



Regional: Equity Investment in AEP II

Project Name	Equity Investment in AEP II		
Project Number	48292-001		
Borrower/Company			
Country	Regional		
Location			
Approval Number	7430		
Type or Modality of Assistance	7430	Investment Fund-Equity Investment-LP	US\$ 30.00 million Approved
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth		
Drivers of Change	Private sector development		
Sector / Subsector	Energy - Energy efficiency and conservation - Renewable energy generation - small hydro - Renewable energy generation - solar - Renewable energy generation - wind Water and other urban infrastructure and services - Urban solid waste management - Urban water supply		
Gender Equity and Mainstreaming	No gender elements		
Responsible ADB Department	Private Sector Operations Department		
Responsible ADB Division	Private Sector Investment Funds & Special Initiatives Div		
Responsible ADB Officer	Mahmud, Farshed		
Project Sponsor(s)	Olympus Capital Asia		
Description	<p>An equity investment in Asia Environmental Partners II, L.P. (AEP II or the Fund), a US\$300 million regional fund focused on growth opportunities in renewable energy, waste management and recycling services, water management, energy efficiency, pollution control, and low-carbon consumer products in the PRC, India and Southeast Asia. The Fund is sponsored by Olympus Capital Asia (Olympus), an established regional private equity firm with a 17 year track record of sourcing, growing and exiting middle market companies in Asia. Olympus has invested more than \$1.8 billion of equity capital on behalf of its funds and co-investors in over 40 portfolio companies throughout Asia, including the PRC, India, Japan, the Republic of Korea, and Southeast Asia, and is one of the few regional private equity fund managers to have delivered consistent profits across the key markets in which it invests, through multiple economic cycles. In addition, Olympus has one of the longest standing teams in Asian private equity, consisting of 33 investment professionals (including nine managing directors, each with an average tenure of 14 years with the firm) located in six offices (Hong Kong, Shanghai, New Delhi, Seoul, Singapore, and Tokyo). Recognizing the significant opportunity in the environmental and natural resources sector, Olympus made their first environmental investment in 2005 and launched Asia Environmental Partners (AEP) in 2008, which is one of the first funds in Asia dedicated to this space.</p>		
Objectives and Scope	<p>AEP II intends to invest in a balanced portfolio of 7- 10 middle-market growth companies, with a focus on the PRC, India, and the Association of Southeast Asian Nations (ASEAN). Targeted subsectors will include (i) renewable energy projects, services, distribution, and associated equipment; (ii) solid and hazardous waste management; (iii) recycling services; (iv) water management, services, and equipment; (v) energy-efficiency products and services; (vi) pollution control and prevention devices and services; and (vii) consumer products with low-carbon impact. AEP II will focus on established and profitable operations in these subsectors, investing in a combination of asset-based (primarily brownfield) companies and providers of services or equipment. Building on an emerging trend to consolidate Asian private investment in environmental services, AEP II will, where appropriate, build regional platform clusters around a specific growth opportunity.</p>		
Linkage to Country/Regional Strategy	<p>Interventions in all ADB's DMCs would be aligned with the respective country partnership strategies, (i.e., of the PRC, India, Indonesia, the Philippines, Thailand, and Viet Nam), which frequently emphasize climate change mitigation and adaptation, private sector development, clean energy, and sustainable growth as core themes.</p>		

Safeguard Categories

Environment	FI
Involuntary Resettlement	FI
Indigenous Peoples	FI

Summary of Environmental and Social Aspects

Environmental Aspects	An Environmental and Social Management System (ESMS) consistent with ADB's environmental and social policy principles and requirements, as set out in the ADB Safeguard Policy Statement (SPS), will be adopted by AEP II prior to first disbursement of funds. The majority of potential environmental impacts for AEP II's investments are site-specific and can be avoided or mitigated by adhering to recognized international guidelines, best practices, and design criteria. On environmental safeguards, investments done by AEP II will be subject to the comprehensive screening, due diligence, and remedial action processes set out in the ESMS and fund documentation.
Involuntary Resettlement	While the majority of AEP II's investments are unlikely to involve involuntary resettlement or impacts on indigenous peoples, such impacts are possible in some cases. These will be subject to the comprehensive screening, due diligence, and remedial action processes set out in the ESMS and fund documentation.
Indigenous Peoples	While the majority of AEP II's investments are unlikely to involve involuntary resettlement or impacts on indigenous peoples, such impacts are possible in some cases. These will be subject to the comprehensive screening, due diligence, and remedial action processes set out in the ESMS and fund documentation.
Stakeholder Communication, Participation, and Consultation	The investment in AEP II will benefit 7 to 10 companies operating across the subsectors targeted by AEP II. Consultation and participation processes are carried out by AEP II with relevant project stakeholders. The participation of the beneficiaries is governed by the updated ESMS, which AEP II will adopt prior to the first disbursement.

Timetable for assistance design, processing and implementation

Concept Clearance	21 Jul 2014
Due Diligence	
Credit Committee Meeting	-
Approval	26 Nov 2014
Last PDS Update	07 Jan 2015

Project Page	https://www.adb.org/projects/48292-001/main
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