GEF | CAPITAL PARTNERS

GEF Capital Partners, South Asia ("GEFCP SA" or "the Signatory") is a Private Equity fund in the climate growth investment spectrum, investing in middle-market opportunities in South Asia, primarily India. Specifically, the fund invests in solutions that enable climate mitigation, adaptation, circular economy, and resource efficiency. 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) and Fund III (SAGF III) or 'the Fund' and serves to fulfil GEFCP SA's obligations pursuant to Principle 9 under the Impact Principles. This statement affirms that 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 as of 31st December 2023 are US $567 Million[1].

Raj Pai

Managing Partner, GEF Capital Partners, South Asia.

[1] The use of this Disclosure Statement is limited solely to publicly disclose alignment with the Impact Principles as per Principal 9. This document shall not constitute and should not be construed as an offer, solicitation, or invitation to buy or sell any securities, financial instruments or services whether described herein or otherwise, or as any prospectus or investment-related advice in relation thereto, nor is it intended to form the basis of a decision to participate in any investment. GEF Capital Partners South Asia makes no guarantee or other promise as to any outcomes, including any financial or development impact results that may be obtained from the practices disclosed in this statement. Certain information contained herein constitutes forward-looking statements which can be identified by the use of forward-looking terminology as "may", "will", "should", "expect", "anticipate", "project", "estimate", "intend", or "believe", or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events, results or actual performance may differ materially from those reflected or contemplated in such forward-looking statements. Nothing contained herein may be relied upon as a guarantee, promise, assurance, or representation as to the future. Please refer to "Notice to Recipients" for additional disclaimers.

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Principle 1:
Define strategic impact objective(s), consistent with the investment strategy

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.

GEF Capital Partners South Asia invests in businesses where capital can catalyse both financial performance and positive environmental and social impact. As a part of its fund SAGF II, GEF invested in *resource efficiency* focused projects. In SAGF III, the fund's investment strategy focuses on Climate Adaptation, Climate Mitigation, and Circular Economy solutions. With this new fund, we are dedicating time and resources to implement new Impact Measurement and Management Systems (IMMS). This includes employing the 5 dimensions of impact framework in impact potential and impact performance measurement (Principle 4). Given the fund's investment strategy, we consider the following types of impact:

- Creating an 'adaptation benefit' for key stakeholders: This includes increasing climate resilience or reducing climate vulnerability for those who are most at risk due to climate events. Only individuals who can be expected to benefit from the investment at least during the period of investment (and ideally for the lifespan of the intervention) can be 'key stakeholders'.
- Meaningful improvement in climate mitigation capacity: Creating and increasing capacity to develop and deploy infrastructure, tools, products, or services to reduce, limit, avoid, or sequester Greenhouse Gas (GHG) emissions.
- Making company operations greener: Reduction in companies' own GHG emissions and carbon footprint as well as improvement in companies' internal impact performance (improving compliance with local and international labour standards and practices, sourcing from environmentally and socially responsible suppliers).

The fund's impact objectives are a function of its investment strategy and embody the fund's impact intentionality, additionality, and commitment to monitoring impact. These objectives are as follows:

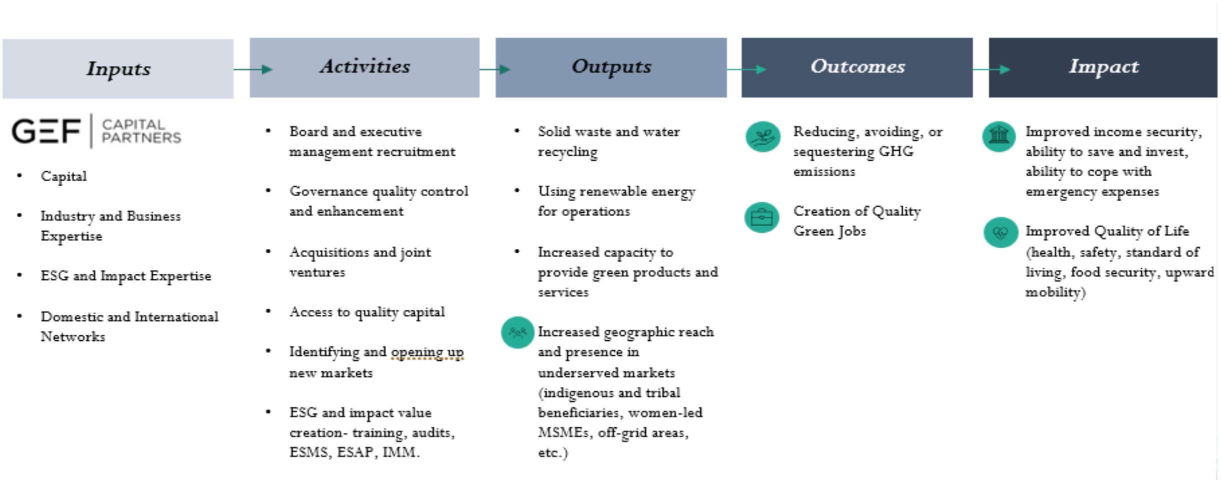
- Create positive environmental and social impact by investing in Climate Mitigation, Climate Adaptation, and Circular Economy solutions.
- Create holistic impact through investments in one or more of the following areas: climate change mitigation, creating inclusive growth, creating quality green jobs, improving target beneficiaries' financial resilience, and improving target beneficiaries quality of life, especially for underserved markets and population segments.
- Engage in impact measurement that supports companies in improving their environmental and social impact over time by improving the availability of high-quality impact data to track impact performance.
- Leverage ESG & Impact data and impact thinking as a differentiator and use it to set impact targets and benchmark impact performance, manage and mitigate impact risk, inform business strategy, and provide impact intelligence to investors to contribute to knowledge development within the impact investing sector, as a GIIN member.

We seek to ensure that any investment we make is eligible for climate mitigation or climate adaptation finance as per the [Joint MDB framework](), and that our portfolio as a whole contributes to the following Sustainable Development Goals (SDGs):

Principle 2
Manage strategic impact on a portfolio basis

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.

The fund has an Impact Manual which outlines the IMM process to safeguard impact creation at the fund and portfolio company level. Our fund Theory of Change reflects the kind of impact the fund seeks to create through its investments, broadly.



Note: For illustrative purposes only. The Theory of Change is subject to change and is not indicative of outcomes and impact we are certain to achieve.

However, recognising that every company is creating a unique climate solution, or serving to a unique group of stakeholders, and has unique 'outputs', 'outcomes', and 'impact', we formulate bespoke Impact Frameworks for individual companies during the Impact Due Diligence process. Every company's impact framework consists of some cross-cutting (fund-wide) metrics like avoided GHG emissions, the proportion of female workers, etc., as well as company-specific metrics (for example, for a solar rooftop manufacturer, we would ask about number of off-grid households electrified). The fund mandates ESG and Impact data reporting through structured internal processes and templates. This underscores the fund's dedication to responsible and sustainable investment practices.

The adoption of IMP's five dimensions of impact enables a consistent and comprehensive impact measurement framework development and assessment. By implementing a standardized impact approach for every company, we not only facilitate an extensive assessment of impact but also seek to empower ourselves to compare performance over time and against industry peers with greater precision.

The fund's staff is strongly encouraged to think of ways to enhance or improve the fund and individual companies' ESG and impact processes and performance. The investment teams working on a specific portfolio company, and the ESG & Impact team are jointly responsible for driving the ESG and impact performance of the portfolio companies. ESG & Impact related trainings (on topics ranging from Gender Lens Investing to ESG & Impact Data Management, Analysis, and Reporting) are mandatory for all fund team members to participate. The staff is also advised of the importance of achieving the desired impact and such remains one of the criteria of their annual performance evaluation. Going forward, the Fund may consider aligning staff incentive systems with the achievement of impact as a best practice.

Principle 3:
Establish the Manager's contribution to the achievement of impact

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. The narrative should be stated in clear terms and supported, as much as possible, by evidence.

Throughout its interactions, the fund signals to portfolio companies that impact matters to the fund. Additionally, the investment screening process seeks to ensure that portfolio company has a positive orientation towards environmental and social impact creation. The fund actively engages with companies on ESG & Impact activities through regular touch points such as site visits and a structured impact reporting process. With regards to Environmental and Social Impact creation in portfolio companies, GEF's additionalities include:

- Hiring the right talent at the portfolio companies to drive ESG and impact performance
- Developing and implementing an ESG and Impact training plan specific to every portfolio company to improve their ESG and impact performance.
- Establishing a dedicated ESG and Impact function for portfolio companies if absent, including hiring a dedicated ESG Head for the company
- Supply chain review and enhancement for better ESG compliance and risk management
- Robust grievance redressal systems for internal and external stakeholders
- Building capacity within companies through handholding and training to collect and report high-quality ESG and impact data for better decision-making.
- Establishing a company-level Environmental and Social Management System (ESMS), including an Environmental and Social Action Plan (ESAP) for the company to monitor and improve its ESG performance.
- Establishing an Impact Measurement and Management (IMM) framework for the company to improve its impact performance.

During the development of the fund's annual ESG & Impact report, the fund documents how its investment and involvement with the company has contributed to the investee company's impact performance.

Principle 4:
Assess the expected impact of each investment, based on a systematic approach

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

In 2023, GEFCP SA launched an Impact Measurement and Management Manual, which provides robust framework for measuring and managing the environmental and social impact of potential investees throughout the deal cycle. We have adapted the Impact Investors Councils (IIC) IMM Framework[2] to bring impact thinking and measurement across the stages of the deal cycle (see figure below).

1	**Initial Deal Origination**	Evaluating fit for climate finance + **Evaluating the impact intention** of the Promoters.
2	**Impact Due Diligence**	**Evaluating impact risks and verifying the expected impact** of the company across the fund's 5 impact themes using operational data, secondary data, and interviews with key stakeholders.
3	**Deal Closure**	Building **IMM framework to monitor and improve impact performance** (based on the impact due diligence). **Formally sharing the IMM framework and reporting timelines** with company.
4	**Portfolio Monitoring**	Periodic IMM execution (impact data collection, ground-truthing, analysis, and reporting, including third-party engagements). Managing impact risk, setting/revising impact targets as needed. **Annual impact reporting.**
5	**Responsible Exit**	**Evaluating performance** against targets and capturing and reporting changes in impact performance and seeking to ensure that buyer is aligned with the fund's impact intention and commitment to IMM.

The Impact Measurement and Management activities conducted in Stages I & II of the deal cycle are:

- Assessing the impact intention and orientation of promoters/leadership using qualitative questionnaires and categorising leadership into 'High', 'Medium', or 'Low' impact orientation.
- Using an IFC AIMM-based approach to estimate the 'scale' or 'intensity' of impact, the 'depth' of impact or 'needs gap' the solution fills, and the likelihood of achieving the expected impact.
- Using the 5 dimensions of impact framework and IRIS+ and HIPSO metrics to establish the IMM framework for each target company, and regularly monitor impact performance.

We apply the 5 dimensions of impact framework at the fund level as well as the portfolio company level, to answer fundamental questions like 1) 'What' impact is being created, 2) 'Who' are the target beneficiaries, 3) 'How much' is the scale, depth, and duration of impact, 4) Impact risks and risk factors, and 5) The unique contribution of the company in the achievement of the impact throughout the investment's life cycle

[2] IMM framework across investment lifecycle described in Section 1: Scope & Objective

Principle 5:

Assess, address, monitor, and manage potential negative impacts of each investment

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.

Based on the stage of an investment's lifecycle, we identify, plan avoidance or mitigation, and manage ESG risks.

- **Deal Screening:** As a fund investing for climate mitigation, adaptation, and circularity, we incorporate the European Development Finance Institution (EDFI) Principles for Responsible Financing in our investment screening. The Harmonized EDFI Exclusions List is at the core of our investment mandate. In addition, the screening process will provisionally categorize proposed projects into high, medium, and low-risk (Category A, B or C respectively) projects.
- **Due Diligence**: Identification of ESG & Impact risks is built into the fund's due diligence process. The Impact Measurement and Management System (IMMS) and Environmental and Social Management System (ESMS) Manual outline the standard deal process incorporating E&S considerations across the overall investment process. All projects will adhere to the level of E&S due diligence required and undergo the necessary actions to minimize potential negative impacts.
- **Deal Closure:** Investee obligations towards ESG risk mitigation and management, impact measurement and management, and policy development and adherence (labour standards, health and safety policies, climate risk management policies, biodiversity protection, etc.) are listed in the company Environmental and Social Action Plan (ESAP) and IMM Framework.
- **Deal Monitoring:** The Fund has developed a robust ESMS and set of ESG Procedures in line with international best practice 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 concerning Environment, Social (Land, Labour, Public Liability), Health and Safety. ESG & Impact performance as well as adherence to these best practices listed above are monitored at least annually, and in most cases, quarterly. Performance is reported to the fund's investors on an annual basis, and recourse is taken if needed, by the fund's ESG team in collaboration with the company and third-party experts as needed.
- **Responsible Exits:** The fund has mechanisms in place to ensure that ESG risk identification and management continues beyond the fund's involvement with the company. This is a part of the fund's Responsible Exit strategy (see Principle 7).

Principle 6:

Monitor the progress of each investment in achieving impact against expectations and respond appropriately

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.

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 help ensure alignment of expectations (see Principle 2).

The Fund has a robust and standardised process for data collection, analysis, and reporting (ESAP reporting and ESG & Impact data reporting using frameworks listed in Principal 4). Select features of the fund's ESG & Impact performance management are stated below:

- **How often the data is collected:** The investee companies follow the process for quarterly data collection and reporting for nearly all indicators (EHS indicators, labour indicators, etc.) and annual for some (GHG emissions and avoided emissions). ESG & Impact data proformas (IMM framework and ESG data tool) are designed to capture the 'output', 'outcome', 'impact' metrics that are aligned with the 5 dimensions of impact framework. The data collected is managed and stored by the fund in a centralized manner to help ensure regular review and transparent documentation in the annual ESG & Impact report.
- **Method for data collection:** Primarily, there are 2 sources of data-
  - The company's own operational or administrative data, whose accuracy and collection method is reviewed to ensure accuracy during the ESG & Impact due diligence. Further, when reported, sanity checks and ground-truthing exercises are conducted by the fund's team to ensure the correctness of this data.
  - Third-party collected data.
- **Roles and responsibilities for data collection:** While data reporting is the responsibility of the company's ESG & Impact team, ensuring the correctness and usability of this data is the fund's responsibility. These roles are outlined in the fund's Impact Manual. The fund team along with the ESG and Impact in charge of the investee companies collectively report to the board on the progress towards set impact targets/goals.
- **Data reporting:** The ESG and Impact function or relevant team at the investee companies send ESG & Impact performance reports to the fund quarterly.
- **Managing Impact Risks:** Regular access to company data equips both the company and the fund to identify impact risks and put mechanisms in place to mitigate such risks by involving the appropriate stakeholders (industry experts, company leadership, etc.)

Principle 7:

Conduct exits considering the effect on sustained impact

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.

The Fund has a defined exit procedure to evaluate the ESG performance of a portfolio company at the time of the investment exit as well as align with the new buyer/investor on ESG & Impact matters.

To safeguard that the ESG and impact considerations are continued beyond the exit, the Fund undertakes an exit due diligence for the impact achieved. The progress made by the Company beginning the time of Fund's investment is reviewed based on select ESG and Impact indicators.

At the time of exit, the fund also clearly establishes the Fund's additionality and specific contribution to the ESG & impact performance. The fund will endeavour to align these expectations with the potential new buyer/investor to help ensure sustainable and continued impact.

Principle 8:

Review, document and improve decisions and processes based on the achievement of impact and lessons learned

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.

As a part of our commitment to continuous improvement and responsible investment practices each quarter, the Portfolio companies are required to report on relevant ESG and impact metrics on a quarterly basis in a standardized format specified by the ESG data tool and the IMM framework. In instances where either negative impact or potential impact risk (deviation from impact targets) is identified, our approach involves proactive management through re-training, guidance, and support tailored to the specific type of impact risk faced by portfolio companies.

We utilise the data reported by companies to derive actionable insights. These insights, if deemed material, may inform strategic decisions, contributing to the overall enhancement of business strategies within our portfolio.

The Fund prepares an annual report on its ESG & Impact performance to report to our LPs and other relevant stakeholders. Beyond reporting, the Fund has periodic meetings with Portfolio Companies to discuss their ESG performance of companies.

Principle 9:

Publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment

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.

GEFCP South Asia became a signatory to the Impact Principles in the year 2022, and this is its second Impact Principles, which showcases the steps the fund has taken to further its impact journey. This Disclosure Statement confirms the alignment of SAGF II's and III's policies, procedures, and practices with the Impact Principles and will be updated annually. 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 for its 2024 performance.

In addition to the Impact Principles disclosures, the Fund also prepares an annual report for its investors and shareholders regarding its adherence to ESG and Responsible Investment best practices as well as the ESG and impact performance of its investee companies.

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While GEF seeks to integrate certain environmental sustainability factors into its investment process, there is no guarantee that GEF's strategy will be successfully implemented by South Asia Fund or any of its investments, or that the investments will have a positive environmental impact. Applying environmental sustainability factors to investment decisions involves qualitative and subjective decisions and there is no guarantee the criteria used by GEF to formulate decisions regarding the environment, or GEF's judgment regarding the same, will reflect the beliefs and values of any particular investor. There are significant differences in interpretation of what constitutes positive environmental sustainable impact and those interpretations are rapidly changing. Past or targeted performance is not a guarantee of future results. There can be no assurance that Fund II will be able to implement its strategy or achieve its investment objectives and/or targeted returns. The performance information included in this report is not a prediction or guarantee of future performance. There can be no assurance that these or comparable results will be achieved by the South Asia Fund or that the Fund will achieve its ESG objectives.