



Luxembourg, 13/07/2022

Environmental and Social Data Sheet

Overview

Project Name:	GEF SOUTH ASIA GROWTH FUND III
Project Number:	2022-0164
Country:	India
Project Description:	Equity participation in a private equity fund investing in SMEs that promote climate action and environmental sustainability primarily in India, but also in other countries in the South Asian/South East Asian region.
EIA required:	Some investments may require an environmental and social impact assessment.
Project included in Carbon Footprint Exercise ¹ :	No

Environmental and Social Assessment

Environmental and Social Assessment

This operation concerns an equity participation in a regional fund addressing Climate Mitigation, Adaptation and Circular Economy in India and in other countries in the South Asia/South East Asia region. It is primarily targeting SMEs that are falling in one of the Fund's strategic focus areas including sectors such as food security solutions, water security solutions, waste recovery solutions, and energy efficiency

As such, the operation will contribute to the Bank's Climate Action targets outside the EU and to other Environmental sustainability objectives in particular circular economy. Given that the Fund will be investing in SMEs, most of the environmental and social risks and impacts will be few in number, generally site-specific, largely reversible and readily addressed through mitigation measures and industry good practice. The main E&S risks and impacts of the operation derive from the E&S risks associated with the Fund's sub-projects/portfolio companies. The typical risk areas will include labour and working conditions, gender-based violence and harassment, occupational health and safety, waste management and handling of hazardous materials. The Fund will not invest in higher risk business activities that may include a) involuntary resettlement, b) risks of adverse impacts on indigenous peoples, c) significant risks to biodiversity and cultural heritage and d) significant risks and impacts on environment and community health and safety.

The Fund Manager will be required to ensure compliance of all investments with the applicable host country environmental and social national laws and regulations, the EIB List of Excluded activities, the EIB Environmental & Social (E&S) Standards and any restricted activities and the E&S requirements defined under the Fund's ESMS.

¹ Only projects that meet the scope of the Carbon Footprint Exercise, as defined in the EIB Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: 20,000 tonnes CO₂e/year absolute (gross) or 20,000 tonnes CO₂e/year relative (net) – both increases and savings.



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The Fund Manager has developed robust environmental and social governance (ESG) policies and procedures. The ESMS details the ESG procedures and system (screening mechanisms and workflows that needs to be followed for all eligible investments) are in place since the launch of SAGF II in 2018 and have been updated in June 2021. They are well in line with the Bank's requirements and lay down the criteria and requirements for conducting E&S due diligence and periodic monitoring for the portfolio companies against the ESMS standards. The ESMS and the ESG procedures were updated to also integrate supply chain related E&S risks and a systematic review of potential climate risks. The Fund will be required to enhance its ESMS to include processes and requirements to address the risk of gender-based violence and harassment.

The ESG team consists of two internal staff members with a strong experience and profile, who work closely with the Investment team to ensure the integration of ESG issues in all investment processes. An additional ESG specialist is expected to join the team in Q2 2022. External advisors and Consultants provide sector related dedicated advice, where needed.

Some of the investments may be subject to an Environmental Social Impact Assessment, as required by the respective national regulations or as determined by the ESMS requirements of the Fund. The Fund will require that the investee disclose and publishes the ESIA report and relevant studies and carry out the appropriate consultation and engagement with project-affected stakeholders.

Other Environmental and Social Aspects

The Fund commits to align all financing activities with the principles and goals of the Paris Agreement.

Conclusions and Recommendations

The Fund's ESMS and procedures are appropriate to ensure compliance with the EIB E&S Standards, as well as the host countries E&S national laws and regulations. The Fund will be required to:

- enhance its ESMS to include requirements and processes to address the risks of gender-based violence and harassment
- where an ESIA report is required, the Fund will require from the investee to disclose and publish such report and associated studies and carry out the relevant public consultation and stakeholder engagement.

With these conditions in place the Fund is acceptable for financing in environmental and social terms.