



**South Asia**

**Clean Energy**

**Fund, L.P.**



**Annual Environmental,  
Social, and Governance  
Performance Report 2021**



GLOBAL  
ENVIRONMENT  
FUND®

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# 2021 ANNUAL ENVIRONMENTAL AND SOCIAL PERFORMANCE REPORT

Date: March 31, 2021

To: The Advisory Board and Limited Partners of South Asia Clean Energy Fund, L.P.

From: The General Partner of South Asia Clean Energy Fund, L.P.

Re: 2021 Annual Environmental and Social Performance Report (“Annual ESG Report”)

## EXECUTIVE SUMMARY

On behalf of the General Partner of South Asia Clean Energy Fund, L.P. (“SACEF” or the “Fund”), we are pleased to provide to limited partners (“Partners”) our Annual ESG Report on the environmental and social performance of the Fund and its portfolio companies for the year ending December 31, 2021.

Global Environment Fund (“GEF”) has made sustainability its mission by investing in businesses that support the environment and promote resource efficiency and sustainable natural resource uses. We work with our portfolio companies to ensure that they adhere to high environmental standards in their business operations. SACEF has integrated these stringent Environmental, Social, and Governance (ESG) principles into its investment decision-making and portfolio management processes, as further described below. Since 1990, our experience has demonstrated that managing companies to international environmental standards reduces risks and liabilities, improves financial performance, protects portfolio companies’ and SACEF’s reputation, and increases the value to investors upon exit.





# **SACEF's Approach to Environment, Social, and Governance (ESG) Issues**

As an environmentally focused fund, SACEF has several layers of ESG review and compliance. These include the following:

1. Each investment memorandum includes a section on the environmental rationale for the investment. SACEF only makes investments that can have a positive impact on resource efficiency in several sectors, including waste, water, food and agriculture, clean energy value chain, energy efficiency and materials, consistent with the Fund's mandate, as well as a favorable impact on the reduction of Green House Gas ("GHG") emissions. The investment team determines and makes a positive resource efficiency case for why SACEF should undertake a particular investment, which is reviewed and approved by the investment committee.
2. Each SACEF portfolio company must comply with the overall GEF ESG policy as well as, specific guidelines set by SACEF's investors (such as those by International Finance Corporation, Asian Development Bank, Overseas Private Investment Corporation, and Japan Bank for International Co-operation), relevant national standards and laws, and international standards on environmental compliance, safety, and relevant labor and social conditions, specifically the IFC Performance Standards. All investments include environmental, social and governance covenants in the shareholder agreement that governs the portfolio companies' behavior in terms of these standards, its ESG Action Plan, where relevant, and defining its ESG reporting requirements.

3. SACEF performs environmental and social due diligence on potential investments by engaging third-party consultants where relevant, who help to define the criteria and standards applied in the covenants in point 2 above. In cases where there are deficiencies in compliance at the time of the investment, the company must agree to implement an ESG Action Plan, providing a list of improvements and a timeline for the company to meet those improvements. In many such cases, SACEF will require an environmental audit of compliance with the ESG Action Plan after an agreed period of time. SACEF will also assist the portfolio company in developing a Social and Environmental Management System (SEMS) where appropriate, and once the ESG Action Plan has been completed, continue to help management set ESG goals, support ESG programs being integrated into its core operations, and use ESG as an integral part of value creation.
4. SACEF has performed integrity due diligence (IDD) on potential investments through a third party consultant,
5. The SACEF investment team also works closely with each portfolio company to establish and strengthen corporate governance, laying the groundwork for long-term growth and value creation. In many of the family or founder-controlled companies in which we invest, transparent corporate governance policies need to be improved. At the time of investment, a number of provisions related to good corporate governance are incorporated into shareholder agreements and other transaction documents. In addition, GEF works with companies over time to improve their corporate governance policies such as improved documentation of board and shareholder decisions, strengthened internal financial controls, and when appropriate, appointment of independent board directors and the establishment of an audit and compensation committee.
6. To monitor compliance with ESG standards and requirements (beyond any required independent audits or reviews), each portfolio company must complete GEF's annual ESG monitoring form. Relevant environmental and social metrics are noted, including the reduction of GHG emissions.
7. In addition, SACEF will notify the Advisory Board of the Fund of any adverse material environmental or social incidents occurring in the portfolio company.

# SACEF Environmental and Social Management System

The review of a potential portfolio company's ESG issues is integrated into the SACEF due diligence process. Once an investment has been made, ESG activities are monitored and managed along with other strategic and operational portfolio management activities. ESG issues and metrics are reported through the annual ESG monitoring report. This process, summarized above, includes the SACEF investment team working in consultation with the ESG Team at each stage of the deal process, from the Initial Investment Summary through the due diligence process, to the final Investment Memorandum. SACEF typically takes board representation rights on all of its portfolio companies as the Fund's nominated board director(s), in addition to undertaking oversight responsibilities as is typical of that role. In conjunction with the ESG Team, SACEF assists the management of the portfolio company in implementing any ESG compliance actions.

In cases where an Environmental and Social Action Plan is incorporated into the deal documentation, the SACEF investment team reports regularly to the ESG Team and the investment committee on the portfolio company's progress toward meeting the goals outlined in the ESG Action Plan, as well as future goals and programs, and immediately reports any material adverse environmental or social incidences or claims.

## SACEF's Approach to ESG Issues

In each of our target investment sectors, SACEF engages in a top-down environmental sector analysis which leads to an identification of priority sectors in our investment strategy. Within those priority sectors, SACEF identifies leading companies and engages in a thorough due diligence process which includes an analysis of environmental, social, and governance risks, as well as opportunities for value creation. SACEF operates within the broader GEF Sustainability approach that covers all the funds. The GEF Sustainability Approach contains strategies, frameworks, resources, guidance, processes, and training for managing ESG risks, identifying opportunities, and creating value in our portfolio companies.

# Summary of Portfolio Changes in 2021

During 2021, the Fund sold all of its holdings in Shakti Pumps. Further, ReNew in 2021 got listed on NASDAQ. As part of the list, the Fund made a partial exit. No other significant change in the portfolio since what was reported in the 2020 ESG report.

## Internal Sustainability Focus

SACEF's Sustainability Approach was developed to enhance and expand on the frameworks, resources, guidance notes, processes, and training for managing ESG risks, identifying opportunities, and creating value in our portfolio companies. This process will continue in 2021. The SACEF approach aims to create standards and lessons learnt from all our previous funds

SACEF team members actively participate in training seminars and ESG workshops conducted by leading organizations around the world.

Below is a snapshot of SACEF's continuous engagement with various portfolio companies on their ESG approach:

## 100%

Follow IFC Performance Standards 2012



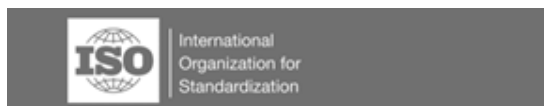
Continuously evaluating and completing gaps as per third party audits

## 100% 70% 30%

ISO 9001

ISO 14001

OHSAS 18001



Companies working towards global  
Certification in manufacturing processes

\*some of these certifications are at the subsidiary level

# 100%

Have ESG responsibility at Board Level



50% have dedicated ESG personnel & the other 50% have shared ESG role responsibility

# 80%

Have CSR committee at Board Level



Companies working towards incorporating best practices

# 20%

Of the workforce are women



Engaged to provide a better ecosystem to increase women in the workforce

# 37,879 tCO<sub>2</sub> e

## Portfolio Company Profiles

The following pages provide an environmental and social overview for each of the portfolio companies that SACEF held at the end of 2021. Each of these profiles includes the environmental rationale for the investment, a description of any environmental due diligence performed before the investment, and an overview of any environmental and social concerns that have been addressed.

## Environmental and Social Claims

There were no reported or material Environmental and Social Claims/ incidences on SACEF portfolio companies in 2021.

## GEF and SACEF's Commitment to Sustainability

GEF has been committed, since its founding in 1990, to building a cleaner and healthier world through responsible investment, and as our firm has grown in size and stature, we have maintained and strengthened this commitment. SACEF endeavors to rigorously apply best-in-class ESG practices into its South Asia portfolio and have consistently received positive feedback as one of the top platforms in its market for ESG monitoring, verifications, and reporting functionalities from various investors, partners, and third-party consultants. Please do not hesitate to contact Raj Pai or Scott Macleod if you would like to discuss any matters relating to this letter or sustainability or ESG issues in general at SACEF or GEF.

Sincerely yours,



Scott Macleod  
Managing Partner  
GEF Management  
Corporation



Raj Pai  
Managing Director  
South Asia Clean Energy  
Fund



Sridhar Narayan  
Managing Director  
South Asia Clean Energy

# Kalki Technologies Pvt Ltd

**Location:** Bangalore, India

**Sector:** Smart Grid / Energy Efficiency

**Initial GEF Investment:** May 2012

**SACEF Ownership:** 23.62%

## Business Description:

Business Description: Kalki Communication Technologies Limited (“Kalkitech”) is a technology-based company founded in 1998, providing products, services, and solutions in the integrated domains of control, communication, and computing to improve energy efficiency and operations for the energy industry.

## Positive Environmental Rationale:

Highly-regulated Indian utilities face dynamic operational and efficiencies challenges in the generation and transmission of electricity. Utilities face difficulties in managing load imbalances in an optimized manner due to a lack of real-time and relevant data, a lack of sophisticated tools for operational decision-making, as well as a lack of capabilities to manage dynamic challenges. All of these result in inefficiencies in the power generation, transmission, and distribution (T&D) systems.

Kalkitech is a highly-focused company servicing the energy industry through OEMs and system integrators, developing technology solutions, products, and services. Kalkitech's suite of software and hardware products and services provide energy efficiency advantages when used by utilities:

- Kalkitech's SYNC range consists of a suite of products that provide field-to-enterprise communication enablers for the energy sector to ensure real-time information is available to utilities to take timely action on various control parameters and reduce energy losses.
- Kalkitech's ELTRIX range of solutions optimizes domain-level problems in the power system. Through ELTRIX, a generation power plant can improve 1-2% of boiler efficiency, the most critical component affecting the efficiency of the power plant. Similar efficiency improvements take place in T&D systems by better peak demand management and proper scheduling, etc.
- Kalkitech Services offers technology consulting services to enable OEMs and utilities to be able to be technologically up-to-date and adapt to the emerging scenarios.

## Kalkitech's products and services:

- Assist utilities to achieve their electricity generation and transmission objectives under environmental, regulatory, and market constraints in a more efficient manner. Providing real-time operations and efficiency data for operational decision-making also results in influenced emission reductions;

- Assist utilities, independent power producers (IPPs), and captive power producers in improving their overall plant efficiency and help plant operators to optimize generation by continuously updating heat-loss status and degradation of auxiliary equipment; and
- Integrate various renewable energy sources into the Indian smart grid ecosystem.

These improvements in energy efficiency directly result in savings in fossil fuel consumption which in turn have strong environmental benefits in the form of a reduction in GHG, SO<sub>x</sub>, and NO<sub>x</sub> emissions.

## Summary of Environmental Due Diligence:

An independent environmental consultant was engaged by SACEF to complete an environmental, occupational health, safety and social (EHS&S) review of the company and its facilities against applicable national regulatory requirements, IFC Performance Standards, and the IFC General EHS Guidelines, as well as sector-specific EHS Guidelines.

Accordingly, opportunities for enhancing the EHS&S program and specific areas for inclusion in the ESG Action Plan (also known as the Corrective Action Plan (CAP) were identified to be implanted by the Company.

## Conditions Placed on Investment:

The CAP and relevant timelines and covenants were incorporated in the Shareholders Agreement. SACEF also has representation on the board of directors and ensures that the Company pursues appropriate ESG actions and not enter into any new business areas that could be considered environmentally detrimental.



## Relevant Environmental and Social Standards in Effect:

- The 2012 International Finance Corporation (IFC) Performance Standards on Social and Environmental Sustainability, and the 2007 IFC Environmental, Health and Safety Guidelines, as may be amended from time to time.
- Adherence to country-specific regulations and laws

## Corporate Governance Measures:

Corporate governance at Kalkitech is directed by a Shareholders Agreement, which among other things, lays out the environmental and social governance covenants that must be followed. SACEF maintains two board members who assist with the execution and oversight of specific ESG deliverables. SACEF board members maintain veto rights over the implementation of new projects.

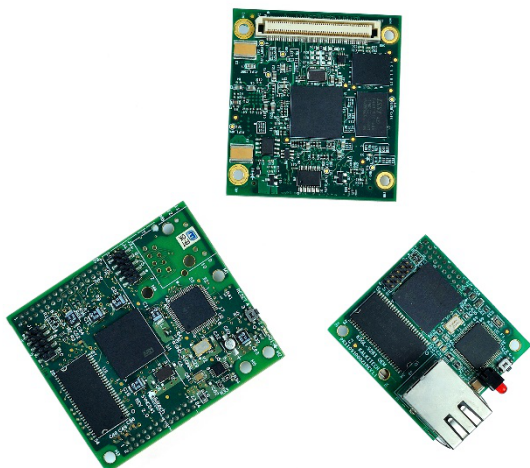
## Environmental and Social Metrics:

ESH Metric		Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2021
Total Employees	#	143	148	185	195	159	150	168
Male	#	120	121	154	166	118	109	121
Female	#	23	27	31	29	41	41	48

# Environmental and Social Developments since Investment:

The Company since the time of the investment has undertaken the following:

- Formally instituted a company-wide EHS Policy;
- Defined a Code of Ethics and Employee Code of Conduct Policy and held employee workshops. The Code of Ethics was incorporated into the New Employee Induction/Orientation process;
- Established a compensation committee and audit committee to the Company Board; and conducted active fire and safety training for its employees.



Apart from the above, the Company undertook some initiatives in 2021 as follows:

- Fire extinguishers were refilled at Kochi in July, 2021.
- Fire Drill was conducted on Feb 25, 2022 at Bangalore.
- Vaccination Drive –12th June 2021 and 16th September 2021 in Bangalore and on 16th June 2021 and 11th September 2021 in Kochi.
- Webinar on various topics was conducted – Healthy Nutrition, Vision Care, Ergonomics, Headaches & Neuro Health, Nutrition & Immunity and Cancer Awareness.
- Employees are covered under medical insurance – New India Assurance Ltd. which pays for medical and surgical expenses incurred by the employee.
- Employees, direct contractors, and third-party contractors covered under Covid policy of 2 Lacs.
- Procured Oxygen Concentrators for Bangalore & Kochi

In 2021, the Company continued its monitoring of key environmental parameters like energy, water and waste. Some key observations are detailed below:

Metric	2016	2017	2018	2019	2020	2021
Energy	10,121 units as monthly average consumption at Kochi and 6,000 units at Bangalore	10,453 units as average monthly consumption at Kochi & 8,000 units at Bangalore	10,649 units as average monthly consumption at Kochi & 10,000 units at Bangalore	-	10,863 units as monthly average consumption at Kochi & 6,500 units per month at Bangalore	8,084 units as monthly average consumption at Kochi & 7,000 units per month at Bangalore
Water	120,000 litres as monthly average consumption at Kochi & 72,000 litres at Bangalore	120,000 litres monthly average consumption at Kochi & 70,000 at Bangalore	120,000 litres monthly average consumption at Kochi & 75,000 litres at Bangalore	120,000 liters per month at Kochi & 80,000 litres per month at Bangalore	120,000 liters per month at Kochi & 25,000 litres per month at Bangalore	50,000 liters per month at Kochi & 15,250 litres per month at Bangalore
Waste	E-Waste taken care by Z Enviro Industries Private Limited	165 kg of e-waste was collected by Earth Sense Recycle Private Limited at Kochi	E-waste collection is planned at the interval of 6-8 months depending upon requirement at Kochi. 71 kg of e-waste was collected by Earth Sense Recycle Private Limited at Kochi in May 2017. The vendor at Bangalore is Coral Communication and Networks Private Limited	Dry waste is collected and disposed of by burning in a pit on weekly intervals. Plastic waste is collected by Kudumbasree from Sreemoolanagaram Panchayat on monthly basis and E-waste collection is planned at the interval of 6-8 months. E-waste collection through Earth Sense Recycle Private Limited, Kochi.	1.33 reams/ month of paper was collected at Kochi. Additionally, 8 bundles per month were collected for recycling at Bangalore.  Plastic waste is collected by Kudumbasree from Sreemoolanagaram Panchayat on monthly basis. No e-waste disposal to certified agency was done during the year.	0.55 reams of paper at Kochi per month & 5 bundles at Bangalore per month  Plastic waste is collected by Kudumbasree from Sreemoolanagaram Panchayat on monthly basis and E-waste collection is planned at an interval of 6-8 months.

Metric	2016	2017	2018	2019	2020	2021
						<p>E-waste collection Vendor: Aspire Green, Kandanthara, Allapra, Ernakulam. E-waste was collected by Earth Sense Recycle Private Ltd at Kochi on 21.01.21. Bangalore-E-waste disposed on 27/10/2021- vendor to SOGO Synergy Pvt Ltd.</p>

## SACEF Engagement:

- Worked with the Company to sensitize senior management on ESG requirements, approach to ESG, and monitoring periodically
- Worked with Board to include ESG updates in quarterly Board meetings
- Assisted the Company in reviewing EHS&S requirements for their new office in Bangalore
- Worked closely with the Company to formulate and institute a companywide EHS&S policy

## ESG Goals and Objectives for 2022:

In the coming year, Kalkitech's objective will be to:

- Conduct corporate social responsibility programs supporting the society to make a difference to their lives.
- Sponsor and encourage employees to undergo annual health check-up.
- Conduct dental and eye checkup to employees.
- Cover employees under medical insurance through a reputed insurance vendor.
- Fire & safety drill to be organized in a year to create awareness on how to exit the building in the quickest, easiest and safest way possible if fire, smoke or other emergencies occur.

# Rishabh Instruments Private Limited

**Location:** Nashik, India

**Sector:** Energy Efficiency/ Environmental Products and Services

**Initial GEF Investment:** September 2013

**SACEF Ownership:** 22.22%

## Business Description:

Rishabh Instruments Private Limited ("RIPL", "Rishabh" or the "Company") has a core business that is engaged in manufacturing, design and development of energy management and energy monitoring products which it classifies into two broad categories – industrial control products ("ICP") such as analog panel meters ("APM"), digital panel meters ("DPM"), multi-function meters ("MFM"), clamps, transducers, current transformers ("CT") and testing & measurement instruments ("TMI") such as digital multi meters ("DMM"), insulation testers etc. The Company, through its subsidiary Lumel S.A. ("Lumel"), also produces high pressure aluminum die casting products for the industrial and automotive sector. Rishabh and Lumel together are referred to as "the Group."

## Positive Environmental Rationale:

ICP and TMI products have applications in the generation, transmission, consumption, control, protection, and metering of energy and the instrumentation sector. Control, measurement, and industrial automation are important elements of industrial infrastructure – mainly in the power industry followed by manufacturing industries, telecom, and railways. The use of these products enables optimization of energy consumption and automation of production processes.

With manufacturing units becoming larger across many industries, an increased number of mechanical measurement and control devices are being replaced by electrical and electronic ones. Electronic devices not only offer faster measurement and control but also improve the accuracy of measurement. These also help monitor and control a larger number of devices at the same time and allow remote control of the systems. The data logging and analysis capabilities of electronic measurement and control systems is yet another advantage that leads to offline data availability, allowing deeper and more accurate R&D into control systems. Each of these advantages leads to improved system health and increased efficiency and quality of electrical output.

ICP's are used to indicate the electrical parameters of the electrical distribution and control panels. They are used in furnaces to display the temperature, in transformer panels to indicate the tap position, and in power equipment to measure energy levels. Each of these input parameters is further used by various automatic and manual feedback control systems to correct the measured value and bring it to an optimal number, thereby increasing throughput. Another example of an ICP is a transducer that is used to convert AC signal to DC signal values for the application as an input to the Programmable Logic Control ("PLC") for automation and SCADA systems.

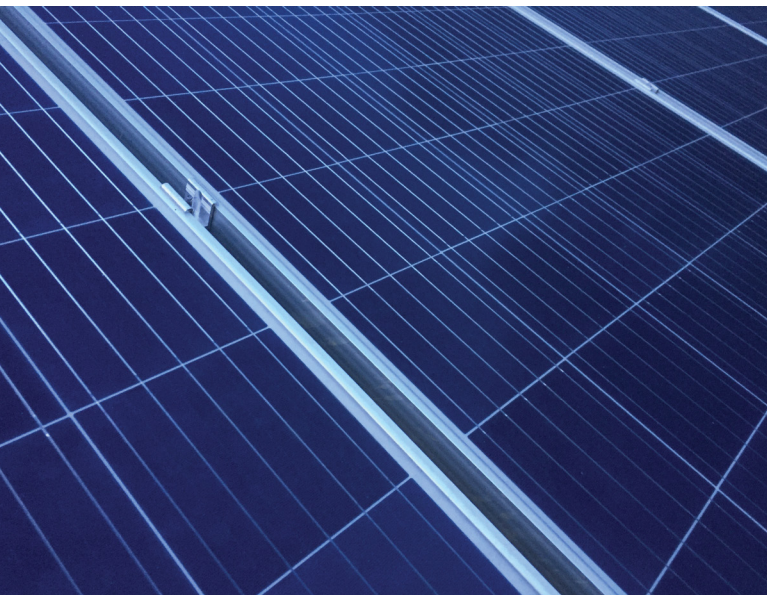


# Summary of Environmental Due Diligence:

IFC Performance Standards, and the IFC General EHS Guidelines, as well as sector-specific EHS Guidelines.

Based on the environmental consultant's site visit and assessment of the Group's operations, the Group was assessed under Category 'B' project per the IFC Performance Standards. From the EHS&S due diligence results, the consultant and SACEF concluded that there are no major environmental, health, safety or social risks and liabilities associated with the company's premises or operations. The consultant and SACEF identified opportunities for enhancing the EHS&S program and identified specific areas for inclusion in the ESG Action Plan (also known as the Corrective Action Plan (CAP).

The CAP was discussed in detail and agreed with the Company including the timelines for its implementation. Separately, the Company also agreed to participate with the Fund in understanding the potential influenced emission reductions as per the JBIC guidelines and undertake an annual monitoring audit at end of the each calendar year.



## Conditions Placed on Investment.

The CAP and relevant timelines and covenants were incorporated in the Shareholders Agreement. SACEF also has representation on the Board of Directors and ensures that the Company will pursue appropriate ESG actions and not enter any new business areas that could be considered environmentally detrimental.

## Relevant Environmental and Social Standards in Effect:

- The 2012 International Finance Corporation (IFC) Performance Standards on Social and Environmental Sustainability, and the 2007 IFC Environmental, Health and Safety Guidelines, as may be amended from time to time.
- Adherence to country regulations and laws



## Corporate Governance Measures:

Corporate governance at the Group is governed by a Shareholders Agreement, which among other things, lays out the environmental and social governance covenants that must be followed. SACEF maintains two board members who assist with the execution and oversight of specific ESG deliverables. SACEF board members maintain veto rights over the implementation of new projects.

Rishabh has a well-defined policy on Business Integrity. The policy is available on the employee portal, enabling them to access it and understand all facets well. The policy provides a well-structured medium for employees as well as other stakeholders to report an ethical concern. All new employees are provided training on Business Integrity as a mandatory aspect of Induction Programme. A periodical ethics alert is circulated to all employees via e-mail explaining ethical concepts and emphasis on do's and don't's.

## Environmental and Social Metrics:

ESG Metric	Units	Mar. 31, 2015	Mar. 31, 2016	Mar. 31, 2017	Mar. 31, 2018	Mar. 31, 2019	Mar. 31, 2020	Mar. 31, 2021
Net Annual GHG emissions reduction Note: These numbers are calculated per JBIC GHG methodology.	tCO2e	2,306	3,269	3,054	3,404	4,364	3,561	3,771
		Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2020 <sup>1</sup>	Dec. 31, 2021 <sup>2</sup>
Total Employees	#	1,467	1,444	1,527	841	741	779	797
Male	#	998	943	968	512	476	495	518
Female	#	469	501	559	329	265	284	279

Notes:

- Employee numbers are indicated only for India operations/ activities

# Environmental and Social Developments since Investment:

At the time of investment, Company management agreed to an Environmental and Social Action Plan (ESAP), containing twenty-two identified issues across all locations of Rishabh and Lumel. Company has completed all corrective actions.

- Rishabh is manufacturing & selling instruments that monitor & control certain parameters of electricity which result in electricity energy conservation & enables extended life as well as safety of machinery/equipment and personnel using these.
- Rishabh started manufacturing power factor meters long back to control the power factor (PF) of the system. When the power factor in the electrical system is less than unity, this is an indication of the presence of reactive power which is un-utilized power or wastage. The power factor controllers sense the power factor in the system and signal the instrument which operates the relays in the circuit to switch on the capacitor bank to ensure the correction is carried out in the system to bring the power factor to unity.
- Recently State Electricity Boards are also careful that no overcorrection in power factor should be done meaning more capacitive load to be introduced.
- The newly designed power factor controllers of Rishabh have a feature that senses the Lead power factor to indicate overcorrection so that immediate actions can be planned.
- Innovative products developed by Rishabh such as 3 Phase CTs, Clamp Type CTS, Inbuilt transducers in CT are picking up good momentum and will make a positive impact in the business.
- Recently Rishabh has also started Resin Cast CT manufacturing & completed set up with a resin cast molding machine. This product has a huge potential in the market.
- There has been an increase in production levels in CT, Digital products, and Solar inverter manufacturing and this has created production expansion opportunities to Core, Copper wire, PCB & other component suppliers thereby creating additional work. Increased business volume has created opportunities for employment for sales and service at our channel partners & stockists.



- Expansion to manufacturing facility at F-31 location has been started in the current year to cater the needs of increasing Solar Inverter business as well as to accommodate manufacturing of new released products.

Metric	2015	2016	2017	2018	2019	2020 till Feb	2021
Energy consumption (Units)	15,72,713	15,50,885	15,58,663	16,66,724	13,42,137	12,43,685	16,41,955
Water consumption (in CUM)	11,541	11,312	10,137	9,864	10,599	9,612	10,478

## Rishabh organized the following training in 2021:

- Fire extinguisher training
- Quality tools technical training
- Skill development training

## For Lumel, the following improvements were registered by the Company:

- Health and safety programs;
- Health and Safety and Environmental requirements for subcontractors;
- Improvement of the work conditions through technical interventions;
- Improvement of the sewage management; However, three accidents at work took place between April to November 2021 in LUMEL ALUCAST. The company has performed a root cause analysis of the accidents and used their findings to further strengthened its H&S plan.

## SACEF Engagement:

- Worked with the Company's senior management to better understand ESG standards, approach to ESG, and monitoring gap analysis on a periodic basis
- Worked with Board to include ESG updates in quarterly Board meetings
- Assisted Company in reviewing and revising HR policies including establishing a grievance mechanism and collective bargaining provisions
- Worked with the Company to better understand the gap analysis and close compliance/approval related points

## ESG Goals and Objectives for 2022 (for Rishabh):

- Finding the avenues for a reduction in electrical energy consumption & implementation of the same
- Optimization in the generation of electrical energy from solar plants
- Increased focus on social activities
- Creating more awareness & actions to support the environment by way of minimizing plastic usage and encouraging alternate solutions
- Periodic health checkups of employees
- EHS training & awareness

## Environmental, Social and Safety goals for 2022 (for Lumel):

- Improvement of the work conditions – light on the workstations;
- Improvement of the sewage management
- LPA audits improvement.

# ReNew Power Ventures Private Limited

**Location:** Gurgaon, Haryana, India

**Sector:** Clean energy generation

**Initial GEF Investment:** July 2014

**SACEF Ownership:** 2.21%

## Business Description:

ReNew Power Ventures Private Limited ("ReNew") is an Independent Power Producer of clean energy in India with primary assets in wind power and a small development pipeline of solar generating assets. The Company was founded in early 2011 by Sumant Sinha and in September 2011, the Company raised US\$250 million in equity capital from Goldman Sachs ("GS") (making GS a majority shareholder) with an initial plan to develop over 600 MW of wind power projects in India. As of December 31, 2021, the Company has 5.6 GW of installed wind and solar capacity under management.

## Positive Environmental Rationale:

The investment in ReNew falls under the category of Renewable Energy. ReNew's projects generate electricity from wind which is then supplied to the grid. Electricity produced by wind farms effectively displaces a kWh of electricity that would otherwise have been produced by burning fossil fuels resulting in direct Green House Gas ("GHG") reduction.

Wherever applicable, the Company is also registering projects either under Certified Emission Reduction units (CER's) route under the UNFCCC Clean Development Mechanism, or Voluntary Emission Reduction units (VER's).



## Summary of Environmental Due Diligence:

SACEF used the Environmental and Social Audit conducted by the Asian Development Bank (a co-investor) to complete an environmental, occupational health, safety and social (EHS&S) review of the Company and its projects. It was reviewed against applicable national regulatory requirements, ADB Environmental Guidelines, IFC Performance Standards, and the IFC General EHS Guidelines, as well as sector-specific EHS Guidelines.

## Conditions Placed on Investment:

The ESAP and relevant timelines and covenants are incorporated in the Shareholders Agreement. SACEF also has representation on the board of directors and ensures that the Company will pursue appropriate ESG actions and not enter into any new business areas or projects that could be considered environmentally detrimental.



## Relevant Environmental and Social Standards in Effect:

- The 2012 International Finance Corporation (IFC) Performance Standards on Social and Environmental Sustainability, and the 2007 IFC Environmental, Health and Safety Guidelines, as may be amended from time to time; and Asian Development Bank Standards.
- Adherence to country-specific local regulations and laws

## Corporate Governance Measures:

Corporate governance at ReNew is governed by a Shareholders Agreement, which among other things, lays out the environmental and social governance covenants that must be followed. SACEF maintains one board member as an observer who provides oversight of specific ESG deliverables.

## Environmental and Social Metrics:

ESG Metric	Units	Mar. 31, 2015	Mar. 31, 2016	Mar. 31, 2017	Mar. 31, 2018	Mar. 31, 2019	Mar. 31, 2020	Mar. 31, 2021
Net Annual GHG emissions reduction	tCO2e	24,497	40,465	86,643	136,826	269,968	320,155	335,309
		Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2020	Mar. 31, 2021
Total Employees	#	248	484	559	748	824	1124	1215
Male	#	230	446	508	678	749	1022	1105
Female	#	18	38	51	70	75	102	110

Notes:

1. Per the JBIC GHG methodology.

ReNew is in a growing phase therefore a significant increase in employment is occurring. Further, jobs are created with a fair degree in supporting industries. As per ReNew's experience, a 50 MW wind power project requires employment of approximately 200 people, including executives and technicians, during the construction phase.

## Environmental and Social Developments since Investment:

Positive Energy/ Environmental Benefit	2015	2016	2017	2018	2019	2020
New installed capacity (MW) wind	87	165.7 (As on 25.01.2016 for wind)	624.5 (2016-17) 120.3 (2017-18)	1305.9 MW capacity including Ostro & SREI acquisition.	-	345
New installed capacity (MW) solar	0	50 (as on 03.01.2016)	402	-	-	1115

ReNew has increased the EHS team strength both at the corporate and site levels. In 2018, ReNew launched the EHS tool where HSE-related data is being uploaded by sites in a systematic manner which was upgraded and a new advanced Tool GENSUITE has been introduced. In February 2018, ReNew Power engaged DuPont as a consultant to improve the overall Safety Culture of the organization. As a result of the initial assessment during this engagement, a systematic Safety Culture Improvement Program was designed and implemented across the organization. Relevant high hazard working standards were developed and extensive training and handholding at all levels and locations of the organization were carried out by DuPont. The HSE performance is being closely monitored, proactive measures to ensure good HSE performance is rewarded, and corrective actions wherever required are implemented through various committees and sub-committees under the guidance of the Apex Safety committee being chaired by MD and Chairman. This cultural transformation and good HSE performance were recognized by external organizations as well. ReNew was felicitated for the "Safety Innovation Award 2019" by the Institution of Engineers (India) Delhi Chapter.

ReNew has established a system to monitor the E&S performance of all sites and the same is being analyzed and reviewed at the corporate office through an internal EHS award program. There is much improvement in the awareness of the employees at all levels with respect to HSE matters. Adequate training and awareness are ensured through well-planned induction (for all new employees) and refresher training programs for all employees. Various job-specific training on high hazard activities and related standards have been imparted to the relevant employees at all locations including First Aid and emergency preparedness training.

The HSE performance is being closely monitored, proactive measures to ensure good HSE performance is rewarded, and corrective actions wherever required are implemented through various committees and sub-committees under the guidance of the Apex Safety committee being chaired by the Managing Director and Chairman. This cultural transformation and good HSE performance were recognized by external organizations as well. ReNew also received the Safety Innovation Award 2019 & 2020 respectively by the Institution of Engineers (India) Delhi Chapter.

ReNew in 2021 aimed to achieve zero loss time injuries (LTI) at all sites and improve safety across all businesses.

Apart from this, Renew conducted many mandatory safety training conducted for all employees across businesses.

Integrity is one of the core values of the organization and hence due rigor is there right since onboarding and in day-to-day operations. The anti-bribery, FCPA, and POSH are the few mandatory modules, which all new employees have to pass through. The employees undergo refresher courses to ensure compliance in day-to-day operations.



# Renew's ESG Targets:

## Environment

- Achieving Net Zero by 2050 by adopting Science based targets
- Working towards reduction in water consumption in our operations by adopting water conservation techniques
- Adopting sustainable waste management practices in accordance with government regulations
- Integrating our suppliers and vendors into our sustainability framework and considering opportunities to reduce environmental footprint and increasing resource efficiency across the entire value chain

## Social

- Maintaining high standards of safety (zero injury)
- Committed to encouraging diversity and inclusive workplace
- Working with our suppliers and vendor for improving their sustainability practices
- Promoting Employee Volunteering for an engaged workforce
- Generating social value and supporting the communities in and around its operations

## Governance

- Adopting the Taskforce for Climate-related Financial Disclosures (TCFD) to map our risks and opportunities as a result of climate change which we may be exposed to now and in the future
- Defining strong governance and review mechanisms for sustainability review under the leadership of its CMD

# Concord Enviro Systems Private Limited

**Location:** Mumbai, India

**Sector:** Environmental Products

**Initial GEF Investment:** August 2015

**SACEF Ownership:** 39.07%

## Business Description:

Founded in 1992, Concord Enviro Systems Private Limited (Concord) specializes in providing environmental engineering solutions with a focus on wastewater treatment & recycling, desalination and industrial solid waste management. The Company started as a JV with German company Rochem AG. Post its JV with Rochem AG in 1992, Concord supplied off-shore desalination systems to the Indian Navy, Coast Guards, and Shipping Corporation of India. In 2001 it expanded into industrial wastewater treatment and re-use systems in the pharmaceutical, distillery, textiles, chemicals, pesticides, food and beverage, steel, paint, automobiles, and cement industries.

In 2006 Concord bought out JV Partner Rochem AG's share in the Indian entity and started its own product development. In 2009, they expanded into sewage treatment and the design of water supply and distribution systems, as well as setting up a membrane casting and welding facility in Sharjah both for use in India and export operations.

Concord has installed over 500 wastewater reuse plants in India and internationally across a wide array of industries. It has over 80 installations across India for distilleries; and is one of the preferred suppliers for off-shore desalination systems with over 300 installations. It has marquee customers like United Breweries, Radico, Parrys Sugar Industries, SAF Yeast Co., Biocon, Piramal Healthcare, Mylan, Teva, Ranbaxy, Dr. Reddys, Sun Pharma, Lupin, Raymond, Syngenta, ONGC, Punj Loyd, and Cairn Energy. Outside India, Concord has installations in Vietnam, Sri Lanka, UAE, South Africa, Singapore, Paraguay, and Mexico, among 25 countries.



## Positive Environmental Rationale:

Concord is the market leader in the specialized field of industrial wastewater treatment systems. Its products help industries treat their effluent streams while also enabling recovery and recycling of water for re-use in industrial processes, thereby reducing the need for freshwater.

Application of Concord's energy-efficient process equipment within energy-intensive sectors like Steel, Cement, Paper, and Textile brings improvements in productivity of the businesses which leads to a reduction in energy consumption, which further leads to a reduction in GHG emissions. Among other products, the Company installs energy-efficient membrane-based RO systems, i.e. Plate Tube Membrane (PTM) modules, across various sectors that consume 1.5 – 1.8 kW lesser energy in comparison to conventional RO systems. Additionally, these products reduce the requirement of process steam considerably, resulting in huge energy and fuel savings from boilers. Unique features of Concord products such as longer membrane life, lower energy & steam consumptions, promote productivity, and healthier working conditions at the workplace.

In addition to clean water, water re-use, and reduced industrial pollution, applications of such energy-efficient water treatment equipment in an industry reduces the overall energy demand of an industry, therefore, reducing GHG emission. The services offered by Concord to various industries across many sectors are directly contributing to productive and energy-efficient working environments.



## Summary of Environmental Due Diligence:

ERM, an independent environmental consultant, was engaged by SACEF to complete an environmental, occupational health, safety and social (EHS&S) review of the Company and its facilities against applicable national regulatory requirements, IFC Performance Standards and the IFC General EHS Guidelines, as well as sector-specific EHS Guidelines.

Based on ERM's site visits and assessment of Concord's facilities in Vasai, Maharashtra, India, and Sharjah, UAE, Concord was rated as a Category 'B' project under the IFC Performance Standards. From the EHS&S due diligence results, the consultant and SACEF concluded that there were no major environmental, health, safety or social risks or liabilities associated with the Company's premises or operations. The consultant and SACEF identified opportunities for enhancing the EHS&S program and identified specific areas for inclusion in the Environmental and Social Action Plan (ESAP).

Separately, the Company agreed to participate with the Fund to understand the potential influenced emission reductions as per the JBIC's GREEN guidelines.



## Relevant Environmental and Social Standards in Effect:

- The 2012 International Finance Corporation (IFC) Performance Standards on Social and Environmental Sustainability, and the 2007 IFC Environmental, Health and Safety Guidelines, as may be amended from time to time.
- Adherence to country-specific local regulations and laws

## Corporate Governance Measures:

Corporate governance at Concord is governed by a Shareholders Agreement, which among other things, lays out the environmental and social governance covenants that must be followed. SACEF maintains two board seats that assist with the execution and oversight of specific ESG deliverables.

## Environmental and Social Metrics:

ESG Metric	Units	Mar. 31, 2015	Mar. 31, 2016	Mar. 31, 2017	Mar. 31, 2018	Mar. 31, 2019	Mar. 31, 2020	Mar. 31, 2021
Net Annual GHG emissions reduction	tCO2e	10,5851.	5,1602.	3,228	5,298	6,283	6,924	8,799
		Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2020	Dec. 31, 2021
Total Employees	#	600	650	660	721	1100	1020	1030
Male	#	532	570	580	651	1000	995	920
Female	#	68	80	80	70	100	95	110

Notes:

1. Potential influenced emissions reduction at the time of investment calculated according to JBIC GREEN methodology.
2. These are numbers provided by Company as per the JBIC GHG methodology.

Concord estimates that the Company has directly created around 50 jobs through vendors and agents during the year.

## Environmental and Social Metrics:

Metric	2015	2016	2017	2018	2019	2020	2021
Diesel cost (INR/month)	39,407	37,443	35,000	33,000	40,050	25,000	72,811
Bandra office electricity consumption (INR/month)	127,469	118,539	111,033	Below 105218	134,410	96,000	86,604
Waste water recycled per day	23 mld	30 mld	35 mld	41 mld	47mld	51mld	54 mld

The Company set up a 30 KW Solar plant and made it operational in the year 2020. Part of the factory power requirement is met from solar power. The Company plans to install an additional 330 KW plant in the current year.

Separately, the Company agreed to participate with the Fund to understand the potential influenced emission reductions as per the JBIC's GREEN guidelines.-

- General EHS awareness
- Fire and Safety
- H&S awareness
- Electrical and Mechanical safety

## **SACEF Engagement:**

- Worked with the Company's senior management to overhaul labor policies including a grievance mechanism
- Continue to work with management to better understand ESG standards, approach to ESG, and monitoring gap analysis on a periodic basis
- Working with Board to include ESG updates in quarterly Board meetings

## **ESG Goals and Objectives for 2022:**

In the coming year, Concord's focus will be to meet a further part of the factory power requirement from solar power. Further, the company plans to install additional solar capacity in the current year.

## ANNEX A: SACEF ESG Investment Process

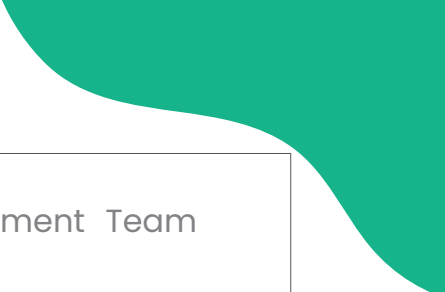
The SACEF ESG Investment Process is integrated into SACEF's main deal and monitoring processes, through the following steps:

Initial Investment Summary ("IIS")	The Investment Officer sends a copy to the ESG Team. The IIS should include a brief environmental rationale for the investment. The ESG Team, at his/her discretion, may discuss with the investment officer potential ESG issues that should be reviewed as the investment moves forward.
Term Sheet	The Investment Officer sends a copy of the first draft of the Term Sheet to the ESG Team. The Term Sheet should include general language on environmental and social expectations for the deal, as well as the requirement that the Company comply with the IFC Standards.
Due Diligence Plan and Budget	The Investment Officer sends a copy to the ESG Team.
Environmental & Social Due Diligence Scope of Work	The ESG Team serves as a resource person in the preparation and execution of environmental and social due diligence process. The Investment Officer and the ESG Team should work together to design an appropriate ESG Scope of Work and to identify and retain appropriate technical consultants.

	<p>The checklist in Annex B of the SACEF LPA may serve as a useful resource in reviewing the performance of the Company with respect to the IFC Standards.</p> <p>If no independent environmental/social due diligence is required, the investment officer should prepare a brief memo to the ESG Team explaining the circumstances.</p>
Initial Investment Summary (“IIS”)	<p>The Investment Officer sends a copy to the ESG Team. The IIS should include a brief environmental rationale for the investment. The ESG Team, at his/her discretion, may discuss with the investment officer potential ESG issues that should be reviewed as the investment moves forward.</p>
Environmental Due Diligence Report	<p>The Investment Officer sends a first draft to the ESG Team (assuming there is a comment period). The ESG Team may assist in formulating questions that need to be addressed in the final draft. The final draft is also sent to the ESG Team.</p> <p>The sample due diligence report outline may provide a useful template in the creation of the due diligence report, but should be modified to suit the circumstances of the transaction.</p> <p>Based on the due diligence findings, the ESG Team may offer assistance in further refining the investment officer’s thinking on environmental and social risks in the Investment Memo, any need for an ESG Action Plan, and covenants/mitigants in the documentation.</p>

ESG Action Plan	The Investment Officer and the ESG Team should work together with Company Management to design an ESG Action Plan to address any areas of ESG concern within a reasonable period of time.
OPIC and IFC Reporting	Immediately upon completion of the environmental due diligence and the ESG Action Plan, the ESG Team (with the support of the Investment Officer) should submit the required due diligence materials to OPIC. A similar package should be provided to IFC for a) the first three deals considered by SACEF's Investment Committee, and b) any deal which would be designated by IFC as Category A [projects likely to have significant adverse environmental impacts that are sensitive (e.g., irreversible, affect sensitive ecosystems, involve involuntary resettlement, etc.), diverse, or unprecedented.]
Investment Memo Draft	<p>There are three important sections of the final investment memo that concern environmental and social issues.</p> <ul style="list-style-type: none"> <li>a) The environmental rationale for the investment: the case that this investment will have a positive environmental and social impact.</li> <li>b) Any identified environmental and social risks.</li> <li>c) The proposed GEF covenants on environmental and social policy for the portfolio company as well as a summary of any ESG Action Plan to bring the company in compliance with the Environmental and Social Requirements.</li> </ul>

ESG Action Plan	In order to give the ESG Team time to respond adequately to these issues, drafts of these sections should be prepared and delivered to the ESG Team no later than the delivery of the first draft Investment Memo to the Team. In practice, it would be useful to solicit feedback on these points with the ESG Team earlier when possible.
Investment Memo	The ESG Team approves the environmental and social sections of memo prior to being distributed to the investment committee.
GEF Covenants	The ESG Team gives formal approval to environmental and social covenants that go into the legal documents.
Disbursal of Funds	The ESG Team certifies that ESG matters have been satisfactorily addressed in the deal process before investment funds are disbursed.
Follow-on Investments	If the Company is operating under an ESG Action Plan, the ESG Team confirms that the Company remains in good standing on ESG matters and reporting, and that satisfactory progress has been made on any ESG Action Plan, before Follow-On Funds are disbursed. Similarly, if there have been any incidents at the Company resulting in loss of life, material effect on the environment or material breach of law, the ESG Team confirms that the Company has addressed the situation in a satisfactory manner before Follow-On Funds are disbursed.



Annual reporting	<p>For each investment, the Investment Team reports to the ESG Team on:</p> <ul style="list-style-type: none"><li>• The positive environmental impacts (reduced carbon footprint, etc.)</li><li>• Compliance with the Environmental and Social Requirements</li><li>• Compliance with ESG Action Plan (if any)</li></ul>
Immediate reporting	<p>The Investment Team immediately reports to the ESG Team any incident involving Portfolio Companies that result in loss of life, material effect on the environment, or material breach of law, and any corrective actions taken.</p>

## Annex B

### Schedule A of the Limited Partner Agreement of the South Asia Clean Energy Fund, L.P.

## Excluded Activities

**“Excluded Activities” shall mean one or more of the following activities:**

- (i) production or activities involving harmful or exploitative forms of forced labor<sup>1</sup>/child labor;<sup>2</sup>
- (ii) production of or trade in any product or activity deemed illegal under host country laws or regulations;
- (iii) production of or trade in any product or activity that contravenes any international conventions and agreements to which the host country is a party, and which have the force of law in the host country;
- (iv) production of or trade in weapons and munitions, including paramilitary materials;
- (v) production of or trade in alcoholic beverages (excluding beer and wine);<sup>3</sup>
- (vi) production of or trade in tobacco; <sup>3</sup>
- (vii) gambling, casinos, and equivalent enterprises; <sup>3</sup>
- (viii) trade in wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species (CITES) of Wild Fauna and Flora;<sup>4</sup>
- (ix) production of or trade in radioactive materials, including nuclear reactors and components thereof;<sup>5</sup> †
- (x) production of or trade in or use of unbonded asbestos fibers;<sup>6</sup> †
- (xi) commercial logging operations or the purchase of logging equipment for use in primary tropical moist forest; †
- (xii) production, commercial-scale use, trade, storage, or transport of products containing polychlorinated biphenyls;<sup>7</sup> and hazardous chemicals<sup>8</sup>; †

- 1 Forced labor means all work or service not voluntarily performed, that is extracted from an individual under threat of force or penalty.  
Child labor means the employment of children whose age is below the host country's statutory minimum age of employment or employment of children in contravention of International Labor Organization Convention No. 138 "Minimum Age Convention" ([www.ilo.org](http://www.ilo.org)).
  - 2 This does not apply if the activity concerned is ancillary to a sponsor's/project's (or subproject's) primary operations.
  - 3 A list of CITES is available from [www.cites.org](http://www.cites.org).
  - 4 This does not apply to the purchase of medical equipment, quality control (measurement) equipment, and any equipment where the radioactive source is considered to be trivial and/or adequately shielded.
  - 5 This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- 

- (xii) production, commercial-scale use, trade, storage, or transport of products containing polychlorinated biphenyls; and hazardous chemicals; †
  - (xiii) production of or trade in pharmaceuticals, pesticides/herbicides, or ozone-depleting substances subject to international phase outs or bans; †
  - (xiv) transboundary trade in waste or waste products, except for non-hazardous waste destined for recycling;
  - (xv) marine and coastal fishing practices, such as large scale pelagic drift net fishing and fine mesh net fishing, harmful to unwanted vulnerable and protected species in large numbers and damaging to the marine biodiversity and habitats; and
  - (xvi) production or activities that impinge on the lands owned, or claimed under adjudication, by indigenous people, without full documented consent of such people.
  - (xvii) Production or trade in wood or other forestry products other than from sustainably managed forests.
- † Nothing in the foregoing will limit the ability of the Fund to invest in Portfolio Companies engaged in the disposition, remediation or transportation of the specified goods, products, materials or substances.

- 7 A group of highly toxic chemicals, polychlorinated biphenyls, are likely to be found in oil-filled electrical transformers, capacitors, and switchgear dating from 1950 to 1985.
- 8 A list of hazardous chemicals is available from [www.pic.int](http://www.pic.int).
- 9 A list of pharmaceutical products subject to phase-outs or bans is available from [www.who.int](http://www.who.int).
- 10 This does not apply if the activity concerned is ancillary to a sponsor's/project's (or subproject's) primary operations.
- 11 A list of CITES is available from [www.cites.org](http://www.cites.org).
- 12 A list of pesticides and herbicides subject to phase-outs or bans is available from [www.pic.int](http://www.pic.int).
- 13 A list of the chemical compounds that react with and deplete stratospheric ozone, resulting in the widely publicized ozone holes is listed in the Montreal Protocol, together with target reduction and phase out dates.  
[www.unep.org/ozone/montreal.shtml](http://www.unep.org/ozone/montreal.shtml)
- 14 As defined by the Basel Convention. See [www.basel.int](http://www.basel.int).

# Schedule B of the Limited Partner Agreement of the South Asia Clean Energy Fund, L.P.

## ESG POLICIES AND PROCEDURES

### South Asia Clean Energy Fund, L.P. (the “Fund”)

These ESG Policies and Procedures are adopted by the General Partner (for itself and on behalf of the Fund) to codify certain practices generally followed by the General Partner and GEF Management Corporation with a view towards reducing the risks from negative events, and otherwise protecting or adding value to Portfolio Investments. Amendment or waiver of these ESG Policies and Procedures will require the consent of the Advisory Board.

## Section 1. Definitions

The following definitions apply to this Schedule B:

**“Annual ESG Report”** means a written annual ESG evaluation of Portfolio Companies, including, as appropriate, an evaluation of the social and environmental performance of Portfolio Companies for the previous Fiscal Year, describing in reasonable detail (i) implementation and operation of the ESG Management System, (ii) the environmental and social performance of the Portfolio Companies, and (iii) as applicable, compliance by Portfolio Companies as to ESG Action Plans, if any, such report to be reviewed by the Advisory Board and submitted to Limited Partners not later than March 31 of each Fiscal Year.

**“Authority”** means any national, supranational, regional or local government or governmental, administrative, fiscal, judicial, or government-owned body, department, commission, authority, tribunal, agency or entity.

**“Authorization”** means any consent, registration, filing, agreement, notarization, certificate, license, approval, permit, authority or exemption from, by or with any Authority, whether given by express action or deemed given by failure to act within any specified time period and all corporate, creditors’ and shareholders’ approvals or consents.

**“Basic Terms and Conditions of Employment”** means the basic terms and conditions of employment as set out in the ILO Conventions 26 and 131 (on Remuneration), ILO Convention 1 (on Working Hours) and ILO Convention 155 (on Health & Safety).

**“Control”** means, with respect to any Person, the possession, direct or indirect, of the primary power to direct the management and policies of a Person, whether through the ownership of voting shares, partnership or other interests, by contract or otherwise. The terms “Controlling” and “Controlled” will have corresponding meanings.

**“Core Labor Standards”** means the core labor standards as set out in the ILO Conventions 29 and 105 (on Forced Labor), ILO Conventions 138 (on Minimum Age) and 182 (on Worst Forms of Child Labor), ILO Conventions 100 and 111 (on Non-Discrimination), and ILO Conventions 87 and 98 (on Freedom of Association and Collective Bargaining).

**“Environmental and Social Claim”** means any claim, proceeding or investigation by a person in respect of an Environmental Law, a Social Law and/or an Environmental and Social Permit.

**“Environmental and Social Permits”** means permits, licenses, consents, approvals and other authorizations and the filings of notification reports or assessments required under Environmental Law and Social Law for the operation of the business of the Portfolio Companies.

**“Environmental Law”** means any applicable law, statute, ordinance, rule or regulation (including but not limited to international treaty obligations and any license, permit or other governmental Authorization imposing liability or setting standards of conduct concerning any environmental, health and safety or security risks) in any jurisdiction in which the Fund, or, as the context may require, the relevant Portfolio Company conducts business which relates to environmental matters and natural resource management as issued by its national government or authorities.

**“ESG”** means Environmental, Social, and Governance.

**“ESG Action Plan”** means the ESG action plan, if any, agreed upon between the Fund and a Portfolio Company and to be implemented by such Portfolio Company, defining actions and a timeframe to remedy any non-compliance with the ESG Requirements.

**“ESG Management System”** means the part of the overall management system of the Fund dedicated to the systematic and structured improvement of ESG performance through the identification of ESG risks and opportunities in the investment appraisal and management processes, including appropriate organisational structure, planning activities, responsibilities, practices, procedures, processes and resources, for (i) assessing the environmental, social, labor, occupational health and safety risks associated with each Portfolio Company, (ii) verifying whether each Portfolio Company complies with the ESG Requirements, (iii) adopting an ESG Action Plan between the Fund and prospective Portfolio Companies that do not comply with the ESG Requirements, and (iv) monitoring, evaluating and reporting on the compliance of all relevant Portfolio Companies with the ESG Requirements.

**“ESG Team”** means the operational officer of the General Partner responsible for the practical and day-to-day development, implementation, operation and maintenance of the ESG Management System.

**“ESG Requirements”** means, with respect to each Portfolio Company, all applicable Environmental Law and Social Law, all applicable Environmental and Social Permits, the GEF Covenants, IFC Policies and Guidelines, and the ESG Action Plan (if any) with which any Portfolio Company financed by the Fund has to comply, in each case determined at the time of the Fund’s investment in such Portfolio Company.

**“GEF Covenants”** means, in respect of any Portfolio Company, the covenants devised by the Fund, in the context of the investment transaction (e.g. acquisition of sole Control ; investment alongside other strategic investors; or minority investment), with a view towards procuring the compliance of such Portfolio Company with applicable Environmental and Social Laws and Environmental and Social Permits, and such other set (or sets) of environmental or social standards, e.g. relevant IFC Policies and Guidelines, as in effect at the time of the Fund’s acquisition of an interest in such Portfolio Company. The GEF Covenants may be incorporated within the applicable purchase agreement, the shareholders’ agreement or in such other contract or arrangement as the Fund deem necessary or appropriate for such Portfolio Company.

**“IFC Policies and Guidelines”** means the International Finance Corporation (IFC) Performance Standards, dated April 30, 2006, copies of which have been delivered to and receipt of which has been acknowledged by the General Partner, and environmental, health and safety policies and guidelines as applicable to the operations of the Portfolio Companies, as dated April 30, 2007.

**“ILO”** means the International Labor Organization.

**“Key Issue”** means, to the extent known to the General Partner in the course of its duties under the Agreement, either (i) the death, or serious bodily harm reasonably likely to result in death, of any individual that occurs as a result of or in connection with the activities of a Portfolio Company, or (ii) any release or discharge of a material quantity of pollutants or other sources of environmental contamination by or on behalf of a Portfolio Company, (iii) any strikes or other material labor actions in connection with a Portfolio Company, and (iv) any fire resulting from or affecting the activities of a Portfolio Company which affects any Portfolio Company’s assets in any material manner.

**“Material Adverse Effect”** means (i) a material adverse effect on the business, assets, properties, results of operations or financial condition of any Portfolio Company, or (ii) a material adverse effect on the ability of the General Partner to perform in a timely manner any of its obligations under the Agreement, in either case other than an effect resulting from an Excluded Matter, or (iii) solely for the purposes of Section 2.2 of this Schedule B, a material adverse effect on the reputation of the Fund or its Partners.

**“Excluded Matter”** means any one or more of the following: (i) the effect of any change in the United States or non-U.S. economies or securities or financial markets in general; (ii) the effect of any change that materially affects any industry in which any of the Fund’s Portfolio Companies operate; (iii) the effect of any change arising in connection with earthquakes, hostilities, acts of war, sabotage or terrorism or military actions or any escalation or material worsening of any such hostilities, acts of war, sabotage or terrorism or military actions existing or underway as of the date of the Agreement; (iv) the effect of any action taken by a Limited Partner or its Affiliates with respect to the transactions contemplated hereby or with respect to Portfolio Companies; (v) any matter that has been disclosed to the Limited Partners in writing prior to the date of the Agreement; (vi) the effect of any changes in applicable laws or accounting rules; and (vii) any effect resulting from the public announcement of the Agreement, compliance with terms of the Agreement or the consummation of the transactions contemplated by the Agreement.

**“Portfolio Company”** means any portfolio company of the Fund.

**“Social Law”** means, with respect to any Portfolio Company, (a) any law, rule, statute, ordinance, or regulation, or other governmental Authorization applicable to such Portfolio Company in the country in which such Portfolio Company operates, concerning (i) labor, (ii) social security, (iii) the regulation of industrial relations (between government, employers and employees), (iv) the protection of occupational as well as public health and safety and security, (v) the regulation of public participation, (vi) the protection and regulation of ownership of land rights (both formal and traditional), immovable goods and intellectual and cultural property rights, (vii) the protection and empowerment of indigenous peoples or ethnic groups, (viii) the protection, restoration and promotion of cultural heritage, or (ix) all other laws, rules and regulations providing for the protection of employees and citizens, (b) any ILO convention signed and ratified by the country, as well as all ILO conventions listed as Core Labor Standards and Basic Terms and Conditions of Employment, (c) any United Nations treaty, convention or covenant on human rights signed and ratified by the country, and (d) the relevant IFC Policies and Guidelines, in each case to the extent applicable to such Portfolio Company and determined as of the time of investment by the Fund in the Portfolio Company.

## Section 2. Information Undertakings

### **Annual ESG Report**

The General Partner will, on or prior to March 31 of each year, deliver to the Advisory Board of the Fund for review, and subsequently deliver to all of the Limited Partners, the Annual ESG Report.

### **Environmental and Social Claims**

The General Partner will provide the Investment Committee of the Fund with written notice as soon as reasonably practicable upon becoming aware of:

- any Environmental and Social Claim being commenced against the Fund and/or a Portfolio Company; or
- of any facts or circumstances which will result in any Environmental and Social Claim being commenced or threatened against the Fund and/or a Portfolio Company

in each case where the Environmental and Social Claim would be reasonably likely, if determined against the Fund and/or the Portfolio Company, to have a Material Adverse Effect. The Fund will present a description of each such notification, and if applicable, the ESG Action Plan adopted in respect thereof, to the Advisory Board during the next succeeding meeting of the Advisory Board.

The General Partner will (i) provide the Investment Committee and the Advisory Board with written notice within five days upon becoming aware of any Key Issue, specifying the nature of the incident, accident, or circumstance and the impact or effect arising or likely to arise therefrom, and the measures being taken, or plans to be taken, to address them and prevent any future similar event and (ii) keep the Investment Committee and the Advisory Board informed of the on-going implementation of those measures.

## Change of ESG Team

### **The General Partner will:**

- in the event of any significant changes to the ESG Team, use commercially reasonable efforts promptly to appoint a successor ESG Team of at least equal qualifications;
- notify the Advisory Board of any changes of the ESG Team at the annual LP meet; and
- provide the Advisory Board the opportunity at its next meeting to meet with the ESG Team.

### **Environmental and Social Claims:**

- The Fund will maintain and, where deemed appropriate, seek to implement improvements to the ESG Management System, and will provide a written overview of this system, and any changes, improvements or failures, as part of its Annual ESG Report.
- The Fund will at all times carry on the conduct of its business in accordance with the ESG Management System.

## Section 3. Positive Undertakings

### ESG Management System

The Fund will maintain and, where deemed appropriate, seek to implement improvements to the ESG Management System, and will provide a written overview of this system, and any changes, improvements or failures, as part of its Annual ESG Report.

(b) The Fund will at all times carry on the conduct of its business in accordance with the ESG Management System.

### ESG Compliance

The Fund will conduct its investment program in accordance with these ESG Policies and Procedures. The General Partner will apply and implement these ESG Policies and Procedures, which seek to build or protect value in Portfolio Companies, including as follows:

- (i) to help protect the Fund from Material Adverse Effects by providing that, in the context of carrying out its investment program, the Fund will use commercially reasonable efforts through its board positions and shareholder votes to compel its Portfolio Companies to comply in all material respects with all ESG Requirements in respect of its Portfolio Companies and take all reasonable steps in anticipation of known or expected future changes to or obligations under the same;
- (ii) to help the General Partner, on behalf of the Fund, to make decisions informed by an understanding of environmental and social consequences, and to take actions, where feasible and appropriate in view of the Fund's investment objectives, that protect, restore, and enhance the environment; or that protect the people, livelihoods, natural ecosystems and social fabric of local communities in areas where the Fund's Portfolio Companies may conduct business;
- (iii) to help the Fund conduct its investment program in accordance with recognized international standards and norms for the evaluation, assessment, execution, monitoring and enforcement of environmental and social impacts, including, but not necessarily limited to, the ESG Requirements of the Portfolio Companies; and
- (iv) the General Partner will continually monitor and seek to ensure Portfolio Company compliance with the ESG Requirements.

## ESG Due Diligence Process

The General Partner will include, as part of its due diligence process and disclose in the Investment Memorandum prepared for the Investment Committee of the Fund, and prior to undertaking of any Portfolio Investment, an ESG Due Diligence Report that will:

- (a) determine if the potential Portfolio Investment may be at particular risk, if circumstances are not mitigated, for future Environmental and Social Claims that could be reasonably likely, if determined against the Fund and/or the Portfolio Company, to have a Material Adverse Effect; and thereupon
- (b) EITHER confirm that any identified adverse impact or performance has been resolved in accordance with the ESG Requirements and the ESG Policies and Procedures provisions;
- (c) OR have the proposed Portfolio Company agree to an ESG Action Plan to so resolve the identified adverse impacts or performance within a reasonable timeline (including appropriate conditions precedent for the proposed Portfolio Investment) with appropriate remedies reflected in the investment documentation if the proposed Portfolio Company fails to implement that plan.

## Section 4. Negative undertakings

### Excluded Activities

The Fund will not finance any person or company performing any of the excluded activities as listed in Schedule A to the Agreement (Excluded Activities).

### Certain Remedies

If any of the Fund, the General Partner or the Management Company becomes aware that a Portfolio Company is in material breach of (x) any of the ESG Requirements not otherwise addressed by an ESG Action Plan or (y) the ESG Action Plan for such Portfolio Company, the Fund, General Partner, and Management Company will promptly: (i) notify the Investment Committee; (ii) in consultation with the Advisory Board, require the relevant Portfolio Company to undertake, within a specified time-frame, corrective measures necessary or appropriate to remedy such breach; and (iii) if the relevant Portfolio Company fails to implement such corrective measures, consider and take such further actions as the General Partner may deem necessary or appropriate under the circumstances in addressing such breach, including without limitation (x) using reasonable efforts to (a) assert and enforce any right of the Fund, General Partner and the Management Company to require the Portfolio Company to comply with such undertakings, including but not limited to, any available action for specific performance or similar remedy, (y) appointing a consultant to provide further guidance to the Portfolio Company, or (z) assessing whether to effect a disposition of the Portfolio Company on commercially reasonable terms, to the extent available, in light of applicable factors such as liquidity, market restraints, and fiduciary duties generally, and/or (b) absent timely or reasonable remedy, dispose of the Fund's investment in such Portfolio Company on commercially reasonable terms, taking into account liquidity, market constraints, and fiduciary responsibilities.

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