

Luxembourg, 18 July 2024

## Environmental and Social Data Sheet<sup>1</sup>

### Overview

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| Project Name:  | <b>Zouk Sustainable Infrastructure IV</b>  |  |
| Project Number:  | 2024-0032  |  |
| Country:   | <i>Regional – EU 27 and rest of Europe (mostly UK and Norway)</i>  |  |
| Project Description:   | <i>Greenfield fund investing in EV infrastructure and e-mobility (50%), power generation and energy efficiency (50%)</i> |  |
| EIA required:  | some investments may require an EIA  |  |
| Invest EU sustainability proofing required                   |  | Yes  |
| Project included in Carbon Footprint Exercise <sup>2</sup> : |  | Certain assets may be subject to the Carbon Footprint Exercise. To be confirmed during the monitoring phase of the project |

### Environmental and Social Assessment

Zouk Sustainable Infrastructure IV (“the Fund”) will invest in companies and platforms deploying mostly greenfield infrastructure assets within the following sectors: low-carbon mobility (primarily EV charging) and energy transition (renewable energy, energy efficiency). The Fund’s investment strategy is fully aligned with the requirements of the EIB Group Climate Bank Road Map<sup>3</sup> and the update 1.1. to the Low Carbon Paris Alignment Framework<sup>4</sup> in force at the time of writing. All invested capital from the Fund will be deployed to align with the United Nations Sustainable Development Goals (SDGs) of the UN 2030 Agenda, targeting in particular SDGs no. 7 Affordable and Clean Energy, no. 9 Industry, Innovation and Infrastructure, no. 11 Sustainable cities and communities and no. 13 Climate action.

The Fund intends to build a portfolio of 8-12 investments, with more than 70% of them located in the EU and the remaining portion to be invested in Europe (UK and Norway mostly). The Fund is classified Article 9 under the Sustainable Finance Disclosure Regulation (SFDR).

### Environmental Assessment

<sup>1</sup> The information contained in the document reflects the requirement related to the environmental, social and climate information to be provided to 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.

<sup>2</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.

<sup>3</sup> [The EIB Group Climate Bank Roadmap 2021-2025](#)

<sup>4</sup> [Paris Alignment Framework – Low carbon Version 1.1 \(eib.org\)](#)



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While most of the Fund's underlying investments in low-carbon mobility assets will fall outside of the scope of EIA Directive 2014/52/EU amending the EIA Directive 2011/92/EU, some investments, notably in the energy sector, may fall under the Annexes I or II of the EIA Directive. For investments subject to an EIA procedure, Zouk ("the Fund Manager") will be required to ensure that public consultation is undertaken and that the EIA studies and the relevant decisions by the competent authorities are made publicly available as part of the EIA process.

Environmental and social impacts of the investments are expected to be limited, site-specific, short-lived as they will mostly concern the construction phase, and largely reversible, leaving no significant negative residual effects after the implementation of mitigation measures. Moreover, most of the investments are expected to generate positive environmental impacts through the deployment of new technologies that reduce emissions and improve energy efficiency.

For any investment schemes located in the EU potentially impacting a site of nature conservation importance, the Fund Manager will be required to ensure that the relevant provisions of the "Habitats" and "Birds" Directives (92/43/EEC and 2009/147/EC respectively), Water Framework Directive (2000/60/EC), national legislation and international agreements, as applicable, are complied with. If a project is likely to affect a nature conservation zone or other sensitive areas as defined in national or international environmental legislation, the Fund Manager shall ensure that an appropriate assessment is carried out and written confirmation from the competent authority is obtained confirming that the investment does not adversely affect the integrity of the site concerned. In the case of schemes that could impact sites of nature conservation importance or other sensitive areas outside the EU, national legislation and the relevant provisions in the 2022 EIB Group Environmental and Social Standards<sup>5</sup> (EIB E&S Standards) will apply.

As a matter of principle, the legal documentation to be concluded between the Fund and the EIF will include the obligation from the Fund to ensure that all projects comply with national and European legislation (where applicable), as well as the with the EIB E&S Standards and relevant InvestEU sustainability proofing requirements.

#### *Environmental and Social Management System (ESMS)*

Adequate management of environmental, climate and social risks of the operation will largely rely on the ability of the Fund Manager to align the E&S governance (ESG) of the acquired platforms, companies, and projects with the applicable requirements.

To that end, the Fund Manager has developed an ESMS built upon the main principles of environmental and social sustainability. Falling under national requirements as a UK-based fund manager, the ESMS aligns with voluntary international standards to ensure a comprehensive integration of best practice in E&S management, such as, but not limited to, EU Taxonomy, UN Principles for Responsible Investment, UN Global Compact (UNGC) or the SFDR.

ESG considerations in the ESMS inform the full investment cycle, from initial screening, through due diligence, investment decision and asset management to exit from transactions. As part of the initial screening of all potential investments, the Fund Manager declines any investment that does not pass the requirements of Ethical Investment Exclusions Policy. Through a bespoke methodology, all transactions are then subject to Sustainable Impact Assessment, ESG Risk Assessment, EU Taxonomy Assessment, in terms of substantial contribution, DNSH and minimum safeguards, and the so-called Principal Adverse Impact (PAI) Assessment intended to identify potential ESG risks and to ensure alignment with the Fund's objectives.

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<sup>5</sup> [European Investment Bank Environmental and Social Standards \(eib.org\)](https://eib.org/en/press/2022/eib-group-environmental-and-social-standards)

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Completing the ESMS to the EIF satisfaction and in line with EU legislation and EIB Group requirements will be required as a condition prior to signature. Furthermore, the Fund Manager has acknowledged during the due diligence the need to develop the organisational capacity and competency for implementing the ESMS at Fund level through the recruitment of a Head of Sustainability, which will be required as a condition as well.

### Climate Assessment

- **Climate change mitigation:** The investments in EV charging, renewables and energy efficiency, and battery storage under certain conditions, will address climate change mitigation. Based on the investment strategy of the Fund and investment pipeline available at this stage, at least 96% of the Fund's investments are expected to directly contribute to climate action mitigation.
- **Climate change adaptation:** The Fund's due diligence process considers whether the portfolio companies' operations and projects could be at risk from current/evolving climate change regulation and/or physical changes brought about by climate change and assesses the suitability of the necessary measures. As part of the contractual documentation, the Fund Manager will be requested to develop a climate change risk assessment and action plan for the assets over the lifetime of the investments.
- **Paris Alignment:** The Fund has been assessed for Paris Alignment and is considered to be aligned both against low carbon and resilience goals against the policies set out in the EIB Group Climate Bank Roadmap. The Fund will ensure Paris Alignment of all its investments, as defined in the Side Letter with the EIF.

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

The Fund Manager has more than €500 million of assets under management. As such, the Fund manager is in scope of and screened in the PATH framework. Hence, the EIF will require the Fund Manager to report – at the latest 12 months after signature – in line with the TCFD<sup>6</sup> recommendations, including information in relation to transition and physical climate risk.

### Other Environmental and Social Aspects

The Fund Manager will implement a consultation process with stakeholders, where legally required, and will provide an appropriate grievance mechanism that is available to all its employees and contractors.

As part of its policies and ESMS, the Fund Manager adheres to the Universal Declaration of Human Rights (UDHR) and has a zero-tolerance approach to human rights abuses throughout its operations, supply chain and investment activities. Zouk also incorporates and considers the OECD Guidelines for Multinational Enterprises and the UNGC into its Ethical Investment Policy, excluding any investment that is found to be in violation with the above framework.

The Fund Manager explicitly acknowledges in their policies and procedures the potential to be exposed through their investment activity in the renewable energy sector and its supply chain to human rights adverse impacts, including but not limited to, forced or compulsory labour, health and safety, fair wages and land-related rights of indigenous people. To the extent possible, the Fund Manager will apply an enhanced due diligence that will ensure that the project financed are not linked with forced labour practises.

## Conclusions and Recommendations

<sup>6</sup> Task Force on Climate-Related Financial Disclosures.

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Throughout the due diligence process, the EIF has communicated to the Fund Manager EIB Group E&S requirements and have checked that the Fund Manager is familiar with them and is willing and capable to fully implement them at Fund and portfolio company levels.

To complement its ESMS and to strengthen the overall E&S governance of the operation, the Fund Manager will be required to:

1. Update and enhance its existing ESMS, including the overarching Policy, to be in line with the EIB List of Excluded Activities and with the 2022 EIB Group Environmental and Social Standards;
2. In order to further bolster the organisational structure responsible of the implementation of the ESMS, the Fund Manager shall hire a Head of Sustainability in the next 12-18 months;
3. The Fund Manager shall ensure, on best effort basis, that investee, contractor and first-tier supplier comply with the EIB excluded and restricted list of activities and the updated EIB environmental and social standards;
4. Through the implementation of its ESMS, the Fund Manager will have to ensure, in those cases where they would invest in an investee company with existing operations/activities not compliant with the EIB Group Climate Bank Roadmap, that the Investee company develops, publishes and implements a decarbonisation plan and a resilience plan to meet the EIB Group PATH framework<sup>7</sup> requirements and does not make further investment in incompatible activities as per PATH – EIB counterpart alignment framework;
5. Develop a climate change risk assessment and action plan for the assets over the lifetime of the investments and ensure that strategy and governance on climate resilience and adaptation is being implemented effectively;
6. Develop an adequate ECS training plan for portfolio companies. The training plan would need to include a list of training topics and targeted staff;
7. Submit regular reporting to the EIB on the implementation of the Fund's ESMS, including the E&S performance of its portfolio investments and on agreed environment, climate and social impact indicators (and report on implemented mitigation and remediation measures for its investees, contractors and first-tier suppliers where risks are identified);
8. Provide regular annual updates on the Environmental and social performance of its investments, in line with the TCFD<sup>8</sup> recommendations and GRESB<sup>9</sup> infrastructure benchmark, within 12 months of the Fund closing.

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>7</sup> <https://www.eib.org/en/publications/the-eib-group-path-framework>

<sup>8</sup> Task Force on Climate-Related Financial Disclosures

<sup>9</sup> Global ESG Benchmark for Real assets