

2018

ANNUAL **SOCIAL,** **ENVIRONMENT** AND **GOVERNANCE** PERFORMANCE REPORT



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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, 2018.

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 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:

2

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.

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 performs an 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 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 management of the portfolio company in implementing any ESG compliance actions.

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 of our 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 2018

There were no changes to the portfolio in the year 2017-18. As mentioned in our previous ESG Annual report, the Fund exited 50% of its stake in India Energy Exchange (IEX) for \$17.1 million through a combination of pre-IPO and IPO (“Initial Public Offering”) on the Indian exchanges in October 2017.

INTERNAL SUSTAINABILITY FOCUS

In addition to our work with portfolio companies, SACEF incorporates sustainability into our internal operations.

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 2019 with additional portfolio company metrics being captured and ESG investor reporting further streamlined. The SACEF/ GEF Sustainability Approach aims to create standards and lessons learned from all GEF Funds.

Through the year, SACEF team members actively participated in training seminars and ESG workshops conducted by leading organizations around the world.

BELOW IS A SNAPSHOT SACEF'S CONTINUOUS ENGAGEMENT WITH VARIOUS PORTFOLIO COMPANIES ON ESG APPROACH:

100%

Follow IFC Performance Standards 2012



IFC International Finance Corporation
WORLD BANK GROUP

Continuously evaluating and completing gaps as per third party audits

100%

ISO 9001

70%

ISO 14001

30%

OHSAS 18001



International Organization for Standardization

Companies working towards global Certification in manufacturing processes

*some of these certifications are at the subsidiary level

100%

Have ESG responsibility at Board Level



ESG

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

80%

Have CSR committee at Board Level



CSR

Companies working towards incorporating best practices

20%

Of the workforce are women



WOMEN WORKFORCE

Engaged to provide better ecosystem to increase women in workforce



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 2018. 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 2018. Unfortunately, an accidental death of a worker of a sub-contractor employed by Renew Power Ventures occurred as described in detail in the respective portfolio company profile.



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 John Earhart if you would like to discuss any matters relating to this letter or to sustainability or ESG issues in general at SACEF or at GEF.

A handwritten signature in blue ink, reading "John Earhart".

John Earhart

Managing Partner
GEF Management Corporation

A handwritten signature in blue ink, reading "Raj Pai".

Raj Pai

Managing Director
South Asia Clean Energy Fund

A handwritten signature in blue ink, reading "Sridhar Narayan".

Sridhar Narayan

Managing Director
South Asia Clean Energy



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.

Location: Bangalore, India

Sector: Smart Grid / Energy Efficiency

Initial GEF Investment: May, 2012

SACEF Ownership: 23.62%



POSITIVE ENVIRONMENTAL RATIONALE

Highly-regulated Indian utilities face dynamic operational and efficiencies challenges in generation and transmission of electricity. Utilities face difficulties in managing load imbalances in an optimized manner due to lack of real-time and relevant data, lack of sophisticated tools for operational decision-making, as well as a lack of capabilities to manage dynamic challenges. All 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 in order 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 OEM's 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 eco-system.

These improvements in energy efficiency directly result in savings in fossil fuel consumption which in turn have strong environmental benefits in the form of reduction in GHG, SOx and NOx 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. In addition, the Company also agreed to participate with the Fund on understanding the potential influenced emission reductions as per the JBIC's GREEN guidelines and undertake an annual monitoring audit based on data availability, at end of each calendar year, led by an international consultant firm to assess the influenced emission reduction.

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 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.

ENVIRONMENTAL AND SOCIAL METRICS

ESG Metric	Units	Mar. 31, 2014	Mar. 31, 2015	Mar. 31, 2016	Mar. 31, 2017	Mar. 31, 2018
Net Annual GHG emissions reduction ¹ .	tCO ₂ e	50,545	-	-	-	-
		Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2018
Total Employees	#	173	143	148	185	195
Male	#	142	120	121	154	166
Female	#	31	23	27	31	29



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.

In 2018, Company re-affirmed its commitment to EHS. fire safety related trainings & EHS (like first aid and firefighting) were provided regularly through the year at both sites. Various trainings totaling ~5 hours related to fire and safety were provided to ~250 employees. Company also continues to provide medical facilities to staff including annual health, eye and dental check-up camps at the Bangalore and Kochi sites, as part of its commitment to improve overall health profile of its employees. Company celebrated Women's day on March 8, 2019 across offices. The Company also received the CEIG, an electrical approval for its new site in Bangalore this year.

In 2018, the Company continued its monitoring of key environmental parameters like energy, water and waste. Some key observations are detailed below:

Metric	2015	2016	2017	2018
Energy	10,364 units at Kochi & 5,000 units at Bangalore as monthly average consumption	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
Water	120,000 Litres at Kochi & 50,000 Litres at Bangalore per month on an average	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
Waste	BBMP collects dry & wet waste on everyday basis and the vendor for e-waste disposal is Attero Recycling Pvt. Ltd. at Bangalore.	E-Waste is taken care by Z Enviro Industries Pvt Ltd -Planning at disposing e-waste at frequency of 6 months.	165 kg of e-waste was collected by Earth Sense Recycle Private Ltd 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 Ltd at Kochi in May 2017. The vendor at Bangalore is Coral Communication and Networks Private Limited

SACEF ENGAGEMENT

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

ESG GOALS AND OBJECTIVES FOR 2019

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

- Organize events to create awareness on environment.
- 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 for employees.
- Cover employees under medical insurance through a reputed insurance vendor.
- Organize fire & safety drill to create awareness on how to exit the building in the quickest, easiest and safest way possible if fire, smoke or other emergencies occur.
- Refill fire extinguishers before the expiry date.
- Engage pest control service to minimize or remove undesirable insects or pests or microbes.
- Maintain AC & DG sets to help reduce the cost of power and increase the life of the asset while maintaining the quality of desired performance.





Rishabh Instruments Private Limited

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 aluminium die casting products for the industrial and automotive sector. Rishabh and Lumel together are referred to as “the Group.”

Location: Nashik, India

Sector: Energy Efficiency/ Environmental Products and Services

Initial GEF Investment: September, 2013

SACEF Ownership: 22.22%

POSITIVE ENVIRONMENTAL RATIONALE

ICP and TMI products have applications in generation, transmission, consumption, control, protection and metering of energy and in 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. 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 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 are 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 which 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 to SCADA systems.



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.

Based on the environmental consultant's site visit and assessment of the Group's operations, they assessed the Group as a Category 'B' project under 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 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 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 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.

ENVIRONMENTAL AND SOCIAL METRICS

ESG Metric	Units	Mar. 31, 2014	Mar. 31, 2015	Mar. 31, 2016	Mar. 31, 2017	Mar. 31, 2018
Net Annual GHG emissions reduction	tCO2e	-	2,306	3,269	3,054	3,404
		Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2018
Total Employees	#	1,511	1,467	1,444	1,527	841
Male	#	1,215	998	943	968	512
Female	#	298	469	501	559	329

Notes:

These numbers are calculated per JBIC GHG methodology.

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. Since the investment, and in the last year following improvements have taken place:

- Reduction in electrical energy consumption: Approximately 4,672 units through December 2018, despite increase in production volumes and addition of machines
- Electrical energy generated by solar plants: Approximately 45,958 Units (F-31) and 27,863 units (C-6) from April to December 2018.
- To support the family of a deceased employee after the employee's untimely death, the Company and all of its employees voluntarily contributed to a benevolent fund to take care of the employee's family members.
- An initiative of Share & Care was driven by the organization for the under-privileged. From this initiative, all employees contributed towards clothes, toys, books, school materials, food items & utensils.
- Solar generation has increased by 6%.



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

- Environmental awareness activities: environmental team work, environmental trainings for employees.
- Implementation of environmental alarms.
- Implementation of “Safe at LUMEL” program.
- TPM system development.
- Implementation of near miss program.
- Health and Safety and Environmental requirements for subcontractors.

Metric	2015	2016	2017	2018
Gas consumption	725,741	719,903	912,376	931,668
Water consumption	28,406	24,884	26,302	26,451
Energy consumption	7,794,580	7,595,298	8,320,961	9,442,631

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 2019 (FOR RISHABH)

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

ENVIRONMENTAL, SOCIAL AND SAFETY GOALS FOR 2019 (FOR LUMEL)

- Improvement of the work conditions according to the technical solutions implementation;.
- Improvement of the sewage management;.
- LPA audits implementation.





ReNew Power Ventures Private Limited

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, 2017, the Company has 2,800 MW of installed wind and solar capacity under management.

Location: Gurgaon, Haryana, India

Sector: Clean energy generation

Initial GEF Investment: July, 2014

SACEF Ownership: 3.43%

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).



Renew Mahabubnagar site employees celebrating Road Safety Week



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
Net Annual GHG emissions reduction	tCO2e	24,497	40,465	86,643	136,826
		Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2018
Total Employees	#	248	484	559	748
Male	#	230	446	508	678
Female	#	18	38	51	70

Notes:

Per the JBIC GHG methodology.

ENVIRONMENTAL AND SOCIAL DEVELOPMENTS SINCE INVESTMENT:

Positive Energy/ Environmental Benefit	2015	2016	2017	2018
New installed capacity (MW) wind	87	165. (As on 25.01.2016 for wind)	624.5 (2016-17) 120.3 (2017-18)	1305.9 MW capacity including Ostro and SREI acquisition.
New installed capacity (MW) solar	0	50 (as on 03.01.2016)	402	

The company appointed regional EHSS managers to ensure ESIA/ESMP & ESMS implementation across all sites. In 2017 & 2018, ReNew has developed uniformity and consistency in implementation and monitoring of ESMS across all sites.

ReNew has establish a system to monitor E&S performance of all sites and same is being analyzed and reviewed at corporate office through an internal EHS award program.

Various trainings for first aid training and behavioral based safety were organized at the corporate and site level on regular basis.

In 2018, ReNew launched an EHS tool where HSE data is uploaded by sites in a systematic manner. In February 2018, ReNew appointed Dupont India to assess the safety culture in ReNew. DuPont conducted extensive training, handholding and lead safety efforts at H.O. & site level. Various work streams were formed and safety standards rolled out.



In 2018, one **LTI** occurred on September 25 at a solar O&M site in Nirna, Karnataka. where an employee was injured by a lawn mower. The Site had grass overgrowth due to the rains. There was a scheduled grass cutting once in every three months. The Site manager placed a purchase order to buy an approved grass cutting machine, but it was delayed and since the grass had grown extensively, the manager sourced another machine (not the recommended machine by the Ccompany) from a nearby site (Renew Site – 20 MW Solar Aland, Karnataka). This machines guard (debris shield) was misaligned and a safety check was not completed before the activity.

The employee was not aware of the risk of the blade getting hit and hence failed to check the machine & blade condition even after hitting a pile cap. At around 17.20 pm, there were indications of rain, and the employee rushed to complete the task. During the activity a boulder was not visible in the grass due to the growth and hence the blade hit the boulder which made it break. As the employee was not wearing the leg guard, the broken blade hit the left leg ankle joint and cause a nerve to be cut with heavy bleeding.



First Aid Training at the Mahabubnagar Site in Telangana

SACEF ENGAGEMENT

- Continue to work with the Company's senior management
- Continue to work with the Company to create a standardized approach to ESG and monitoring
- Worked with the Company to develop incident tracking, monitoring and reporting framework

ESG GOALS AND OBJECTIVES FOR 2019

In the coming year, ReNew's focus will be to:

- Aim to achieve zero fatality at all sites.
- Aim to improve the safety culture at its project sites.



India Energy Exchange



India Energy Exchange ("IEX") provides an electronic platform to industry players for the trading of power. The platform enables efficient price discovery and price risk management for participants of the electricity market, including industries eligible for Open Access. IEX has over 2600 participants across utilities from 27 States, 5 Union Territories (UTs), 500+ private generators and more than 2300 open access consumers are leveraging the exchange platform to manage their power portfolio in the most competitive and reliable way. IEX provides trading under the Day Ahead Market, Term Ahead Market, Renewable Energy Certificates and Energy Certificates.

Location: New Delhi, India

Sector: Energy Efficiency/ Environmental Products and Services

Initial GEF Investment: September, 2014

SACEF Ownership: 2.31%



POSITIVE ENVIRONMENTAL RATIONALE

Traditionally, electricity in India was purchased/sold via long term agreements between sellers and buyers. This arrangement was adequate for firms and large thermal and hydro power generating stations. Most of these were state controlled and suffered from operating inefficiencies. Over the last decade, the Indian power generating industry has become a lucrative investment arena for private power generating stations which are more efficient in nature. Together with this trend, the surging renewable energy industry in India, the country is in need of creating a solid transmission infrastructure for grid stability as most of the renewable energy power consists of small hydro, biomass, wind and solar power which are infirm in nature.

These trends called for the opening up of a new area in Indian Electricity Industry called Power Trading. The Indian Power Sector required an independent market place operating at a national level enabling the buyers and sellers to trade anonymously and yet providing a transparent, level playing field to the participants, thus allowing the electricity

market to be driven by demand and supply, truly reflecting the power price.

IEX provides a transparent, neutral, demutualized and automated platform for physical delivery of electricity. It enables efficient price discovery and price risk management for participants of the electricity market, including industries eligible for open access. Being a nation-wide exchange, it helps hedge price risk more efficiently at a reasonable cost.

Higher asset utilization is indeed a positive effect of trading, resulting in higher efficiency of capital employed and overall economic savings for the nation. Setting up of the exchange has had a positive impact on the load serving ability of the utilities, which have traditionally resorted to excessive load shedding to efficient utilization of natural resources. After six years of operations, markets are now more efficient, liquid and promote investments and better utilization of national resources.

Power trading exchanges such as IEX also provide an indirect impact on GHG reduction by the way of efficient transfer of power at prices that are suitable for its sustainability. It helps electricity generators understand short, medium and long term electricity demand cycles and hence plan their generation accordingly. By helping optimize the generation, IEX also helps curb electricity wastage. Together with this, optimizing generation based on demand also helps increase grid stability, leading to higher efficiency due to lower losses and decreased outages, thereby having a positive impact on GHG reduction.

SUMMARY OF ENVIRONMENTAL DUE DILIGENCE

As IEX is an electricity trading platform based in an office complex, SACEF categorized the investment as a Category 'C' project under the IFC Performance Standards. Detailed EHS&S due diligence was not deemed necessary as there are no manufacturing or assembly facilities. Any EHS&S risks were evaluated as part of normal financial due diligence.

ENVIRONMENTAL AND SOCIAL DEVELOPMENTS SINCE INVESTMENT

In 2016, IEX became the first power exchange in India to have accomplished three ISO certifications: ISO 9001:2008 for Quality Management, ISO 27001:2013 for Information Security Management and ISO 14001:2004 for Environment Management. M/s Bureau Veritas Certification India, who is a market leader in India, has also certified IEX. Going forward, the exchange intends to undergo internal audits and surveillance audits on an annual basis to ensure sustained conformance to the requirements of standards, as well as regulatory requirements, while continually improving efficiency of the system.

In 2017 IEX was listed on the Indian Stock Exchanges. The Company continues to work towards recertifying all three ISO certifications: ISO 9001:2008 for Quality Management, ISO 27001:2013 for Information Security Management and ISO 14001:2004 for Environment Management. The Company is also working with third party HR consultants to adopt best practices across its HR policies.



CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company's CSR initiatives address environmental sustainability, economic empowerment and social development. Over the last two years, the Company aided communities in Uttar Pradesh, Delhi-NCR, Bihar, Chhattisgarh, Tamil Nadu, Karnataka and Maharashtra. The Company's CSR activities promote decentralized

renewable energy creation, skill development for the youth, midday meals and holistic the mentally disabled, school bus support for rural schools, health care for elderly and communities, among others - in partnership with credible non-governmental organizations. Besides these activities, the Company signed a memorandum of understanding with the Indian Institute of Technology, Kanpur, to set up the Energy Analytical Lab to promote research in power sector efficiency, development of markets and provide support to scholars pursuing doctoral and post-doctoral fellowships in energy and power markets. The Company's expenditure in CSR initiatives was H304.76 Lakhs for the financial year 2018 compared to H206.58 Lakhs for the financial year 2017.

RENEWABLE ENERGY CERTIFICATES (REC'S)

The trading of RECs on IEX commenced in February 2011. RECs are market-based instruments, classified into solar RECs and non-solar RECs that represent the environmental attributes of electricity generated from renewable resources, and enable sale of such environmental attributes, separately from the electricity generated from renewable resources, in accordance with the regulations issued by the CERC. As per the regulations issued by the CERC, RECs are only permitted to be traded through power exchanges (like IEX). The exchange reported 93.29 Lakh REC certificates traded in 2017-18, an increase of 102% from 46.19 Lakh REC certificates traded in 2016-17. Energy saving certificates (ESCerts): IEX received regulatory approval for the commencement of trading in ESCerts. The Company commenced trading of ESCerts on September 26, 2017. This market-based instrument was created under the Perform Achieve Trade (PAT) scheme of the

Ministry of Power, Government of India. Under the PAT scheme, consumers in energy-intensive industries and sectors were identified and were required to reduce their specific consumption for every compliance period in accordance with specified targets. Consumers achieving reductions above their targets are issued ESCerts that are tradable on IEX. Consumers unable to meet their targets in accordance with the PAT scheme are required to buy ESCerts to offset their shortfall. Consumers achieving reductions above their targets can either bank their ESCerts for the next compliance period or sell them on the Exchange. As per the regulations issued by the CERC, ESCerts are only permitted to be traded through power exchanges, such as our Exchange. During the year under review, the Exchange traded approximately 1.3 Million energy saving certificates.





Shakti Pumps (India) Limited

Shakti Pumps (India) Limited ("Shakti") is a manufacturer of high quality stainless steel pumps that are used in agriculture, industrial and commercial sectors with applications for drinking water supply, irrigation, industrial applications and processes, pressure boosting in high rise buildings and townships, rural/urban community water supply schemes, waste and sewage water treatments, and firefighting. Shakti's range of pumps includes submersible pumps, booster pumps, and solar pumps. The company has a strong focus on producing energy efficient pumps and is the first company in India to have a 5-star rating (highest grade) from the Bureau of Energy Efficiency. Shakti is a leading domestic producer of pumps and exports to over 100 countries.

Location: Indore, India

Sector: Energy Efficiency

Initial GEF Investment: November, 2014

SACEF Ownership: 8.90%

POSITIVE ENVIRONMENTAL RATIONALE

The investment in Shakti falls under the category of Industrial Energy Efficiency. Shakti manufactures a wide variety of energy efficient pumps which are rated by Bureau of Energy Efficiency ("BEE") based on their energy saving performance. They also manufacture solar pumps which displace the equivalent amount of electricity from the coal based grid and thus help in reducing GHG emissions. Shakti's products have a direct impact on emission reduction.

Water Pumps market in India is witnessing an impressive rate of growth on the back of depleting ground water level, rapid urbanization, improving infrastructure including construction of roads, homes, toilets, schools and cleaning of major water bodies. The Government's focus on waste water treatment for industry and commercial units will also open the doors for waste water pumping solutions. Good monsoon and increased farm credit will fuel the growth of the Industry. Demands for pumps are expected to

grow substantially, given that the municipal waste disposal facilities of the country modernizes.

The increased usage of drives across major industry verticals, solarisation of agriculture pumps, rapid industrialization, urbanization, increased investments on infrastructure development, and shifting focus on energy efficiency will lead the future growth of the industry. In recent years, solar has become an important source of energy, with the Indian Government itself outlining an ambitious target of 175 GW renewable generation capacity till 2022. Considering the GoI focus on solar power generation and solar pumping solutions, we believe that the sector continues to offer immense potential for the Power Electronics segment as well, apart from the captive demand for solar pumping projects and rooftop projects that the Company already provides.



Solar installation over parking lot at Shakti Pumps facility

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.

Based on the environmental consultant's site visit and assessment of the Shakti's office facilities and its operations, they assessed Shakti as a Category 'B' project under 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 Environmental and Social Action Plan (ESAP).

The ESAP has been discussed in detail and agreed with the company including the timelines for its implementation. The Company shall review periodically and follow the ESAP to address any areas of non-compliance, including timelines for meeting these objectives.

Separately, the Company has also agreed to participate with the Fund to better 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 Shakti 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 who will 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

ESG Metric	Units	Mar. 31, 2015	Mar. 31, 2016	Mar. 31, 2017	Mar. 31, 2018
Net Annual GHG emissions reduction	tCO ₂ e	-	19,550	90,174	96,486
	-	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2018
Total Employees	#	479	569	588	523
Male	#	451	553	572	500
Female	#	28	16	16	23
Contractors		644	546	546	648

Notes:

Per the JBIC GHG methodology.

ENVIRONMENTAL AND SOCIAL DEVELOPMENTS SINCE INVESTMENT:

- The company achieved best results in the form of zero fatal accident and zero major accidents.
- Achieved good results in the processes and systems related to environmental, social and safety through effective monitoring and measurement mechanism during the year 2018.
- Achieved the goal of preventing pollution, injury and use of natural resources through training, process upgradation and minimize the waste.
- Achieved electricity saving through energy efficient devices and solar energy.

Most of the goals for 2018 have been achieved. The Company has also undergone audit from April 9, 2017 to April 13, 2018 for QMS, OHSAS and EMS. No major non conformity has been observed by the auditor related to environment, health and safety during the audit.





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
- Working with Board to include ESG updates in quarterly Board meetings
- Assisted the Company in forming a view on the depth of ESIA diligence at a project level
- Worked with the Company to streamline its EHS&S processes, review and monitoring visits
- Worked with the Company to formulate and commit to its new vision and Mission statements which give high importance to EHS&S activities as follows:

ESG GOALS AND OBJECTIVES FOR 2019

In the coming year, Shakti's focus will be to:

- Continue monitoring and employing more effective system for health and safety by adopting engineering controls, administrative controls, personal protective equipment training, awareness and motivating all employees to follow safety rules.
- Set targets to reduce the consumption of electricity, water and prevent environmental pollution year on year.
- Conserve energy through electricity savings and solar pumps in the country across varied sectors.
- Conserve water.
- Enhance greenbelt development.
- Develop safety culture development through behavior-based safety programs



Concord Enviro Systems Private Limited

Founded in 1992, Concord Enviro Systems Private Limited (Concord) specializes in providing environmental engineering solutions with a focus on the 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 waste water 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.

Location: Mumbai, India

Sector: Environmental Products

Initial GEF Investment: August, 2015

SACEF Ownership: 39.07%

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 waste water 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 reduction in energy consumption, which leads to 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 which 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 reuse 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 the sectors are directly contributing to productive and energy efficient working environments. This establishes Concord's commitment to contribute towards GHG reduction and sustainability.

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 who 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
Net Annual GHG emissions reduction	tCO2e	10,585 ¹	5,160 ²	3,228	5,298
	-	Dec. 31, 2015	Dec. 31, 2016	Dec. 31, 2017	Dec. 31, 2018
Total Employees	#	600	650	660	721
Male	#	532	570	580	651
Female	#	68	80	80	70

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.

Metric	2015	2016	2017	2018
Diesel cost (INR/month)	39,407	37,443	35000	33000
Bandra office electricity consumption (INR/month)	127,469	118,539	111,033	Below 105218
Waste water recycled per day	23 mld	30 mld	35 mld	41 mld

The Company managed to achieve the reduction in diesel and energy consumption. The Company is in the process of undertaking a feasibility study for setting up a roof top solar plant at its Vasai Plant to meet the electricity requirements.

The Company conducts regular EHS training programs for employees. During the year, about 117 employees underwent training on the following topics.

- General EHS awareness
- Fire and Safety
- Health and safety awareness
- Electrical and mechanical safety

SACEF ENGAGEMENT

- Worked with the Company's senior management to overhaul labor policies including 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 2019

In the coming year, Concord's focus will be to

- Reduce the electricity consumption by further 5% in the Bandra Office.
- Reduce diesel consumption by further 5% in the factory.
- Meet part of the factory power requirement from solar power
- Implement ZLD system for the factory at Vasai.



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:

Product	Action
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	<p>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> <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>
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>

Product	Action
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"> • The environmental rationale for the investment: the case that this investment will have a positive environmental and social impact. • Any identified environmental and social risks. • 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. <p>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.</p>
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	For each investment, the Investment Team reports to the ESG Team on: <ul style="list-style-type: none"> • The positive environmental impacts (reduced carbon footprint, etc.) • Compliance with the Environmental and Social Requirements • Compliance with ESG Action Plan (if any)
Annual reporting	For each investment, the Investment Team reports to the ESG Team on: <ul style="list-style-type: none"> • The positive environmental impacts (reduced carbon footprint, etc.) • Compliance with the Environmental and Social Requirements • Compliance with ESG Action Plan (if any)
Immediate reporting	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.



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:

- production or activities involving harmful or exploitative forms of forced labor¹/child labor;²
- production of or trade in any product or activity deemed illegal under host country laws or regulations;
- 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;
- production of or trade in weapons and munitions, including paramilitary materials;
- production of or trade in alcoholic beverages (excluding beer and wine);³
- production of or trade in tobacco; ³
- gambling, casinos, and equivalent enterprises; ³
- trade in wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species (CITES) of Wild Fauna and Flora;⁴
- production of or trade in radioactive materials, including nuclear reactors and components thereof;⁵ [†]
- production of or trade in or use of unbonded asbestos fibers;⁶ [†]
- commercial logging operations or the purchase of logging equipment for use in primary tropical moist forest; [†]
- production, commercial-scale use, trade, storage, or transport of products containing polychlorinated biphenyls;⁷ and hazardous chemicals⁸; [†]

• 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).

• This does not apply if the activity concerned is ancillary to a sponsor's/project's (or subproject's) primary operations.

• This does not apply if the activity concerned is ancillary to a sponsor's/project's (or subproject's) primary operations.

• This does not apply if the activity concerned is ancillary to a sponsor's/project's (or subproject's) primary operations.

• A list of CITES is available from www.cites.org.

• 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.

• This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.

• 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.

- production of or trade in pharmaceuticals⁹, pesticides/herbicides¹⁰, or ozone-depleting substances¹¹ subject to international phase outs or bans; [†]
- transboundary trade in waste or waste products¹², except for non-hazardous waste destined for recycling;
- 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
- production or activities that impinge on the lands owned, or claimed under adjudication, by indigenous peoples, without full documented consent of such peoples.
- 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.

- A list of hazardous chemicals is available from www.pic.int.
- A list of pharmaceutical products subject to phase-outs or bans is available from www.who.int.
- A list of pesticides and herbicides subject to phase-outs or bans is available from www.pic.int.
- 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
- As defined by the Basel Convention. See 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.

Capitalized terms used in this Schedule B and not otherwise defined in this Schedule B have the meanings assigned to them in the Fund Agreement.

SECTION 2. INFORMATION UNDERTAKINGS

2.1 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.

2.2 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

- 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
- keep the Investment Committee and the Advisory Board informed of the on-going implementation of those measures.

2.3 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.

SECTION 3. POSITIVE UNDERTAKINGS

3.1 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.
- The Fund will at all times carry on the conduct of its business in accordance with the ESG Management System.

3.2 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:

- 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;
- 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;
- 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
- the General Partner will continually monitor and seek to ensure Portfolio Company compliance with the ESG Requirements.

3.3 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:

- 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

- 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;
- 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**

4.1 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).

4.2 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.

NOTES



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