

## **SAFEGUARDS AND SOCIAL DIMENSIONS SUMMARY**

### **A. Environment and Social Safeguards**

1. The proposed project is an equity investment of up to \$45 million in the Creador III fund ("Fund") but not more than 25% of the total committed capital. Creador was established in 2011 and since then has raised two funds, Creador I in 2011 and Creador II in 2014, which focused on financial services, healthcare, and business services complements. The Fund, which will be managed by the same Fund Managers of Creador I and II, will continue to make equity investments in the same business lines. Based on the fund's portfolio, the investment is classified category FI for environment, involuntary resettlement and indigenous peoples. No category A subprojects for environment, involuntary resettlement and indigenous peoples' safeguards will be financed under the ADB equity investment. Under the ADB Safeguards Policy (SPS, 2009), an ESMS has to be established and implemented commensurate with the impacts and risks of its operations and those of its portfolio companies. The fund and the portfolio companies will be required to comply with the applicable local laws and regulations on environment, health and safety, and it will not invest in any activity under ADB's Prohibited Investment Activity List.

2. The first fund of Creador (Creador I) did not have an ESMS. It was only in Creador II that the Limited Partners (LPs) required an Environmental, Social and Governance (ESG) Policy. The ESG Policy was used for assessing the environmental and social risks of investee companies. An investee company's practices and associated risks are assessed by Creador through an external expert, who conducts an Environmental and Social (E&S) due diligence of the investee company. The ESG Policy was reviewed against ADB's Safeguard Policy requirements and the gaps and recommendations identified are outlined in the ESMS arrangement document.

### **B. Other Social Dimensions**

3. The banking sector in Asia has been oriented primarily to public sector and major corporate borrowers. This transaction provides the Fund with significant opportunities to invest in financial intermediaries (i.e. consumer finance, housing finance, etc.) that can expand lending to SMEs and consumers, especially in semi-urban and rural locations. Examples of such investments in Creador's portfolio include: (i) a non-banking financial institution in India providing commercial vehicle financing (e.g., tractor financing for farmers) and home equity loans to rural and semi-urban consumers; and (ii) a multi-finance company in Indonesia that finances car and motorcycle loans for low income families in Indonesia. The investments in financial services, healthcare and business services is expected to improve the lives of peoples living in rural and semi-urban areas, provide mitigation measures to fill in the gaps of inequalities amongst population. The Fund and its investee companies will comply with national labor laws and internationally recognized core labor standards to ensure fair, safe, and healthy working conditions in using ADB's finance. The Fund's policy also promotes no gender bias as it encourages equal payment opportunities for employees and standard towards workplace safety. The proposed project does not cause any specific cultural or social impacts or exclude any socioeconomic group, including women, benefiting from the project.