

## **I. Environmental and Social Categorization and Rationale**

This is a category FI-2 project according to the IIC's Environmental and Social Sustainability Policy because the subprojects in the financial intermediary's current or future portfolio are considered low to medium risk. The sub-projects' environmental and social impacts and risks are expected to be circumscribed to their facilities, and in general, are reversible and can be mitigated with available measures that can be applied in the context of the operation. The Fund will be restricted from financing Category A sub-projects.

## **II. Environmental and Social Risks and Impacts**

MAS Equity Fund III is a multi-sector growth fund targeting investments in high-growth companies operating in Colombia or focused in Colombia with regional expansion plans. The Fund's current pipeline is composed of investments in transport and logistics, professional services, tourism, manufacturing, and healthcare sectors.

Environmental risks and impacts associated with some sectors in the pipeline may include but are not limited to: (i) environmental risks: air emissions, waste management, water and soil pollution; (ii) occupational health and safety risks: chemical hazards, noise, fire and explosions, and heat; (iii) community issues: land acquisition, health, safety, security and stakeholder engagement; and (iv) adequacy of E&S risk management capacity to manage risks under this fund.

Since 2014, the Fund is applying its environmental and social management system ("ESMS"), which includes the basic elements to ensure consistency with the IFC performance standards. It includes an environmental policy, a methodology to screen subprojects against exclusion criteria, categorization of proposed subprojects, due diligence and monitoring procedures commensurate with the levels of impacts, the structuring of sub-projects so that they meet environmental and social requirements, the monitoring of the environmental and social performance of sub-projects and where necessary, application of corrective actions, and the internal and external reporting on the performance of the ESMS and of the sub-projects. The IIC Exclusion List will have to be adopted for sub-projects financed with IIC use of proceeds.

The Fund will be required to have a proactive early communication to the IIC to review the categorization of the transactions in pipeline, before investing. Each investment should be carefully assessed during the environmental and social review process, which is conducted by the Social and Environmental Management System ("SEMS") Officer and/or the Due Diligence consultant for each proposed project. For all disbursements, the Fund Manager will be required to notify and provide the IIC with copies of the environmental documentation related to each investment, including the Environmental and Social Diligence Report, as well as copies of any independent third-party consultant's review.

The SEMS Officer participated in 2017 in the Environmental and Social Risk Management training offered by the IIC in Colombia.

## **III. Mitigation Measures / E&S Action Plan**

The Fund has a SEMS in place that provides the framework that guides the operations of the Fund and other stakeholders throughout the investment life cycle. Each company in which the Fund invests must comply with the IIC list of excluded activities, environmental laws, regulations, and standards of the respective applicable jurisdictions, as well as with applicable IIC environmental and social requirements of the Sustainability Policy. The Fund will be required to improve its internal capacity in terms of environmental and social aspects, by either hiring an Environmental and Social

Specialist or using external consultants to manage the impacts and risks of its projects. The Fund must submit an annual environmental and social monitoring report to the IIC.