



Luxembourg, 17.11.2022

Environmental and Social Data Sheet

Overview

Project Name:	SUNFUNDER GIGATON CLEAN ENERGY SME FUND
Project Number:	2022-0074
Country:	Africa, Asia-Pacific, potentially LATAM
Project Description:	Debt fund supporting clean electrification sectors, mostly off-grid and decentralised solar systems
EIA required:	Multi-investment scheme. Potentially required in some cases.
Project included in Carbon Footprint Exercise ¹ :	No

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

Environmental and Social Assessment

The operation consists of an investment into a fund that will finance a variety of clean electrification sectors, including off-grid solar (solar home systems, “SHS”), PV-battery mini-grids and agri-solar for productive use, commercial and industrial (C&I) solar for businesses and institutions, and PV ESCOs for telecom service. On an opportunistic basis, the Fund could also invest in e-mobility, storage or energy efficiency. The majority of the investments are expected to be located in Sub-Saharan Africa (ca 60%) followed by investments in Asia Pacific and MENA and to a lesser extent in Latin America.

Environmental assessment

The key E&S risks and impacts of this project derive from the Fund Manager’s capacity to identify, assess and manage potential environmental and social risks associated with its proposed investment activities. These risks typically include occupational health and safety, labour and working conditions, resource efficiency, pollution prevention and stakeholder engagement and grievance management.

Limited negative environmental impacts could arise from health and safety issues related to the inappropriate handling of batteries (notably at the time of disposal). Considerable e-waste (electronic and electrical waste) is expected to arise from the operation in five to ten years (average lifetime of the units and the appliances). To mitigate this risk, the fund is already committed to actively reducing its adverse environmental impact in this respect. The Bank has requested the fund to formulate a clear e-waste policy and management plan in line with industry best practice, and compliant with EIB’s environmental standard 2 concerning pollution prevention and abatement. The Bank will monitor the development and implementation of the e-waste management plan.

The Fund Manager will be required to ensure compliance with EIB Environmental and Social (E&S) Standards as well as national laws and regulations.

It is expected that most of the investments will not require an EIA under national legislations, nor would they fall under the scope of Annex II of the EIA Directive, if they were located in the EU. Regardless of this, as part of its overall investment appraisal process, the fund manager will perform

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.



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environmental and social due diligence to ensure that potential risks and appropriate prevention mitigation and compensation measures are identified through environmental and social impact assessments, including satisfactory and meaningful public consultation and participation, when relevant. The Fund will include relevant E&S conditions in its finance contracts with the borrowers.

Social Assessment

The projects financed by the Fund are expected to have positive social impact, with environmental benefits through supporting sound on- and off-grid hybrid solar solutions increasing access to energy in the targeted regions and potentially access to other economic and social activities.

Targeting mostly investments in the off-grid sector, the technologies supported by the fund will be particularly popular in rural areas, for people not having access to the grid or for those who cannot afford the grid connection fee. The operation is therefore expected to significantly reach people at the bottom of the pyramid, who are both particularly vulnerable and likely to benefit the most from it.

The operation is expected to have Significant Impact on the Gender Equality Tag. The fund is committed to ensuring that a minimum of 30% of the portfolio companies will be compliant with the 2X Challenge criteria. Moreover, SunFunder as a firm meets the 2X Challenge criteria since (i) it is co-founded by a woman who plays an active management role in the business, and (ii) women constitute 55% of the overall Investment Advisor's staff, 40% of the leadership team, and 40% of the Board of Directors' members.

The EIB will ensure that the fund manager's social requirements include social assessment and development of a management plan for mitigation and remediation of social impacts (as applicable), compliance with national laws and the principles and standards of ILO conventions², in particular prohibition of child or bonded labour, non-discrimination and equal opportunity of employment, occupational health and safety, as well as EIB Standard 8 – Labour. Given the small size of the projects, their borrowers and the wide range of potential suppliers and installation companies, the Fund 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.

Environmental and social management capacity

The Fund Manager has relevant E&S policies, and acceptable internal resources for identifying, assessing and managing E&S risks of investments throughout the investment cycle. An E&S manager is allocated for the implementation of the ESMS and supports the portfolio team. The Fund already has an environmental and social management system and the Fund Manager will ensure full adherence of the ESMS to EIB requirements prior to signature.

EIB Carbon Footprint Exercise

The operation will contribute to the development of off-grid decentralised clean energy solutions, reducing CO₂ emissions and increasing the share of RE in the targeted regions' energy mix. However, the Operation is an intermediated operation and as such it is not formally part of the carbon footprint exercise.

EIB Paris Alignment for Counterparties (PATH) Framework

The Fund manager has more than EUR 500m of assets under management. As such, the Fund manager is in scope of and screened in the PATH framework. Hence, the Bank will require the

² International Labour Organisation



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Fund manager to report –12 months after signature at the latest – in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), including in particular information in relation to transition and physical climate risk.

Conclusions and Recommendations

The assessment procedures carried out by the fund manager for the underlying investments are expected to appropriately address environmental and social issues to ensure compliance with the Bank's E&S standards.

As a condition prior to first closing, the fund manager will incorporate the EIB's environmental and social requirements into its legal documentation to the satisfaction of the EIB, and will enhance its ESMS to incorporate the EIB's environmental and social requirements.

To complement its ESMS, the Fund Manager will also be required to:

- Make its e-waste policy and procedures official, passing them on to the investee companies and monitoring/reporting annually on the e-waste disposal and recycling activities undertaken, from collection to disposal/recycling centres, with statistics on volumes of e-waste processed.
- Make reasonable efforts to ensure that the investments are screened for any labour issues in the supply chain, and endeavour where possible to cascade down similar requirements in its finance contracts.
- Include appropriate E&S conditions in its finance contracts with the borrowers and provide regular updates on the Environmental and Social performance of its investments to the Bank.

With these requirements in place, the operation is acceptable for EIB financing in environmental and social terms.