



KEPPEL CREDIT

SFDR Website Disclosure Documents



Introduction

Regulation (EU) 2019/2088 of the European Parliament, also known as the Sustainable Finance Disclosure Regulation (“**SFDR**”), is a European regulation introduced to improve transparency in the market for sustainable investment products, to prevent greenwashing and to increase transparency around sustainability claims made by financial market participants. The SFDR came into effect in March 2021.

The SFDR was further supplemented by the issue of the Commission Delegated Regulation (EU) 2022/1288 and Commission Delegated Regulation (EU) 2023/363, known as the SFDR Regulatory Technical Standards (“**SFDR RTS**”). The SFDR RTS was introduced to provide further clarity on disclosure requirements for financial market participants, advisors and their related financial products. The SFDR RTS came into effect in January 2023.

Keppel Credit Fund Management Pte. Ltd. (“**KCFM**”) is the fund manager for the Keppel Private Credit Fund III (“**Fund III**”). Fund III is an Article 8 compliant fund under the SFDR.

This document is published in accordance with the SFDR requirements, with respect to the first reference period starting from the initial closing date for Fund III and ending on 31 December of the same year.

SFDR Article 3

SUMMARY OF REQUIREMENT

Article 3 of the SFDR requires financial market participants to publish on their websites information about their policies on the integration of sustainability risks in their investment decision-making.

‘Sustainability risk’ is defined in the SFDR as an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment.

SATISFACTION OF REQUIREMENT

KCFM is firmly committed to active ESG management. KCFM acknowledges that sustainability risk can take many different forms and when left unmonitored and unmitigated, can potentially result in material business and financial impact. To that end, KCFM believes that sustainable business practices and effective corporate governance is core to generating long term value for investors, employees and stakeholders. As a responsible investor focused on downside risk protection, consideration of such ESG factors is consistent with KCFM’s goal of delivering optimal risk-adjusted returns. As a discretionary manager of capital from global institutions, KCFM is committed to conduct its business activities in compliance with the requirements of its investors and seeks to invest in companies or projects that demonstrate ethical and sustainable environmental, social and governance (“**ESG**”) practices.

In line with its beliefs, KCFM has developed and implemented a comprehensive ESG policy (“**KCFM ESG Policy**”), which was formulated based on elements from internationally recognized frameworks.

As part of the Keppel Group, KCFM’s governance practices are also aligned with the Keppel Group policies, which serve to further supplement and strengthen the KCFM ESG Policy.

In accordance with the KCFM ESG Policy and the Keppel Group policies, KCFM is required to systematically identify, assess and continuously monitor the different types of sustainability risks arising from each investment across the life of the investment, from the original inception of the deal, until the eventual final exit. The policy seeks to integrates such sustainability considerations in every stage of the investment cycle, to ensure that sustainability issues are given equal importance as credit considerations and form a core part of the investment decision making process. The extent to which the KCFM ESG Policy is embedded within the investment framework is illustrated in the table below:

Investment cycle	ESG process
Origination	<ul style="list-style-type: none"> ▪ Exclusion List. KCFM will not knowingly invest in companies that engage in certain restricted activities that have adverse impacts on sustainability factors as specified in an “Exclusion List”. Such activities include forced labour, child labour, trade in weapons, trade in wildlife, commercial logging, marine fishing, thermal coal mining, non-IMO compliant shipping activities etc.
Pre-Screening	<ul style="list-style-type: none"> ▪ Initial ‘Red flag’ Review. KCFM will conduct an initial review of ESG issues based on the initial information received to identify any early red flags. ▪ Initial ESG Risk Rating. KCFM will apply a 5-step assessment based on international practices to determine an appropriate Initial Risk Rating for the deal.
Initial Due Diligence	<ul style="list-style-type: none"> ▪ Comprehensive ESG Due Diligence. KCFM will conduct comprehensive ESG due diligence (“ESGDD”) on all potential investments to screen, identify and assess the relevant sustainability risks. The investment team will request for and review relevant ESG policies and materials from borrowers.

	<ul style="list-style-type: none"> ▪ Final ESG Risk Rating. Post-due diligence, KCFM will reassess the Initial ESG Risk Rating and apply a thorough 5-step risk assessment and categorization process based on international practices to determine an appropriate Final Risk Rating. Such rating which will guide the subsequent approach.
Final Due Diligence & Closing	<ul style="list-style-type: none"> ▪ Enhanced ESG Due Diligence. Investments with a higher risk rating will be subjected to an Enhanced ESGDD process, which may include a requirement for an independent ESDD report, an E&S Corrective Action Plan and additional evidence that certain sources of risk have been addressed. ▪ ESG Legal Clauses. KCFM requires borrowers to agree to relevant E&S provisions within the loan documentation, including material E&S incident reporting, annual ESG reporting and if applicable, ESG-related conditions precedent/subsequent.
Portfolio Monitoring	<ul style="list-style-type: none"> ▪ ESG Performance Monitoring. KCFM regularly monitors its borrowers' operational and E&S performance. KCFM also has regular dialogues with borrowers and provides advice on ESG matters where relevant.
Reporting	<ul style="list-style-type: none"> ▪ Investor Reporting. KCFM regularly reports on ESG matters to its investors on a quarterly basis. Any material ESG incidents that KCFM is aware of will also be communicated in a timely fashion, and typically in advance of the scheduled investor reporting.
Exit Management	<ul style="list-style-type: none"> ▪ In unique and materially adverse cases where a portfolio company is no longer aligned with the KCFM ESG policy, KCFM may seek to exit the investment in an optimal and timely fashion.

SFDR Article 4

SUMMARY OF REQUIREMENT

Article 4 of the SFDR requires financial market participants to publish and maintain on their websites:

- where they consider principal adverse impacts of investment decisions on sustainability factors, a statement on due diligence policies with respect to those impacts, taking due account of their size, the nature and scale of their activities and the types of financial products they make available; or
- where they do not consider adverse impacts of investment decisions on sustainability factors, clear reasons for why they do not do so, including, where relevant, information as to whether and when they intend to consider such adverse impacts.

‘Sustainability factors’ is defined in the SFDR as environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

For financial market participants that elect to consider the principal adverse impacts of its investment decisions on sustainability factors, Articles 4-12 and Annex I of the SFDR RTS further prescribe the manner in which such disclosure is to be made and a list of mandatory and optional ‘principal adverse sustainability indicators’ (“**PAIs**”) with which financial market participants should use to assess the adverse impacts of their investment decisions.

SATISFACTION OF REQUIREMENT – NO CONSIDERATION OF ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

KCFM does not consider principal adverse impacts of investment decisions on sustainability factors to the full extent required in the SFDR RTS.

As a private credit fund manager investing primarily in private markets in Asia, KCFM faces several challenges in procuring and reporting on all the mandatory PAI data points prescribed by the SFDR RTS, as described below:

- KCFM primarily provides debt financing to companies. As a lender, it does not hold any shareholder equity, nor does it exert any board or operational control over its borrowers. While it can encourage borrowers towards more sustainable practices, it has limited ability to dictate the borrower’s collection and monitoring of specific PAIs.
- KCFM invests in a wide range of target infrastructure sectors, across a range of different jurisdictions and across companies in varying stages of growth. Given the diversity of its borrower base, it is challenging to implement a one-size-fits-all approach in relation to ESG data collection.
- KCFM operates primarily in the private markets, for which transaction and borrower confidentiality is paramount. It is often bound by strict confidentiality requirements, which restricts its ability to fully and publicly disclose borrower’s private data.

Notwithstanding the above challenges, KCFM is fully aware of the importance of such considerations and has taken active steps towards greater transparency in sustainability reporting. KCFM currently requests for its borrowers to report on a wide range of both qualitative and quantitative ESG data indicators on an annual basis, to the extent that such data is available and already monitored by its investee companies. The annual reporting form covers a number of topics such as GHG emissions, water and energy consumption, workplace safety, staff gender diversity and exposure to political and ESG-sensitive sectors. Such reporting requirements partially cover the mandatory and optional PAIs as prescribed in the SFDR RTS, but does not cover all of them. Going forward, KCFM will continue to monitor its approach towards sustainability reporting and seek to improve on its practices further.

SFDR Article 5

SUMMARY OF REQUIREMENT

Article 5 of the SFDR requires financial market participants to include in their remuneration policies information on how those policies are consistent with the integration of sustainability risks and publish such information on their websites.

SATISFACTION OF REQUIREMENT

KCFM employs a performance-based remuneration system which measures performance based on several key performance indicators (“**KPI**”). Such KPIs include overall group financial and non-financial performance, company financial and non-financial performance and individual employee financial and non-financial performance. Contribution and compliance towards the organization’s sustainability goals carries a material fixed weighting in both KCFM’s as well as the individual employee’s overall KPI scorecard.

SFDR Article 10

SUMMARY OF REQUIREMENT

Article 10 of the SFDR requires Article 8 compliant financial market participants to publish and maintain on their websites:

- a description of the environmental or social characteristics or the sustainable investment objective;
- information on the methodologies used to assess, measure and monitor the environmental or social characteristics or the impact of the sustainable investments selected for the financial product, including its data sources, screening criteria for the underlying assets and the relevant sustainability indicators used to measure the environmental or social characteristics or the overall sustainable impact of the financial product;
- the information referred to in SFDR Article 8; and
- the information referred to in SFDR Article 11.

Articles 23-36 of the SFDR RTS further prescribe the manner in which such disclosure is to be made.

SATISFACTION OF REQUIREMENT – SUSTAINABILITY RELATED DISCLOSURES

A. Summary

No sustainable investment objective

Fund III promotes environmental or social characteristics but does not have as its objective sustainable investment.

Promotion of E&S characteristics

Fund III seeks to promote environmental and social characteristics through the following:

- **Exclusion List.** Fund III will not knowingly invest in companies that engage in certain restricted activities that have adverse impacts on sustainability factors as specified in an “Exclusion List”. Such activities include forced labour, child labour, trade in weapons, trade in wildlife, commercial logging, marine fishing, thermal coal mining, non-IMO compliant shipping activities etc. Please refer to the KCFM ESG Policy for the full Exclusion List.
- **Robust ESG practices.** Fund III will seek to invest only in companies or projects that positively demonstrate ethical and sustainable environmental, social and governance (“**ESG**”) practices, as verified through the comprehensive ESGDD requirements under the KCFM ESG Policy.
- **Contribution towards UN SDGs.** As an infrastructure-focused private credit fund operating primarily in Asia, Fund III seeks to invest funds in companies that contribute to the UN Sustainable Development Goals (“**UN SDGs**”) where possible.

Through the Keppel group, KCFM is also a signatory to the United Nations Principles for Responsible Investment (“**UNPRI**”) and committed to promote the six responsible investing principles under the UNPRI.

Fund III aims to allocate a minimum of 75% of its investments to assets that meet the environmental or social characteristics promoted. The remaining 25% allocation represents the need for Fund III to hold non-eligible assets from time to time, such as cash, deposits, derivatives, money market instruments or other liquid investments, as well as provides for unique situations where Fund III may hold investments that are not fully in line with the binding elements of the investment strategy due to extenuating circumstances (for example, if there is a sudden and unexpected change in the borrower’s political and business environment beyond the borrower or KCFM’s control).

Fund III has not designated a reference benchmark for the purpose of attaining the environmental and social characteristics promoted.

Sustainability indicators to measure the attainment of E&S characteristics

With regard to the Exclusion List, Fund III, through KCFM, will ensure that the fund does not make investments in companies that engage in any of the business activities specified under the Exclusion List.

With regards to robust ESG practices, the KCFM ESG policy broadly organizes sustainability risks as either environmental, social or governance related in nature, and further identifies the following risk sub-categories:

- Environmental risks
 - Biodiversity
 - Environmental, health and safety (including pollution)
- Social risks
 - Labour and working conditions
 - Community health
 - Land acquisition and involuntary resettlement
 - Indigenous peoples
 - Cultural resources
- Governance risks
 - Governance structures
 - Sanctions
 - Bribery, corruption and criminal conduct

Fund III, through KCFM, will assess the adequacy of its investee companies’ sustainability practices with reference to their performance under each of the abovementioned sustainability indicators.

Monitoring and due diligence

Fund III is managed by KCFM in accordance with the KCFM ESG Policy. Fund III’s investment strategy and corresponding sustainability framework will be implemented in close integration with the KCFM ESG Policy, as illustrated in the table below.

Investment cycle	ESG process
Origination	<ul style="list-style-type: none"> ▪ Exclusion List. KCFM will not knowingly invest in companies that engage in certain restricted activities that have adverse impacts on sustainability factors as specified in an “Exclusion List”. Such activities include forced labour, child labour, trade in weapons, trade in wildlife, commercial logging, marine fishing, thermal coal mining, non-IMO compliant shipping activities etc.
Pre-Screening	<ul style="list-style-type: none"> ▪ Initial ‘Red flag’ Review. KCFM will conduct an initial review of ESG issues based on the initial information received to identify any early red flags. ▪ Initial ESG Risk Rating. KCFM will apply a 5-step assessment based on international practices to determine an appropriate Initial Risk Rating for the deal.
Initial Due Diligence	<ul style="list-style-type: none"> ▪ Comprehensive ESG Due Diligence. KCFM will conduct comprehensive ESG due diligence (“ESGDD”) on all potential investments to screen, identify and assess the relevant sustainability risks. The investment team will request for and review relevant ESG policies and materials from borrowers. ▪ Final ESG Risk Rating. Post-due diligence, KCFM will reassess the Initial ESG Risk Rating and apply a thorough 5-step risk assessment and categorization

	process based on international practices to determine an appropriate Final Risk Rating. Such rating which will guide the subsequent approach.
Final Due Diligence & Closing	<ul style="list-style-type: none"> ▪ Enhanced ESG Due Diligence. Investments with a higher risk rating will be subjected to an Enhanced ESGDD process, which may include a requirement for an independent ESDD report, an E&S Corrective Action Plan and additional evidence that certain sources of risk have been addressed. ▪ ESG Legal Clauses. KCFM requires borrowers to agree to relevant E&S provisions within the loan documentation, including material E&S incident reporting, annual ESG reporting and if applicable, ESG-related conditions precedent/subsequent.
Portfolio Monitoring	<ul style="list-style-type: none"> ▪ ESG Performance Monitoring. KCFM regularly monitors its borrowers' operational and E&S performance. KCFM also has regular dialogues with borrowers and provides advice on ESG matters where relevant.
Reporting	<ul style="list-style-type: none"> ▪ Investor Reporting. KCFM regularly reports on ESG matters to its investors on a quarterly basis. Any material ESG incidents that KCFM is aware of will also be communicated in a timely fashion, and typically in advance of the scheduled investor reporting.
Exit Management	<ul style="list-style-type: none"> ▪ In unique and materially adverse cases where a portfolio company is no longer aligned with the KCFM ESG policy, KCFM may seek to exit the investment in an optimal and timely fashion.

B. No sustainable investment objective

Fund III promotes environmental or social characteristics but does not have as its objective sustainable investment.

C. Environmental or social characteristics of the financial product

Fund III is managed by KCFM in accordance with the KCFM ESG Policy. Fund III seeks to promote environmental and social characteristics through the following:

- **Exclusion List.** Fund III will not knowingly invest in companies that engage in certain restricted activities that have adverse impacts on sustainability factors as specified in an "Exclusion List". Such activities include forced labour, child labour, trade in weapons, trade in wildlife, commercial logging, marine fishing, thermal coal mining, non-IMO compliant shipping activities etc. Please refer to the KCFM ESG Policy for the full Exclusion List.
- **Robust ESG practices.** Fund III will seek to invest only in companies or projects that positively demonstrate ethical and sustainable environmental, social and governance ("**ESG**") practices, as verified through the comprehensive ESGDD requirements under the KCFM ESG Policy
- **Contribution towards UN SDGs.** As an infrastructure-focused private credit fund operating primarily in Asia, Fund III seeks to invest funds in companies that contribute to the UN Sustainable Development Goals ("**UN SDGs**") where possible.

Through the Keppel group, KCFM is also a signatory to the United Nations Principles for Responsible Investment ("**UNPRI**") and committed to promote the six responsible investing principles under the UNPRI.

Fund III has not designated a reference benchmark for the purpose of attaining the environmental and social characteristics promoted.

D. Investment strategy

What is the investment strategy used to meet the environmental or social characteristics promoted by the financial product?

Fund III's investment strategy and principal objective is to deliver attractive risk-adjusted returns to its investors, through the creation of an appropriately diversified portfolio of private credit instruments. In seeking to achieve the objective, Fund III will be guided by certain parameters ("**Investment Parameters**") to be applied for assessing individual investments. The Investment Parameters are summarised below:

- **Target Sectors.** Fund III will primarily target companies with infrastructure-like characteristics in the real assets sectors, including renewable energy infrastructure, transport & O&M infrastructure, industrials and logistics infrastructure, digital infrastructure, environmental infrastructure, energy and natural resources infrastructure, social infrastructure and other infrastructure-adjacent sectors.
- **Target Markets.** Fund III is focused on the Asia-Pacific region (including the Middle East) with carveouts for other geographies.
- **Target Deal Size.** Fund III will generally target average deal sizes of between US\$30 million to US\$150 million.
- **Target Deal Structure.** Fund III will primarily invest in private credit instruments, including but not limited to stretched senior debt, subordinated debt, junior debt (e.g. second lien debt, high yield bonds), structured equity (e.g. convertible bonds, preference shares), share financing and equity bridge facilities.
- **Target Risk Profile.** Fund III will seek to invest in debt instruments issued by or related to private and public mid-cap companies which exhibit attractive underlying key characteristics.

Fund III is managed by KCFM in accordance with the KCFM ESG Policy. Fund III's investment strategy will be implemented in close integration with the KCFM ESG Policy, as illustrated in the table below.

Investment cycle	ESG process
Origination	<ul style="list-style-type: none"> ▪ Exclusion List. KCFM will not knowingly invest in companies that engage in certain restricted activities that have adverse impacts on sustainability factors as specified in an "Exclusion List". Such activities include forced labour, child labour, trade in weapons, trade in wildlife, commercial logging, marine fishing, thermal coal mining, non-IMO compliant shipping activities etc.
Pre-Screening	<ul style="list-style-type: none"> ▪ Initial 'Red flag' Review. KCFM will conduct an initial review of ESG issues based on the initial information received to identify any early red flags. ▪ Initial ESG Risk Rating. KCFM will apply a 5-step assessment based on international practices to determine an appropriate Initial Risk Rating for the deal.
Initial Due Diligence	<ul style="list-style-type: none"> ▪ Comprehensive ESG Due Diligence. KCFM will conduct comprehensive ESG due diligence ("ESGDD") on all potential investments to screen, identify and assess the relevant sustainability risks. The investment team will request for and review relevant ESG policies and materials from borrowers. ▪ Final ESG Risk Rating. Post-due diligence, KCFM will reassess the Initial ESG Risk Rating and apply a thorough 5-step risk assessment and categorization process based on international practices to determine an appropriate Final Risk Rating. Such rating which will guide the subsequent approach.
Final Due Diligence & Closing	<ul style="list-style-type: none"> ▪ Enhanced ESG Due Diligence. Investments with a higher risk rating will be subjected to an Enhanced ESGDD process, which may include a requirement

	<p>for an independent ESDD report, an E&S Corrective Action Plan and additional evidence that certain sources of risk have been addressed.</p> <ul style="list-style-type: none"> ▪ ESG Legal Clauses. KCFM requires borrowers to agree to relevant E&S provisions within the loan documentation, including material E&S incident reporting, annual ESG reporting and if applicable, ESG-related conditions precedent/subsequent.
Portfolio Monitoring	<ul style="list-style-type: none"> ▪ ESG Performance Monitoring. KCFM regularly monitors its borrowers' operational and E&S performance. KCFM also has regular dialogue with borrowers and provides advice on ESG matters where relevant.
Reporting	<ul style="list-style-type: none"> ▪ Investor Reporting. KCFM regularly reports on ESG matters to its investors on a quarterly basis. Any material ESG incidents that KCFM is aware of will also be communicated in a timely fashion, and typically in advance of the scheduled investor reporting.
Exit Management	<ul style="list-style-type: none"> ▪ In unique and materially adverse cases where a portfolio company is no longer aligned with the KCFM ESG policy, KCFM may seek to exit the investment in an optimal and timely fashion.

What is the policy to assess good governance practices of the investee companies?

Fund III is managed by KCFM in accordance with the KCFM ESG Policy. As discussed in previous sections, the KCFM ESG Policy prescribes a comprehensive ESGDD framework to assess and ensure that investee companies are equipped with good governance practices.

As part of the Keppel Group, Fund III's governance practices are also aligned with the Keppel Group policies, which serve to further supplement and strengthen the KCFM ESG Policy. Such group policies include:

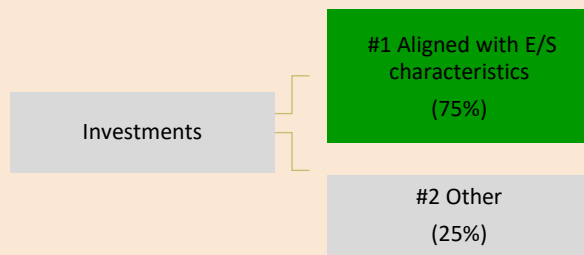
- Keppel Corporation Board Diversity Policy
- Keppel Group Code of Conduct
- Keppel Group Environmental Sustainability Policy
- Keppel Group Global Anti-Bribery Policy
- Keppel Group Health, Safety and Environment Policy
- Keppel Group Human Rights Policy
- Keppel Group Statement on Diversity & Inclusion
- Keppel Group Supplier Code of Conduct

E. Proportion of investments

What is the asset allocation planned for this financial product?

Fund III aims to allocate a minimum of 75% of its investments to assets that meet the environmental or social characteristics promoted, as categorised as '#1 Aligned with E/S characteristics'.

The remaining investments will be allocated under "#2 Other". The remaining 25% allocation represents the need for Fund III to hold non-eligible assets from time to time, such as cash, deposits, derivatives, money market instruments or other liquid investments, as part of overall fund management activity. While KCFM seeks to ensure that all of Fund III's investments promote environmental and social characteristics as required under the KCFM ESG Policy, the remaining 25% allocation also provides for unique situations where Fund III may hold investments that are not fully in line with the binding elements of the investment strategy due to extenuating circumstances (for example, if there is a sudden and unexpected change in the borrower's political and business environment beyond the borrower or KCFM's control).



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

How does the use of derivatives attain the environmental or social characteristics promoted by the financial product?

Not applicable. Fund III does not intend to use derivatives to attain the environmental and social characteristics promoted.

To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable. Fund III promotes environmental or social characteristics but does not have a sustainable investment objective and does not commit to a minimum proportion of sustainable investments.

What is the minimum share of investments in transitional and enabling activities?

Not applicable. Fund III promotes environmental or social characteristics but does not have a sustainable investment objective and does not commit to a minimum proportion of sustainable investments.

What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?

Not applicable. Fund III promotes environmental or social characteristics but does not have a sustainable investment objective and does not commit to a minimum proportion of sustainable investments.

What is the minimum share of socially sustainable investments?

Not applicable. Fund III promotes environmental or social characteristics but does not have a sustainable investment objective and does not commit to a minimum proportion of sustainable investments.

What investments are included under “#2 Other”, what is their purpose and are there any minimum environmental or social safeguards?

The 25% allocation under **#2 Other** represents the need for Fund III to hold non-eligible assets from time to time, such as cash, deposits or other liquid money market instruments, as part of overall fund management activity.

While KCFM seeks to ensure that all of Fund III’s investments promote environmental and social characteristics as required under the KCFM ESG Policy, the 25% allocation under **#2 Other** also provides

for unique situations where Fund III may hold investments that are not fully in line with the binding elements of the investment strategy due to extenuating circumstances (for example, if there is a sudden and unexpected change in the borrower's political and business environment beyond the borrower or KCFM's control).

F. Monitoring of environmental or social characteristics

Promotion of E&S characteristics under the Exclusion List

Fund III, through KCFM, will ensure that the fund does not make investments in companies that engage in any of the business activities specified under the Exclusion List, summarized below. For avoidance of doubt, KCFM seeks to avoid any such investments at the outset and therefore has a zero-tolerance target.

- Forced labour¹ or harmful or exploitative forms of child labour²
- Production of, or trade in, any product or activity deemed illegal under national laws or regulations of the country in which the Project is located, or international conventions and agreements, or subject to international phase out or bans, such as:
 - Production of, or trade in, products containing polychlorinated biphenyl (“PCBs”)³.
 - Production of, or trade in, pharmaceuticals, pesticides/herbicides and other hazardous substances subject to international phase outs or bans (Rotterdam Convention, Stockholm Convention)⁴.
 - Production of, or trade in, ozone depleting substances subject to international phase out (Montreal Protocol)⁵
- Trade in wildlife or wildlife products regulated under the Trade in wildlife or production of, or trade in, wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (“CITES”)⁶
- Trans boundary movements of waste prohibited under international law (Basel Convention)⁷
- Production of, or trade in, weapons and munitions, including paramilitary materials.
- Production of, or trade in, alcoholic beverages, excluding beer and wine⁸.
- Production of, or trade in, tobacco⁹.
- Gambling, casinos and equivalent enterprises¹⁰.
- Production of, trade in, or use of unbonded asbestos fibers¹¹
- Activities prohibited by legislation of the country in which the Project is located or by international conventions relating to the protection of biodiversity resources or cultural resources, such as,

¹ Forced labor means any work or service not voluntarily performed that is exacted from an individual under threat of force or penalty (including any kind of forced or compulsory labor, such as indentured labor, bonded labor or similar labor contracting arrangements, or labor by trafficked persons).

² For purposes of this List, harmful or exploitative forms of child labor means the employment of children under the age of 18 for work which by its nature or the circumstances in which it is carried out is likely to jeopardize their health, safety or morals. However, if the laws or regulations of the country in which the Project is located provide, in conformity with the International Labour Organization's Minimum Age Convention, 1973, that children at least 16 years of age may be employed for such work on condition that their health, safety and morals are fully protected and that they have received adequate specific instruction or vocational training in the relevant branch of activity, then child labor means employment of children for work that does not comply with these laws and regulations.

³ Polychlorinated biphenyls are a group of highly toxic chemicals. PCBs are likely to be found in oil filled electrical transformers, capacitors and switchgear dating from 1950 to 1985.

⁴ United Nations Consolidated List of Products whose Consumption and/or Sale have been Banned, Withdrawn, Severely Restricted or not Approved by Governments; Convention on the Prior Informed Consent Procedures for Certain Hazardous Chemicals and Pesticides in International Trade (Rotterdam Convention); Stockholm Convention on Persistent Organic Pollutants; World Health Organization Recommended Classification of Pesticides by Hazard. A list of pharmaceutical products subject to phase outs or bans is available at <http://www.who.int>. A list of pesticides, herbicides and other hazardous substances subject to phase outs or bans is available at <http://www.pic.int>

⁵ Ozone Depleting Substances (ODSs): Chemical compounds which react with and deplete stratospheric ozone, resulting in the widely publicized “ozone holes.” The Montreal Protocol on Substances that Deplete the Ozone Layer lists ODSs and their target reduction and phase out dates. A list of the chemical compounds regulated by the Montreal Protocol, which includes aerosols, refrigerants, foam blowing agents, solvents and fire protection agents, together with details of signatory countries and phase out target dates, is available from the United Nations Environment Programme. See <http://www.unep.org/ozone/montreal.shtml>

⁶ The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). A list of CITES listed species is available from the CITES secretariat. See <http://www.cites.org>

⁷ Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, see <http://www.basel.int>

⁸ This does not apply to companies which are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to the entity's primary operations.

⁹ This does not apply to companies which are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to the entity's primary operations.

¹⁰ This does not apply to companies which are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to the entity's primary operations.

¹¹ This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%

Bonn Convention, Ramsar Convention, World Heritage Convention and Convention on Biological Diversity¹².

- Commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old growth forests.
- Production or trade in wood or other forestry products other than from sustainably managed forests.
- Marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats

Promotion of Robust ESG practices

The KCFM ESG policy broadly organizes sustainability risks as either environmental, social or governance related in nature, and further identifies the following risk sub-categories:

- Environmental risks
 - Biodiversity
 - Environmental, health and safety (including pollution)
- Social risks
 - Labour and working conditions
 - Community health
 - Land acquisition and involuntary resettlement
 - Indigenous peoples
 - Cultural resources
- Governance risks
 - Governance structures
 - Sanctions
 - Bribery, corruption and criminal conduct

Fund III, through KCFM, will assess the adequacy of its investee companies' sustainability practices with reference to their performance under each of the abovementioned sustainability indicators.

Please also refer to the table in Section D: Investment Strategy, which describes in greater detail how ESG considerations are monitored and assessed across the investment cycle.

Contribution towards UN SDGs

Fund III, through KCFM, has internally mapped the contribution of certain UN SDGs to certain infrastructure sectors. Fund III will continually monitor the extent to which its investments are directed to certain infrastructure sectors, and therefore towards the contribution of each of the UN SDGs.

G. Methodologies

Fund III, through KCFM, will monitor the environmental and social characteristics of each investment using the methodology described below:

- **At initial investment:** KCFM assesses the E&S characteristics of the borrower and collects data on a wide range of both qualitative and quantitative ESG data indicators, to the extent that such data is available. Such data is subsequently tabulated to form a baseline assessment.

¹² Convention on the Conservation of Migratory Species of Wild Animals (Bonn Convention) <http://www.cms.int/>; Convention on Wetlands of International Importance, especially as Waterfowl Habitat (Ramsar Convention) <http://www.ramsar.org/>; Convention Concerning the Protection of the World Cultural and Natural Heritage, <http://whc.unesco.org/en/conventiontext/>; Convention on Biological Diversity <https://www.cbd.int/>.

- **During portfolio monitoring.** KCFM requests for its borrowers to report on the same set of ESG data indicators on an annual basis, to the extent that such data is available and already monitored by its investee companies. With comparison against the baseline data at initial investment, such periodic data allows KCFM to assess the degree to which E&S characteristics are being advanced and promoted by each borrower across the years.
- **At final exit.** KCFM assesses the E&S characteristics of the borrower and the ESG data indicators for the final reporting period.

H. Data sources and processing

Fund III is a private credit fund which invests primarily in private markets in Asia. For private companies, ESG data will mainly be collected directly from the borrowers by the KCFM investment team. For public companies which are subject to listing disclosures, ESG data will mainly be collected from publicly available sources (e.g. annual reports) by the KCFM investment team.

Data will be processed and presented by the KCFM investment team. To the extent required, KCFM may also seek the support of external ESG consultants, or existing partners such as the multilateral development bank AIIB, which has global leadership and significant expertise in the field of sustainability.

As KCFM will be collecting and using data reported directly from its investee companies, any data estimation is expected to be minimal, restricted only to the extent that standardization across different data formats is required (e.g. FX rate conversion, metric vs. imperial measurement system).

I. Limitations to methodologies and data

As a private credit fund manager investing primarily in private markets in Asia, KCFM faces several challenges in ESG data procurement and reporting, as described below.

- KCFM primarily provides debt financing to companies. As a lender, it does not hold any shareholder equity, nor does it exert any board or operational control over borrowers. While it can encourage borrowers towards more sustainable practices, it has limited ability to dictate the borrower's collection and monitoring of ESG data.
- KCFM invests in a wide range of target infrastructure sectors, across a range of different jurisdictions and across companies in varying stages of growth. Given the diversity of its borrower base, it is challenging to implement a one-size-fits-all approach in relation to ESG data collection.
- KCFM operates primarily in the private markets, for which transaction and borrower confidentiality is paramount. It is often bound by strict confidentiality requirements, which restricts its ability to fully and publicly disclose borrower's private data.

Notwithstanding such challenges, KCFM will seek to uphold the quality and consistency of its sustainability data reporting.

J. Due diligence

Fund III is managed by KCFM in accordance with the KCFM ESG Policy.

Please refer to the table in Section D: Investment Strategy, which describes in greater detail how ESG considerations are monitored and assessed across the investment cycle, including the type of ESGDD processes required under the KCFM ESG Policy.

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K. Engagement policies

Engagement is not part of Fund III's environment or social investment strategy.

L. Designated reference benchmark
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Not applicable. Fund III has not designated a reference benchmark for the purpose of attaining the environmental and social characteristics promoted.
