

## Environmental and Social Data Sheet

### Overview

Project Name:	YES BANK (INDIA) CLIMATE ACTION FL
Project Number:	2016-0527
Country:	India
Project Description:	A framework loan of up to USD 200 m to part-finance renewable energy projects in India.
EIA required:	Multi scheme project. Depending on the technical characteristics of the investments financed under the loan, sub-projects may be subject to an EIA.
Project included in Carbon Footprint Exercise <sup>1</sup> :	no

### Environmental and Social Assessment

The Framework Loan (FL) will co-finance solar PV and onshore wind projects in India through a financial intermediary (FI).

Due to their technical characteristics, most of these investments, if located inside the EU, would fall under Annex II of the EIA Directive 2014/52/EU as amending Directive 2011/92/EU. Consequently they would be subject to screening for an EIA by the competent authority on the basis of criteria defined in Annex III of said Directive. In contrast, high-voltage overhead lines with a length of more than 15km would fall under Annex I.

Indian regulations related to environmental impact assessment (EIA) are formulated by Ministry of Environment of Forest & Climate Change (MoEF & CC). As per the EIA Notification 2006 (as amended) and with respect to wind and solar projects, an EIA screening may be mandated by competent authority only when the project has the potential to cause long term significant irreversible environmental and social impacts. In case an EIA is required the public consultation for the EIA is carried out by the State Pollution Control Board or the Union Territory Pollution Control Committee. Typically, project developers and tendering authorities avoid sensitive locations and consequently do not need to produce an EIA for the underlying projects according to national law.

The FI has developed a comprehensive Environmental and Social Governance (ESG) Policy in collaboration with the International Finance Corporation (IFC). The Policy, which is benchmarked against IFC's Performance Standards, provides the framework for identifying and addressing the environmental and social risks associated with the projects the FI finances. The FI is in the process of translating its ESG-Policy into its operational procedures.

Under present practices of the FI, each project is subject to an internal review to assess potential E&S risks. Following this review, projects are categorised as follows: projects with minimal or no adverse environmental and social impacts (Category C), projects with no significant or irreversible adverse environmental and social impacts (Category B) and projects with potential significant environmental and/or social impacts (Category A). Category A projects require a full ESIA whereas the need for an ESIA for Category B projects is subject to

<sup>1</sup> 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 CO<sub>2</sub>e/year absolute (gross) or 20,000 tons CO<sub>2</sub>e/year relative (net) – both increases and savings.

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a case-by-case decision by the FI. Projects categorized as A are not eligible under this operation. The Bank's eligibility criteria under this operation comprise detailed criteria to support the FI's screening process of renewable energy projects and their grid connections.

The FI includes comprehensive E&S loan conditions into its standard finance contracts with final beneficiaries. These require compliance with relevant national E&S legislation at project level. For screened-in projects, ESIA in-line with IFC performance standards are requested, as well as the full implementation of mitigation measures identified inside the ESIA and compliance audit reports. Health and safety conditions must be included into EPC contracts, satisfactory to the FI. Comprehensive monitoring and reporting obligations, including on health and safety trainings at the construction site, are also included in the standard finance contracts.

## Conclusions and Recommendations

The wind and solar energy investments targeted by the operation are expected to have limited social and environmental effects if all mitigation measures are implemented. The capacity of the financial intermediary to manage the environmental and social risks of the investments and to monitor the implementation of the respective mitigation measures and plans in line with the Bank's Environmental and Social Standards is developing but still requires some reinforcement.

The following loan conditions and undertakings are proposed:

- The FI shall advance the implementation of its ESG policy into practice, increase in-house E&S capacity to implement the policy, and designate an in-house focal point for handling request for E&S information/grievances relating to projects financed by the EIB at the level of the FI.
- The FI will undertake to report to the Bank on an annual basis on the progress towards the implementation of its ESG policy or any changes to it.
- The FI shall ensure that the projects are in compliance with national legislation and the EIB's Environmental and Social Standards.
- The Bank's eligibility criteria and procedures for framework loan operations will apply. All allocations will require ex-ante approval by the Bank prior to authorising the on-lending of funds to final beneficiaries, after review for compliance with the Bank's standards. The Bank's requirements with regard to eligibility, including environmental and social criteria, will be incorporated into the finance contract. Projects with an investment cost of EUR 50 million or higher will undergo a full appraisal by Bank staff. Projects screened in by the FI in line with its ESG Policy as having potential significant environmental and/or social impacts (Category A projects) will further not be eligible for Bank financing.
- The FI will undertake to monitor and report to the Bank on the compliance with EIB E&S Standards on an annual basis. The finance contract will require the FI to provide to the satisfaction of the Bank all information necessary to confirm compliance with the Bank's eligibility criteria and EIB E&S Standards.

In view of the above findings, conditions and undertakings, the operation is deemed satisfactory for Bank financing in environmental and social terms.