

Environmental and Social Data Sheet

Overview

Project Name:	QUAERO EUROPEAN INFRASTRUCTURE FUND II (“QEIF2”, or the “Fund”)
Project Number:	2019-0459
Country:	Regional – Europe / EFTA
Project Description:	Equity fund investing in infrastructure assets in Europe
EIA required:	Multiple projects schemes, some may require an EIA
Project included in Carbon Footprint Exercise ¹ :	No

Environmental and Social Assessment

Environmental Assessment

QEIF2 (Quaero European Infrastructure Fund II) intends to build a portfolio of 15 investments that will either be: (i) greenfield infrastructure projects (mainly renewable energy or PPP projects) either acquired at development stage or won as an active investor in bidding consortia; (ii) operational assets where value can be created through capex programmes subsequent to the initial acquisition, and selectively, to a lower extent, in (iii) operational assets acquired to secure cash yield during the Funds investment period to satisfy the requirement of some private investors.

QEIF2 will mostly invest in the European Union, and will cover a wide range of infrastructure sectors including transportation, renewable energy (e.g. wind, micro-small hydro), utilities (e.g. water) and telecommunications, as well as social sectors (e.g. healthcare, education).

While some of the Fund’s underlying investments will fall outside of the scope of EIA Directive 2011/92/EC amended by Directive 2014/52/EU, some others may fall under Annex II of EIA Directive. For these investments, the relevant competent authorities shall decide upon the requirement of a full EIA. Where an EIA is required, the Bank will request the Fund Manager to ensure that investee companies act according to the provisions of the aforementioned EIA Directive as transposed into national law. Should the relevant competent authority screen in an investment project, the Fund manager shall deliver to the Bank a copy of the Non-Technical Summary (NTS) and the EIA, or provide a link to the website where the EIA is published.

QEIF2 is the successor of Quaero European Infrastructure Fund (“QEIF1”). In the course of deploying QEIF1, the Fund Manager demonstrated a strong commitment to E&S performance and no material E&S issues were identified to date. The Fund Manager also assumed an active ownership of its portfolio companies requiring them to regularly report on Environmental, Social and Governance (ESG) aspects and issues.

¹ Only projects that meet the scope of the Pilot Exercise, as defined in the EIB draft Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: above 100,000 tons CO₂e/year absolute (gross) or 20,000 tons CO₂e/year relative (net) – both increases and savings.

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Considering the type of projects to be funded (either existing operational infrastructure, or projects won through competitive bidding), the investments are not likely to have a significant negative environmental impact.

Although road greenfield investments improve transport comfort and safety and reduce travel times and congestion, these operations are likely to have negative environmental impacts. Environmental due diligence will be carried and national environmental authorities will ensure that appropriate measures are put in place to minimize the impacts during the construction and the operation.

While deploying QEIF2, the Fund Manager will conduct, as part of the due diligence process, an in-depth analysis on each investment opportunity, including its environmental and social risks and impacts. The Fund takes also climate risks (physical and transitional) into account in its analysis. QEIF2 environmental monitoring aims at controlling environmental risks, reducing the environmental footprint, and defining solutions with high environmental added-value.

The Fund Manager will develop an Environment and Social Management System (ESMS) in line with EIB principles and requirements, which will define, amongst others, the policies and procedures that will apply to the investments, the organisational arrangements that will ensure their effective implementation, including monitoring and reporting, external communication mechanism, and the implementation of a grievance mechanism.

In addition, the Fund Manager will develop and maintain organisational capacity and competency for implementing the ESMS with clearly defined roles and responsibilities. It currently employs two officers in charge of environmental and social impact issues.

Climate Mitigation

Some of the projects funded by the Fund will address climate mitigation by supporting renewable energy and energy efficiency reducing greenhouse gas emissions. According to the existing pipeline, around 45% of the Fund's investments are expected to contribute to climate action mitigation.

Social Assessment, where applicable

At this point in time, no material issues in relation to this aspect are identifiable in the expected pipeline. However, the ESMS will duly define the policies and procedures related to social aspects that will apply to the investments.

Water projects will generally benefit public health, by increasing or improving access to safe drinking water and sanitation services, or by collecting and treating wastewater before discharging into receiving waters bodies.

QEIF 2 seeks to be involved in operations that sustainably foster business growth and economic development, thereby helping to stimulate long-term employment. Assets requiring local employment are favoured, both in construction and operation.

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Public Consultation and Stakeholder Engagement

The Fund Manager will ensure that consultation process with stakeholders where legally required takes place for the underlying investments and that an appropriate grievance mechanism is available to all its employees and contractors.

Conclusions and Recommendations

The Bank's environmental and social requirements have been shared with the Fund Manager and, during appraisal, it has been verified that the Fund Manager is willing and capable to fully implement them at Fund level but also at portfolio company level. The Fund Manager has substantially fully deployed the predecessor Fund QEIF1 with no material E&S issue arising to date.

The following loan disbursement conditions and undertakings will be included in the legal documentation:

Disbursement conditions

- The Fund shall incorporate into its procedures the Bank's environmental and social requirements through the Environmental and Social Management System (ESMS), to be drafted and implemented to the satisfaction of the Bank.

Undertakings

- The Fund shall ensure that all projects comply with national and European legislation (where applicable), as well as the Bank's Environmental and Social standards.
- The Fund Manager shall develop and maintain organisational capacity and competency for implementing the ESMS with clearly defined roles and responsibilities.
- The Fund Manager shall ensure regular (not less than annual) reporting to the EIB on the implementation of its ESMS, including its ESMS procedures as well as the of E&S performance of its sub-projects. The Fund Manager shall also ensure immediate reporting to the EIB of any serious incidents, such as fatalities or breaches of law, in any of its activities or sub-projects.
- Should changes in the Fund's business supported by the EIB result in E&S risks that differ from those identified at the time of EIB's investment, the Fund is required to immediately notify the EIB and will be required to adjust its ESMS in a manner consistent with the E&S risk profile resulting from the new business activities.
- The Fund shall not invest in companies that do not comply with EIB environmental and social standards.
- For investments subject to an environmental impact assessment (EIA) as defined by national legislation, the Fund Manager will be required to:
 - (i) ensure that an Environmental and Social Impact Assessment (ESIA) is carried out and that public consultation is undertaken in accordance with national legislation and the EIA Directive 2011/92/EC amended by Directive 2014/52/EU;
 - (ii) collect and publish the ESIA Study or – for investments within the EU – a non-technical summary (NTS) of the ESIA on the Manager's/Investee Company's

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website, or if otherwise agreed with EIB, send the ESIA or – for investments within the EU – the NTS to the EIB for publication in compliance with the EIB's Transparency Policy; and

- (iii) retain on file a copy of the ESIA or NTS for a period of not less than six (6) years;
 - (iv) upon request, provide a digital copy of the ESIA to the EIB; and
 - (v) upon request, confirm to the EIB that the Investment incorporates relevant mitigating measures recommended as a result of the EIA.
- Where relevant, the Fund Manager shall obtain written confirmation from the competent authority that the investment will not have any significant negative impact on sites of nature conservation importance, including sites protected under the "Habitats" and "Birds" Directives (92/43/EEC and 79/409/EEC as amended by the 2009/147/EC, respectively), and the associated Natura 2000 network.

With these contractual conditions in place, the operation is acceptable for EIB financing in environmental and social terms.