



Environmental and Social Due Diligence Assessment of Cleantech Solar

ABRIDGED FOR DISCLOSURE

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Acronyms and Abbreviations

C&I	Commercial and Industrial
CEIG	Chief Electricity Inspectorate to Government
CFM	Climate Fund Managers U.A.
CI1	Climate Investor One
E&S	Environmental and Social (interchangeable with HSSE)
EPC	Engineering, Procurement and Construction
ESAP	Environmental and Social Action Plan
ESG	Environmental and Social Governance
ESMS	Environmental and Social Management System
FPIC	Free, Prior, and Informed Consent
GIIP	Good International Industry Practice
HR	Human Resources

HSE	Health, Safety and Environment
HSSE	Health and Safety, Social and Environmental (interchangeable with E&S)
IC	Investment Committee
IFC PS	International Finance Corporation Performance Standards
ILO	International Labour Organisation
KPI	Key Performance Indicator
MSIHC	Manufacture, storage and import of hazardous chemicals
NOC	No Objection Certificate
O&M	Operations and Maintenance
OHS	Occupational Health and Safety
PV	Photovoltaic
TUV	TUV Rheinland (India) Pvt. Ltd. ("TUV"), a technical and safety services advisory firm based in India
UN	United Nations

1. Introduction

1.1 Background

Climate Investor One (CI1) is considering an investment opportunity in a portfolio of rooftop solar projects in India (the "Project"), which are being developed by Cleantech Solar Asia Pte Ltd ("Cleantech" or "the Company"). Cleantech Solar is a renewable energy developer that finances, constructs, owns and operates solar projects. Headquartered in Singapore, Cleantech operates across India and Southeast Asia, and has an on-the-ground project team in India. The investment from CI1 will be an equity investment to selected Cleantech solar rooftop projects in India (see Figure 1).



Figure 1: Location of Cleantech Solar Rooftop Projects

1.2 Purpose of this Document

Climate Fund Managers (CFM), on behalf of CI1 and in accordance with the requirements of the CFM Environmental and Social Management System (ESMS), assess the environmental and social (E&S) risks and impacts associated with a potential investment opportunity as part of its pre-investment due diligence and decision-making process. CFM appointed TUV Rheinland (India) Pvt. Ltd. ("TUV"), a technical and safety services advisory firm based in India, to conduct an external Technical, Health, Safety and Environmental 'red flag' due diligence assessment of Cleantech to inform this assessment and CFM's pre-investment decision making. The external due diligence assessment was supported by CFM's own internal environmental and social (E&S) due diligence.

This document presents the results of CFM's E&S due diligence assessment of Cleantech for public disclosure and also the findings and recommendations of TUV as presented in their confidential report dated 24 July 2018, which was prepared for internal use by CFM.

2. Objective and Methodology

The objective of the E&S risk assessment is to highlight the potential E&S risks and impacts associated with the Project, any gaps that exist with respect to the E&S Reference Framework (see Section 3 below), and identify any fatal flaws or 'red flags' for consideration by CFM in its investment decision-making process.

CFM's approach to and process for E&S risk assessment during pre-investment due diligence is set out in its ESMS. Key steps in the process include:

- High-level screening of potential E&S risks and impacts;
- Assigning an initial overall Risk Categorisation to the Project (see Section 6 for more details);
- Including the E&S screening findings in the first (deal screen) paper submitted to the Investment Committee (IC) for approval;
- Conducting internal E&S due diligence (i.e. assessment by the CFM in-house ESG team) of the Project against the Reference Framework;
- Commissioning a consultant to conduct external E&S due diligence assessment of the Project;
- Confirming the overall Risk Categorisation for the Project;
- Including the E&S due diligence findings in the final investment paper submitted to the IC for approval; and
- Preparing an Environmental and Social Action Plan (ESAP) setting out the measures required to address significant E&S risks/impacts and non-compliance with the E&S Reference Framework.

The scope of work of the E&S due diligence assessment conducted by CFM and by TUV on behalf of CFM/CI1 entailed the following:

- A review of existing Project documentation, including documents pertaining to Cleantech's ESMS and their implementation thereof, as well as documents pertaining to E&S management of their current assets;
- Site visits to Cleantech's existing assets in India;
- Interviews with key internal (Cleantech) stakeholders;
- Evaluating the Project against the requirements of the E&S Reference Framework to identify compliance gaps;
- Identifying key E&S risks and impacts associated with the Project and assessing the significance (low, medium or high) of each identified risk to identify potential fatal flaws or 'red flags';
- Identifying actions required to address compliance gaps, key identified risks/impacts or 'red flags'; and
- Confirmation of the overall Risk Categorization.

3. E&S Reference Framework

CFM is committed to responsible investments, and requires all of the projects in which it invests CI1 Funds to adhere to all applicable national legislative requirements, as well as international best

practice standards for E&S risk and impact assessment and management. Specifically, CFM requires all projects receiving CI1 funds to comply with the following Reference Framework:

- National legislation applicable to health and safety, social and environmental (HSSE) issues, including labour and working conditions – see Section 3.1;
- International Finance Corporation (IFC) Performance Standards (PS) on Environmental and Social Sustainability (2012) – see Section 3.2;
- World Bank Group General and any applicable Industry Sector Environmental, Health and Safety (EHS) Guidelines – these are technical reference documents with general and industry-specific examples of Good International Industry Practice (GIIP) that are referenced in the IFC PS;
- International Labour Organisation (ILO) Core Labour Standards and Basic Terms and Conditions of Work; and
- International Bill of Human Rights and United Nations (UN) Guiding Principles on Business and Human Rights.

3.1 Applicable National Legislation

The Project includes Cleantech's projects in India in the current portfolio and pipeline. A summary of applicable laws is provided below: -

- Government Resolution No. Misc. - 03/2015/C.N.34/A-2 on 12th May 2015 and 30th September 2015. For direct purchase through private negotiation.
- Maharashtra's Comprehensive Policy for Grid connected Power Projects based on New and Renewable (Non-conventional) Energy Sources, 2015
- Environment Protection Act, 1986 and as amended
- The Water (Prevention and Control of Pollution) Act, 1974, as amended
- The Air (Prevention and Control of Pollution) Act 1981, as amended
- The Noise (Regulation & Control) Rules, 2000 and as amended up to 2010
- Waste Management
- Solid Waste Management Rules, 2016 as amended
- Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016 as amended
- Construction and Demolition Waste Management Rules, 2016
- Batteries (Management and Handling) Rules, 2001
- E-waste (Management) Rules, 2016
- Storage of hazardous chemicals
- Manufacture, storage and import of hazardous chemicals (MSIHC) Rules, 1989 and as amended
- The Factories Act, 1948 and Maharashtra Factories Rules, 1963 as amended
- The Contract Labour (Regulation and Abolition) Act, 1970 and Central Rules 1975
- Inter-state Migrant Workmen (Regulation of Employment and Condition of Service) Act, 1979
- Child Labour (Prohibition and Regulation) Act, 1986
- Bonded Labour Systems (Abolition) Act, 1976
- Minimum Wages Act, 1948
- Equal Remuneration Act, 1976
- Workmen's Compensation Act, 1923
- Indian Maternity Benefit (Amendment Act), 2017
- Employees' Provident Fund and Miscellaneous Provisions Act, 1952
- Employees State Insurance Act, 1948

- The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013
- Private Security Agencies (Regulation) Act, 2005
- Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996; and payment of *cess* under the BoCW Act.

EIA Notification 2006 is the relevant legislation for the EIA requirement in India. As per the requirement, EIA assessment should be done and the approval from Ministry of Environment & Forest should be obtained. Solar projects, however, are exempted from obtaining EIA approval. The following approvals are required to be obtained by Cleantech for each asset:

- No Objection Certificate (NOC) from Distribution Company
- Chief Electricity Inspectorate to Government (CEIG)
- Approval from State Nodal Agency, as required

3.2 IFC Performance Standards

In accordance with the CFM/CI1 ESMS, all projects receiving CI1 funds are required to conduct their operations in accordance with the applicable requirements of the IFC Performance Standards (PS). The eight PS and their applicability to the Project are discussed in Table 1 below.

Table 1: Applicability of the IFC PS to the Project

IFS PS	Summary of Requirements	Applicability to Project
P1: Assessment and Management of Environmental and Social Risks and Impacts	<ul style="list-style-type: none"> • Identify and assess environmental and social risks and impacts; • Develop and implement an appropriate environmental and social management system (ESMS) to integrate E&S standards and management programmes to address E&S risks and impacts into business operations. • Include provisions for external grievance mechanisms in the ESMS. 	Applicable to all Cleantech operations, including at asset-level
PS2: Labour and Working Conditions	<ul style="list-style-type: none"> • Treat workers fairly. • Provide safe and healthy working conditions. • Avoid the use of child or forced labour, • Identify risks in the primary supply chain. <p>(Requirements are guided by the ILO and UN Human Rights conventions)</p>	Applicable to all Cleantech operations, including at asset level.
PS3: Resource Efficiency and Pollution Reduction	<ul style="list-style-type: none"> • Promote more sustainable use of resources, including energy and water; • Integrate practices and technologies to avoid or minimise the potential adverse impacts of pollution from project activities. 	Applicable at asset-level, but Cleantech must ensure that adequate requirements for asset-level management of risks in this regard are included in its ESMS.
PS4: Community Health, Safety and Security	<ul style="list-style-type: none"> • Adopt responsible practices to reduce risks to local communities through adequate emergency preparedness and response planning, responsible safeguarding of personnel and 	Applicable at asset-level, but Cleantech must ensure that adequate requirements for asset-level management of risks in this regard are included in its ESMS.

IFS PS	Summary of Requirements	Applicability to Project
PS5: Land Acquisition and Involuntary Resettlement	<p>property, and by incorporating safety measures into design.</p> <ul style="list-style-type: none"> Avoid involuntary resettlement wherever possible and, where avoidance is not possible, minimise the impact through mitigation measures such as fair compensation and livelihood improvements. 	<p>Unlikely to be applicable for rooftop solar projects and Cleantech will confirm this before proceeding with a project. The Projects will not require land (an agreement is negotiated with the property owner for use of the roof) and therefore no physical and/or resettlement impacts are anticipated. Should any future Project pipeline assets involve activities that necessitate physical or economic displacement, the Cleantech ESMS should be updated to include requirements for asset-level management of risks and impacts in this regard.</p>
PS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources	<ul style="list-style-type: none"> Protect and conserve biodiversity. Maintain the benefits from ecosystem services. Promote the sustainable management of living natural resources through the adoption of practices that integrates conservation needs and development priorities. 	<p>Unlikely to be applicable for rooftop solar projects and Cleantech will confirm this before proceeding with a project. Cleantech assets are unlikely to pose risks to biodiversity or living natural resources. Should any future Project pipeline assets pose risks in this regard, the Cleantech ESMS should be updated to include requirements for asset-level management of such risks.</p>
PS7: Indigenous Peoples (IP)	<ul style="list-style-type: none"> Anticipate and avoid adverse impacts on communities of IP, or where avoidance is not possible, minimise adverse impact. Foster respect for the human rights, dignity and culture of IP. Promote sustainable development benefits for IP in culturally appropriate manner. Promote informed consultation and participation of IP communities. In certain circumstances, Free, Prior, and Informed Consent (FPIC) is required. 	<p>Unlikely to be applicable for rooftop solar projects and Cleantech will confirm this before proceeding with a project. Cleantech assets are unlikely to pose risks to communities of IP. Should any future Project pipeline assets pose risks in this regard, the Cleantech ESMS should be updated to include requirements for asset-level management of such risks.</p>
PS8: Cultural Heritage	<ul style="list-style-type: none"> Protect cultural heritage from the adverse impacts of project activities and support its preservation. Promote the equitable sharing of benefits from the use of cultural heritage. 	<p>Unlikely to be applicable for rooftop solar projects and Cleantech will confirm this before proceeding with a project. Cleantech assets are unlikely to pose risks to cultural heritage. Should any future Project pipeline assets pose risks in this regard, the Cleantech ESMS should be updated to include requirements for asset-level management of such risks.</p>

4. Project Overview

4.1 Project

The rooftop solar projects are installed on brownfield commercial and industrial (C&I) buildings in India. The offtakers are mainly in the manufacturing sector (e.g., automotive, aviation and aerospace, agricultural, building and construction, chemicals, food and beverage, textile, pharmaceuticals) as well as commercial, engineering, education. For each rooftop installation, Cleantech enters into a leasing contract with the facility owner for the roof area on which the solar panels will be installed. The project's transformers and inverter houses are also located within the facility's premises. There are no other associated facilities (i.e., transmission line, substation). Each project is <1 MWp, although larger projects (e.g., on multiple roofs at industrial parks) may be up to 5 MWp. Cleantech develops the projects through Engineering, Procurement and Construction (EPC) contractors. Cleantech outsources operations to Operations and Maintenance (O&M) contractors and the scope includes activities like cleaning of panels, testing of mounting structures, electrical circuit maintenance etc. The contractors work under instructions of Cleantech's Project and O&M teams.

At the time of the due diligence assessment of the Project, Cleantech's rooftop solar portfolio in India comprised of assets ranging from 0.1 MWp to 5 MWp of current assets (executed projects in operation or under construction) as set out in Table 2 below, as well as secured and potential pipelines of clients where Cleantech would develop the rooftop solar assets.

Table 2: Status of Cleantech's current assets as of July 2018

[Details of rooftop solar projects in India removed for disclosure]

Cleantech uses an online platform to share information and to receive, review and approve asset-specific documentation remotely. Cleantech monitors asset progress and performance remotely on a real time basis, and by conducting site visits. Cleantech's EPC and O&M contractors are also required to provide reports during both the construction and operational phase.

4.2 E&S Overview

Cleantech HSE has established and updated systems and standards which meet or exceed Singapore (bizSAFE Star) and international standards (OHSAS 18001) for all its construction and operations in which Cleantech participates. The HSE protocols are included in the Cleantech HSE plan.

Cleantech implements a HSE Policy and a Safety Management System. Cleantech's HSE policy is committed to the following:

- Protect, and strive for improvement of, the health, safety and security of the people at all times;
- Eliminate Quality non-conformances and HSE accidents;
- Meet specified customer requirements and ensure continuous customer satisfaction;
- Apply our technical skills to all HSE aspects in the design and engineering of our services and products;

- Communicate openly with stakeholders and ensure an understanding of our HSE policies & standards; and
- Prompt reporting regarding work related accidents, ill health, incidents and near misses.

An occupational health and safety management system has been developed in line with the international certification standard OHSAS 18001. A certification audit was conducted in February 2018 and approved for certification.

The Safety Team is led by a Regional Safety Manager (based out of Singapore) and an Assistant Safety Manager (based in India). Other key personnel (e.g. Head of Project Management, Head of Engineering, Head of Operation and Maintenance and Engineering Manager) also have also attended safety training courses (e.g. working at height for supervisors and constructions safety course of project managers).

The concept for safe environment to work, following of all safety protocols, conducting risk assessments, wearing proper PPE etc. is provided through training. As part of the internal HSE Management program Cleantech has developed over 30 animated videos detailing out safe working methodologies.



Figure 2: Safety Training Videos

Cleantech uses a HSE management dashboard to monitor and track HSE KPIs, including injuries, injury fere days, near misses, property damage and security events.

As a new environmental initiative in 2018, all Cleantech sites had water gauge meters deployed. These meters are read/photographed pre- and post-cleaning activities. This allows contractors to be kept in check in using the minimum amount of water possible, depending on a site soiling accumulation pattern.

The take back of damaged and discarded panels is the responsibility of the EPC contractor. As informed by Cleantech, the EPC contractor will identify appropriate company to dispose the modules. During the operation of the plant, it is the responsibility of Cleantech to take care of the damaged module. As informed by Cleantech, they are in the process of identifying appropriate company to dispose the module.

Cleantech has identified all relevant stakeholders viz. Building owner, building facility department, EPC/O&M contractors and local authorities.

5. Assessment of E&S Risks / Impacts

Table 3 below presents an assessment of the HSSE risks and potential impacts associated with Cleantech's activities and that of its contractors and key suppliers. Specifically, the assessment evaluates the Cleantech ESMS and its compliance with the Reference Framework (the IFC PS specifically), as well as its adequacy to ensure IFC-compliant HSSE management at asset level. The assessment considers risks/impacts that would ordinarily be associated with Cleantech assets and associated infrastructure, and which could be expected given the E&S setting which Cleantech assets are likely to be situated.

Risks/impacts are also assessed at asset-level for Cleantech's current assets (as of July 2018). These assets were also reviewed as examples of how Cleantech's ESMS requirements are implemented at asset-level, and the adequacy of asset-level HSSE arrangements against the Reference Framework in general.

Table 3: Assessment of E&S Risks/Impacts

Reference Framework	Risk/Impact and Description	Risk Assessment Findings	
		Cleantech (Corporate level)	Rooftop Solar Assets
IFC PS1	<p>Inadequate E&S resources, responsibilities and organisational structure</p> <p>Lack of adequate and clearly defined E&S roles and responsibilities increases the risk of non-compliance with the Reference Framework.</p>	<p>Medium risk</p> <p>CSA has personnel in Singapore and India focused on occupational H&S management. Additional competencies are also needed to effectively manage HSSE risks and impacts associated with the Cleantech pipeline of assets, including oversight on EPC and O&M contractors at asset level. Currently, there is not an E&S resource to manage implementation of an ESMS or act as a focal point for E&S matters, which will be required for CI1 to track the ESAP effectively.</p>	<p>Low risk</p> <p>EPC and O&M have adequate resources in place to manage E&S risks, but organisational structures and responsibilities (especially with regard to environmental issues) were not always clearly defined in asset-level documentation.</p>
IFC PS1	<p>Non-compliance with the Reference Framework</p> <p>The requirements of the Reference Framework are key metrics by which investors and other stakeholders judge the environmental and social sustainability of a given Project. Non-conformity with these requirements may result in risks and impacts not being adequately addressed, Project delays / conflict, which could affect the financing entity.</p>	<p>High risk</p> <p>The IFC requirements are not currently adopted by Cleantech and the policies, ESMS and other documentation will need to be updated to reflect the new requirements.</p>	<p>High risk</p> <p>The policies to be updated so that they apply to all Cleantech activities and projects, including where activities are undertaken by third parties on behalf of Cleantech.</p>

Reference Framework	Risk/Impact and Description	Risk Assessment Findings	
		Cleantech (Corporate level)	Rooftop Solar Assets
IFC PS1	<p>ESMS not addressing all potential E&S risks</p> <p>This could result in E&S risks and impacts not being identified, assessed and mitigated.</p>	<p>High risk</p> <p>An IFC-compliant ESMS has not been developed. IFC-compliant arrangements for environmental and social management (including labour and working conditions) need to be developed.</p> <p>The Cleantech ESMS should address more adequately requirements for procedures to ensure adequate management of asset-level E&S risks, e.g.:</p> <ul style="list-style-type: none"> • HSE performance monitoring and audit procedure • E&S risk screening 	<p>Medium risk</p> <p>HSSE documentation for the current assets are broadly aligned with the Reference Framework, but some areas for improvement were identified:</p> <ul style="list-style-type: none"> • Lack of clarity on roles and responsibilities for E&S management at asset level • Incomplete risk assessments/registers
IFC PS1	<p>HSSE Performance Reporting:</p>	<p>Low risk</p> <p>Cleantech monitors and track HSE KPIs, including injuries, injury fere days, near misses, property damage and security events, however, this does not include the KPIs as required by CFM ESMS.</p>	<p>Low risk</p> <p>Reporting data is collected from the projects. The HSSE KPIs need to be expanded to include the KPIs.</p>

Reference Framework	Risk/Impact and Description	Risk Assessment Findings	
		Cleantech (Corporate level)	Rooftop Solar Assets
IFC PS2 Local legislation	Inadequate monitoring of labour and working conditions Requirements for labour and working conditions, including reference to IFC PS2, are not included, which may result in non-compliance	Medium risk Cleantech has a human resources (HR) policy and HR at corporate level is managed by a HR Manager. There is limited evidence of Cleantech overseeing labour and working conditions on its projects during construction and/or operations. There is no reference to IFC PS2 in the existing Safety Management System.	Low risk As per the sample EPC contracts and O&M contracts, all labour and working conditions (including PPE) provisions to the working staff of the contractor, sub-contractors are the responsibility of the respective contractor. Cleantech and host company staff confirmed that provisions such as provide safety wear, like steel toe-capped boots, hard hats (helmets), gloves, safety belts are provided for the staff during the work. Cleantech confirms that the personnel on projects will be provided with minimum wages as per the Indian minimum wage legislation, however, there is no confirmation provided in the EPC/O&M contract signed. Cleantech informed that this point shall be added in the contracts.
IFC PS3	Resource Efficiency/Waste Management Due to the small-scale nature of the assets and short duration of construction activities, risks in this regard at asset-level are generally low, but ESMS provisions in this regard should nevertheless be in line with IFC PS3 requirements.	Low risk The take back of damaged and discarded panels is the responsibility of the EPC contractor. As informed by Cleantech, the EPC contractor will identify appropriate company to dispose the modules. During the operation of the plant, it is the responsibility of Cleantech to take care of the damaged module. As informed by Cleantech, they are in the process of identifying appropriate company to dispose the module. Cleantech will need to identify if the modules can be recycled and identify a suitable licensed contractor.	N/A During site visit it is observed that no waste streams such as damaged/discarded panels are stored at site.

Reference Framework	Risk/Impact and Description	Risk Assessment Findings	
		Cleantech (Corporate level)	Rooftop Solar Assets
CFM ESMS	<p>Community Development</p> <p>While of limited risk other than non-compliance with CFM requirements, there is opportunity to generate impact through community development activities and obtain a social licence to operate.</p>	<p>Low risk</p> <p>Develop and implement a Community Development Programme in accordance with CI1's Community Development Framework, including annual review and development and implementation of an Implementation Plan for community development initiatives on an annual basis.</p>	<p>N/A</p> <p>The community development will be a corporate programme.</p>

6. Project Risk Category

An overall E&S risk rating (Risk Category) is assigned to the Project, based on the description of the categories presented in Table 4, as per the CFM/CI1 ESMS.

Table 4: Risk Category Definition

Risk Category	Description
<p>Category A (Very High and High risk)</p> <p><i>Equivalent to IFC Category A</i></p>	<p>Projects that are a narrow highest risk subset of all Projects, which:</p> <ul style="list-style-type: none"> (i) could adversely impact on critical habitat as defined in IFC PS 6, paragraphs 16-19; and/or (ii) could adversely impact on natural habitat as defined in IFC PS6, paragraphs 13-15; and/or (iii) incur complex resettlement (subset of PS5); and/or (iv) in relation to indigenous peoples, trigger the FPIC requirements of PS 7, as set out in IFC PS7, paragraphs 13-17; and/or (v) incur impacts on critical cultural heritage as defined in IFC PS8, paragraphs 13-15; and/or (vi) demonstrate a context of social and/or political conflict and/or severe security issues that pose a significant potential risk to the Project; and/or (vii) present potential significant adverse social or environmental impacts which are diverse, irreversible or unprecedented.
<p>Category B+ (Medium high risk)</p> <p><i>Equivalent to IFC Category B</i></p>	<p>Projects with potential adverse E&S impacts that are generally beyond the site boundaries, largely reversible and can be addressed through relevant mitigation measures</p>
<p>Category B (Medium low risk)</p> <p><i>Equivalent to IFC Category B</i></p>	<p>Projects with limited potential adverse E&S impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.</p>
<p>Category C (Low risk)</p> <p><i>Equivalent to IFC Category C</i></p>	<p>Projects with minimal or no adverse social or environmental impact.</p>

Based on these definitions and assessment of E&S risks and impacts presented in Section 5, the Project has been categorised as a **Category B** project.

Based on these definitions and assessment of E&S risks and impacts presented in Section 5, the Project has been categorised as category B (medium to low risk) (in accordance with CI1's risk categorisation) which is equivalent to International Finance Corporation (IFC) Category B. While some potentially significant risks/impacts have been identified, these are generally limited, relatively few in number, site-specific (at asset level), largely reversible and readily addressed through identified mitigation measures. This reflects the contextual risks around labour and health and safety issues in India. Given the nature of the investment which comprises rooftop solar installations on existing office buildings and industrial complexes in urban areas, potential impacts will be minimal, site-specific, and readily managed/mitigated. ESIA's are not required given the nature of the Projects, and the limited potential adverse impacts.

7. Environmental and Social Action Plan (ESAP)

Table 5 below sets out the proposed actions to be taken by the Project to mitigate the potential risks/impacts and ensure compliance by the Project with the E&S Reference Framework requirements. The proposed mitigation measures will form the basis of the Project ESAP to be agreed upon between CI1 and Cleantech to detail the required E&S actions, timelines, deliverables and responsibilities to be implemented by the Project.

Table 5: E&S Risk/Impact Mitigation Measures

#	Reference	Requirements
1.	IFC PS1 CFM ESMS	<p>E&S Staffing:</p> <p>HSSE management and asset-level oversight should be strengthened to ensure the necessary qualifications and competency are in place, subject to CFM approval, with responsibilities including, among other things, (i) ESAP implementation; (ii) implementation of IFC-compliant HSSE Management System (ESMS); (iii) conducting E&S due diligence of proposed projects; (iv) ensuring development and implementation of IFC-compliant project-level ESMSs and enforcing compliance; (v) monitoring of project and contractor HSSE performance during construction and operation; and (vi) HSSE reporting to investors. Appoint E&S specialist(s) to work at both corporate and project level and to act as the key point of contact with CFM’s ESG team.</p>
2.	IFC PS1 CFM ESMS	<p>HSSE Policy:</p> <p>Update the Cleantech HSSE policy statements to align with CI1 requirements, including but not limited to statements on commitments with regard to:</p> <ul style="list-style-type: none"> • HSSE governance and organisation • Climate change • Human rights • Gender equality • Community development • Monitoring and reporting
3.	IFC PS1 CFM ESMS	<p>ESMS:</p> <p>An ESMS is required that is aligned with IFC PS1 and the requirements of CFM’s ESMS. This may be developed as a standalone system. Alternatively, the existing Safety Management System can be expanded and renamed to incorporate the environmental and social elements. The ESMS must provide for managing all aspects of environmental and social in line with all eight of the IFC performance standards. It must be applied at corporate and project level.</p>
4.	IFC PS1 CFM ESMS	<p>HSSE Performance Reporting:</p> <p>Put in place a process for complying with requirements for ongoing performance reporting as detailed below:</p> <ul style="list-style-type: none"> • Compile and submit monthly HSSE KPI data and quarterly reports to CFM. • Report accidents and incidents to CFM • Report on contractor HSSE performance to CFM, as requested.
5.	IFC PS1 CFM ESMS	<p>Grievance Redressal Mechanism:</p> <p>Cleantech shall establish a grievance mechanism to be adopted at the corporate level to allow external stakeholders to submit comments, questions, concerns, grievances and feedback without retribution and with the assurance of a timely response. A separate mechanism shall be established for addressing employee grievances.</p>
6.	IFC PS2 CFM ESMS	<p>Labour and Working Conditions:</p> <p>Incorporate into the ESMS/existing Safety Management System corporate arrangements for managing all aspects of labour and working conditions of the workforce (for direct, agency and supply chain labour) in line with IFC PS 2 and the associated guidance note. Refer to: IFC PS 2 Guidance Note</p>

#	Reference	Requirements
7.	IFC PS3 CFM ESMS	Resource Efficiency/Waste Management: Contribute to research and development of sustainable options for the reuse/recycling/safe disposal of end-of-life PV panels.
8.	CI1 ESMS	Community Development: Develop and implement a Community Development Programme in accordance with CI1's Community Development Framework, including annual review and development and implementation of an Implementation Plan for community development initiatives on an annual basis.

8. Conclusion

Cleantech is scaling up distributed solar energy in the C&I sector across India by investing in high-impact carbon abating projects that otherwise would not have been implemented, while at the providing jobs. In doing so, Cleantech contributes not only to the implementation of the United Nations Sustainable Development Goals, but also to raising the HSSE awareness and performance of Cleantech's contractors.

This assessment identified the key HSSE risks and impacts associated with the Project in relation to the applicable E&S Reference Framework, specifically the IFC PS. The assessment was informed largely by an external E&S 'red flag' due diligence assessment commissioned by CFM (on behalf of CI1) and conducted by TUV. TUV's assessment involved review of available Project documentation and site visits to the current Cleantech assets.

The assessment did not identify any fatal flaw or 'red flag' issues that would preclude investment by CI1 in Cleantech. The express commitment and efforts already made by Cleantech with regard to addressing safety issues, and towards putting in place systems and planning to mitigate safety impacts, should be commended. The assessment has identified E&S risks and impacts associated with E&S management system planning, HSSE management capacity, health and safety implementation and monitoring and reporting on asset HSSE performance, which will need to be addressed to ensure alignment of the Project with the E&S Reference Framework.

The following actions have been identified to address the gaps in compliance:

1. **HSSE Staffing:** Cleantech's HSSE management and asset-level oversight should be strengthened to ensure the necessary qualifications and competency are in place.
2. **HSSE Policy:** Update the Cleantech HSSE policy statements to align with CI1 requirements.
3. **ESMS:** An ESMS is required that is aligned with IFC PS1 and the requirements of CFM's ESMS. This may be developed as a standalone system. Alternatively, the existing Safety Management System can be expanded and renamed to incorporate the environmental and social elements. The ESMS must provide for managing all aspects of environmental and social in line with all eight of the IFC performance standards. It must be applied at corporate and project level.
4. **HSSE Performance Reporting:** Put in place a process for complying with requirements for ongoing performance reporting.
5. **Grievance Redressal Mechanism:** Cleantech shall establish a grievance mechanism to be adopted at the corporate level to allow external stakeholders to submit comments, questions, concerns, grievances and feedback without retribution and with the assurance of a timely response. A separate mechanism shall be established for addressing employee grievances.

6. Labour and Working Conditions: Incorporate into the ESMS/existing Safety Management System corporate arrangements for managing all aspects of labour and working conditions of the workforce (for direct, agency and supply chain labour) in line with IFC PS 2 and the associated guidance note.
7. Resource Efficiency/Waste Management: Contribute to research and development of sustainable options for the reuse/recycling/safe disposal of end-of-life PV panels.
8. Community Development: Develop and implement a Community Development Programme in accordance with CI1's Community Development Framework.

The proposed actions, to address the key E&S risks and impacts identified in this assessment, will form the basis of the ESAP to be agreed between Cleantech and CI1 for implementation.

Annexure: Current Asset Photo Log

Photos removed for disclosure purpose.