

Luxembourg, 20.09.2023

## Environmental and Social Data Sheet

### Overview

Project Name:	EXAGON XIC LATIN AMERICA FUND I
Project Number:	2023-0085
Country:	Regional – Latin America
Project Description:	<i>Fund focused on equity investments predominantly in the renewable energy and other infrastructure sectors in Latin America and the Caribbean.</i>
EIA required:	Depending on the technical characteristics of the investments financed by the Fund, sub-projects may be subject to an EIA.
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

The Fund targets climate action and environmental sustainability projects across Latin America and the Caribbean aiming at a lower carbon economy. The Fund aims to build a portfolio of 8-10 investments to finance predominantly greenfield investments primarily in clean energy and opportunistically in waste management / recycling, electric vehicles and telecommunication projects. Most clean energy projects concern mature renewable energy technologies such as solar PV, wind energy or hydropower, sometimes in combination with battery storage.

#### Environmental Assessment

The environmental and social impact of most of the investments – if appropriately designed and operated – is likely to be limited, with no significant negative residual effects. However, some of the investments within the scope of the Fund are more complex and can have higher environmental and social risks – this is particularly true for (but not limited to) the hydropower projects.

It is expected that a full Environmental and Social Impact Assessment (ESIA) will be required for some but not all investments. Regardless, the Fund Manager will be required to perform an assessment of environmental and social risks for each investment, and follow through the environmental and social performance during project implementation. For investments subject to an ESIA or biodiversity assessment as defined by national legislation, the Fund Manager shall ensure that the Environmental and Social Impact Assessment and/or the biodiversity assessment is carried out and that the public consultation is undertaken in accordance with national legislation and in line with the EIB Standard 2 – Stakeholder Engagement.

Projects with significant negative social or environmental residual impacts will not be allowed. If a project is likely to affect a nature conservation zone or other sensitive areas as defined in national or international environmental legislation, the Fund Manager shall ensure to obtain confirmation from the competent authority – following a biodiversity assessment in line with EIB

<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.



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requirements – that the scheme does not have significant negative impacts on any site of nature conservation importance.

As usual in Funds, the net emission savings cannot be reliably estimated at this stage, as the expected portfolio of the Fund's Investments is still under development and there is insufficient data. During the investment period the Fund will monitor and report CO<sub>2</sub> savings when reliable data becomes available.

### **EIB Paris Alignment for Counterparties (PATH) Framework**

The Counterparty (Exagon XIC Latin America) is a first time Fund Manager that is screened out for the assessment under the PATH framework, as the Fund Manager has no funds under management. The counterparty has agreed to disclose in line with TCFD recommendations within one year after the first closing.

### **Social Assessment, where applicable**

The Fund has an ESMS in place which includes a Human Rights Policy and a Code of Ethics, rejecting the use of any form of forced or compulsory labour, applicable inter alia to the supply chain of the underlined solar PV projects, in compliance with the applicable provisions of the relevant E&S standards of the Bank (including Standard 8 - Labour - of the EIB E&S Standards), the national laws and the principles and standards of ILO conventions.

The Fund Manager will be required to undertake reasonable efforts to assess and address the risks of forced labour in the supply chain of solar PV projects. This will include, on a reasonable effort basis, enhanced due diligence, commensurate with the capacity and leverage of the developers regarding labour issues in the supply chain (supply chain mapping and/or declarations from the supplier, per project) ensuring that appropriate contractual provisions are cascaded to contractors/suppliers of the sub projects.

### **Public Consultation and Stakeholder Engagement**

The Fund will be required to include in its management system the requirement to establish an appropriate grievance redress mechanism ("GRM") at project level. The GRM will be commensurate with the level of E&S impacts and risks of the underlying project and will be designed to ensure that any individual or community who believes that they are or might be adversely affected by a project is able to file a grievance or complaint using the grievance process. Finally, the Fund will be required to establish a grievance register at Fund level, and related procedures allowing stakeholders to submit feedback, concerns or complaints.

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

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. Furthermore, the Fund has an environmental and social management system in place, but the Fund Manager has agreed to update and reinforce the ESMS to adhere to the EIB's requirements, prior to signature.

The Fund Manager will be required to ensure compliance of the investments with the EIB Excluded and Restricted Lists of activities, the EIB E&S Standards and the E&S national laws and regulations.

An E&S specialist seconded from a reputable independent technical/E&S advisor will be responsible for the implementation of the ESMS and supports the portfolio team until first close, when it is expected that the Fund will recruit a senior ESG Officer who will be responsible for overseeing the adequate use of the ESG & impact tools and processes, in particular for managing the E&S due diligence process and for performing the portfolio monitoring.

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## Conclusions and Recommendations

The Fund 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. These adjustments mainly concern the incorporation of the relevant requirements and recommendations related to EIB Guidelines on Hydropower Development, requirements for Stakeholder Engagement (including the development of a communication mechanism for external stakeholders as part of the Grievance Redress Mechanism applicable to the entire Fund portfolio) and requirements related to the forced labour risk in the solar PV supply chain. To ensure the adequate enhancement of the ESMS, the Fund Manager will make use of dedicated independent E&S consultants, with relevant experience in the target regions.

In addition, for each hydropower investment, the Fund will be required to make use of appropriately skilled and independent environmental and social experts to confirm compliance with the EIB E&S Requirements (including those set in the EIB Guidelines on Hydropower Development).

By the first investment, the Fund Manager undertakes to have a dedicated ESG manager in place, and submit evidence thereof to the Bank.

Where an ESIA is required for an investment, the Fund shall require the investee company / project fund manager to disclose the ESIA and relevant studies on its website. If the Investee company does not have the capacity to publish the relevant documentation, the Fund will publish such documentation on its own website.

To ensure adequate ESMS implementation, the EIB will undertake an advisory review of the first three environmental and social due diligence undertaken by the Fund Manager after EIB's commitment but prior to the Fund's investment.

The Fund Manager will also be required to provide regular updates on the Environmental and Social performance of its investments as part of the quarterly reporting and through dedicated E&S subcommittee advisory sessions with the Limited Partners. The Manager will also include appropriate E&S conditions in its finance contracts with the borrowers.

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