



Luxembourg, 21.09.2022

## Environmental and Social Data Sheet

### Overview

Project Name:	SOLAR DEVELOPMENT IN BRAZIL
Project Number:	2022-0157
Country:	Brazil
Project Description:	Framework Loan to Banco Santander (Brasil) S.A., one of the largest banks in the country, to finance solar energy investments of households and SMEs.
EIA required:	no
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

This operation concerns a Framework Loan for the implementation of a large number of small-scale self-consumption solar PV plants in Brazil. The size of the solar PV plants will not exceed 1 MW<sub>p</sub> of installed capacity and will be predominantly rooftop solar PV panels with only some ground-mounted. The plants will be predominantly installed in individual homes and SMEs.

The Borrower and Financial Intermediary is Banco Santander (“Santander”), which will on lend the funds for the installation of the plants to its customers, who are scattered across all regions of the country.

#### Environmental Assessment

The majority of the plants will be installed on roofs of either individual houses or SME facilities and therefore are not subject to any environmental and social impact assessment process. If they were located in the EU, they would not have been subject to a screening process as per the EIA-Directive 2014/52/EU amending 2011/92/EU. With regards to the ground-mounted small-sized plants, Santander finances projects only when they are fully authorised, including any E&S authorisations where applicable. In addition, Santander’s risk division for ESG matters reviews the projects and rejects those not complying with their E&S policy or those that fall under Santander’s restricted and prohibited activities. Restricted activities include but are not limited to projects located within Environmental Protection Areas or Areas of Relevant Ecological Interest<sup>2</sup> and as such they are not eligible for financing.

<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.

<sup>2</sup> Área de proteção ambiental and Área de Relevante Interesse Ecológico. Protected areas under national legislation are among the types of sustainable use protected areas, defined as part of the National System of Conservation Units regulated by Law 9985 of 18 July 2000. In particular, Área de proteção ambiental falls under [IUCN protected area category V](#) - protected landscape/seascape.



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Schemes are small-sized (below 1 MW<sub>p</sub>) and installed on roofs, however, those that might exceptionally pose potential reputational risks due to environmental and social impacts (i.e. ground-mounted small-size solar PV) will be scrutinised by Santander, which will perform risk analysis complemented by tighter control.

Overall, no significant negative impact on sensitive natural habitats or other biodiversity dimensions are expected for the projects.

Positive local environmental benefits are expected during operation, given the substitution of polluting power generation options by a cleaner plant, which is expected to avoid GHG emissions. Specifically, the operation will contribute 100% to Climate Action (mitigation) and will support Brazil's targets for increasing the share of renewable energy sources in its annual electricity generation, contributing to the achievement of the ten-year national energy expansion plan.

### **EIB Carbon Footprint Exercise**

The operation will contribute to the development of renewable energy projects, reducing CO<sub>2</sub> emissions and increasing the share of RE in the Brazilian energy mix. However, the Operation is an intermediated loan and as such is not formally part of the carbon footprint exercise.

### **Social Assessment**

All schemes need to comply with the Bank's E&S Standards, including applicable provisions of the relevant labour standard of the Bank. To ensure that suppliers are aligned with Santander's values, human rights clauses in Santander's contracts address issues such as child and forced labour. Given the small size of the projects, their promoters and the wide range of potential suppliers and installation companies, Santander will be required to undertake reasonable efforts to mitigate risks of forced labour in the supply chain. This will include, on a best effort basis, enhanced due diligence ensuring that appropriate contractual provisions are cascaded to contractors/suppliers of the sub projects.

### **Other Environmental and Social Aspects**

Santander has implemented a Social and Environmental Risk Management Policy which establishes the guidelines for the management of socio-environmental risks and prevents the occurrence of financial, legal or reputational losses resulting from socio-environmental damage. Santander has established a division within its risk department which specifically addresses ESG-related risks. Santander's ESG-related risk management includes regular monitoring and evaluation of the projects to determine potential ESG-related damages.

## **Conclusions and Recommendations**

The Financial Intermediary's E&S policies and management and the capability of the Financial Intermediary to comply with the EIB's Environmental and Social standards have been assessed and found to be adequate and commensurate with the E&S risk of the underlying projects. The following loan undertakings will be included in the legal documentation:

- Santander will consider to take reasonable efforts to ensure that the projects it finances are screened for any labour issues in the supply chain, and will endeavour where possible to cascade down similar requirements in its finance contracts. In line with this, Santander, inter alia and on a best efforts basis, will require the solar PV installation



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companies to obtain certificates from suppliers certifying no violations of labour rights for the production of panels.

- Santander will not finance ground-mounted panels located in critical habitat areas as defined by the EIB E&S standards.

In view of the above findings and conditions, the operation is deemed satisfactory from an environmental and social compliance perspective.