

## Environmental and Social Data Sheet

### Overview

Project Name:	AMUNDI EUROPEAN GREEN CREDIT CONTINUUM FUND II
Project Number:	2020-0123
Country:	Regional - EU countries
Project Description:	The project consists of an equity investment in a fund targeting fixed income instruments (i.e. listed corporate bonds, private debt and asset backed securities) used to finance green projects in the European Union.
EIA required:	no
Project included in Carbon Footprint Exercise <sup>1</sup> :	no

### Environmental and Social Assessment

#### Environmental Assessment

The Fund's proposed strategy is to invest in a diversified portfolio through the purchase of green bonds, green loans, and green securitisations. Asset screening will depend on two main areas (i) credit quality, and (ii) ESG eligibility criteria defined in the Fund's ESG Charter.

The Fund will purchase Green Bonds issued in accordance with the Green Bond Principles (GBP) and the Green Loan Principles (GLP). The GBP/GLP are voluntary sets of guidelines that promote transparency, require disclosure of use of proceeds and recommend issuance processes that ensure the quality of a Green Bond/Loan. There are four core components to the GBP/GLP that are essential to the integrity and development of the Green Bond/Loan market:

- Utilisation of Proceeds – projects associated with the Green Bond/Loan should be appropriately described in the legal documentation for the security. All designated green projects should provide clear environmental benefits, which are assessed and quantified by the issuer.
- Process for Project Evaluation and Selection – the process for project evaluation should be clearly communicated to investors, including: the environmental sustainability objectives; the determination of how the projects fit within eligible green projects categories; the eligibility criteria, exclusion criteria and any other process applied to identify and manage environmental and social risks associated with the projects.

<sup>1</sup> 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 CO<sub>2</sub>e/year absolute (gross) or 20,000 tons CO<sub>2</sub>e/year relative (net) – both increases and savings.

- Management of Proceeds – the proceeds should be tracked by the issuer in an appropriate manner and disclosed by the issuer in a formal internal process linked to the issuer's lending and investment operations for green projects.
- Reporting – issuers should make information on the use of proceeds readily available to investors, to be renewed annually until full allocation, and as necessary thereafter. The information should include a list of the projects to which Green Bond/Loan proceeds have been allocated, a brief description of the projects and the amounts allocated, and their expected impact.
- External Review – each security in which the Fund is invested will be reviewed by a third party on an annual basis, at the sub-project level.

The GBP/GLP also lay out a number of green project categories, which include renewable energy, energy efficiency, pollution prevention and control, environmentally sustainable management of natural resources and land use, biodiversity conservation, clean transport, sustainable water and wastewater management, climate change adaptation, eco-efficiency and/or circular economy products and processes, and green buildings.

Amundi has adopted an environmental, social and governance policy (ESG Policy) for the Fund to the satisfaction of the EIB thereby ensuring compliance with the Bank's E&S Standards and policies. The investment guidelines exclude some "high-risk" assets from the list of eligible investments by the Fund, reducing in this way several potential significant adverse environmental and social impacts and risks: (i) nuclear plants; (ii) large dams or large hydropower projects associated with potentially significant environmental and social risks and impacts; and (iii) fossil-fuel extraction, transportation and power generation projects (including "clean coal projects") and energy efficiency projects associated directly with coal or oil extraction, transportation and power generation. Overall, Amundi's ESG and Exclusion Policies, are in line with EIB excluded activities and E&S standards.

The application of the EIB's E&S standards is reflected in the E&S due diligence procedures established by the Fund for each bond issuer and for each Green Bond/Loan purchased for the portfolio. The screening and assessment of the environmental and social impacts and risks will be part of the standard due diligence process that the Fund will have to carry out for each underlying investment, thereby ensuring that the portfolio and the underlying green investments are in compliance with national law, EU environmental legislation as well as the EIB's Environmental and Social Standards.

For each investment, an annual review will be carried out by Amundi to ensure that the projects financed from the green credit proceeds still comply with the above requirements. In case of any breaches, the Fund would divest. In addition, external, independent reviews of each Green Bond/Loan in the portfolio is a condition for meeting the GBP/GLP and will include the environmental and social risk assessment of the projects financed by the bond/loan.

The Fund will establish and maintain an environmental and social management system designed to implement the ESG Policy and to monitor the portfolio investments relating to environmental and social sustainability ("ESMS"). As part of the ESMS, the Portfolio Manager will designate at all times a person responsible for oversight of ESG Policy implementation. This person will be part of the risk and compliance team and will be functionally independent from the portfolio management team.

**Social Assessment, where applicable**

The fund's operational guidelines will provide for environmental and social due diligence of all bond issuers and all green bonds purchased by the Fund and, according to E&S guidelines acceptable to the EIB.

Besides the competences shown by the fund to assess and ensure compliance with the performance of social assessment (including Public Consultation and Stakeholder Engagement and Other Environmental and Social Aspects), the Fund shall also be required to provide annual project progress reports, in order to closely evaluate the execution of the fund's operational guidelines.

**Conclusions and Recommendations**

Overall, the environmental and social impact of this operation is expected to be positive given that the green bonds issued in the EU are expected to have significant positive environmental and social externalities, namely in terms reduction of CO2 emissions, and also in terms of job creation.

The Promoter will integrate the EIB E&S requirements into its existing E&S procedures, including its exclusion list and list of sensitive sectors. In addition, the Fund should develop and maintain a database describing the environmental impacts generated by the green bonds it invests in, and all information associated with the green bonds must be made available to EIB. In order to closely evaluate its operation and to ensure that E&S standards are fulfilled, the Fund shall also be required to provide annual progress reports on E&S impacts of the projects underlying the securities.

The institutional capacity of the Promoter to manage the environmental and social issues is considered adequate and therefore, subject to the conditions mentioned above, the Project is acceptable to the Bank in environmental and social terms.