

Luxembourg, 12.07.2023

Environmental and Social Data Sheet

Overview

Project Name:	<i>Water Access Acceleration Fund W2AF</i>
Project Number:	<i>2020-0522</i>
Country:	<i>Regional – Africa, Asia and Latin America</i>
Project Description:	A fund investing in decentralised water supply systems and technologies, targeting countries in Africa and Asia with high incidences of water access inequality.
EIA required:	variable
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 concerns the participation of the EIB in the Water Access Acceleration Fund, W2AF. W2AF will seek to pursue investments in the water sector namely in Safe Water Enterprise (SWE), Water Technology Companies and Decentralized Piping Infrastructure (the investees). In terms of geographical coverage, the Fund will have a mandate to invest in Africa and Asia and may invest in Latin America on an opportunistic basis.

Environmental Assessment

Incofin Investment Management NV, the fund manager (FM) developed its Environmental and Social Management System (ESMS) building on its track record in financial inclusion and agri-finance activities. Within the ESMS, the FM has developed an Environmental, Social and Government (ESG) policy for risk and impact assessment and monitoring to be implemented throughout the full project cycle. The implementation of this policy is split into four main phases: (i) ESG screening and Impact thesis; (ii) ESG and Impact due diligence; (iii) Measurement management and reporting and (iv) responsible exit. The FM has a dedicated ESG team that supports each investment team during all project cycle stages. For each potential investment, the FM will map the ESG risk using the IFC (International Finance Corporation) performance standards framework. Depending on the risk ratio identified at due diligence stage, the FM will develop an ESG Action Plan (ESAP) to be implemented by the company it invested in. The ESAP is monitored through a complete set of indicators looking at outputs (company level), outcomes (end-client level) and at portfolio level. Each investee’s ESG performance is reviewed annually by the investment team and the FM risk and ESG team.

The fund manager intends to file the Fund as Article 9 (ESG Product) under the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosure Regulation or SFDR).

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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Furthermore, the fund manager was one of the first members of the United Nations Principles of Responsible Investment (“UN PRI”) and still abides by these principles although they stopped being a signatory.

Given the impact and investment thesis of the Fund and the ESG risk mapping and monitoring tools, the Fund will generate substantial social benefits, such as improved public health, affordable drinking water, increased wellbeing and job opportunities thanks to time saved to fetch water. All Fund investments are expected to have limited negative social or environmental impacts.

The FM, through its ESMS will ensure that the project incorporates all mitigating measures recommended as a result of the EIA.

The fund manager will be required to verify that none of the schemes have a negative impact on any site of nature conservation importance, including sites protected under national legislation and international agreements. If in the reasonable view of the fund manager an investment has the potential to significantly affect sites of nature conservation importance, it shall ensure that an appropriate assessment in line with EIB standards and national regulations is carried out for the potentially affected sites and obtain written confirmation from the competent authority that the investment does not have a significant negative impact on any protected site.

If an underlying investment is subject to an Environmental and Social Impact Assessment (ESIA) or biodiversity assessment, the fund manager will be required to publish the Environmental and Social Impact Study (or a link) on its website for access by stakeholders.

The legal documentation to be concluded between the Fund and the EIB will include an obligation on the Fund to ensure that all projects are in compliance with national legislation, international conventions and agreements ratified by the host country as well as the EIB’s Environmental and Social standards and requirements. The Fund is not allowed to invest in activities marked as ‘Not Supported’ in the EIB Climate Bank Roadmap 2021-2025.

EIB Paris Alignment for Counterparties (PATH) Framework

The FM is a Financial Intermediary in-scope and screened into the PATH framework.

In line with the EIBG Path Framework requirements, the fund manager will be contractually required to disclose in line with the TCFD² recommendations within 12 months of the Fund closing.

Public Consultation and Stakeholder Engagement

For investments subject to an Environmental and Social Impact Assessment (ESIA) and/or biodiversity assessment as per the EIB E&S Standards, the FM shall ensure that the Environmental and Social Impact Assessment and/or the biodiversity assessment is carried out and that public consultation is undertaken in accordance with national legislation and in line with the EIB Standard 2 – Stakeholder Engagement.

The FM has a Grievance Policy for clients and external parties already in place and it will be applicable for this operation.

² [Task Force on Climate-Related Financial Disclosures | TCFD\) \(fsb-tcfd.org\)](https://www.fsb-tcfd.org/)

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Conclusions and Recommendations

During appraisal it has been verified that the fund manager has fully understood the EIB's Environmental and social standards and will be willing and capable to fully implement them. The fund manager has set up an Environmental and Social Management System (ESMS) to implement these requirements and has a dedicated team who will oversee all the environmental and social activities aspects.

In order to strengthen the coordination and accountability aspects the Fund will undertake to:

1. Report in line with the TCFD recommendations within 12 months of the Fund closing.
2. Mobilize all the necessary means throughout the investment period in order to ensure that their Environmental and Social Management System is applied to all the investments.

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