



Project Summary Information

Date of Document Preparation: April 12, 2023

Project Name	LOK Capital Fund 4
Project Number	P000631
AIIB member	India
Sector/Subsector	Multi-sector / Multi-subsector
Alignment with AIIB's thematic priorities	Green infrastructure; Technology-enabled Infrastructure; Private Capital Mobilization
Status of Financing	Under Preparation
Objective	To contribute to green and technology-enabled infrastructure development and related services end-use mainly in the Indian market.
Project Description	Lok Capital IV LLC (the Fund) is a closed-end private equity fund focused on investing in businesses that leverage technology to provide infrastructure and related services across financial services, climate, health, and agriculture sectors, primarily in India. With a target size of up to USD200 million, the Fund aims to make technology-enabled impacts by investing in early and growth stage companies in the sectors mentioned.
Expected Results	<p>Project result indicators include:</p> <ul style="list-style-type: none"> • Percentage of total commitment aligned with climate mitigation finance • Percentage of total commitment aligned with climate adaptation finance • Percentage of total commitment aligned with Technology-enabled Infrastructure mandate • Indirect mobilization of private capital through AIIB participation • Percentage of total commitment focused on gender interventions in line with the 2X Challenge commitment • Percentage of total commitment supporting inclusion efforts
Environmental and Social Category	FI

Environmental and Social Information	<p>AIIB's Environmental and Social Policy, including the Environmental and Social Exclusion List (ESEL) and Environmental and Social Standards (ESSs), is applicable to the Project. The Project is categorized as Financial Intermediary (FI) operations as the financing structure involves the investment of funds in Lok for investment in agreed target sectors i.e. investments in financial services and technology-based investments in health, agriculture supply chain, and climate sectors.</p> <p>Lok's environmental, social, & governance management system (ESGMS) for its previous fund (Fund 3) has been developed consistent with internationally recognized environmental and social (E&S) standards. It includes procedures to (i) screen investments against Environmental, Social and Governance (ESG) exclusion list; (ii) assign an ESG categorization; (iii) conduct E&S due diligence and preparation of ESG action plan; (iv) monitor E&S risks and impacts of investments; (v) report to its management and investors; and (vi) train new staff joining Lok's team. This has been enhanced to meet the requirements of AIIB's ESP for the Fund.</p> <p>The Fund has an independent and dedicated team of professionals responsible for overseeing all ESGMS-related activities. An ESG Coordinator is responsible for investment specific E&S requirements and is supported by the deal team and external consultants (as needed). Based on the discussion with the team and review of Environmental and Social Due Diligence (ESDD) records, Lok demonstrates high scrutiny for proposed pipeline, with adequate internal and external capacity to manage E&S risks of its portfolio.</p> <p>The proposed portfolio will comprise 18-20 investments in target sectors with focus areas having limited and manageable E&S risks and negative impacts. For financial services, these include on-lending to low-income households through NBFCs catering to housing finance, climate finance, agribusiness supply chain finance, other specialized lending, and insurance. For technology-based investments these comprise activities excluding physical infrastructure such as for health: medical devices, diagnostics, consultations, treatments; for agriculture: market linkages (farm to consumer) agri-inputs and supply chain, asset light warehousing; for climate: electric mobility, climate finance, low GHG consumer products, climate and earth data generation. Activities in these areas are expected to have low or minimal E&S risks and impacts, those having significant adverse ES risks and/or impacts and activities included in AIIB's ESEL will not be eligible for investments.</p> <p>Lok is working towards net zero target for its Scope 1 carbon emissions by 2030. In addition, the Fund will require portfolio companies to measure their greenhouse gas (GHG) emissions using GHG Protocol¹ which is permitted under the International Financial Institutions (IFIs) Interim Guideline for a Harmonized Approach to GHG Accounting and to include physical risk assessment in their E&S due diligence. The amount of AIIB's financing to be qualified as climate mitigation</p>
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¹ <https://ghgprotocol.org/about-us>

	<p>and adaptation finance is both envisaged to be 10 percent of total fund size, and corresponding objective indicators are included in the result monitoring framework.</p> <p>Lok seeks to contribute in technology that enables wider outreach of financial services especially to those who belong in underserved segments of society. Investments in technology will benefit sectors which provide services and/or economic opportunities to women such as health and agriculture. Furthermore, Lok will track for Fund IV portfolio women ownership, women founding members, women in workforce, and women beneficiaries.</p> <p>In addition to national labor laws and standards, Lok's ESGMS refers to international labor and working conditions standards and require portfolio companies to subscribe to such principles including safe workplaces; equal treatment of employees; fair compensation; regular consultations; prevention of sexual harassment. The Bank will work with Lok to strengthen measures on grievance redress mechanism (GRM) for workers.</p> <p>Lok's ESGMS includes provisions for a stakeholder engagement plan outlining engagements with identified stakeholders. Lok has disclosed on its website its ESGMS overview and ESG policy and will disclose the name, location, and sectors of portfolio companies within 12 months following financial close. The ESG policy also require portfolio companies to establish their GRMs. Lok's ECM has further upgraded, as project-level GRM, to include contacts and processes to receive and handle E&S related grievances. The disclosed ESG policy also provide information on AIIB's Project-Affected People's Mechanism (PPM) as described below. In addition, the Fund will be required to inform AIIB of material ESG incidents and grievances at the subproject level and prepare an annual E&S performance report.</p>		
AIIB Commitment	USD30 million (including a co-investment sleeve of USD5 million)		
Fund Manager	Lok Investment Manager Ltd.		
Fund Advisor	Lok Impact Advisors Private Ltd.		
Estimated Date of first disbursement (Fund)	Q2 2023		
Contact Points:	AIIB		Lok Impact Advisors Private Ltd.
Name	Kishlaya Misra	Boyun Yang	Venky Natarajan
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Date of Concept Decision	July 27, 2022		

Date of Appraisal Decision	April 12, 2023
Estimated Date of Financing Approval	Q2 2023

Independent Accountability Mechanism	<p>The Bank's Policy on the PPM applies to the Project. The PPM has been established by the Bank to provide an opportunity for an independent and impartial review of submissions from Project-affected people who believe they have been or are likely to be adversely affected by AIIB's failure to implement its ESP in situations when their concerns cannot be addressed satisfactorily through the ECM or the processes of AIIB's Management. Information on the PPM is available at https://www.aiib.org/en/policies-strategies/operational-policies/policy-on-the-project-affected-mechanism.html.</p>
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