

Public Information Summary

Host Country(ies)

India

Name of Counterparty/Issuer

Somerset Indus Healthcare India Fund III

Project Description

Early growth equity fund that will make investments in small- and medium-sized healthcare companies that are expected to increase access to and affordability of quality healthcare in India.

DFC Product Type

Investment Fund

DFC Investment

Up to \$25 million

Total Project Costs

\$250 million (Target Fund Size)

U.S. Involvement (If not applicable, put N/A)

The General Partner of the Fund is a majority U.S.-owned firm.

Fund Specific

Fund Manager

Somerset Healthcare Investment Advisors III Private Limited

Policy Review

U.S. Economic Impact

The Project is not expected to have a negative impact on the U.S. economy.

Developmental Objectives

In India, the world's most populous nation with a fast-growing economy, access to high-quality healthcare services is a challenge. Despite significant improvements in health outcomes over the last two decades, India's Universal Health Coverage Service index scores lower than its emerging economy peers of China, Brazil, and Mexico. Persistent geographic and socioeconomic disparities in health outcomes across India reflect uneven investments and progress within the health system. Healthcare infrastructure, equipment, and medical professionals are concentrated in India's Tier 1 cities.

In response to these challenges, the Fund is expected to have a positive development impact in India through financing growth-oriented healthcare companies operating across the healthcare value chain and with a focus on Tier 2 and Tier 3 cities. More specifically, the Fund expects to support companies operating in healthcare services and infrastructure, healthcare manufacturing and supply chain, and

healthcare technology. Given the Fund's characteristics, it is categorized as Exceptionally Impactful per DFC's Impact Quotient.

Environment and Social Assessment

Screening:

The Project has been reviewed against U.S. International Development Finance Corporation's ("DFC") 2024 Environmental and Social Policy Procedures ("ESPP") and has been determined to be categorically eligible. DFC investment into funds with downstream healthcare investments may present elevated environment and social (E&S) risks and as such is classified as Financial Intermediary - B (FI-B) activity for the purposes of E&S assessment. Based on DFC's due diligence, the Fund's downstream investments are anticipated to pose E&S risks that are site specific and can be readily mitigated through the application of sound environmental and social management practices. The Fund is eligible for delegated responsibility for the application of DFC's policies related to E&S impact assessment, risk management and monitoring. To ensure that the Fund's investments are consistent with DFC's statutory and policy requirements, the project will be subject to conditions regarding the use of the DFC proceeds.

Environmental and Social Risk and Mitigation:

The primary E&S issues identified limited deficiencies in the project Environmental and Social Management System (ESMS), inadequate internal and external grievance mechanisms, minor deficiencies in the Environmental and Social Due Diligence (ESDD) processes for subproject assessment and lack of a methodology for calculating and reporting GHG Scope 1 and 2 emissions for either the Fund or portfolio company investments. To address these risks, the Fund will be required to 1) provide DFC with a Fund-specific ESMS addressing the minor deficiencies identified, 2) include an anonymous reporting option in both external and internal grievance mechanisms, 3) address deficiencies in the ESDD processes to meet the International Finance Corporation (IFC) Performance Standards and ensure that downstream investments are developed in accordance with DFC's ESPP, and 4) provide DFC with a methodology for reporting Scope I and Scope II GHG emissions at the Fund and portfolio levels. DFC will monitor the effectiveness of the Fund's application of DFC policies throughout the project's life cycle.

Annex C – Equity Rationale and Details

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| <p>Discussion of the clearly defined development and foreign policy purpose of the investment, taking into account the National Security Strategy, Integrated Country Strategies, and other development and national security policy goals.</p> | <p>The Fund will support several DFC development priorities, including its focus on a LMIC, India, as well as investments in healthcare supporting DFC’s Global Health and Prosperity Initiative.</p> <p>Alignment with U.S. Foreign Policy Objectives: DFC’s participation in the Fund aligns with the State Department’s India Integrated Country Strategy Mission Objectives 2.2 and 2.3.³¹ These objectives aim to support India’s economic reforms that promote sustainable growth, technology innovation, and entrepreneurship for inclusive growth and development; and increase capacity to improve the health of its vulnerable populations and participate in global health security efforts.</p> <p>DFC’s participation in the Fund also aligns with USAID’s India Country Development Cooperation Strategy Development Objective 1 “Human Development of India’s Marginalized Populations Improved” and in particular Intermediate Result 1.1 which aims to “effectively increase the use of quality health services and increase healthy behaviors.”</p> <p>Indo-Pacific Strategy: DFC’s participation in the Fund will support the U.S Government’s Indo-Pacific initiative to create a region that is open, connected, prosperous, resilient, and secure.</p> <p>The Fund is expected to achieve a high development impact in India and is well-aligned with several DFC development objectives including LMIC priority, DFC’s Global Health and Prosperity Initiative, and the Indo-Pacific initiative.</p> |
| <p>Where the equity investment is to be made in a foreign currency, (i) a substantive policy rationale for an investment in a foreign currency, and (ii) a discussion of the currency risks and an explanation of how such risks will be mitigated.</p> | <p>N/A</p> |
| <p>An explanation of why an equity investment is an appropriate type of support for the project.</p> | <p>The most common and effective approach to investing in a fund targeting companies seeking equity is to use equity. The ability to invest equity</p> |

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| | enables DFC to invest alongside all other limited partners with a consistent set of investment terms. |
| A description of anticipated benchmarks/project specific events/goals throughout the life of the equity investment. | First close: July 2024 Targeted second close: March 2025 Investment period: five years from initial closing. Fund term: 10 years, subject to two one-year extensions. |
| The estimated length in years the equity investment is anticipated to last. | The Fund is structured as a 10-year fund, subject to two one-year extensions. DFC management expects to fully exit the investment by the end of the Fund's term. |
| A description of what "commercially feasible" would look like for the exit of a specific project. | Realizations will take place over the course of the Fund's life when underlying transactions are exited, likely through secondary sales to other financial or strategic buyers or through IPO. |
| With respect to possible exits, the national security context in which the project operates that might affect the length of the equity investment. | DFC management currently does not foresee any national security concerns that would affect the length of the investment. |
| A discussion of what rights DFC will have in the event of a breach of its contractual requirements or a bankruptcy of the target company. | Disputes in connection with the Fund are expected to be resolved by arbitration in Mauritius or India, depending on the final structure of DFC's investment. Depending on advice received from DFC's Indian legal counsel (once they are engaged) DFC may choose to invest in the Fund through the Mauritius feeder fund or directly in the Fund. DFC's rights in a bankruptcy would be the same as those of the other equity investors in the Fund. It would share pro rata in the proceeds of a liquidation of Fund assets after satisfaction of the claims of the Fund's creditors. |
| A discussion of the adequacy of legal recourse in the event of host government mistreatment of equity investments. | The Fund will be incorporated in India, with a Mauritius feeder fund. DFC is still in the process of deciding which entity to invest through. Mauritius is a well-established financial center with evolved and stable legal and regulatory frameworks, and a court system protective of investor rights. The master fund and its portfolio investments will be in India, where private equity is subject to a regulatory system that is also protective of investor rights. The likelihood of expropriation in either context is low. |
| A description of control rights for the equity investment, including but not limited to anti-dilution rights, governance, and approval rights. | DFC will have a vote proportional to its percentage interest in the Fund on all matters subject to investor approval. |

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| | DFC anticipates that it will have a seat on the Investor Advisory Committee. |
| A description of any circumstances in which DFC's equity investment will be subordinate to other development finance institutions. | N/A |
| If applicable, how the equity investment would be strategically paired with DFC's other authorities. | N/A |
| If applicable, a disclosure of fees and expenses related to the equity investment, how they compare to relevant cost benchmarks and to other investors in the project, to the extent known. | The Fund is charging a 2% management fee on committed capital during the investment period and on invested capital after the end of the investment period. The Fund Manager will receive a 20% split of the carried interest. These terms are in line with acceptable market standards. |
| If applicable, a description of any requirement to provide additional equity investment in the project. | N/A |
| Per transaction limit - 30% of the aggregate amount of all equity investment made to the project at the time DFC approves support of the project. | DFC's equity investment will be the lesser of up to \$25 million or 25% of the Fund's total capitalization. |
| Portfolio (total) limit - not more than 35% of the Corporations' aggregate exposure on the date that such support is provided. | DFC's total equity investments will not exceed 35% of the DFC's aggregate exposure as of the date this transaction is committed. |

Annex D – Term Sheet

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| Mauritius Feeder: | Somerset Indus Healthcare Fund III (the “Feeder”). |
| Fund: | Somerset Indus Healthcare India Fund III (the “Main Fund,” and, together with the Feeder, the “Fund”). DFC is in the process of engaging outside counsel to advise on whether to invest in the Feeder or in the Main Fund directly. |
| Fund Manager: | Somerset Healthcare Investment Advisors III Private Limited (“Somerset” or the “Fund Manager”). |
| Host Country and World Bank Income Level: | India, LMIC. |
| DFC Commitment Amount: | Up to \$25 million. |
| Target Fund Size: | \$200 million with a green shoe option of an additional \$50 million. |
| Initial Expenses: | To be paid by the Fund in an aggregate amount not to exceed 1% of total commitments of the Fund. |
| Term: | The Fund will terminate after a period of 10 (ten) years from the date of the initial closing, unless extended by the Fund Manager, for up to two consecutive additional one-year periods. |
| Final Closing Window: | The final closing will occur on a date as may be determined by the Fund Manager, which shall in no event be later than 18 months from the date of the initial closing, subject to an extension of an additional six months at the discretion of the Fund Manager. |
| Commitment/Investment Period: | <p>The period commencing from the date of the initial closing, during which capital commitments can be drawn down, committed or reserved for the purpose of making portfolio investments upon issuance of capital call notice and ending on the earlier of: (i) expiration of the last date of 60 months from the date of the initial closing; and (ii) termination by Advisory Committee (as defined below) consent but subject to extension as set out below.</p> <p>Extension: The commitment period may further be extended by 12 months by the Fund Manager, with the prior approval of the Advisory Committee.</p> |
| Investment Restrictions: | Maximum investment per portfolio entity not to exceed 20% of the investible funds. Any investment beyond the 20% limit may be made by the Fund with the approval of Advisory Committee. |
| Reinvestment: | Re-investment: Any amounts received by the Fund will, upon distribution to the investors, be added to their uncalled commitments and thereby be available to be re-drawn for the following purposes: (a) capital contributions repaid to investors |

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| | <p>by way of distribution of proceeds arising from a portfolio investment that has been refinanced or realized prior to the end of the commitment period in an amount not exceeding the acquisition cost of such portfolio investment; (b) capital contributions repaid to investors by way of distribution of proceeds arising from portfolio investments (to the extent not re-drawn pursuant to Clause (a)) equal to sums drawn down from investors to pay the management fee or expenses of the Fund; (iii) catch-up contributions repaid to investor; and (iv) capital contributions which are returned to investors due to non-utilization.</p> <p>Cap on re-investment: Re-investment amount shall not exceed 100% (one hundred per cent) of total capital commitments.</p> |
| Co-investment: | Opportunities to be offered at the discretion of the Fund Manager and based on the side letter agreement. |
| Management | |
| Management Fee: | <ul style="list-style-type: none"> • During the Investment Period, 2% of total commitments; and • After the Investment Period, 2% of invested capital. |
| Investor Advisory Committee: | The Fund Manager will constitute an advisory committee for the Fund (the “Advisory Committee”) with at least 3 individuals from the investors (other than affiliates of the Fund Manager) who have made a capital commitment of at least 10% or more of the aggregate capital commitments of the Fund. The Fund Manager shall appoint 1 representative of the Fund Manager to serve as a non-voting observer of the Advisory Committee. |
| Successor Funds: | Except with the prior written approval of the LPAC, the Fund Manager and its affiliates shall not admit investors to or act as key person, manager, sponsor and/or investment advisor to any other investment fund which has substantially similar investment objectives as those of the Fund until the earlier of: (i) the end of the commitment period; or (ii) the date on which the auditors confirm that at least 75% of the total commitments have been together: (a) invested in portfolio investments; (b) committed for portfolio investment by way of legally binding commitments in writing; and/or (c) committed in writing to follow-on investments. |
| Key Persons: | Avinash Kenkare and Mayur Sirdesai (Co-founders and Partners). |

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| Removal of Fund Manager: | <ul style="list-style-type: none"> • Removal for Cause: The Fund Manager may be removed for a Cause Event upon the vote by a majority in interest of investors. • Removal Without Cause: The Fund Manager may be removed at any time upon the vote of 75% in interest of investors. |
| <i>Distributions</i> | |
| Waterfall: | Whole Fund (European style) distribution. |
| Preferred Return for Investors: | 10% in Indian Rupees for investors in the Main Fund and 7% in U.S. Dollar for investors in the Feeder. |
| Carry Split: | 80% to investors; 20% to the Fund Manager. |

Annex E – PRC Risk Analysis Worksheet

PRC-Related Risks:

- Operational Risk (Low): The Fund's future portfolio companies are not expected to source a material portion of their supplies from PRC companies.
- Security Risk (Low): Based on the Fund's strategy in the target market and segments, and in consultation with the Fund Manager, it is unlikely that the Fund's portfolio companies will source advanced tech software or hardware, such as advanced microelectronics, from PRC-controlled entities.
- Compliance Risk (Low): The underlying projects and project developers may source some project components and materials manufactured in PRC, but DFC's side letter will incorporate DFC's PRC Nexus Rider requirements.
- Ownership Risk (Low): There are no PRC investors currently in the Fund, nor are PRC-controlled investors likely to invest in the Fund. The GOI has implemented regulations to control PRC ownership in Indian companies.

Available Mitigants & PRC-Related Policy Justifications:

- PRC-controlled suppliers, EPCs, or technology partners are pervasive in global or local market; it is therefore not commercially reasonable to exclude them from supplier proposals (e.g., due to significant cost increases and higher completion risk).
- The Fund Manager has strong alignment with DFC values and demonstrated capacity to ensure compliance with DFC standards.
- The Fund Manager has agreed in principle to implement the IFC Performance Standards, which require Fund Managers to ensure portfolio companies do not use suppliers known to use forced or child labor. In addition, the GOI has implemented strong rules and regulations to control sourcing and importing goods from the PRC. •
- The Fund Manager has agreed in principle with the obligation to incorporate the procurement policy of DFC's PRC Nexus Rider, which in turn are pushed down to the level of the projects and project developers in which the Fund will invest.

Proposed Documentation:

- The DFC side letter will require the Fund Manager to implement suitable procurement policies in connection with its portfolio investments, which encourage competitive equipment and material sourcing and prohibitions on use of entities that are subject to U.S. sanctions or that have been identified as having a high risk of forced labor in their supply chains.

Ongoing Matters:

The Project Team will continue to monitor the Fund's evolving pipeline to identify potential investments with a PRC nexus.

Summary:

In summary, the Project Team has determined that neither the Fund nor the Fund Manager have any material PRC nexus.