-water discharge zone); Wastewater generated from the Sewage Treatment Plant (STP) is used for gardening and flushing purposes. In 2018, the 52688 KL wastewater was generated from the STP; Water efficient fixtures are installed (use water efficient plumbing fixtures whose flow rates are 20% lower than regular fixtures thereby saving water consumption); and, 100% of water used is recycled in Chennai Campus. There is no discharge of untreated water in the drains. The recycled water is stored and reused for flushing in toilets and in horticulture activities
Employ renewable energy to minimize carbon footprint	Installed 220kW rooftop solar in Siruseri Camus generating 3.17million kWh of power in 2017 and avoiding 190 tons of carbon dioxide emissions. Acquired wind energy accounting for 40% of total energy used (8.4million units in 2017) Utilized low capacity air cooled screw chillers after office hour's saving 300,000 units during 2017
Awarded LEED Platinum Rating	Pune Campus has been awarded Platinum Rating under LEED rating systems and obtained 84 credits. The entire design of the campus was led by RSP, a premier Indian design consultancy firm and owned by BPEA. The features of this included: 33% less energy usage when compared to the base case; 56% less water consumption due to water efficient fixtures and usage of treated water; 11 % of the value of construction materials recycled; 85 % of the value of construction materials were brought / procured within 500 Miles; and, Design enables ample day light and good outdoor connectivity for the occupants.
Creating sustainable neighborhood projects	The company's programs on Clean and Safe Neighborhood ensures that the community in and around its campuses are clean and hygienic and uses environmental friendly technology to reduce the strain on non-renewable energy source. Initiatives include: installing Steel Dustbins in Millennium Business Park (MBP), changing open drainage to closed ones around Siruseri Campus, installing 50 solar powered street lamps in the MBP

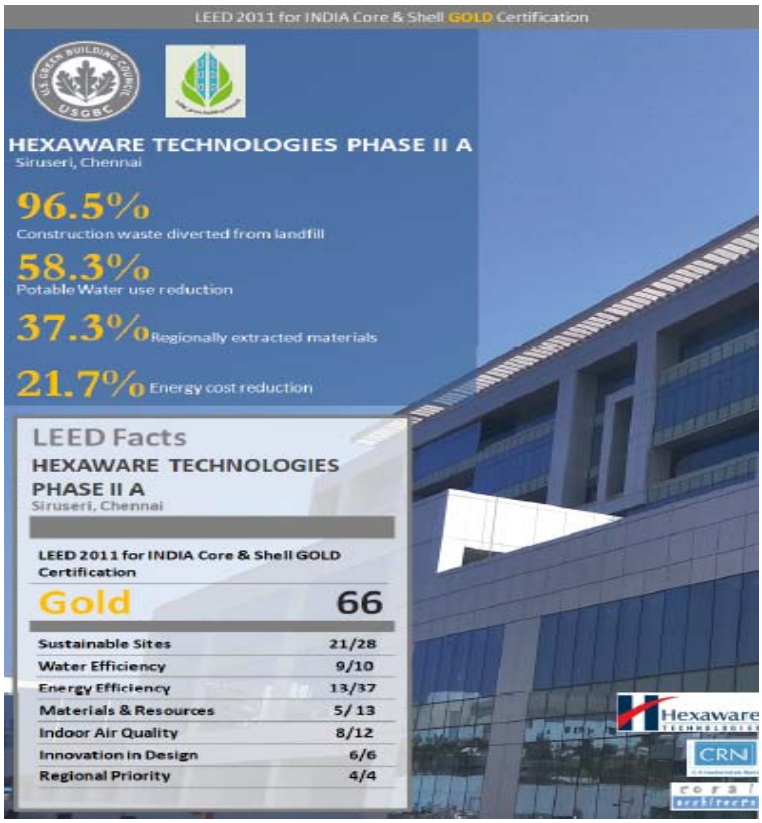
On the **Social** front, Hexaware's vision is to empower its employees and local communities with a focus of generating opportunities for individuals for a better future.

Engaging and empowering employees	Hexaware is a fair employer and has the principle of diversity and inclusion strongly embedded into the organizational culture. The company has formulated and put in place various schemes and policies to improve and enhance the quality of life of its employees. Approximately 31.05% of the workforce comprises of women. The Company has a dedicated group – W@H - (Women at Hexaware) which conducts women specific activities such as Self Defense Workshops, Women's day celebrations and parenting workshops.
Giving Back to communities	The Partnering for Social Change are CSR programs that aim to contribute towards betterment of local communities. Smile Twin e-Learning Program, one of few flagship programs the company sponsors, was started with the aim to impart employability skills to the youth from marginalized communities and improve their standard of living. Hexaware partnered with Smile Foundation to work towards sustainable development and economic upliftment of underprivileged youth. Currently, Hexaware supports three centers in Mumbai, Pune, and Chennai and targets about 300 individuals to be trained on basic management/ employability skills.

Recognition - The company has won many accolades in recognition of its efforts. Amongst these include: **Platinum LEED Rating** awarded to the company's Pune Campus, Global Peacock Award for **Excellence in Corporate Governance**, 2018, the World HRD Congress award for **Best Corporate Social Responsibility Practices**, the World HRD Congress award for **Dream Company to wo**rk for, the World HRD Congress award for **Innovative HR Practices** and the Hexaware won World HRD Congress award for **Fun at Work in** 2017.

LEED Rating System Information

Chennai Campus awarded Gold Rating under LEED rating systems (66 credits)



CSR Activities

Young Scientist India Competition

Fulfil the Kid's Wish

Pune Campus has been awarded **Platinum Rating** under LEED rating systems. It obtained **84 credits**.

Salient features of the campus:

- 33 % less energy when compared to the base case
- 56 % less water consumption due to water efficient fixtures and usage of treated water.
- 11 % of the value of construction materials recycled
- 85 % of the value of construction materials were brought / procured within 500 Miles
- Design enables ample day light and good outdoor connectivity for the occupants

Executive Summary

Mingyi Zhonghe Technology (Beijing) Co., Ltd. is an Internet solution provider focusing on the field of grassroots medical service, and regarding "All for People's Health" as mission and setting "strengthening, sharing and restructuring" as the business principle devoting to the extensive medical terminals across provinces and villages in China. Mingyizhonghe are offering terminals assistance in increasing ability of medical service, strengthening the connection between rural and urban areas, driving social sharing of medical resource and persistently constructing the Medical+Internet System.

Currently, the company's Yidebang platform, serves than 100,000 small town clinical users and is the leading Internet grassroots clinic cloud platform in China. Since 2014, the Company has built a brick-and-click network covering 12 provinces that serve 300 million population. Mingyizhonghe was founded by Mr. Qiang Jiang, an industry veteran and co-founder of WEGO Group (HKSE: 1066, Market Cap US$ 6B).

Sinovation Ventures invested into the series B financing round in 2019.

Background

The primary health institutions cover a population of 600 million people across the country, and the whole market size of primary healthcare reached RMB 360 billion. There are 400-500 types of basic drugs required in rural areas of China, which more than 90% of domestic brands are not available at all. The initial consultation rate of rural clinics in 2014 was around 68%. In September 2015, the General Office of the State Council of China issued the "Guiding on Promoting the Construction of Graded Diagnosis and Treatment System", which stating that the graded diagnosis and treatment system should be gradually improved, with high-quality medical resources provided effectively.

ESG initiatives

Final client: Clinic/hospitals in rural areas

Mingyizhonghe's key social objectives are to increase access to high quality, yet affordable healthcare services and medications to people in rural areas in China. With its platform called Yidebang, the company provides comprehensive solutions for primary medical institutions including medical education/information, medical insurance related services, medical supply chain, and medical cooperation. The Company has set up 40 operation centers, 80 cloud pharmacies, and has acquired 90k trading clinics/pharmacies by Q3 2019.

ESG Initiatives: Mingyizhonghe is the first Internet + medical startup company to focus on the rural areas in China. Mingyizhonghe has now built an ecosystem around China's most basic medical institutions. It has covered more than 150 million people from 11 provinces, 80 cities and towns, 130,000 clinics and hospitals. With the funds raised, the company continued to expand its product and service line to therapeutic plans and rural pharmacy compliance system to improve health conditions for more people especially those are poor and less educated.

Intermediate client: Agent + Company + Manager

The company built the platform connected clinic, agent and vendor to improve the efficiency of supply chain and realize the resource sharing. It aims the remoted areas through sharing managers who are individuals hired to provide medical services.

ESG Initiatives: Mingyizhonghe uses online and offline resources to help agents carry out drug variety promotion and charge service fees. The company help to generate employment opportunities in local areas where is mostly neglected by national hospital chains. For example, the company hires local distribution service companies to deliver medical equipment and drug. In this way, it further realizes that its decisions can have an enormous impact on communities and then aim to make a positive transformative impact on the local communities it operates in.

Executive Summary

Founded in April 2016, Waterdrop Inc. is the leading provider of personal healthcare funding solutions in China, and the pioneer in internet health insurance sector. The Company's mission is to protect the health of thousands of millions of families, and to support their needs both financially and medically. Currently, Waterdrop Inc. serves more than 270 million unique paid users through its "Waterdrop Crowdfunding" (severe illness crowdfunding), "Waterdrop Mutual" (mutual aid), and "Waterdrop Insurance Mall" (insurance brokerage) three business lines. Waterdrop can successfully meet the needs of a diversified user base which covers the entire social class spectrum. Operated on the WeChat ecosystem, Waterdrop has built a closed loop medical payment ecosystem. The company can provide mass population with pre-illness backup and post-illness support solutions through mobile platform, helping the mass market especially the low-income, marginalized and needed population establishing their own comprehensive personal healthcare support network.

Background

China's healthcare insurance system is not developed well enough, and many families forced to use their savings to pay for their medical expenses. There are many incidences that families deplete all their savings to pay for an unexpected severe illness. Therefore, the society in need of a solution for the severe illness funding, which is all catering to China's current situation. Sinovation Ventures participated in the company's series A financing round in 2017 and series B financing round in 2019. We are very pleased to see the positive efforts of Waterdrop Inc. to solve social problems and we, through our funding into alike companies, help these companies to expand and improve its business to let more people benefit from them.

ESG Impact

The Waterdrop Mutual (mutual aid)

Description: Waterdrop Mutual is a mutual aid community founded by CEO Shen Peng. If a member of the community suffers severe illness or injured/killed in an accident, he/she can receive up to RMB 300,000 medical or financial aid. The risks are shared evenly among all the community members.

Contribution: Waterdrop Mutual has funded more than 2,500 families with over RMB 350 million.

The Waterdrop Crowdfunding (severe illness crowdfunding)

Description: Patients or their families can raise request for financial aids for the treatment of severe illnesses through the company's platform. The request is forwarded to the online social platform so as to receive donations from the general public.

Contribution: The company pioneered in zero service charges for online fundraising for serious illness. By September 2019, the cumulative fundraising amount exceeded RMB 23 billion, providing timely help to more than 1.4 million patients with financial difficulties.

The Waterdrop Insurance Mall (insurance brokerage)

Description: Waterdrop Insurance Mall provides selected health insurance products and is a licensed insurance broker. It partnered with dozens of insurance companies and launched several innovative insurance products. For the same type of products, the waterdrop only select 1-2 types of high value for money, allowing users to spend least time to find the most suitable insurance policy.

Contribution: Waterdrop Insurance pioneered in the concept of allowing return of the insurance premium at any time. This policy is initially applied to part of the insurance product, and will gradually applied to all products available. It will give more flexibility to people who purchase insurance, breakaway from traditional way of selling insurance.

ESG Award of Excellence Contest 2019 Submission:

Ascendent Capital Partners Portfolio Company/ China Automation Group

China Automation Group ("CAG" or the "Company") is the largest integrated solutions provider of safety and critical control systems, the largest domestic manufacturer of control valves in the petrochemical industry, and a qualified suppliers of engineering design and EPC general contractor in China. CAG operates its businesses under two main subsidiaries: Wuzhong Instrument ("WI"), a valve and flow control device manufacturer based in Ningxia Province, and Consen Group ("Consen"), a process control system integrator based in Beijing.

Ascendent Capital Partners's ("ACP") investment included a number of ESG initiatives ranging from investment in clean casting facilities to focusing on new product lines of environmental protection. They have resulted in job creation for under development ethnic minorities of China, at the same time reducing pollution to the local area, and improving safety and environmental records of its downstream industries.

Job Creation in Developing Province

Ningxia Province in one of the five ethnic autonomous regions in China with the largest concentration of ethnic Hui (Muslim) and a diverse number of other ethnic minority groups. Based in the north-west of China, Ningxia's tradition economy heavily depends on agriculture, farming, and mining, and is under developed with the 2nd lowest GDP out of China's 31 provinces. Founded in 1959, WI relocated to the city of Wuzhong in Ningxia Province in 1965. Wuzhong has a population of 1.4 million and an average annual disposal income of RMB 27,478 (US$ 3,925).

Working with the local government and with ACP's guidance, WI started a RMB 3bn (US$ 430m) investment project to expand its assembly facilities. Complete with stage I of the project, WI currently has over 1,200 employees, a significant increase from 927 at the end of 2016, and among whom over 30% are ethnic minorities. The employee average salary in 2018 is around RMB 100,000 (US$ 14,286). WI also provides valuable technical training to local graduates which would increase their expected income even if they leave the company. When all phases of the project are completed, WI is expected to increase the yearly capacity to 200 thousand control valves from less than 40 thousand. The resulted supply chain expansion is expected to cultivate another 30 upstream small and median sized enterprises, and, together with WI, is expected to create over 10,000 local employment opportunities.

Implemented Strict Pollution Control Measures

WI has a casting plant which supplies all of its metal structural parts. Built in the early 2000's, the factory was located in an area which has become part of the city center as the city grew. The melting, casting, and heat treatment facilities give out sound and heat pollution and produce water and solid wastes. The factory is constrained in its ability to meet the increasing environmental standards given its location and could cause a serious threat to local communities if an accident would happen.

With ACP's guidance and working with the local government, WI started a project to relocate the casting facilities to a location that is 20kms outside of the city. The investment would also upgrade the facility to achieve the highest national environmental standards: (1) Recycled waste water (zero emission); (2) Minimum waste gas and dust under national criterion (density < 100mg/m^3); (3) Production noise under national criterial (noise < 60 db); (4) Recycled solid waste.

HKVCA ESG Award of Excellence 2019 – Submission by CVC Capital Partners

Company Background

In November 2014, Funds advised by CVC Asia acquired a 50% stake in Arteria Networks Corporation ("Arteria" or the "Company") in partnership with Marubeni Corporation, a large Japanese trading conglomerate . Arteria is headquartered in Tokyo and is a leading provider of broadband connectivity and network solutions to medium-to-large corporations in Japan. The Company is one of four telecom operators in Japan with a nationwide fibre network infrastructure, and operates two key data centres located in Tokyo (Com Space 1 and Com Space 2) which together occupy ~13,000 sqm of total floorspace. The Company generated sales of JPY 49.2bn in the fiscal year ending March 2019. Arteria successfully listed on the Tokyo Stock Exchange in December 2018, and CVC Asia fully exited its position in March 2019.

ESG initiatives

The exponential growth of internet traffic and the proliferation of internet-connected devices has led to significant demand for data centres to process and store this data. Data centres operate 24/7 and 365-days a year without disruption, and contains servers, storage units and other devices which need to be maintained in cool temperatures, and therefore consumes a large amount of power. According to Yale Environmental 360, data centres today "eat up more than 2 percent of the world's electricity and emit roughly as much CO_2 as the airline industry".

As a result, we were very focused from the beginning of the investment on developing initiatives to reduce energy consumption and the carbon footprint of Arteria's data centres. Working with management, we implemented the following measures during our investment period:

- Installation of more energy efficient air conditioning units
- Manually managed the air conditioning systems to avoid inefficient usage
- Switching to electricity supplier with lower CO_2 emissions
- Replace old servers with more energy efficient servers
- Installation of power usage monitoring systems
- Installation of LED lighting
- Shutting down of computers when not in use
- Regular staff training to increase awareness

As part of a multi-year air conditioning replacement program, Arteria allocated a meaningful portion of its capital expenditure budget each year to upgrade its air conditioning system at these two sites.

As a result, between FY15 and FY18, the Company managed to cut the total CO_2 emission from its data centres by more than 35%, from 20,425 tCO2e to 13,108 tCO2e. The table below shows the sources of the CO_2 reduction for each DC:

COMSPACE 1 (tCO2e)	**FY15**	**FY16**	**FY17**	**FY18**	**% chg (15-18)**
Power received	4,582	4,155	3,654	3,239	-29.3%
- For racks	2,748	2,473	2,308	3,239	-23.9%
- For air conditioning	1,493	1,260	1,012	870	-41.8%
- Others (e.g. lighting)	340	422	333	277	-18.6%
COMSPACE 2 (tCO2e)	**FY15**	**FY16**	**FY17**	**FY18**	**% chg (15-18)**
Power received	15,843	14,735	14,173	9,869	-37.7%
- For racks	7,521	6,898	6,979	5,013	-33.3%
- For air conditioning	6,507	6,040	5,428	3,611	-44.5%
- Others (e.g. lighting)	1,814	1,797	1,766	1,227	-32.4%