**GEF Capital Partners, South Asia** (“GEFCP SA” or “the Signatory”) hereby affirms its commitment to the Operating Principles for Impact Management (“the Impact Principles”). This Disclosure Statement applies to South Asia Growth Fund II (‘SAGF II’ or ‘the Fund’ or ‘the Covered Assets’) and serves to fulfil GEFCP SA’s obligations pursuant to Principle 9 under the Impact Principles. This statement affirms that the GEFCP SA’s core investment activities, impact management systems, policies, and practices – are managed in alignment with the Impact Principles.

Total assets under management in alignment with the Impact Principles are US $176 M[1], as of 31st December 2022.

------------------------------------------------

**Raj Pai**

Managing Partner, GEF Capital Partners, South Asia.

[1] This Disclosure Statement has been prepared in response to Principle 9 of the Operating Principles for Impact Management. Use of this Disclosure Statement is limited solely for the purposes set forth herein and therein.

## Principle 1

*The Investor shall define strategic impact objectives for the portfolio or Investor to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Investor shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.*

i. GEF Capital Partners, South Asia seeks to invest in operating businesses in key-growth regions of South Asia, where our capital can support both actual or expected revenue and earnings growth while also catalyzing a positive environmental and social impact.

ii. South Asia Growth Fund II ('SAGF II' or 'the Fund') is a climate focused fund managed by GEFCP SA. Through this Fund, we actively engage with companies that have a significant impact on society, and ensure that they adhere to robust environmental, social and governance standards across their business operations. Our objective is to enhance value for a company to realize sustainable returns.

iii. The key investment themes for SAGF II are -
   - Energy Efficiency
   - Clean Energy Value Chain
   - Water Treatment & Recycling
   - Environmental Products and Services

iv. Achieving meaningful impact is an explicit component of the overall investment strategy of the Fund. The strategic impact objectives are embedded in the Fund's Impact Strategy Manual and agreements with investee companies. This includes stringent requirements to meet the environmental and social standards of our Investors and to report at least annually to our investors on agreed impact indicators and targets.

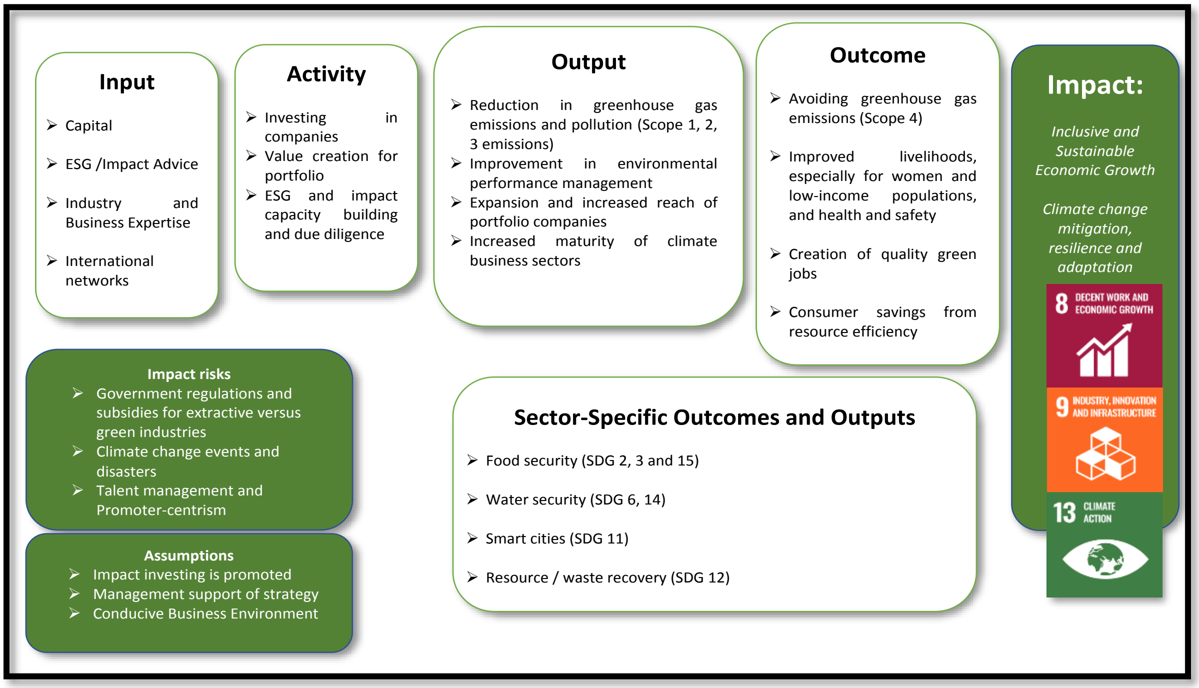
v. Through all its investments and the life of the Fund, SAGF II has committed to making meaningful contributions to Sustainable Development Goals (SDGs).


## Principle 2

| |
|---|
| *The Investor shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, The Investor shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.* |

i. Our Theory of Change and impact framework is designed on a portfolio level, with cross-cutting outputs and outcomes -
    - Outputs: Reduction in greenhouse gas emissions and pollution; Improvement in environmental performance management; Expansion and increased reach of portfolio companies; Increased maturity of climate business sectors

- Outcomes: Avoided greenhouse gas emissions; Improved livelihoods, especially for women and low-income populations; Creation of green jobs; Consumer savings from green technologies




ii. Each investment is also aligned to an investment theme, which has specific outputs and outcomes. While impact may vary across individual investments, the overarching impact framework enables us to synthesise impact across a portfolio level.

iii. Impact management and measurement is embedded in the operations of the Fund via the Impact Strategy Manual, Investment Criteria, and Investment Agreements.

iv. Engagement with investee companies about impact is tailored to the context and characteristics of the investee company.

v. Impact measurement, ESG performance, and reporting requirements are embedded in investment agreements with investee companies for the life of the investment.

vi. Fund staff are trained in impact philosophy and play a role in engagement, monitoring, and reporting on impact during the life of an investment.

vii. Going forward, the Fund may consider aligning staff incentive systems with the achievement of impact as a best practice.

## Principle 3

*The Investor shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels.3 The narrative should be stated in clear terms and supported, as much as possible, by evidence.*

i. Contribution of impact is considered during the due diligence stage, for each investment. The impact assessment during due diligence stage is adapted from IFC's Anticipated Impact Management and Measurement (AIMM) System2, where we assess impact potential through two components:
   - Gap: How big is the problem the investor is seeking to address? (The higher the gap, the more additionality)
   - Intensity: How much does the project contribute to the solution? (The higher the intensity, the higher the potential contribution)

ii. Investment teams engage with prospective investee companies and require specific reporting on impact from the start of the investment process to capture baseline data.

iii. Robust monitoring systems ensure the over-reporting or under-reporting of impact for each investment is managed. The Fund has developed an inhouse reporting tool for monitoring the ESG & impact performance of the portfolio. The companies report to the Fund on a quarterly basis on their ESG and Impact performance. The yearly progress made by individual portfolio companies is also disclosed in the Annual ESG report by the Fund. The entire monitoring programme is supervised by the Fund's ESG & Impact team.

iv. On a portfolio level, the Fund's contribution to impact is achieved through the provision of capital as well as through Management support in the form of impact monitoring and

[2] The AIMM system is IFC's own operationalization system of its IMM strategy.

assessment, and strategic engagement with investee companies through the life of the investment.

## Principle 4

*For each investment the Investor shall assess, in advance and, where possible, quantify the concrete, positive impact potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact? The Investor shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Investor shall identify the significant risk factors that could result in the impact varying from ex-ante expectations.*

i. The Fund consistently tracks the achievement of impacts in line with a defined set of impact metrics, in the Fund's IMM framework. These include, but are not limited to, carbon emissions avoided, lives impacted, jobs created, households with clean energy access, and women benefited. Both quantitative and qualitative data are captured.

ii. For each investment, impact potential is quantified through the assessment of gap and intensity during due diligence stage; and investments are benchmarked against each other internally.

iii. Indicators have been selected in line with international best practice and using recognized industry methodologies such as IFC AIMM Framework, IRIS+ and SASB.

iv. For all the portfolio companies, GEFCP applies the Impact Management Project's Five Dimensions framework and evaluates each dimension: Who, What, How Much, Contribution, and Risk. The summary of how IMP's Five Dimensions are applied is as follows:

| Dimension | Impact frame | Indicators |
|---|---|---|
| **What?** | Invest in businesses that address climate mitigation, adaptation, circular economy and resource efficiency. | • # and type of companies invested in<br>• # of patented technologies invested in |
| **Who?** | Creation of green jobs for individuals in South Asia<br><br>Consumers benefiting from green technologies. | • # green jobs created, disaggregated by gender<br>• # of consumers and consumer savings |
| **How much, at what rate?** | Enable our companies to achieve net zero.<br>Achieve gender balance in employment and leadership (2X criteria) – 30% of women in senior leadership and 30-50% share of women in workforce | • GHG emissions<br>• Gender breakdown of company leadership and employees<br>• Quality of green jobs |
| **What is the investment's contribution?** | Greenhouse gas emissions reduced and avoided.<br><br>Value creation to portfolio companies | Scope 1, and 2 emissions<br><br># Of new markets, new customers reached by portfolio companies |
| **What risks?** | Underrepresentation/ underservice of lower income people and of women | • % of customers, workers, or wider communities benefited, from lower-income backgrounds and who are women |

## Principle 5

*For each investment the Investor shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG) risks. Where appropriate, the Investor shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice. As part of portfolio management, the Investor shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.*

i. The Fund has adopted a proactive approach to assessing ESG risks in potential investments and agreeing Action Plans with investee companies to strengthen ESG performance over time. ESG Action Plans are included in new investment agreements and progress is monitored on a quarterly basis.

ii. The ESMS Manual of the Fund outlines the standard deal process incorporating E&S considerations across the overall investment process. This includes a process for screening of potential investments against the Exclusion List prior to investment. In addition, the screening process will provisionally categorize proposed projects into high, medium and low risk (Category A, B or C respectively) projects. The Fund, as a policy, does not invest in high-risk Category A projects. All projects will adhere to the level of E&S due diligence required and undergo the necessary actions to minimize potential impacts.

iii. The Fund has developed a robust Environmental and Social Management System (SEMS) and set of ESG Procedures in line with international best practice. The Fund aligns its due-diligence practices with various international frameworks such as Principles for Responsible Investment (PRI), Task Force on Climate-Related Financial Disclosures (TCFD), International Finance Corporation (IFC) Performance Standards, World Bank Group (WBG) Environmental Health and Safety (EHS) General Guidelines and Sector Guidelines; International Labour Organization (ILO) Labour Standards; United Nations Guiding Principles (UNGP) on Business and Human Rights; and applicable domestic regulatory requirements at national and state levels with respect to Environment, Social (Land, Labour, Public Liability), Health and Safety.

iv. The Fund conducts extensive ESG diligence, both in-house and through third parties. ESG compliance and reporting as pre-conditions to investment and through legal covenants in Investment Agreements.

v. Going beyond Due-Diligence, the Fund actively engages with portfolio companies to build ESG capacity and capabilities and implement robust ESG & Impact management processes throughout the lifetime of the investment.

vi. As a part of portfolio management, the Fund conducts a comprehensive quarterly data collection and review of ESG performance in its portfolio. Among other things, all portfolio companies are assessed in terms of ESG maturity, including whether they are a) aware of material ESG risks, b) have adopted formal commitments, c) have management systems in place for material ESG risks, and d) are adopting innovative and leadership practices when it comes to ESG.

## Principle 6

*'The Investor shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Investor shall seek to pursue appropriate action. The Investor shall also seek to use the results framework to capture investment outcomes.*

i. Each investee agreement contains covenants that clarify the impact monitoring and reporting responsibilities of investee companies. The Fund uses a risk and priority-based approach for periodic monitoring of investee companies. Impact measurement is discussed with companies at the outset of the investment process to ensure alignment of expectations (please refer Principle 2).

ii. The Fund has a robust and standardized process for data collection, analysis and reporting. The investee companies follow the process for quarterly data collection, where the Fund is responsible for assuring the investees' IMM. The data collected is managed and stored in a centralized manner to ensure regular review and transparent documentation. The ESG and Impact team at the investee companies are expected to submit the report annually.

iii. Throughout the life of the investment, the Fund communicates regularly with investee companies to obtain impact data and case studies.

iv. As of the last reporting cycle, the SAGF II portfolio has directly and indirectly benefitted 2+ crore people, enhanced the livelihood of 30,000+ farmers, provided employment to 4,000 – 5,000 women in rural areas and has directly contributed to reduction of estimated 407,928 million tons of carbon dioxide emissions.

v. Impact data is considered alongside financial performance data when monitoring the performance of an investment and any requirements for intervention.

## Principle 7

*When conducting an exit, The Investor shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.*

i. The Fund has defined procedures to evaluate the ESG performance of a portfolio company at the time of the investment exit. As ESG performance is a significant measure of business value and longevity, communicating successful ESG management is vital in establishing a competitive advantage at sale and demonstrating the high value of the portfolio businesses.

ii. The progress made by the Company beginning the time of Fund’s investment is reviewed basis select ESG and Impact indicators. The review may be carried inhouse or through hire of an external advisor.

## Principle 8

*The Investor shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.*

i. GEFCP The Fund has a documented process for reviewing portfolio’s impact and ESG. The Portfolio companies are required to report on relevant ESG and impact metrices on a quarterly basis in a standardized template.

ii. Beyond reporting, the Fund has periodic meetings with Portfolio Companies to discuss their ESG performance of companies.

iii. Annual ESG Report published by the Fund discloses the Impact performance of the Portfolio Companies on yearly basis.

iv. Insights from the annual portfolio ESG review and impact monitoring are reflected in reports to shareholders and inform engagements with investee companies.

v. The systematic monitoring programme allows the Fund to identify actual or potential risks and make interventions in a timely manner.

vi. The Fund is now working to refine the existing procedures and implement a more structured impact measurement and monitoring mechanism to evaluate expected and actual impact through its investments.

## Principle 9

*The Investor shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.*

i. The Fund prepares an annual report for its investors & shareholders regarding its adherence to ESG and Responsible Investment good practice as well as the ESG and impact performance of its investee companies.

ii. High-level impact results and descriptions of investee companies are included on the Fund website.

iii. This Disclosure Statement confirms the alignment of SAGF II's policies, procedures, and practices with the principles and will be updated annually.

iv. GEFCP South Asia became a signatory to the Impact Principles in the year 2022. The Independent verification of the Fund's impact management systems and its alignment with the Impact Principles shall be undertaken on a best effort basis by the first quarter of 2024.