

Luxembourg, 18/07/2024

## Environmental and Social Data Sheet

### Overview

Project Name:	FRANKLIN TEMPLETON SOCIAL INFRASTRUCTURE VALUE-ADD FUND
Project Number:	2023-0699
Country:	Regional - EU countries
Project Description:	Fund focused on value-add social infrastructure assets, including health and education facilities, student accommodation and some regulated social housing, as well as energy efficient building renovation across the EU.
EIA required:	To be assessed for each pipeline project.
Project included in Carbon Footprint Exercise <sup>1</sup> :	no
(details for projects included are provided in section: "EIB Carbon Footprint Exercise")	

### Environmental and Social Assessment

#### Environmental Assessment

The operation is an equity investment into a Fund focusing on social infrastructure and energy transition. The investments will focus on the development and renovation of energy efficient social infrastructure buildings in the health, education and housing sectors in the EU, in line with the Bank's climate action and environmental sustainability guidelines. The investments are expected to be located across the EU, mainly in Germany, France, Italy, Spain, Ireland, Portugal and the Nordics, with c. 10% of the investments in the UK.

The energy efficiency investments will be related to: (1) High-performing newly-built residential buildings meeting EIB and EU Taxonomy requirements; and (2) energy renovation of residential and commercial properties by developers.

By investing in energy efficient construction and/or decommissioning obsolete and outdated buildings and replacing them with more energy efficient ones, the Project will help reduce energy consumption and decrease CO<sub>2</sub> emissions. Given the location, size and nature of the projects in built-up urban areas, any negative environmental impacts are expected to be mitigated. While the investments are expected to include construction works, these will be mitigated by the developers and no significant impact is expected on the environment.

All Fund investments are expected to have limited negative environmental and social impacts. Eligible investments will be consistent with the Energy Performance Building Directive (EU) 2018/844 amending Directive 2010/31/EU, the Energy Efficiency Directive (2018/2002 amending 2012/27/EU), and the Renewable Energy Directive (2023/2413/EU) as transposed into national legislations.

The targeted EU Member States have transposed the EU Directives listed above and the additional relevant Directives: EIA Directive 2011/92/EC as amended by Directive 2014/52/EC, SEA Directive 2001/42/EC, the EU Habitats and Birds Directives (92/43/EEC and 2009/147/EC) and the Water Framework Directive (2000/60/EC).

<sup>1</sup> Only projects that meet the scope of the Carbon Footprint Exercise, as defined in the EIB Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: 20,000 tonnes CO<sub>2</sub>e/year absolute (gross) or 20,000 tonnes CO<sub>2</sub>e/year relative (net) – both increases and savings.



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Energy efficiency schemes are assessed based on accredited energy audits (or equivalent) in order to lead to decreased energy consumption and cleaner, more efficient energy production. The exact savings will depend on the individual projects.

Generally, energy efficiency investments in buildings do not require an EIA, as they do not fall under Annex II of EIA directive 2014/52/EU amending directive 2011/92/EU. However, in some geographies, some of the projects to be financed by the Fund could fall under Annex I or II of the Environmental Impact Assessment (EIA) Directive 2011/92/EU as amended by Directive 2014/52/EU. In these cases, the national competent authority would determine the need for an EIA, based on Annex III of the same Directive. The EIBG will require the Fund manager to act according to the provisions of the Directive as transposed into national law. Should the competent authority screen in a project, the Fund manager will be required to ensure that the EIA studies have been made publicly available as part of the EIA process.

### **EIB Paris Alignment for Counterparties (PATH) Framework**

The Fund manager is assessed to be in scope of and screened into the PATH framework. Hence, the EIBG will require the Fund manager to report – at the latest by the latter of 12 months after signature or within 12 months of the fund's first drawdown – in line with the TCFD recommendations, including information in relation to transition and physical climate risk.

### **Social Assessment**

In the health care sector, the new buildings are expected to improve hygiene and safety conditions and allow the operators to apply better stringent statutory and technical conditions for providing health and elderly care. By enabling better coordination between the different departments of the care providers, the project will enable the introduction of improved and more cost-effective treatment methods and therefore creates benefits in terms of social cohesion and protection.

In the education sector, including student accommodation, the investments are expected to improve access to quality education for all.

The investment is not expected to have any significant negative social impacts, as the Fund is expected to carry out its activities in compliance with the applicable EU labour and social standards.

### **Other Environmental and Social Aspects**

A rigorous and stringent approach to ESG standards and responsible investment is embedded throughout the Fund manager's investment process with the aim of meeting the Fund's sustainable investment objective. The Fund's investment policy seeks to ensure that all investments and the associated contractors / delivery partners apply a set of defined ESG principles.

In addition, the Fund intends to be classified as an Article 9 SFDR fund and will provide disclosure under Regulation (EU) 2019/2088 on Sustainability-Related Disclosures in the financial service sector (SFDR – Sustainable Finance Disclosure Regulation).

During appraisal, it has been verified that the Fund manager has understood the EIB Group E&S standards and requirements and will be willing and capable to fully implement them. The fund manager has set up an Environmental and Social Management System (ESMS) to implement these requirements, and it has designated a senior asset manager with responsibility for ESG, who will oversee all the environmental and social activity aspects.

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## Conclusions and Recommendations

Sustainability proofing conclusion: The operation is carried out in compliance with applicable national and EU environmental and social legislation. The financial intermediary is deemed to have sound environmental and social capabilities. Based on the environment, climate and social (ECS) information available and based on the review of the likely significant ECS risks and impacts and the mitigation measures and management systems in place, the Investment is deemed to have low residual ECS risks and impacts.

In order to strengthen the coordination and accountability aspects the Fund will undertake to:

1. Report in line with the TCFD<sup>2</sup> recommendations and GRESB<sup>3</sup> infrastructure benchmark by the latter of 12 months after signature or within 12 months of the fund's first drawdown.
2. Publish on the Fund's website its ESG related policy documents.
3. For the renovation projects, the financial intermediary will provide energy performance certificates before and after the works. In addition, the financial intermediary will ensure that any demolition works involving harmful substances (e.g. asbestos) will be carried out in accordance with relevant national regulations.
4. For the new buildings, the financial intermediary will provide energy performance certificates establishing the buildings' compliance with the technical conditions in the relevant Building Code.
5. When relevant, publish the EIA studies on the Fund's website or insert the link to the location where the EIA is published.

In view of the above findings and conditions, the operation is deemed satisfactory from an environmental and social compliance perspective.

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<sup>2</sup> Task Force on Climate-Related Financial Disclosures

<sup>3</sup> Global ESG Benchmark for Real assets