

**Public Information Summary
Dolma Impact Fund II**

Host Country(ies)	Nepal (LMIC)
Name(s) of Fund	Dolma Impact Fund II (the “Fund”)
Name of Investment Manager	Dolma Fund Management (the “Fund Manager”)
Project Description	The Fund will invest growth and construction capital in Nepal’s renewable energy, health, and technology sectors.
Proposed DFC Equity Investment	Up to \$12 million
Target Fund Size	\$75 million
Policy Review	
Developmental Objectives	The Fund is expected to have a highly developmental impact in Nepal through equity investments in growing portfolio companies operating primarily among the technology, healthcare, and renewable energy sectors. Approximately 40 percent of Nepali firms report a lack capital as a major business constraint, with financing options dominated by banks requiring relatively high interest rates and collateral requirements. The Fund is expected to address these firms’ lack of growth capital, demonstrate the value of the private equity model in Nepal, and bolster otherwise weak levels of FDI. Fund investments are also expected to result in substantial permanent employment growth and to address Nepal’s low levels of permanent paid employment. These types of jobs have accounted for a small fraction of newly created jobs in Nepal during the last decade.
Environment and Social Assessment	<p>Screening: The Fund has been reviewed against DFC’s 2020 Environmental and Social Policy Procedures (“ESPP”) and has been determined to be categorically eligible. The capitalization of a fund is screened as a Category D activity for the purposes of environmental and social assessment. Based on DFC’s due diligence, the Fund’s downstream investments are anticipated to pose medium or limited environmental and social risks that are site specific and that can be readily mitigated through the application of sound environmental and social management practices. In order to ensure that the Fund’s investments are consistent with DFC’s statutory and policy requirements, the Fund will be subject to conditions regarding the use of the DFC proceeds.</p> <p>The primary environmental and social issues identified in this transaction relate to the need for a strong Environmental and Social Management System that meets the IFC Performance Standards to ensure that downstream investments associated with healthcare (specifically associated with</p>

primary, secondary, and tertiary care) are developed in accordance with the ESPP. DFC will monitor the effectiveness of the Fund's application of DFC policies throughout the project's life cycle.

Climate change resilience assessments for Category D projects are not required under DFC's policies.

Applicable Standards: Under DFC's ESPP, the Fund is required to comply with applicable local and national laws and regulations related to environmental and social performance and applicable provisions of the 2012 International Finance Corporation's Performance Standard ("PS") 1 and 2. For Category D projects, applicable provisions are:

- The requirement to maintain an Environmental and Social Assessment Management System. This includes the environmental and social principles that will be used to guide the Fund and its downstream investments to implement measures that will eliminate risks, ameliorate damage, and enhance positive effects. (PS 1, Paragraph 5).
- The requirement to establish a stakeholder grievance mechanism to receive and facilitate the resolution of concerns and grievances about the project's environmental and social performance (PS 1, Paragraph 35).
- The requirement to treat its workers fairly; to clearly communicate terms and conditions of employment to its workers; to provide a worker grievance mechanism to receive and facilitate resolution of concerns and grievances by workers (PS 2 Paragraphs 10-20).
- The requirement to provide a healthy and safe work environment for Fund employees (PS 2, Paragraph 23).

A desktop due diligence assessment indicates that because the project involves an investment in a financial intermediary, significant adverse impacts with respect to community health and safety, biodiversity, land acquisition and resettlement, indigenous peoples, and cultural heritage are not anticipated. Therefore, PS 3, 4, 5, 6, 7, and 8 are not triggered at this time.

DFC's ESPP requires Fund managers to maintain an ESMS that appropriately identifies, assesses, manages, and monitors risks with respect to the IFC Performance Standards and the General and Sector-specific EHS Guidelines. The Fund has an adequate ESMS for its proposed investment strategies into SMEs.

Key Environmental and Social Issues and Mitigation: The Fund's ESMS has specific procedures in place for pre-investment due diligence to identify main E&S risks and red flags and inform decisions on whether to move forward with investments. Screening activities include: (1) desk-based

reviews to determine the investment and organizational capacities of potential investees and what risks, if any, would prevent the investee from adhering to the IFC Performance Standards, World Bank Group EHS General Guidelines, ILO Standards and other relevant international E&S frameworks; (2) conversations with investee management, sponsors and/or customers; (3) pre-investment site visits; and (4) a risk identification and categorization process to cross check companies with Fund exclusion and prohibition lists. Based on the screening assessment, the Fund assigns the investee company a risk categorization (A (high), B+/B (medium), or C (low)). Where investees are categorized as B+, the Fund discusses the categorization decision with an E&S Committee comprised of appointed Investor E&S specialists continuing with due diligence. According to the Shareholder's Agreement, should any of the Investors disagree with the Fund's project categorization (i.e., make a determination the project is a high risk, Category A), due diligence will cease as the Fund does not invest in Category A activities. In the event DFC determines a project screened by the Fund is a Category A, the Fund will provide DFC an IFC-compliant Environmental and Social Impact Assessment (ESIA) for meeting DFC's disclosure requirement for Category A projects.

Following risk categorization, the Fund conducts due diligence activities in which the Fund: (1) assesses the environmental health and safety and social risks implied by portfolio company operations; (2) assesses the abilities and organizational capacity of the portfolio companies to manage and mitigate identified risks; and (3) identifies corrective action plans for closing due diligence gaps.

The Fund's ESMS describes the internal roles and responsibilities for environmental and social compliance. In alignment with the Fund's E&S Policy, the Fund Manager's CEO is ultimately responsible for E&S management and reporting to the Fund's Board of Directors.

The Fund has dedicated policies for internal and external grievance mechanisms, conflicts of interest, gender equality, human resource policies, Know Your Customer (KYC) policies, employee contracts and handbooks, standardized E&S compliance clauses for investment agreements, and a formal Head of Sustainability and Compliance dedicated solely to the oversight and management of E&S compliance and metrics.