

RESPONSIBLE INVESTMENT POLICY

Integrating Environment, Social and
Governance Practices



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1. Introduction

1.1. Background

Launched in 2017, Fireside Ventures is an early-stage venture fund, managing \$168 Mn of AUM, as of September 2021, with investments across the early growth stages of businesses with a focus on consumer brands. We invest in young start-ups and support them through their evolution by providing in-house resources along with a partner and advisor network. Our belief is that the consumer startups of today can leverage an intelligent ecosystem which is built upon technology, insights and new avenues of distribution. From business planning to mentorship, prototyping to testing, we recognize the specialised needs of a consumer startup. Our focus is to invest in digital-first consumer brands across sectors such as food and beverages, beauty and personal care, healthcare, nutraceuticals, and lifestyle and home products.

Since its inception, Fireside Ventures has invested in brands that include 10Club, 91 Cycles (previously known as Frog Cycles), AnKa SumMor, Azani, BluSpider (previously known as Bog Orchid), boAt, Bombay Shaving Company, Design Café, FableStreet, Fitterfly, Gynoveda, Kapiva Ayurveda, Kwik 24, Magic Crate, Mamaearth, Pilgrim, Pipa + Bella, Samosa Singh, SARVA Yoga, SLAY Coffee, Slurrrp Farm, Smytten, Tasty Tales, The Ayurveda Experience, Vahdam India, Wellbeing Nutrition, and Yoga Bar.

1.2. Purpose

At Fireside Ventures, we believe that the consideration and incorporation of material Environmental, Social and Governance (ESG) risks and opportunities, is an important driver for long-term investment returns, and creates sustainable and resilient companies that stand the test of time. Today, ESG has become a change agent and the opportunity goes far beyond compliance. At Fireside, we believe in creating long-term sustainable value in brands that do good for the people, planet, and shareholders. We take pride in investing in founders and companies that are focused on building sustainable consumer brands and while we presently cater to a finite number of founders, our vision is much greater.

“The Value of Good” is our endeavour to stay true to the principle of ‘giving back’ to the community, and we are committed to consistently incorporating it in relevant business operations and strengthening the good in consumer brands.

This Responsible Investment (RI) Policy aims to articulate Fireside Venture’s Value of Good commitment to sustainability, in a holistic manner, and outlines the approach of integrating ESG practices into the Fund.

1.3. Scope and Coverage

This RI Policy serves as a guiding framework for Fireside Venture Funds, our internal operations, our portfolio companies as well as all new investments.

2. Our Approach to Responsible Investment

2.1. ESG Considerations for the Portfolio

Fireside Ventures' current portfolio companies have showcased an inherent intent and drive to create brands that are clean, safe, and bring the 'Value of Good' to their consumers and stakeholders. Our endeavour is to continually strengthen the portfolio's impact and commit to supporting our portfolio companies to adhere to the following minimum expectations across ESG themes:

- ***Governance, business ethics and transparency:*** Sound compliance and governance systems form the backbone of a successful company. We expect portfolio companies to adhere to the highest standards of corporate governance, ethics and transparency. This is inclusive of, but not limited to, implementing all relevant policies and process such as code of conduct, grievance mechanism, anti-bribery and corruption, appropriate framework of risk management, Further, it is expected for companies to have clearly assigned responsibilities for ESG management and performance monitoring systems such as reporting across material ESG areas.
- ***Social sustainability:*** Fostering a fair, safe, inclusive, and engaging work environment is critical for an organisation's development and sustainability. We expect portfolio companies to implement practices that are inclusive of, but are not limited to, establishing a safe working environment with zero tolerance of any form of discrimination or harassment, providing training and development opportunities, promoting diversity and inclusion, and championing employee wellbeing. Furthermore, we expect our companies to give back to the community and larger society through relevant social initiatives.
- ***Environmental management:*** Building a company that is conscious of its externalities and strives towards creating positive environmental action is imperative in today's day and age. We expect strict adherence to relevant environmental regulations and associated statutory compliance requirements. We expect portfolio companies to continuously improve their environmental performance by defining and monitoring relevant Key Performance Indicators (KPIs) such as carbon footprint, energy and emissions, chemicals and water consumption, waste generation and management. Further, we are committed

towards exploring sustainable packaging alternatives alongside our portfolio companies.

- **Marketplace:** A truly sustainable company is one that promotes responsible practices across and within its value chain production to distribution. We expect portfolio companies to account for ESG considerations whilst partnering with suppliers, relevant vendors and at the time of sourcing. Further, we encourage them to engage with their primary stakeholders – customers – in an agile and responsive manner and further advocate for sustainable practices.

2.2. ESG Integration for the Fund

For Fireside Ventures, it is of utmost importance to create a brand that resonates with ESG practices and values at a global and national level – which is reflective of Value of Good.

The overall objective is to;

- a) Drive **ESG across our investments** to ensure the long-term sustainability of portfolio brands and their impact
- b) Build a **repository of knowledge and best practices** that will enable the greater good of the ecosystem

Furthermore, we understand our responsibility and hold ourselves accountable by following these principles:

- **Upholding the highest standards of corporate governance and business ethics:**
At Fireside, the tenets of transparency, accountability, responsibility and integrity are embedded in the ethos of the Company. We commit to adhering to necessary standards of governance by implementing relevant policies and processes applicable to all the nature of the business and the employees. Further, as we build our ESG maturity, we commit to adhering to the necessary processes including, but not limited to, UNPRI.
- **Creating a diverse and inclusive workplace:**
As a company, diversity and inclusion are values that we embrace and acknowledge at all levels. We commit to fostering a safe environment where the voices of all Fireside employees, irrespective of their age, gender, race, religion, sexual orientation, are welcome, heard and respected. Further, we commit to mainstreaming gender in our language, staffing and services/funding practices.
- **Minimizing our environmental footprint:**
We commit to act as change agents in the transition to a low-carbon economy. At our own operation, we strive to be mindful of our environmental footprint in ways of energy and paper consumption, emissions associated with business travel and waste generation. Further, as we progress on the ESG journey, we strive to measure, reduce and report our carbon footprint.

- **Community impact:** We strongly believe in giving back to society at large and creating a positive social impact. We commit to actively look for opportunities and partnerships by either deploying our skills, capabilities or resources to enable non-profit organisations to scale their impact.

2.3. ESG Integration in Our Investment Cycle

Our approach to ESG integration involves the systematic inclusion of ESG norms in every phase of the investment cycle. We aim to integrate ESG considerations across every activity with a customised approach that acknowledges the varying degrees of influence that the fund has over each potential investment. Annexures A and B provide greater detail.

1. **Initial Screening:** Early investment reviews through the identified excluded activities/list and ESG-related fatal flaws.
2. **Due Diligence:** Potentially material ESG risks and opportunities to be assessed with legal and financial diligence.
3. **Investment Decision:** Identify gaps against the relevant standards, and agree upon an ESG action plan through Condition Precedent (CP) & Condition Subsequent (CS) with the investee company.
4. **Active Ownership:** Engage with investee companies on an ongoing basis to address the due diligence findings and oversee ESG issues as the business grows.
5. **Follow-on Investments:** ESG risks and opportunities to be re-assessed during follow-on rounds.
6. **Exit:** To the extent possible, support our portfolio companies articulate their approach to managing and improving performance on ESG to potential buyers / investors.

3. Roles and Responsibilities

The management, implementation and monitoring of the RI Policy is governed by clearly defined roles and responsibilities across our operations;

- **Partner:** The Managing Partner will spearhead the strategic implementation of the RI Policy, and the appropriate senior management from the Fund, such as the CFO, will be responsible for overseeing the implementation of the RI Policy, as well as ensuring that all the relevant stakeholders are aware of the policy and adhere to it.
- **ESG Manager:** A dedicated senior staff member will play the role of the ESG Manager to ensure the operations of Fireside Ventures are in adherence to the RI policy, and will manage the communication of the progress to the relevant stakeholders. The ESG Manager will be in direct contact with the portfolio companies and review their performance in line with the agreed action plan.

Further, the ESG Manager will drive the Fund's strategic ESG priorities and identify opportunities for improving its own policies and practices.

- **Investment Team:** The Investment Team will be responsible for supporting the ESG Manager in coordinating and liaising with the investee companies. They are expected to be aware of the ESG risks, opportunities and progress of the companies.

4. Implementation and Governance

To implement the RI policy, Fireside Ventures is committed to:

- Investing resources and time to ensure that we adhere to our commitments;
- Providing our employees and portfolio companies with the relevant knowledge, tools and trainings to equip them on implementing the policy; and
- Leveraging our network and experience to support the implementation of our RI policy, which may include obtaining advice from external subject matter experts and advisors where required.

The RI policy will be regularly monitored and updated to incorporate changes that arise from business operations and/or evolving ESG trends. Fireside Ventures will share the RI Policy as and when required with the relevant stakeholders:

- **Employees:** Employees of Fireside Ventures will be trained on the policy at the time of induction, and all employees will receive a 'refresher' training annually.
- **Investees Companies:** At the time of investment, the RI Policy will be shared with the portfolio companies and compliance with the same will be monitored through the holding period.
- **Investors:** The RI Policy will be shared with the General and Limited Partners as per ask and/or during relevant investor conference
- **Others:** Depending on the ESG maturity in the ecosystem, Fireside will share the RI Policy on relevant platforms

5. Reporting and Disclosure

Fireside Ventures will publicly report and disclose its progress against its ESG commitments annually.

6. Annexures

Annexure A: Detailed ESG Integration

1. **Initial Screening:** The purpose of the initial screening is to understand the operations of the investee company, identify any ‘fatal flaws’ and recognize the value it can add to the portfolio of Fireside Ventures. This stage includes:
 - a. Identification: Development of an initial pre-deal ESG screening questionnaire to assess the level of the ESG maturity of the potential portfolio companies which will guide the decision to proceed with the necessary steps.
 - b. Exclusion List¹: To be more transparent in our ideology, our exclusion list will specify activities and companies that Fireside Ventures will not invest in.

2. **ESG Due Diligence:** For all investments undertaken by Fireside Ventures, an ESG Due Diligence will be conducted, in addition to a finance and legal due diligence, to analyse material ESG risks and opportunities. This entails a detailed assessment of ESG risks and assessing the company’s ESG performance against Fireside Ventures expectations and minimum standards. An ESG Due Diligence may include, but is not limited to:
 - a. Defining the boundaries of ESG due diligence (the findings of the initial screening should guide the scope);
 - b. Collection and reviewing of ESG documentation including publicly available data and documents requested from the company;
 - c. Assessing the company’s commitment, capacity and track record. These are the key indicators of a company’s ability to achieve and maintain the expected ESG performance;
 - d. Planning and conducting site visits to assess the on-ground compliance as well interact with the management and workforce; and
 - e. Analyse information and assess the level of potential ESG risk and identify areas where investment is required for further improvement, and report findings to the investment committee for further consideration.

3. **Investment Decision:** The purpose of this stage is to enable the investment committee to make an informed investment decision that incorporates ESG factors and the way forward. This includes:
 - a. Initiating interactions with the investee company to understand their perspective on the integration of ESG in their operations;
 - b. Identification of ESG gaps within the company operations with regards to applicable regulatory requirements, as well as good practices;
 - c. Agreeing on an ESG action plan for the investee company with mutually agreed commitments, as appropriate.

¹ Refer Annexure B

4. **Active Ownership:** Fireside Ventures believes that it is imperative to consistently engage with the portfolio company through the holding period and guide them on addressing the due diligence findings as well as encouraging appropriate ESG management as the company grows. During the holding period, Fireside Ventures will work with the portfolio companies to strengthen their ESG management practices, to the extent possible.

We will take an active approach towards managing ESG across our portfolio. We support portfolio companies in improving their ESG performance in the following ways:

- a. ESG is an integral part of the onboarding process post acquisition and includes assessing maturity against Fireside Ventures “Value of Good” ESG framework, setting a baseline and supporting the company in developing an appropriate action plan with agreed targets and timelines.
 - b. During ownership, we will monitor portfolio company’ performance on an on-going basis, including adherence to agreed action plans.
 - c. We will report the ESG performance of our portfolio to investors and other stakeholders annually.
 - d. We will engage with our portfolio through regular ESG related communications, events for portfolio companies to share best practice, cross-portfolio networking and by assisting the portfolio with getting external support, where needed.
5. **Follow-on Investments:** This stage consists of:
 - a. Re-assessing the ESG risks and opportunities during each follow-on round of funding.
 - b. Use new funding rounds to check for improvements and confirm that previous requirements have been fully addressed.
 - c. Include an updated ESG action plan and ESG legal clauses in new legal agreements, as appropriate.
 6. **Exit:** To the extent possible, we will support portfolio companies in demonstrating to potential investors how ESG issues are managed and sustainable value creation opportunities realized.

Annexure B: Exclusion List²

Fireside ventures will not invest in businesses that are directly engaged or involved in the following activities:

1. Arms and defense (not including the production or sale of technology, services or products (other than actual armaments/weapons) that are primarily intended

² ****This Exclusion List has been prepared with the support of the information shared by Fireside Ventures as well as the IFC Exclusion List and ADB’s Prohibited Investment Activities List as identified in Appendix 5 of the Safeguards Policy Statement (2009).**

- for commercial use and sale other than for military purposes, but may have military customers)
2. Exploration, development or extraction of oil or gas (not including the production or sale of technology, services or products that are not primarily intended for use in such exploration, development or extraction, but may have customers in such industry)
 3. Production and sale of chemicals or pesticides in a manner that is contrary to the requirements of the Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade
 4. Production of, or trade in, any product or activity deemed illegal under applicable local or national laws or regulations or subject to internationally agreed phase-outs or bans
 5. Production or activities involving forced labour³ or child labour⁴
 6. Production of ozone-depleting substances subject to the international phase-out under the Montreal Protocol on Substances that Deplete the Ozone Layer
 7. Production of goods, if the production process results in more than incidental amounts of hazardous waste that is transported or disposed of in a manner that is contrary to the requirements of the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal
 8. Production, manufacture, distribution or sale of alcohol or tobacco products for human consumption or goods and services related (other than incidentally) to the sex industry, pornography or gambling
 9. Trade in wildlife or wildlife products regulated under CITES⁵
 10. Extractive industries including metals and mining.
 11. Fossil fuel power including construction, operation and decommissioning of power plants and related infrastructure, that utilise coal, oil or natural gas as fuel.
 12. Infrastructure businesses including but not limited to the construction, operation and decommissioning of transportation facilities (including ports, harbours, terminals, airports, railways and toll roads), water and waste management facilities, energy and telecommunications infrastructure (including pipelines, towers, data centres, fibre optic, electrical cables, land and subsea electrical cables, power transmission and distribution), and mixed-use and commercial developments

³ 'Forced labour' means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions.

⁴ Employees may only be engaged if they are at least 14 years' old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art. 2), unless local legislation specifies compulsory school attendance or the minimum age for working. In such cases the higher age shall apply.

⁵ CITES: Convention on International Trade in Endangered Species or Wild Fauna and Flora.