



Luxembourg, 14.12.2022

Environmental and Social Data Sheet

Overview

Project Name:	PEMBANI REMGRO INFRASTRUCTURE FUND II
Project Number:	2022-0585
Country:	REGIONAL AFRICA
Project Description:	Generalist infrastructure fund targeting equity investments in infrastructure assets in Africa
EIA required:	Multiple projects schemes, some may require an EIA.

Environmental and Social Assessment

Environmental Assessment

The proposed fund, the Pembani Remgro Infrastructure Fund II (“PRIF II”) intends to invest in the development, construction and operation of both greenfield and brownfield infrastructure projects in the Sub-Saharan Africa region. PRIF II will cover a wide range of sectors including transportation (including storage facilities), power (renewable energy), utilities (e.g. water) as well as in the digital sector. Such infrastructure sub-projects are usually characterised by a significant footprint and may involve impacts on biodiversity, indigenous peoples, vulnerable communities, involuntary land acquisition and/or resettlement, community and occupational health and safety among others.

PRIF II is the successor of the Pembani Remgro Infrastructure Fund I (“PRIF I”) that has a similar investment strategy as PRIF II. PRIF I was launched during 2015 and incorporated Environmental, Social and Governance (“ESG”) investment principles as part of its long-term strategy.

The main environmental, climate and social issues (“ECS”) associated with the projects derive from the ability of the Fund Manager to conduct an adequate E&S due diligence and monitoring of projects to identify and manage the ECS risks associated with the activities of the portfolio companies and/or sub-projects.

Based on the information made available to the Bank services and available from other peer IFIs on the performance of PRIF I’s operations, the Fund Manager demonstrated a strong commitment to E&S performance and no material E&S issues were identified to date. The Fund Manager also assumed an active ownership of its portfolio companies requiring them to regularly report on ESG aspects and issues.

While deploying PRIF II, as part of the due diligence process, the Fund Manager will conduct, an in-depth analysis on each investment opportunity, including its environmental and social risks and impacts. PRIF II will take climate risks (physical and transitional) into account in its analysis. Furthermore, PRIF II’s environmental monitoring aims at controlling environmental risks, reducing the environmental footprint, and defining solutions with high environmental added value.



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The type of infrastructure projects targeted by PRIF II may indeed involve medium to high ECS impacts and risks (in particular for linear infrastructure) such as i) air emission, waste management and management of hazardous material; ii) employment and labour practices, including risks of child and forced labour particularly related to the supply chain of some projects; iii) occupational health and safety issues such as risks related to sexual harassment and gender based violence; iv) land acquisition and resettlement.

The Fund Manager is updating its Environmental Management System (“ESMS”), for PRIF II to be in line with EIB principles and requirements. The ESMS will include a detailed procedure for identifying, assessing and managing the E&S risks and impacts associated with its investments throughout the investment cycle.

All projects will be: (i) screened against the PRIF II’s List of Excluded Activities (which needs to be enhanced to be compatible with the EIB Exclusion List); (ii) reviewed and evaluated against the IFC Performance Standards, including relevant World Bank EHS Guidelines (which are materially consistent with the EIB E&S Standards; and (iii) in line with the Core Labour Standards of the ILO. Action plans are developed to close gaps identified during the due diligence phase and the implementation of these plans are monitored by the Fund Manager’s dedicated E&S resources.

Where a sub-project’s vulnerability to climate change has been identified as high, the PRIF II will require the sub-project to carry out a climate risk vulnerability assessment in line with Standard 5 of the EIB E&S Standards.

To complement its ESMS, the Fund Manager will be required to establish and implement a procedure for external communication allowing for receiving and registering communication from the public, screening and assessing the issues raised and determining ways to address them.

The Fund Manager’s ESMS will also include specifics on identifying and monitoring gender-based violence and harassment (“GBVH”) and other labour related issues in the supply chain of the portfolio companies.

The Fund Manager will require portfolio companies to establish an ESMS in line with the Fund Manager’s E&S standards. Contractors involved in development of individual projects are required in a legally binding way to comply with the Fund Manager’s E&S requirements. For each portfolio company, the Fund Manager will set up an ESG committee to assist and provide guidance to the Board in fulfilling responsibilities related to ECS management and ESMS implementation. The ESG sub-committees will provide ESG monitoring data and reporting to the Fund manager on a quarterly basis. The Fund Manager will also require portfolio companies to implement appropriate measures in line with ILO standards to identify and manage GBVH risks through the portfolio company’s ESMS. The Fund Manager will also seek, when possible, to coordinate with the portfolio companies to address ECS risks in the supply chain.

For high-risk projects heightened procedures will be required through the retainer of qualified external consultants to undertake ECS due diligence, including outline of action plans and monitoring provisions to be included in the legal documentation when applicable. The respective action plan implementation will be monitored by external consultants on a yearly basis.

The Fund Manager will establish a limited partner E&S sub-committee to advise PRIF II on ECS matters, including on ECS risks and impacts in high-risk investments as well as any amendments to the ESMS as required.



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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; and
- The Voluntary Guidelines on responsible Governance of Tenure of Land, Fisheries and Forests as related to land tenure and land use.

At the time of appraisal, the Fund Manager informed EIB that a dedicated ESG team is being set up due to the increased portfolio in the region, with an ESG manager to be recruited by July 2023. The ESG team will be primarily responsible for the implementation of the ESG strategy. This includes assisting other teams with ESG related topics, advising, monitoring and reporting of ESG performance of the portfolio. ECS trainings will be regularly organised for the Investment team. These trainings will cover topics such as ESMS processes, Modern Slavery and Task Force on Climate-related Financial Disclosures (“TCFD”). At the time of appraisal training schedules and formed attendance was not formalized.

The Fund Manager will also maintain a list of external consultants with appropriate infrastructure subsector expertise in Africa to perform due diligence for high-risk projects. Monitoring will be conducted by consultants that were not previously involved in the due diligence.

Based on the information available to EIB, the Fund Manager is considered to have adequate procedures and resources to manage the ECS risks and impacts associated with PRIF II.

Social Assessment, where applicable

The ESMS will duly define the policies and procedures related to social aspects that will apply to the investments.

Public Consultation and Stakeholder Engagement

The Fund Manager will implement a consultation process with stakeholders where legally required and will provide an appropriate grievance mechanism that is available to all its employees and contractors.

Conclusions and Recommendations

The Bank’s environmental and social requirements have been shared with the Fund Manager and, during appraisal, it has been verified that the Fund Manager is willing and capable to fully implement them at the fund level, but also at portfolio company level. The Fund Manager will enhance its ESMS in order to fully reflect the requirements spelled out above for due diligence, monitoring and reporting processes and procedures as well as enhancement of relevant environment, climate and social impact indicators;

In order to improve the management and monitoring of PRIF II’s ECS performance, the Fund Manager will be required to:



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- i) Develop and maintain organisational capacity and competency for implementing the ESMS with clearly defined roles and responsibilities;
- ii) Update and enhance its existing ESMS, including the Policy, to be in line with the EIB List of Excluded Activities and with the 2022 EIB Environmental and Social Standards;
- iii) Establish and implement at the fund level a procedure for external communication allowing for receiving and reviewing inquiries or complaints from any interested party regarding ECS impacts and risks of the Fund's underlying operations;
- iv) Establish a limited partner E&S sub-committee to advise the Fund Manager on ECS matters, including on ECS risks and impacts in high-risk investments as well as any amendments to the ESMS as required;
- v) Disclose its E&S Policy and Summary ESMS on its website including its Category high-risk sub-projects;
- vi) Prepare and submit to the EIB, on an annual basis, an ECS performance report on PRIF II and on the underlying sub-projects in which it has invested;
- vii) Submit an adequate ECS training plan for internal staff and portfolio companies; and
- viii) Establish and implement a mechanism for external communication at the fund level allowing for receiving, addressing and responding to inquiries, requests and complaints from the public or concerned stakeholders on environmental, climate and social issues.

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