

Luxembourg, 08/02/2024

Environmental and Social Data Sheet¹

Overview

Project Name:	PRIME GREEN ENERGY INFRASTRUCTURE FUND II
Project Number:	2023-0682
Country:	<i>Regional - EU countries</i>
Project Description:	Investment Fund targeting Energy and low carbon gases and derivatives.
EIA required:	yes (potentially for some investments)
Invest EU sustainability proofing required:	Yes
Project included in Carbon Footprint Exercise ² :	No

Environmental and Social Assessment

The operation concerns the participation of the EIF in the Prime Green Energy Infrastructure Fund II (PGEIF II). PGEIF II will seek to pursue investments in renewable energy, energy storage and low carbon gases and fuels, namely green hydrogen and hydrogen derivatives. In terms of geographical coverage, the Fund will have a mandate to invest in all the EU 27 Member States, including EFTA Member States.

Environmental Assessment

The Fund invests in renewable energy and energy transition assets aligned with temperature goals defined in the Paris Agreement, and consistent with pathways towards low-carbon development. Climate risks are assessed on a project basis and where material, mitigating and adaptation measures are implemented. This is also part of the EU Taxonomy alignment assessment of the projects in the Fund.

A significant portion of the investments will generate environmental benefits in terms of reduction of air pollutants and GHG emissions, ultimately helping to mitigate climate change. The investments targeted by the operation are expected to have limited social and environmental impacts, provided that all mitigation measures are implemented.

Some of the schemes may fall under Annex I of the Environmental Impact Assessment (EIA) Directive (Directive 204/52/EU amending the EIA Directive 2011/92/EU), requiring a full EIA process. However, most of them are expected to fall under Annex II of the abovementioned Directive, being subject to a screening decision by the competent authority based on Annex III of said directive. Most of the individual schemes to be financed are likely to have limited negative residual environmental impacts and are expected to be mitigated appropriately. For projects that require an EIA, the Bank will require the Fund Manager (FM) to store and keep

¹ The information contained in the document reflects the requirement related to the environmental, social and climate information to be provided to the Investment Committee as required by the Invest EU Regulation and it represents the equivalent of the information required in the template of the InvestEU sustainability proofing summary.

² 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 CO₂e/year absolute (gross) or 20,000 tonnes CO₂e/year relative (net) – both increases and savings.



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updated any documents that may be relevant for the project (including EIA screening decisions, environmental studies, environmental monitoring reports or equivalent documents) supporting the compliance with the EIA Directive and national environmental regulations. Should the relevant competent authority screen in an investment project, the Fund Manager will be required to ensure that the EIA studies have been made publicly available as part of the EIA process.

Hydrogen investments need to further demonstrate compliance with applicable industrial safety regulations related to the handling and storage of chemical products in terms of safety and accident prevention, such as the SEVESO directive.

The FM will be required to verify that none of the schemes has a significant adverse impact on any site forming part of the EU Natura 2000 network (falling under Habitats Directive 92/43/EEC or Birds Directive 2009/147/EC). Schemes with significant negative impacts on areas with high biodiversity value, nature conservation areas, including bird migration routes, shall not be eligible.

The FM will ensure that all projects are in compliance with national and European legislation (where applicable), as well as the EIB's E&S standards and relevant Invest EU sustainability proofing requirements. The Fund is not allowed to invest in activities marked as 'Not Supported' in the EIB Climate Bank Roadmap 2021-2025.

EIB Paris Alignment for Counterparties (PATH) Framework

The FM manages more than 500 MEUR. Hence, and in line with the EIBG Path Framework requirements, it will be contractually required to disclose in line with the TCFD³ recommendations within 12 months of the Fund closing, including, in particular, information in relation to transition and physical climate risk.

Social Assessment

There are no material issues identified at this stage in relation to social aspects in the expected pipeline.

All investments and subsequent projects need to comply with the Bank's requirements, including applicable provisions of the EIB's Environmental and Social Sustainability Framework. The FM will be required to undertake reasonable efforts to mitigate risks of forced labour in the supply chain. This will include, on a best effort basis, enhanced due diligence also guided by the FM's human rights commitment, ensuring that appropriate contractual provisions are passed on to contractors/suppliers for each of the investments and projects. In line with this, the FM, inter alia and on a best-effort basis, will require the promoters to obtain, where practically achievable, supply chain mapping of the PV module manufacturers reaching the level of silicon/polysilicon suppliers and/or declarations by the PV module manufacturers concerning the origin of the components used in the PV modules, per project.

The FM will be required to put in place an Environmental and Social Management System (ESMS) tool to ensure it includes robust social criteria and procedures to address and mitigate any impact to local and indigenous communities, and that these are contractually required from the investee companies.

Other Environmental and Social Aspects

The core sustainability team (ESG) of the FM is led at CFO level and managed by the Head of sustainability. The Fund has an acceptable ESG Policy in place. The ESG team is supported by the experts from the construction team and it is responsible for the E&S due diligence, monitoring and reporting of the underlying investments throughout the investment cycle. The Fund Manager will reinforce its ESG team with an additional expert prior to the EIF investing in

³ Task Force on Climate-Related Financial Disclosures | TCFD) (fsb-tcfd.org)

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the Fund. With this addition, the expertise of the team to assess and monitor E&S matters is considered adequate.

The Fund is Article 9 compliant. The FM performs an ESG assessment for each investment through an ESG Risk Materiality Assessment tool, including compliance checks with the Fund's sustainable investment objective, do not significantly harm criteria, good governance criteria and a taxonomy alignment red flag analysis, and compliance with sustainable investment criteria of Article 2.17 SFDR. Additionally, the assessment on EU Taxonomy compliance includes in its minimum safeguards an assessment of compliance with UN Guiding Principles on Business and Human Rights, including the principles and rights set out in the eight fundamental conventions identified in the Declaration of the International Labour Organisation on Fundamental Principles and Rights at Work, and the International Bill of Human Rights.

Compliance with the environmental and social matters is also verified through external independent experts. The results of the compliance check are included in the documents provided to the Investment Committee and are part of the investment decision.

However, the FM will ensure that the ESMS will duly define the policies and procedures related to social aspects that will apply to the investments, among others impacts to vulnerable groups and indigenous peoples. The ESMS shall be aligned with the EIB E&S standards.

Furthermore, the ESMS will also include a Human Rights Policy and a Code of Ethics, rejecting the use of any form of forced or compulsory labour, applicable inter alia to the supply chain of the underlying solar PV projects, in compliance with the applicable provisions of the relevant EIBG E&S standards, the national laws and the principles and standards of ILO conventions (in particular prohibition of child or bonded labour, non-discrimination and equal opportunity of employment, occupational health and safety).

Public Consultation and Stakeholder Engagement

The Fund Manager shall ensure an appropriate grievance mechanism is in place, including the development of a communication mechanism with external stakeholders as part of the Grievance Redress Mechanism for the underlying investments. The Fund Manager will ensure that a grievance mechanism at Fund level is also in place. Both mechanisms shall be included in the ESMS.

Conclusions and Recommendations

During appraisal it has been verified that the Fund Manager has fully understood the EIBG E&S requirements and will be willing and capable to fully implement them. The Fund has designated an ESG responsible and a dedicated team, who will oversee all the environmental and social activity aspects.

Prior to the EIF investing in the Fund, the Fund Manager will be required to reinforce its ESG team and the ESMS to address due diligence of the PV supply chain, appropriate grievance mechanisms, and social impacts to local and indigenous communities. In addition, the Fund will undertake to report in line with the TCFD recommendations within 12 months of the Fund closing.

Under these conditions, the operation is acceptable in E&S terms.