

## Environmental and Social Data Sheet

### Overview

Project Name: EMCAF Emerging Market Climate Action Fund  
Project Number: 2020-0816  
Country: Africa, Latin America, Asia

EIA required: Multi-scheme project. Depending on the technical characteristics of the investments financed by the Fund, sub-projects may be subject to an EIA.

Project included in Carbon Footprint Exercise<sup>1</sup>: No

(details for projects included are provided in section: “EIB Carbon Footprint Exercise”)

### Environmental and Social Assessment

#### Environmental and Social Assessment

The proposed Fund will invest primarily in underlying funds targeting financing of greenfield assets that provide equity funding to climate mitigation, climate adaptation and environmental sustainability projects in emerging markets and developing countries.

The underlying funds’ investment portfolios and pipelines may include projects with potential significant adverse environmental and social impacts and risks, particularly in relation to impacts on biodiversity, involuntary resettlement, labour and community health, safety and security. Therefore, the applicable requirements for the proposed Fund are the EIB list of Excluded Activities, the applicable E&S laws and regulations in the countries where the sub-projects are located, and the EIB Environmental and Social Standards.

The main E&S impacts and risks of this operation relate to the ability of the Fund Manager to conduct adequate E&S due diligence and monitoring to identify and manage the E&S impacts and risks associated with the activities of the underlying funds, in line with the EIB’s policy requirements. The Fund Manager has an Environmental and Social Management System (ESMS) that is applicable to all of its investments. The obligations and requirements spelled out in the ESMS are to be incorporated into the respective ESMSs of the underlying funds, and cascaded down to the individual sub-projects and portfolio companies of those underlying funds.

The ESMS includes a detailed procedure for identifying, assessing, managing and monitoring the E&S impacts and risks associated with the investment portfolios of the underlying funds throughout the investment cycle.

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<sup>1</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.

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All underlying funds: (i) will have to be aligned with the EIB criteria for Paris Alignment; (ii) will be screened against the EIB list of excluded activities; (iii) will develop an ESMS to support the identification, assessment and management throughout the life of the sub-investments, and apply the EIB E&S Standards, where required; (iv) will have an external communication mechanism in place; and (v) will disclose on their respective website their ESG policies and a summary of their ESMS.

Where an ESMS for an underlying fund is already in place, the Fund Manager shall (i) review and evaluate the ESMS against the EIB E&S Standards and requirements; (ii) develop, where required, action plans to close gaps identified during due diligence; the implementation of these plans shall be monitored by the Fund's E&S Manager.

As part of its ESMS, the Fund Manager will include the following requirements:

- The EIB Hydropower Guidelines (only relevant for hydropower projects);
- The OECD Due Diligence Guidance for Responsible Supply Chains from Conflict-Affected Areas and High Risk-Areas;
- The UN Guiding Principle on Business and Human Rights;
- The Voluntary Guidelines on responsible Governance of Tenure of Land, Fisheries and Forests as related to land tenure and land use.

Rolling out and effectively applying the Fund's ESMS will require the appropriate capacity and expertise. As such, the Fund Manager has appointed the EIB as an independent technical and E&S advisor to assist it in the implementation of the ESMS requirements as related to due diligence, monitoring and reporting requirements. Based on the information available to the EIB, and with the EIB as an independent advisor, the Fund Manager is considered to have adequate procedures and resources to manage the E&S impacts and risks associated with this Fund. To complement its ESMS, the Fund Manager will be required to establish and implement a procedure for external communication allowing for receiving and reviewing inquiries or complaints from any interested party regarding E&S impacts and risks of its underlying operations.

The E&S monitoring and reporting requirements associated with such an operation, with several underlying funds and in challenging geographical locations, are complex to manage. The underlying funds will be required to report on their respective E&S performance including E&S impact to the Fund. The Fund Manager in turn will be required to report to the EIB on an annual basis on the E&S performance of the Fund and the underlying funds.

It is also anticipated that the operation will have project-level impacts contributing to (i) mitigation of climate change; (ii) resilient infrastructure; (iii) economic resilience, growth and jobs; and (iv) gender equality. As such, the Fund Manager will have put in place a robust impact reporting process with the appropriate impact indicators to report on the contribution to the relevant SDGs. Furthermore, as the Fund is incorporated in Luxembourg, the Fund will have to report on the environment, climate and social factors associated with its investments in line with the requirements of the Non-Financial Reporting Directive. The Fund Manager will have to enhance its resources and capacity for supervision, monitoring and reporting.

The EIB will carefully monitor the roll-out and application in practice of the ESMS. In order to assess the effective application of the ESMS, the EIB will review the Fund's first three ESDDs of such underlying funds conducted, prior to investment.

The Fund shall nominate one of the partners to be responsible for the overall implementation of the ESMS, supported by a dedicated E&S Manager, who will be responsible for E&S management across the organisation and will support the investment team on a day-to-day basis.

## Conclusions and Recommendations

With the following conditions in place, the Fund is acceptable for EIB financing in environmental and social terms:

- Enhance its ESMS in order to fully reflect the requirements spelled out above (including the reporting requirements under the Non-Financial Reporting Directive), monitoring and reporting processes and procedures as well as development of relevant environment, climate and social KPIs and impact indicators;
- Ensure that the ESMS of the underlying funds meet the EIB E&S Standards and requirements;
- Establish at Fund level and implement a procedure for external communication allowing for receiving and reviewing inquiries or complaints from any interested party regarding E&S impacts and risks of the Fund's underlying operations;
- Nominate one of the partners to be responsible for the overall implementation of the ESMS, supported by a dedicated E&S Manager, who will be responsible for E&S management across the organisation and will support the investment team on a day-to-day basis;
- The Fund will disclose its ESG Policy and Summary ESMS on its website;
- Share with the EIB the ESSD for the first three underlying funds prior to approval by the Investment Committee;
- The Fund will, on an annual basis, prepare and submit to the EIB an E&S performance report on the Fund itself and on the underlying funds in which it has invested.