

KNOW YOUR CLIENTS AND ANTI MONEY
LAUNDERING POLICY
(Integrity and Anti-Corruption Compliance System)

of

India Alternatives Investment Advisors Private Limited

1. INTRODUCTION

- 1.1. India Alternatives Private Equity Fund II (“**Fund II**”) is a scheme of India Alternatives Private Equity Trust (“**Trust**”). The Trust has been constituted as a trust under the Indian Trusts Act, 1882 and is registered with SEBI as a Category II Alternative Investment Fund under the SEBI (Alternative Investment Funds) Regulations, 2012 vide registration number IN/AIF2/16-17/0256. The Trust and its schemes are managed by India Alternatives Investment Advisors Private Limited (“**Investment Manager**”). The sponsor of Fund II is India Alternatives Investment Advisors Private Limited (“**Sponsor**”). Fund II is a closed-ended fund.
- 1.2. India Alternatives Private Equity Fund – Mid Growth Scheme (“**Fund I**”) is a scheme of trust duly registered under the applicable Laws of India, acting through its trustee, IDBI Trusteeship Services Limited, registered with the Securities and Exchange Board of India (registration no. IN/VCF/10-11/172) as a venture capital fund, represented through the Investment Manager.
- 1.3. Both Fund I and Fund II are hereby referred to as “Fund (s)”.
- 1.4. In this Know Your Clients and Anti Money Laundering Policy i.e. Integrity and Anti-Corruption Compliance System (“**Policy**”), words and expressions shall, unless expressly defined herein, have the meaning ascribed to them in the Private Placement Memorandum of the Fund.

2. OBJECTIVE AND PURPOSE

- 2.1. The Policy aims to:
 - (a) establish AML and KYC standards for compliance by the Fund in respect of its financial dealings and other activities on behalf of the Fund.
 - (b) provide sufficient safeguards to protect the Fund from being used as a channel for money laundering or terrorist financing activities and to protect the Fund’s reputation by ensuring compliance with all the relevant legal and regulatory guidelines.
 - (c) provide guidance to all employees of the Fund on the AML and KYC procedures that should be followed for due diligence of investors and other activities as may be mandated under applicable laws.
 - (d) ensure co-operation with the relevant law enforcement authorities.
 - (e) take appropriate action, and once suspicious activities are detected, report them to the designated authorities in accordance with applicable laws laid down procedures.

3. APPLICABILITY

- 3.1. The Policy shall be applicable to all the investors and other dealings of the Fund as mandated by applicable laws.
- 3.2. The Policy shall also be applicable to the Fund, its Investment Committee, employees of the Investment Manager and dealings with outsourced entities supporting it in its operations.

4. POLICY AND PROCEDURAL FRAMEWORK FOR AML

- 4.1. This Policy *inter-alia* includes the following:

- (a) Appointment of key personnel and their role and responsibilities
- (b) Investors' due diligence
- (c) Limited due diligence of Investee Entity
- (d) AML monitoring and reporting procedures
- (e) Maintenance and Retention of records
- (f) Vendors' and Suppliers' support
- (g) Employee hiring and training
- (h) Compliance with Foreign Account Tax Compliance Act ("**FATCA**") and Common Reporting Standard ("**CRS**")

- 4.2. **Appointment of key personnel and duties of the management team:**

- 4.2.1. The Investment Manager of the Fund is fully committed to establishing appropriate policies and procedures for *preventing* money laundering and ensuring their effectiveness and compliance with the relevant legal and regulatory requirements. The Investment Manager shall appoint the following personnel for specific KYC and AML responsibilities:

- (a) Designated Individual: As required under the Prevention of Money-Laundering Rules, 2005 ("**PML Rules**"), the Founder & CEO of the Fund, Shivani Bhasin Sachdeva, shall be appointed as the Designated Individual, responsible for the overall compliance of this Policy and related procedures.
- (b) Principal Officer: Rahul Jain, Manager, shall be appointed as the Principal Officer for the purpose of ensuring day to day compliance with and

implementation of this Policy and procedures and reporting to regulators/authorities as required. The responsibilities of the Principal Officer shall, *inter-alia*, include:

- i. Acting independently and reporting directly to the Designated Individual periodically regarding the Fund's systems and controls in managing money laundering activities and recommending necessary improvements;
- ii. Monitoring the implementation of investor due diligence requirements as prescribed by SEBI from time to time;
- iii. Liaising with regulators and concerned authorities on AML and KYC matters, if required;
- iv. Monitoring of transactions, and reporting of all suspicious transactions¹ in these specific transactions and sharing of information as required under the law and relevant regulations;
- v. Liaising with Computer Age Management Services (CAMS) for conducting of KYC / AML checks as required under PML Rules and as prescribed by SEBI / RBI guidelines for AIFs from time to time.

4.3. Due Diligence

4.3.1. *Investor Due Diligence*: Investor Due Diligence means taking into consideration that the Fund/Investment Manager needs to identify and verify the investor's identity (including any successor in interest or Ultimate Beneficial Owner thereof) and determine whether an investor is and continues to be acceptable to the Fund as per its risk assessment standards. The broad considerations are as follows:

4.3.1.1. *Policy for acceptance of investors*: The Fund will adopt risk-based approach for conducting the overall due diligence of investors. In light of the defined investment policy and procedure of the Fund, the Fund will accept commitments from domestic and offshore investors, however the Fund will not accept the following as its investor:

- (a) a citizen of Pakistan or Bangladesh or an entity incorporated in Pakistan or Bangladesh.

¹ The PML Rules define Suspicious Transaction to mean a transaction, including an attempted transaction, whether or not made in cash, which to a person acting in good faith –

- gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
- appears to be made in circumstances of unusual or unjustified complexities; or
- appears to have no economic rationale or bona fide purpose; or
- gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism

- (b) Where the investor has been mentioned in the United Nations Sanctions list as circulated by SEBI from time to time.

4.3.1.2. *Procedure for due diligence:* The Fund/Investment Manager will conduct adequate due diligence of the investor. Such due diligence will be conducted as mandated by the regulator from time to time. Such due diligence will also be conducted at different levels i.e. at the time of on-boarding and at subsequent regular intervals as prescribed by the applicable laws from time to time. For conducting due diligence, the Fund will obtain documents as prescribed by PML Rules, Directives and circulars issued by SEBI. While conducting the due diligence, the Fund shall:

- (a) Identify the Ultimate Beneficial Owner(s) of the investor;
- (b) carry out independent research on the concerned entities through reliable publicly available information. Information and documents available from the KYC Registration Agency (“KRA”) database and available in public domain may not be called for from the investors.
- (c) In case where the KYC registration has not been done by the client, following steps may be performed:
 - i. Procurement of duly executed KYC forms from investors;
 - ii. Performance of KYC check and obtaining KYC documents;
 - iii. Following guidelines for customer identification requirement;
 - iv. Uploading all the information obtained through a SEBI registered KRA.
- (d) conduct verification of the investors (including the Ultimate Beneficial Owner) including by conducting screenings against relevant sanctions, regulatory, and law enforcement list;
- (e) shall not accept investment from or permit the transfer of any of the investors’ respective interests in the Fund to any person or entities : (A) sanctioned by the United Nations Security Council pursuant to any resolution issued under Chapter VII of the United Nations Charter; or (B) debarred by the World Bank Group (see the World Bank Listing of Ineligible Firms and Individuals at www.worldbank.org/debarr or any successor website or location)
- (f) conduct checks for identified individuals against Politically Exposed Person (“PEP”)²;
- (g) in case of any red flags, Principal Officer shall submit its report to Designated Individual for next steps.

² Politically Exposed Persons (PEPs): individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of State or of Governments, senior politicians, senior government / judicial / military officers, senior executives of state owned corporations, important political party officials

4.3.2. *Limited due diligence of investee entity:* From an integrity perspective, the Investment Manager shall also obtain necessary information and documents from the investee entities to conduct the due diligence. *Such* due diligence shall, *inter-alia*, include obtaining documents related to legal status of investee entities and senior management information. Further, the Fund shall:

- (a) identify the Ultimate Beneficial Owner(s) of investee entity;
- (b) conducting due diligence over such Ultimate Beneficial Owner(s) and assessing their background including by conducting screenings against relevant sanctions, regulatory, and law enforcement list, both before approving an investment and from time to time thereafter;
- (c) not make any investments in a Portfolio Company that is domiciled in a non-IFC member country;
- (d) not invest in any entity and must use all commercially reasonable efforts to exit any investments in any entity that (A) is sanctioned by the United Nations Security Council pursuant to any resolution issued under Chapter VII of the United Nations Charter; or (B) is debarred by the World Bank Group (see the World Bank Listing of Ineligible Firms and Individuals at www.worldbank.org/debarr or any successor website or location);
- (e) escalating to the Fund's Investment Committee any relevant integrity or reputational risk indicator that is identified;
- (f) The Fund may invest in a portfolio entity that is a financial institution or fund only if such entity has an Integrity and Anti-Corruption Compliance System meeting the standards as defined in Annexure A

4.3.3. *Restriction on the Fund/Investment Manager:*

4.3.3.1. The Fund/Investment Manager will not enter into any transaction in relation to the Fund (i) with, or for the benefit of, any of the persons or entities (including any successor in interest or ultimate beneficial owner thereof) sanctioned by, or (ii) related to any activity from time to time prohibited by, the United Nations Security Council pursuant to any resolution issued under Chapter VII of the United Nations Charter;

4.3.3.2. In relation to the Fund, the Fund/Investment Manager will observe anti-corruption and other practices as defined under the IFC Guidelines (<https://cutt.ly/iciXCaf> and Annexure B below) and;

4.3.3.3. The Fund shall not invest in activities listed under the IFC Exclusion List set forth in Annexure C to this Policy.

4.3.4. In case of any red flags in respect of any due diligence conducted pursuant to this Policy, the Investment Manager will submit its report to Designated Individual for next steps.

4.4. **AML Monitoring and Reporting Procedures**

4.4.1. For all the activities to be carried out by the Principal Officer under this Policy, the Risk Associate will compile all necessary information, documentation and monitoring data as detailed in this document; and report the same to the Principal Officer for next steps;

4.4.2. The Risk Associate is Rinette Amanna, Senior Manager - Admin and Operations;

4.4.3. The Principal Officer will, at regular intervals, monitor the transactions conducted by the Investors with the Fund (such as drawdown of funds, distribution of funds, transfer of units, etc.) to ensure that the *payments* being made by the Investors are in accordance with the respective contribution agreements.

4.4.4. The Fund/Investment Manager will not undertake any 'cash' dealings with the Investors.

4.4.5. The Principal Officer will monitor transactions with regard to investors, and report suspicious transactions³ to the relevant authorities in compliance with applicable laws.

4.4.6. The Fund, upon receipt of the list of individuals and entities subject to UN sanctions (referred to as designated lists) from SEBI, will screen all its Investors against such list and follow guidelines on Anti-Money Laundering (AML) Standards and Combating the Financing of Terrorism (CFT) / Obligations of Securities Market Intermediaries under the Prevention of Money Laundering Act, 2002 and Rules framed there under.

4.5. **Retention of records**

4.5.1. The Investment Manager shall maintain the records of identification and transactions as follows:

NO	NATURE OF RECORD	PERIOD OF RETENTION OF RECORDS
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³ The PML Rules define Suspicious Transaction to mean a transaction, including an attempted transaction, whether or not made in cash, which to a person acting in good faith –

- gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
- appears to be made in circumstances of unusual or unjustified complexities; or
- appears to have no economic rationale or bona fide purpose; or
- gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism

1.	Identity records of investor, etc.	5 years from the date of termination of investor–Fund relationship or winding up of the Fund, whichever is later
2.	Transaction related records (Fund documents, business correspondences, etc.)	5 years from the date of termination or winding up of the Fund, whichever is later

4.5.2. These records will include both domestic as well as international transactions. The Fund shall ensure that all relevant records and information are made available on a timely basis to the investigating authorities. Where required by the investigating authorities, the Fund shall retain certain records exceeding the above-mentioned period.

4.6. Employee Training

4.6.1. The Fund shall provide training to all its new employees with respect to various operational and AML regulatory provisions. Such trainings will be devised based on the role and responsibility of the employees.

4.7. Vendors and suppliers support

4.7.1. The Fund/Investment Manager will not carry out any cash transaction in excess of INR 10,000 in the ordinary course of its activities. Additionally, receipts or payment of money will be made directly with the counterparty and through a proper banking channel for non-cash transactions.

4.8. Compliance with Foreign Account Tax Compliance Act (“FATCA”)⁴ and Common Reporting Standard (“CRS”)⁵

4.8.1. The Fund will be in compliance with FATCA, CRS and all reporting guidelines therein as will be applicable to the Fund. Further, such information shall be maintained and reported in the prescribed forms.

4.9. Facilitation Payments

4.9.1. The Fund will not carry out any facilitation payments. Any employee in breach of the same will have strict action taken against them.

⁴ “FATCA” means Foreign Account Tax Compliance Act of the United States of America (USA) which, inter alia, requires foreign financial institutions to report about financial accounts held by United States’ taxpayers or foreign entities in which U.S. taxpayers hold a substantial ownership interest.

⁵ “Common Reporting Standards” (CRS) means reporting standards set for implementation of multilateral agreement signed to automatically exchange information based on Article 6 of the Convention on Mutual Administrative Assistance in Tax Matters.

5. REVIEW OF POLICY

5.1. The Investment Manager will review and conduct an independent testing of this Policy on an as required periodic basis, in light of change in regulatory guidelines and for operational reasons. The Investment Manager will additionally conduct a periodic and independent testing of the Integrity and Anti-Corruption Compliance System compliance by the Fund/Investment Manager's internal audit department or consultant to evaluate its effectiveness in detecting and mitigating integrity and anti-corruption compliance risks.

Annexure A

Integrity and Anti-Corruption Compliance System

The Fund Parties (mean the Fund (acting through the Trustee) and the Investment Manager) and Financial Institution (as defined by the Reserve Bank of India), will institute, document, maintain and comply with policies, procedures, systems and controls, consistent with their respective business and investment profiles to identify and manage integrity and anti-corruption compliance risks with respect to the Fund, and Financial Institution including, without limitation, the following elements:

- (a) anti-money laundering and combating the financing of terrorism systems that are in compliance with applicable national laws and regulations and consistent with international best practices; and
- (b) an integrity due diligence process with respect to the Fund Parties, the Fund's Unitholders, the Fund's investments and the Financial Institution (including any successor in interest or ultimate beneficial owner thereof), consistent with these Integrity and Anti-Corruption Compliance Provisions. This will include:
 - 1. Systems ensuring that the Fund and Financial Institution will not enter into any transaction (i) with, or for the benefit of, any of the persons or entities (including any successor in interest or ultimate beneficial owner thereof) sanctioned by, or (ii) related to any activity from time to time prohibited by, the United Nations Security Council pursuant to any resolution issued under Chapter VII of the United Nations Charter,
 - 2. A written policy requiring (i) identifying the Ultimate Beneficial Owner(s) of the Fund's Unitholders, Fund's investments and Financial Institution, (ii) conducting due diligence over such Ultimate Beneficial Owner(s) and assessing their background including by conducting screenings against relevant sanctions, regulatory, and law enforcement list, both before approving an investment or admitting a Unitholder to the Fund, and from time to time thereafter, and (iii) escalating to the Fund's Investment Committee any relevant integrity or reputational risk indicator that is identified, and
 - 3. A process for periodic and independent testing of the Integrity and Anti-Corruption Compliance System compliance by the Fund Parties' internal audit department or consultant to evaluate its effectiveness in detecting and mitigating integrity and anti-corruption compliance risks.

Annexure B

IFC Anti-Corruption Guidelines

The purpose of these guidelines is to clarify the meaning of the terms “Corrupt Practices”, “Fraudulent Practices”, “Coercive Practices”, “Collusive Practices” and “Obstructive Practices” in the context of IFC operations.

1. Corrupt Practices

A “Corrupt Practice” is the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party.

Interpretation

A. Corrupt practices are understood as kickbacks and bribery. The conduct in question must involve the use of improper means (such as bribery) to violate or derogate a duty owed by the recipient in order for the payor to obtain an undue advantage or to avoid an obligation. Antitrust, securities and other violations of law that are not of this nature are excluded from the definition of corrupt practices.

B. It is acknowledged that foreign investment agreements, concessions and other types of contracts commonly require investors to make contributions for bona fide social development purposes or to provide funding for infrastructure unrelated to the project. Similarly, investors are often required or expected to make contributions to bona fide local charities. These practices are not viewed as Corrupt Practices for purposes of these definitions, so long as they are permitted under local law and fully disclosed in the payor’s books and records. Similarly, an investor will not be held liable for corrupt or fraudulent practices committed by entities that administer bona fide social development funds or charitable contributions.

C. In the context of conduct between private parties, the offering, giving, receiving or soliciting of corporate hospitality and gifts that are customary by internationally-accepted industry standards shall not constitute corrupt practices unless the action violates applicable law.

D. Payment by private sector persons of the reasonable travel and entertainment expenses of public officials that are consistent with existing practice under relevant law and international conventions will not be viewed as Corrupt Practices.

E. The World Bank Group does not condone facilitation payments. For the purposes of implementation, the interpretation of “Corrupt Practices” relating to facilitation payments will take into account relevant law and international conventions pertaining to corruption.

2. Fraudulent Practices

A “Fraudulent Practice” is any action or omission, including misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation.

Interpretation

A. An action, omission, or misrepresentation will be regarded as made recklessly if it is made with reckless indifference as to whether it is true or false. Mere inaccuracy in such information, committed through simple negligence, is not enough to constitute a “Fraudulent Practice” for purposes of this Policy.

B. Fraudulent Practices are intended to cover actions or omissions that are directed to or against a World Bank Group entity. It also covers Fraudulent Practices directed to or against a World Bank Group member country in connection with the award or implementation of a government contract or concession in a project financed by the World Bank Group. Frauds on other third parties are not condoned but are not specifically sanctioned in IFC, MIGA, or PRG operations. Similarly, other illegal behavior is not condoned, but will not be considered as a Fraudulent Practice for purposes of this Policy.

3. Coercive Practices

A “Coercive Practice” is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party.

Interpretation

A. Coercive Practices are actions undertaken for the purpose of bid rigging or in connection with public procurement or government contracting or in furtherance of a Corrupt Practice or a Fraudulent Practice.

B. Coercive Practices are threatened or actual illegal actions such as personal injury or abduction, damage to property, or injury to legally recognizable interests, in order to obtain an undue advantage or to avoid an obligation. It is not intended to cover hard bargaining, the exercise of legal or contractual remedies or litigation.

4. Collusive Practices

A “Collusive Practice” is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party.

Interpretation

Collusive Practices are actions undertaken for the purpose of bid rigging or in connection with public procurement or government contracting or in furtherance of a Corrupt Practice or a Fraudulent Practice.

5. Obstructive Practices

An “Obstructive Practice” is (i) deliberately destroying, falsifying, altering or concealing of evidence material to the investigation or making of false statements to investigators, in order to materially impede a World Bank Group investigation into allegations of a corrupt, fraudulent, coercive or collusive practice, and/or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or (ii) acts intended to materially impede the exercise of IFC’s access to contractually required information in connection with a World Bank Group investigation into allegations of a corrupt, fraudulent, coercive or collusive practice.

Interpretation

Any action legally or otherwise properly taken by a party to maintain or preserve its regulatory, legal or constitutional rights such as the attorney-client privilege, regardless of whether such action had the effect of impeding an investigation, does not constitute an Obstructive Practice.

General Interpretation

A person should not be liable for actions taken by unrelated third parties unless the first party participated in the prohibited act in question.

Annexure C

Exclusion List

The Fund shall not finance the following activities:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCBs, wildlife or products regulated under the Convention on International Trade in Endangered Species (CITES) of Wild Fauna and Flora.
- Production or trade in weapons and munitions.ⁱ
- Production or trade in alcoholic beverages (excluding beer and wine).ⁱ
- Production or trade in tobacco.ⁱ
- Gambling, casinos and equivalent enterprises.ⁱ
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where IFC considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in unbonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km in length.
- Production or activities involving harmful or exploitative forms of forced laborⁱⁱ/harmful child labor.ⁱⁱⁱ

The Fund, except when engaged in **microfinance** activities as specified below*, must also apply the following exclusions in addition to the Exclusion List:

- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.

* When investing in **microfinance** activities, the Fund will apply the following items in addition to the Exclusion List:

- Production, trade, storage, or transport of significant volumes of hazardous chemicals, or commercial scale usage of hazardous chemicals. Hazardous chemicals include gasoline, kerosene, and other petroleum products.
- Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples (as defined in Standard 7 of the Performance Standards), without full documented consent of such peoples.

i This does not apply to project sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to a project sponsor's primary operations.

ii Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

iii Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.