

## **FINANCIAL INTERMEDIARY: ENVIRONMENTAL AND SOCIAL MANAGEMENT SYSTEM ARRANGEMENTS<sup>1</sup>**

1. The proposed investment of the Asian Development Bank (ADB) in OrbiMed Asia Partners III, LP Fund (OAP III) aims to make equity and equity-linked investments in a portfolio of health care companies primarily in the People's Republic of China (PRC) and India. OAP III will be managed by OrbiMed Asia GP III, LP (the general partner), and ADB is expected to be a large investor in the fund. The fund's nature of business is similar to that of its predecessor, OrbiMed Asia Partners II, LP Fund (OAP II), in which the Asian Development Bank (ADB) is currently invested, and involves providing corporate financing through equity investments in health care. The focus of OAP III is on (i) manufacturing, marketing, and distribution of products that can improve the affordability and quality of pharmaceuticals, medical devices, and diagnostics; (ii) operations of hospital groups and laboratory chains; and (iii) other services such as contract research manufacturing mostly focused on the PRC and India.

2. The proposed OAP III transaction is categorized as FI similar with OAP II. Therefore, the current environment and social management systems (ESMS) will be continually implemented and operationalized. Based on interview with the general partner's senior management team members, and safeguard reports submitted, there is a need to further enhance the current ESMS to incorporate some procedures currently in practice. These minor positive changes in its ESMS procedures need to be reflected in the: (i) due diligence activities; and (ii) compliance monitoring and reporting procedures. Environmental and social due diligence activities will be done for all proposed new investments with environment categories B and C, i.e. the focus will not only be on environment category B. Environment and social due diligence reports submitted to ADB for review are mostly investments classified as environment category C<sup>2</sup>. Activities of portfolio companies in which fund invests using ADB funds will be monitored throughout the duration of OAP III's investment and safeguard categorization confirmed by general partner to ADB through annual monitoring reports submitted to the general partner by the portfolio companies. ADB's legal agreement with OAP will exclude ADB funding for investments in portfolio companies with activities categorized as A or B for involuntary resettlement and indigenous impacts. OAP III's ESMS will include measures to address impacts on involuntary resettlement and indigenous peoples that are either unanticipated or arising from new activities undertaken by the portfolio companies, in case there are any.

3. OAP III's ESMS will apply ADB's Prohibited Investment Activities list (PIAL) and will screen every portfolio company to ascertain that it does not manufacture a pharmaceutical product in a jurisdiction where its production has been banned by the Government or market or distribute a pharmaceutical product in a jurisdiction where its consumption and/or sale have been banned, withdrawn, or rejected by the Government. For guidance, OAP III will utilize the United Nations Consolidated List of Products Whose Consumption and/or Sale Have Been Banned, Withdrawn, Severely Restricted or Not Approved by Governments and/or bi-annual updates prepared by the World Health Organization on pharmaceuticals, an input to the cited UN Consolidated List. The ESMS will apply key provisions and design standards with reference to the World Bank Group Environmental, Health and Safety Guidelines for Healthcare Facilities, and Pharmaceuticals and Biotechnology Manufacturing; (ii) the American Institute of Architects

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<sup>1</sup> The term "investments" is used in the document to mean business activities to be financed in part or in full by OAP III using ADB funds.

<sup>2</sup> Out of 19 approved transactions processed and approved by OAP II only 2 subprojects have been classified as environment category B and the rest are environment category C.

and the Facility Guidelines Institute, the American Society for Healthcare Engineering of the American Hospital Association, and (iii) the Green Guide for Healthcare ([www.gghc.org](http://www.gghc.org)).

4. The updated ESMS will be reviewed and cleared by ADB, and OAP III will adopt the same prior to ADB's subscription to the first capital call for an investee company. The environment and social safeguard team established for OAP II will be retained and its team members will continuously oversee and monitor the implementation of the ESMS to satisfy ADB's safeguard requirements.