

Public

Environmental and Social Data Sheet

Overview

Project Name:	EUROPEAN CIRCULAR BIOECONOMY FUND
Project Number:	2019-0392
Country:	EU
Project Description:	Equity fund investing in innovative circular bioeconomy projects in the EU Member States and Horizon 2020 Associated Countries
EIA required:	Multi-investment scheme. EIA requirement to be determined at the level of the appraisal of each individual sub-investment.
Project included in Carbon Footprint Exercise ¹ :	no, GHG assessment will be carried out by the fund at the level of its investee companies if applicable

Environmental and Social Assessment

Environmental Assessment

The proposal concerns an investment under the InnovFin Thematic Investment Platform (“TIP”) in the European Circular Bioeconomy Fund, (the “Fund” or ECBF).

The Fund will invest in innovative sectors of the Bioeconomy (incl. Blue Bio-Economy) and especially Circular Bioeconomy, by providing equity and mezzanine finance to companies and projects scaling up from pilot to demonstration (technology Readiness level,TRL 6-7) and from demonstration to industrialization (TRL 7-9). Investments made by the Fund shall support technologies, products, processes or business models with high potential for excellence in the EU Member States and Horizon 2020 Associated Countries². As such it is expected that the Fund’s investments will bring about positive environmental and climate action externalities, for example by enabling the substitution of fossil materials by renewable equivalents or introducing technologies that will bring about resource efficiency in the food and forest industries.

The **Fund Manager** was selected through an international tender process, whose call of interest (“COI”) was prepared and carried out in line with EIB’s standard procedures and forms. The COI also included a set of eligibility criteria that were based, among other, on EIB

¹ 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.

² Iceland, Norway, Albania, Bosnia and Herzegovina, North Macedonia, Montenegro, Serbia, Turkey, Israel, Moldova, Switzerland, Faroe Islands, Ukraine, Tunisia, Georgia, Armenia.

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environmental and social standards and was also agreed with the services of the European Commission.

The main environmental and social (E&S) risks and impacts of this operation relate to ECBF having adequate systems and capacity in place to assess and ensure that the underlying operations at the investee companies are in accordance with applicable EIB E&S standards.

In accordance with the Bank's policy, ECBF will be required to take all the requisite measures, to ensure that the final beneficiaries (the investee companies) in which the fund will invest in, will comply with the relevant EU Directives. For investments located in H2020 associated countries the applicable national legislation, as well as with the EIB's environmental and social standards. If in conflict, the principles established in the relevant EU acquis shall prevail. ECBF shall also ensure compliance with the EIB's List of Excluded Activities, host country laws and regulations.

This requirement will be endorsed by contractual obligation by the fund to develop a comprehensive E&S Handbook and include it in the Fund's investment strategy latest at the moment of the fund's first closure. Given the strong focus that the Fund investments will have on equity investments into existing innovation driven companies, rather than into direct project investments, the Fund's Investment Advisor has undertaken to develop procedures and guides to adequately and successfully incorporate the E&S related guides, as well as the sustainability criteria, into the Corporate Responsibility policies of potential investee companies. To do so, the Fund shall hire a qualified E&S manager in charge of coordinating and facilitating the integration of the E&S standards reflected in the Investment policy in all investment processes.

Conclusions and Recommendations

For the purpose of this operation, the legal documentation to be concluded between the Fund and the EIB will comprise, amongst others, the following undertakings:

- The Fund shall develop a comprehensive E&S Handbook in line with EIB's E&S standards and include it in the Fund's investment strategy, latest at the moment of the Fund's first closure.
- Within its E&S Handbook the Fund undertakes to develop procedures and guides to adequately and successfully incorporate the E&S related guides, as well as the sustainability criteria, into the Corporate Responsibility policies of potential investee companies.
- Latest 60 working days after the first closure and/or before its first investment the Fund Manager shall nominate an Environmental and Social Manager. The social manager shall be an experienced senior officer.
- The Fund shall not invest in companies, which operate in areas of activities excluded from EIB activity nor in companies, which do not comply with EIB E&S standards.

With these conditions in place, the investment is deemed acceptable for financing from an environmental and social perspective.