

Luxembourg, 15 November 2023

Environmental and Social Data Sheet

Overview

Project Name: JET-P SOUTH AFRICA TRANSNET DECARBONISATION FL
Project Number: 2022-0490
Country: Republic of South Africa
Project Description: The project consists of a framework loan (FL) for the financing of Transnet's investment programme as part of the Just Energy Transition Partnership (JET-P) in South Africa. The schemes included in the project will concern the renewal and/or rehabilitation of Transnet's assets, particularly its port and freight railway infrastructure, as well as the construction of new assets enabling the development of the green hydrogen value chain.

EIA required: Yes, certain schemes under the project may be subject to ESIA.

Project included in Carbon Footprint Exercise¹: Yes, certain schemes under the project may be subject to the Carbon Footprint Exercise (details for projects included are provided in section: "EIB Carbon Footprint Exercise").

Environmental and Social Assessment

Environmental Assessment

The project consists of several investments in port and rail infrastructure, rolling stock, renewable energy, desalination, and assets enabling the development of the green hydrogen value chain. These are to be implemented by Transnet (SOC) Ltd., a South African state-owned logistics company managing the country's rail, ports, and pipeline networks. The investments aim at increasing the capacity and improving the efficiency and the safety of Transnet's operations, thus allowing for a modal shift from roads to rail and waterborne transport.

All the schemes to be financed under the FL will be implemented in South Africa and, more specifically, within the boundaries of the premises owned by Transnet. All the schemes will be required to be implemented in line with the EIB Group Environmental and Social Sustainability Framework (ESSF) as well as in compliance with the relevant South African legislation, the National Environmental Management Act of 1998 (NEMA) & Amendments as well as the applicable Environmental Impact Assessment Regulations. To that end, prior to approval for financing of any of the proposed schemes, the Bank will conduct additional due diligence in line with its applicable internal procedures.

A Project Implementation Unit (PIU) will be established by the Promoter within its organisation to prepare, implement and monitor all the schemes to be financed under the FL. The PIU is expected to receive additional technical assistance (TA) grant funding to establish a Project Implementation Support Unit (PISU) that will support the Promoter with specific technical expertise on several fields, including but not limited to, support in relation with the environmental, climate and social (ECS) aspects of the schemes' preparation and implementation. This will be the first project for the EIB with Transnet.

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.



Luxembourg, 15 November 2023

If in the EU, several of the preliminary schemes may fall under Annex I or Annex II of Directive 2011/92/EU (as amended by Directive 2014/52/EU) on the assessment of the effects of certain public and private projects on environment (EIA Directive). As such, the Promoter will be required to provide the corresponding ESIA report or documentary evidence demonstrating that no ESIA is required for each of the proposed schemes prior to their approval for financing.

Furthermore, should any of such schemes have a potential impact on protected areas or habitats, the Bank will require the Promoter to act according to the provisions of the Bank's ESSF. Such compliance will be required prior to allocation of each of the schemes within the FL.

In relation to the project's climate change vulnerability and according to the information provided by the Promoter, the schemes are likely to be vulnerable to climate change. However, this needs to be assessed in detail prior to the allocation of each scheme, either via their respectiveESIAs which, in line with the requirements of the Bank's ESSF, may be required to include climate risk vulnerability assessments (CRVA) or separately. The impacts that climate change may have on the schemes themselves and the extent to which the project will be able to adapt to possible changes in the climate over the course of its lifetime will be addressed as part of the ESIA studies to be conducted to the satisfaction of the Bank prior to scheme allocation.

The preliminary investments presented to the Bank have been assessed for Paris alignment and it is considered that they are aligned against low carbon. This will be further assessed in detail at the time of scheme allocation.

EIB Carbon Footprint Exercise

Only those schemes that meet the scope of the Carbon Footprint Exercise, as defined in the EIB Carbon Footprint Methodologies, will be included, provided that the estimated emissions exceed the methodology thresholds. Such assessments will be carried out as part of the respective scheme allocation procedures and reported via the subsequent ESDS to be published as part of the allocation process.

For the annual accounting purposes of the EIB Carbon Footprint, the project emissions will be prorated according to the EIB lending amount signed in that year, as a proportion of project cost.

EIB Paris Alignment for Counterparties (PATH) Framework

The counterparty, Transnet (SOC) Ltd., is in scope and screened out the PATH framework because it is not considered high emitting.

Social Assessment

The project is expected to have an overall long-term positive socio-economic impact on the project areas of influence. Negative social impacts, mostly focused during construction phase, are expected to be low to moderate/major depending on the type of scheme. This will be further assessed at the scheme allocation stage.

The Bank will require the Promoter to assess the significance of social impacts for each scheme prior to allocation and to provide social management plans to mitigate/enhance the impacts identified, as needed. Transnet has indeed identified several areas of its railway network with informal settlements within the rail reserves (15 m either side of a rail line), recurrent community unrest, pedestrian and livestock walking on rail lines, which creates safety and integrity hazards for its operations and the informal settlers. As part of that due diligence at scheme allocation, the Bank will also verify whether involuntary resettlement is triggered and will request the Promoter to produce a Resettlement Action Plan or Livelihood Restoration Plan, as needed.



Luxembourg, 15 November 2023

The Promoter will also be required to guarantee that the rights and interests of all vulnerable groups are respected. This may be of relevance in the context of gender-based violence in the transport sector.

All major construction and manufacturing projects entail a certain risk of occupational health and safety accidents and incidents if adequate measures are not implemented by all project stakeholders. As such, the Promoter will be required to count on the support of experts in occupational health and safety within the PIU to monitor full compliance with all applicable legislation, industry's best practices and the Bank's ESSF. To this date South Africa has not ratified two fundamental ILO Conventions and Protocols, C187 - Promotional Framework for Occupational Safety and Health Convention, 2006 (No. 187) and P029 - Protocol of 2014 to the Forced Labour Convention, 1930².

Other potential social impacts might be arising due to poor application of relevant labour standards related to employee working conditions during construction and operation. Labour and OHS impacts will be assessed during ESIA phase and addressed primarily through the potential inclusion of contractual obligations for the first-tier suppliers and contractors at allocation stage, where relevant.

For potential renewable energy project supporting the green hydrogen production, the Promoter shall also undertake, on a best effort basis, to mitigate against the risk of forced labour in the solar PV supply chain. This will include enhanced due diligence (supply chain mapping of the PV module manufacturers reaching the level of silicon/polysilicon suppliers and/or declarations by the PV module manufacturers concerning the origin of the components used in the PV modules, per project) and ensuring that appropriate contractual provisions are cascaded to final beneficiaries and their contractors/suppliers.

The Promoter will also be required to assess, where applicable, the positive social impact of the project and the measures taken by the project to enhance those impacts, particularly in the areas of gender equality, social inclusion, and resilience building.

The project is expected to have positive impacts on gender equality, in particular in relation to new employment to be created by the project. This is to be confirmed at allocation stage. Transnet has a successful gender equality policy - Transnet's Strategy on equality, diversity, inclusion, and transformation (EDIT). As a result, in 2022 women represented more than 40% of the staff in executive and extended executive levels and more than 30% below extended executive level. This compares positively with the overall labour market where according to the International Labour Organization's latest figures, women make up just 16.8% of those working in transport globally³.

The Promoter acknowledges that the South African labour market is more favourable to men than it is to women, especially African women and it continues to strive towards gender equality in their workforce. Within their current strategy the Promoter has the following targets/ambitions in relation to female employment which include measurable and year-specific targets in relation to the employment of women at all staff levels across the organisation.

According to the Promoter's strategy it is therefore expected that by end of 2023, women represent at least 35% of the workforce for the unskilled and defined decision making staff category, 40% for the semi-skilled and discretionary decision making level, 45% for all other levels and at least 50% for the top management. Therefore, it is expected that a significant portion of new permanent jobs created during projects as well as jobs sustained due to the project will be held by women, thus improving the gender balance of the transport sector in South Africa.

² [Up-to-date Conventions not ratified by South Africa \(ilo.org\)](https://www.ilo.org/public/english/standards/conv/187.htm) (Consulted on 1 July 2023);

³ [ILO Data Explorer](https://www.ilo.org/public/english/standards/conv/187.htm);



Luxembourg, 15 November 2023

Public Consultation and Stakeholder Engagement

The Promoter will be required to conduct meaningful public consultation processes for all projects be it in relation to the ESIA procedures or the impact of the schemes on the populations in the project areas.

Furthermore, the ESIAs being developed or to be developed will have to take into consideration the applicable requirements of the Bank's ESSF in terms of public consultation and stakeholder engagement prior to scheme allocation. The results of the public consultation(s) will be incorporated into the ESIA report(s), which will be published in the Bank's Public Register at the time of allocation.

Active stakeholder engagement is required throughout the duration of the project. The Bank will require the Promoter to prepare a Stakeholder Engagement Plan for the identification and analysis of project stakeholders. The Stakeholder Engagement Plan will also outline the functioning of a project-wide Grievance Redress Mechanism in line with the EIB's ESSF and will further specify provisions for more detailed plans related to stakeholder management based on risk analysis.

Other Environmental and Social Aspects

Other specific ECS arrangements and scheme characteristics will be reviewed during the subsequent appraisal of the individual schemes and reported in their respective individual ESDS which will be published in the Bank's Public Register.

The Promoter's ECS management and governance systems are in line with those common to the industry in the most developed regions. However, the Bank will provide technical assistance support to the promoter to further enhance their capacity to manage ECS risks and ensure an adequate implementation of the ESMP. This is particularly relevant since this is the first project for the EIB with the promoter and the size of the investment is considerable. Such support will be provided to the Project Implementation Unit (PIU) to be put in place by the promoter which will receive the specific support of a Project Implementation Support Unit (PISU) on all areas relevant to the ECS preparatory work, implementation and monitoring as required and to ensure that the investment meets the requirements of the Bank's ESSF.

The Promoter is holder of the following certifications: ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018.

Conclusions and Recommendations

The preliminary assessment conducted by the Bank's Services demonstrates that although the Promoter's capacity to manage ECS impacts seems adequate, the characteristics of the investment plan and the potential need to implement several schemes in parallel without prior experience on the implementation of EIB financed projects may constitute a project risk.

In addition, the schemes are expected to entail various degrees of ECS impacts depending on their characteristics. As such, no delegation of the verification of the ECS compliance of the schemes will be granted to the Promoter. The Bank's Services will therefore require that the PIU to be established will count on the support of specialists in the field of ECS matters who will form the PISU.

Conditions prior to the first allocation:

- a) The Bank shall receive satisfactory evidence from the Promoter that a Project Implementation Unit (PIU) has been established, including the integration of the Project Implementation Support Unit (PISU), with staff (environmental, social and community

Luxembourg, 15 November 2023

liaison, procurement and others as required), resources, and competencies acceptable to the Bank and submit the list of key staff to the Bank;

- b) The Promoter shall provide an Environmental and Social Management Framework (ESMF), to the satisfaction of the Bank, setting out the policies and procedures to assess, address and manage, where applicable, the following risks: (a) environmental, climate and social risks and impacts of underlying schemes, including impacts to biodiversity, protected habitats and species as well as water bodies; (b) involuntary resettlement risks and impacts that are likely to arise from such activities, including the development of an appropriate Resettlement Policy Framework (RPF); (c) livelihood restoration; (d) impacts on indigenous peoples that are likely to arise from such activities; (e) stakeholder engagement; (f) gender impact and assessment; (g) labour conditions; (h) human rights impact, and (i) conflict/contextual risk and (j) occupational and community health and safety. Such ESMF must be carried out at framework loan level and updated, if required, prior to each subsequent allocation request;
- c) The Promoter shall establish a project-specific grievance mechanism, the contact details of which shall be published at least on the Promoter's website;

Requirements prior to each allocation:

The Promoter will also be required by the Bank to provide complete evidence, prior to allocation of the different schemes and where applicable in line with the relevant legislation and the Bank's ESSF, of the following:

- a) Relevant building permit(s) or development consent/approval(s);
- b) A scheme specific Environmental and Social Management Plan (ESMP), to the satisfaction of the Bank, which will include technically and financially feasible and cost-effective measures for the scheme to achieve compliance/alignment with the Bank's ESSF within a time frame acceptable to the EIB. The ESMP may also include measures for the promoter to manage environmental, climate and social risks and/or to improve their practices in line with the Bank's ESSF in their other operations that are associated with but not part of the project. Where relevant, the ESMP must include a Stakeholder Engagement Plan including a fully-fledged Grievance Redress Mechanism, and the final version of the relevant Resettlement Action Plan/Livelihood Restoration Plan (if one is required in accordance with the Resettlement Policy Framework, before allocation of each scheme), to the satisfaction of the Bank, and endorsed by the Promoter;
- c) Strategic Environmental Assessment, if applicable;
- d) ESIA Report, including Non-Technical Summary, prepared in line with the Bank's ESSF, if applicable. If the scheme is not deemed subject to an ESIA, copy of the screening decision and justification based on the Bank's ESSF;
- e) Appropriate Assessment (or equivalent), prepared in line with the Bank's ESSF, if applicable;
- f) Climate Change Risk Vulnerability Assessment, prepared in line with the Bank's ESSF, if applicable;
- g) Copy of all the environmental permits issued by the competent authorities, inclusive of decisions on the screening procedures conducted;
- h) Overview of all public consultations in relation with the project;
- i) Evidence that all impact management measures identified in the ESMP will be incorporated into the construction and supervision contracts;
- j) Information regarding the transboundary consultation performed, if applicable;
- k) Information regarding the assessment of cumulative impact performed for the scheme;
- l) An assessment of the schemes impact under the applicable legislation dealing with the management of water bodies and in line with the requirements of the Bank's ESSF, if applicable;
- m) Any additional ECS documentary evidence as it may be requested by the Bank's Services;



Luxembourg, 15 November 2023

Undertakings:

- a) The Promoter will promptly notify the Bank of any related unexpected accident or incident during the construction of the project;
- b) The Promoter shall take into consideration the potential environmental and social cross-border and/or cumulative effects of any of the schemes proposed;
- c) The Promoter shall ensure that, for schemes requiring an ESIA, the ESIA report, including the NTS are made available to the public;
- d) The promoter shall store and keep the relevant documents updated, including documents supporting the compliance with the procurement and environmental legislation, the EIB Guide to Procurement and the EIB ESSF. If EIB requires such documentation for any of the schemes included in this operation, the Borrower shall promptly provide all documents requested;
- e) The Promoter shall not commit any EIB funds against schemes that require an ESIA and/or biodiversity assessment according to the applicable law and the Bank's ESSF, without, prior to commitment, (i) receiving the consent from the competent authority, (ii) having the ESIA report, including NTS, made available to the public and (iii) receiving the Bank's agreement;
- f) The promoter will publish in their website as well as on any other relevant platforms information concerning the procedure for handling complaints in relation to the project and the means of access for any interested stakeholders to the complaints and project queries management systems. A project-specific grievance mechanism shall be established, the contact details of which shall be published at least on the Promoter's website, as well as on the billboards at the construction sites;
- g) The promoter undertakes to promoting social dialogue with its workforce and undertaking meaningful stakeholder engagement through inclusive processes of consultation. Thus, if one or more investments planned by the promoter were likely to cause negative social effects such as physical or economic displacement of people, a Resettlement Action Plan (RAP) will then be prepared in accordance with national legislation and Bank's ESSF;
- h) The Promoter shall implement the project in accordance with the agreed ESMF and any additional required E&S management plans;
- i) The Promoter shall include reports on the status of the implementation of the ESMF and any additional required E&S management plans as part of the project monitoring requirements;
- j) For renewable energy projects, the Promoter shall undertake, on a best effort basis, to mitigate against the risk of forced labour in the solar PV supply chain. This will include enhanced due diligence (supply chain mapping of the PV module manufacturers reaching the level of silicon/polysilicon suppliers and/or declarations by the PV module manufacturers concerning the origin of the components used in the PV modules, per project) and ensuring that appropriate contractual provisions are cascaded to final beneficiaries and their contractors/suppliers.

Provided the above conditions, requirements and undertakings are met, the project is acceptable for EIB financing.