

Public

Environmental and Social Data Sheet

Overview

Project Name:	<i>NEEV II</i>
Project Number:	<i>2019-0889</i>
Country:	<i>India</i>
Project Description:	<i>The proposed operation consists of equity participation in an investment fund targeting SMEs that contribute to the achievement of SDGs and climate sustainability in India.</i>
EIA required:	variable
Project included in Carbon Footprint Exercise ¹ :	no

Environmental and Social Assessment

Environmental Assessment

The operation consists of an investment in NEEV II (“the Fund”), an equity fund based and investing in India.

The Fund is focused on sustainable development by investing in Small and Medium Enterprises (SMEs), which provide products or services with economic, social and/or environmental benefits, including climate action, in India. The operation is in line with the Bank’s objectives in the region, as well as the Climate Action and Environment Facility (CAEF) Mandate, as it will finance projects that have a positive impact on climate change mitigation and environment protection.

The majority of the projects undertaken by the Fund (~60%) will contribute to Climate Action and Environmental Sustainability, in addition to supporting India in the implementation of its Nationally Determined Contributions, as agreed in the Paris Agreement, as well as its National Action Plan on Climate Change.

Climate and environment target sectors include, amongst others, energy, agriculture and forestry, healthcare, circular economy, and mobility.

The Fund will invest in SMEs and MidCaps, and support their growth with funding and expertise, in order to gain critical size and become sustainable in the longer term. In this respect, the Fund will support the establishment of Environmental Sustainable Governance (ESG) policies and management systems in line with the best international practices, for the investee companies.

¹ Only projects that meet the scope of the Pilot Exercise, as defined in the EIB draft Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: above 100,000 tons CO₂e/year absolute (gross) or 20,000 tons CO₂e/year relative (net) – both increases and savings.



Luxembourg, 13/10/2020

The Fund Manager follows a governance and structured decision process in line with industry best practice, having worked alongside the most reputable international public and private financial institutions.

The team in charge of this Fund is comprised of a group of professionals that has been working together for over 5 years and has extensive experience in the target sectors. Their experience has grown managing a similar predecessor fund (NEEV), now about to end its investment period, presenting solid results. They have proved to possess a strong capacity sourcing and managing dedicated investments in the region, despite the relatively underdeveloped nature of these markets.

The Fund Manager will be required to ensure compliance of the investments with the EIB Excluded and Restricted Lists of activities, the EIB Environmental and Social (E&S) Standards and core E&S requirements, as well as the E&S national laws and regulations.

Because of this, the Fund's team of professionals will be complemented by local/international reputable consultants for the technical, legal, financial, and environmental and social due diligence. The Fund has already designated an E&S manager, who will oversee all environmental and social activity aspects. The designated E&S manager already has experience in carrying out such functions in the predecessor Fund.

Some investments, including grid connected solar PV, onshore wind and small hydropower, will undergo a full ESIA (Environmental Social Impact Assessment), as required by the respective national regulations. Some projects may not be subject to an ESIA process, due to their technical characteristics, but in line with the best international practice and EIB's E&S standards, they would require a thorough screening in all cases, including impact on biodiversity and critical habitat and potentially require public consultation. Depending on the outcome of the screening, a full ESIA may be required, in which case the corresponding full studies will be published by the promoter and / or the Fund Manager, and will be sent to the Bank.

The mitigation of key risks and impacts derives from the Fund's capacity to identify and manage the potential environmental and social risks and impacts associated with the projects in the pipeline and to maintain and operate an appropriate environmental and social management system.

The Fund has therefore developed a comprehensive ESG framework, including an Environmental and Social Management System (ESMS), with the support of the British Department for International Development (DFID), following its standards. The ESMS outlines a set of E&S management processes and procedures, including the modalities for the establishment of an appropriate grievance mechanism at Fund level, which would allow the Fund to adequately identify, appraise and address the E&S risks and impacts across its portfolio and for each portfolio project.

The ESMS was reviewed based on EIB's Environmental and Social Standards and found to be acceptable conditional to incorporation of adjustments, including the EIB's Environmental, Climate and Social Guidelines on Hydropower Development (October 2019) agreed between the Fund Manager and the Bank. The ESMS will include adequate environmental and social due diligence procedures and a grievance redress mechanism applicable to the entire Fund's portfolio. The already designated experienced ESMS Manager will have overall responsibility for the implementation of the ESMS, supporting the portfolio team on a day-to-day basis and ensuring continued alignment with investors regarding E&S requirements as well as ensuring, at project level, compliance with the approved ESMS.

Conclusions and Recommendations

The Fund's procedures to ensure compliance with the EIB E&S Standards, core E&S requirements, as well as the E&S national laws and regulations, appear acceptable in view of its potential pipeline of investments, considering the following conditions.

- The Fund will incorporate EIB's environmental and social requirements into its legal documentation to the satisfaction of the Bank, and will enhance its ESMS to incorporate EIB's environmental & social requirements, including the development of a communication mechanism for external stakeholders as part of its Grievance Redress Mechanism.
- The Fund will prepare and submit to the Bank the relevant E&S information for the first 3 investments, which will be checked in order to ensure compliance with the EIB's environmental & social requirements.
- On an annual basis, the Fund Manager will prepare and submit to the Bank an aggregated E&S performance report.

With these conditions in place, the Fund is considered acceptable for the Bank in environmental and social terms.