

Public

Environmental and Social Data Sheet

Overview

Project Name:	ARCH COLD CHAIN SOLUTIONS EAST AFRICA FUND
Project Number:	2019-0170
Country:	East Africa
Project Description:	Equity fund targeting greenfield investments in cold chain solutions in East Africa.
EIA required:	Multiple investments
Project included in Carbon Footprint Exercise ¹ :	Yes
(details for projects included are provided in section: "EIB Carbon Footprint Exercise")	

Environmental and Social Assessment

Environmental Assessment

The operation concerns an equity participation of the EIB, amongst other investors, in ARCH Cold Chain Solutions East Africa Fund LP (The "Fund"), a closed-end fund. The Fund aims to invest into greenfield assets consisting of cooling warehouses and a fleet of vehicles for the storage and distribution of perishable goods and pharmaceuticals.

The Fund aims at installing a total warehouse capacity of about 100 000 pallets by building and operating about 8-10 facilities in Kenya, Ethiopia, Uganda, Rwanda, Tanzania and potentially Djibouti. Facilities will be built at approximately 5 000 to 20 000 pallet size in larger urban cities of the proposed locations.

The facilities will be based on green building standards and adopt LEED² certification. The operating units will integrate flexible racking-systems and operate at following temperatures in Celsius: ambient (16 degrees), chilled (2 to 8 degrees) and frozen (-16 to -40 degrees) temperatures. The investment components will comprise of site wastewater treatment plants, integrated power generation with rooftop solar photovoltaic systems, docking bays and supporting facilities. Each cold storage warehouse will employ natural refrigerants technology, such as Ammonia or CO₂.

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 LEED: Leadership in Energy and Environmental Design.

Luxembourg, 16 December 2020

The aim of the project is to provide cold chain services for the agriculture/food and pharmaceuticals sectors. The provision of adequate, large-scale cold chain solutions could significantly contribute to the reduction of food waste as well as improving food hygiene and public health throughout East Africa. In addition, robust and secure supply chains make sure that quality medicines are available where they are needed, including adequate cold chain provisions to guarantee the product's integrity. Therefore, sustainable and reliable cold-chain solutions for medicines and vaccines are of paramount importance to ensure equitable access to medicinal products for the treatment and prevention of disease, thereby helping to ensure healthy lives and promote wellbeing for all.

The Bank will require ARCH Cold Chain Solutions East Africa Fund LP to take all the requisite measures, to ensure that the environmental procedures carried out by the final beneficiaries (the investee companies) in which the Fund will invest, will comply with the principles of relevant EU acquis, the applicable national legislation, as well as with the EIB's environmental and social standards. This requirement will be endorsed by contractual obligations.

The main environmental and social (E&S) risks and impacts of this operation relate to ARCH Cold Chain Solutions East Africa Fund LP having adequate systems and capacity in place to assess and ensure that the underlying operations at the investee companies are in accordance with applicable EU E&S standards, including compliance with the EIB's List of Excluded Activities, host country laws and regulations and EIB E&S Standards. However, the Fund has developed an overall Environmental and Social Management System (ESMS), which outlines the set of E&S management processes and procedures, including the modalities for the establishment of an appropriate grievance mechanism at Fund level. Two persons are in charge of coordinating and facilitating the integration of ESG in all investment processes. This allows the Fund to adequately identify, appraise and address the E&S risks and impacts across its portfolio and for each portfolio project.

EIB Carbon Footprint Exercise

Absolute emissions: At fund level the GHG level is estimated to amount 32 kt CO₂ equivalent in standard year of operation. This includes all operations under the project.

Baseline: without the projects, the bank assumed that due to the lack of current cold chain capacities for the target countries, the project would not replace existing facilities. Furthermore, it is qualitatively estimated that the project will significantly contribute to reduction of post-harvest handling and storage losses that is responsible for methane emission by biodegradation, and that has not been taken into account.

Relative emissions: Based on the Bank's carbon footprint methodology, the relative emissions (difference between absolute emissions and baseline) can therefore be assumed to be 32 kt CO₂ equivalent per year.

For the annual accounting purposes of the EIB Carbon Footprint, the project emissions will be prorated according to the EIB lending amount signed in that year, as a proportion of project cost.

Luxembourg, 16 December 2020

Other Environmental and Social Aspects

The fund will pursue significant regulatory approvals such as (i) for Food safety certifications: FSSC 22000, BRCS, ISO9001, BRC FS, Hazard Analysis and Critical Control Points (HACCP) (if any form of food processing is undertaken), and (ii) for Pharmaceuticals Certifications: GDP, GSP/GWP.

In addition, the facilities will have to fully comply with Good Practices standards of warehousing, storing, and distribution for health care - Good Distribution Practice (GDP), Good Storage Practice (GSP) / Good Warehousing Practice (GWP).

The natural refrigerants technology (Ammonia/CO₂) that will be employed into the warehouses' cooling systems is considered acceptable from an environmental and social perspective with the appropriate mitigation measures implemented by the Fund: i.e. inter alia safety standards and monitoring of leakages.

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 Manager will adhere to the Bank's applicable environmental and social requirements.
- The Fund Manager shall nominate an Environmental and Social Manager, which shall be an experienced senior officer of the Fund having management responsibility, among other things, for ensuring proper adherence to the Environmental and Social Management procedures and standards.
- The Fund will integrate the EIB E&S standards into its existing E&S procedure and 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.
- The Fund will implement, for each investment, best available techniques to prevent harmful impacts on health and environment of gas slip from the cooling systems, a monitoring plan and propose mitigation measures when required.
- The Fund will implement and maintain International and recognized Safety and Hygiene Management Systems, such as: Food safety certifications: FSSC 22000, BRCS, ISO9001, BRC FS³, Hazard Analysis and Critical Control Points (HACCP) (if any form of food processing is undertaken), and Pharmaceuticals Certifications: GDP, GSP/GWP.
- the Fund will be required that investments will comply with the principles of EU standards on Refrigerants gas and more specifically the F-gas Regulation (EU) No 517/2014.
- The Fund will, on an annual basis, prepare and submit to the Bank an E&S performance report.
- For Investments subject to an environmental and social impact assessment (ESIA) as defined by national legislation or for Investments identified in Annex II of Directive 2014/52/EU amending the Directive 2011/92/EU (if they were located in the EU), the Manager shall (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 EIB E&S standards, (ii) collect and publish the ESIA Study on the Manager's/Investee Company's website, or if otherwise agreed with EIB, send the ESIA to the EIB for publication in compliance with the EIB's Transparency Policy,

³ <https://www.brcgs.com/>



Luxembourg, 16 December 2020
as amended from time to time and published on EIB's website (www.eib.org), (iii) retain on file a copy of the ESIA for a period of not less than six (6) years, (iv) upon request, provide a digital copy to the EIB, and (v) upon request, confirm to the EIB that the Investment incorporates relevant mitigating measures recommended as a result of the ESIA.

With these conditions in place, the Fund is considered acceptable for the Bank in environmental and social terms.