

## Environmental and Social Data Sheet

### Overview

Project Name:	Sustainable Ocean Fund
Project Number:	2016-0609
Country:	Multi-Regional (target: 50 % Caribbean and Latin America, 30 % Asia and Pacific and 20 % Africa)
Project Description:	Investment fund targeting projects in sustainable fisheries and aquaculture, responsible seafood supply chains and sustainable coastal development.
EIA required:	Multiple schemes
Project included in Carbon Footprint Exercise <sup>1</sup> :	No

### Environmental and Social Assessment

#### Environmental and Social Assessment

The operation consists of up to USD 20 million EIB equity participation in the Sustainable Ocean Fund ("The Fund"). The purpose of The Fund is to address the challenges faced by the sensitive ocean ecosystems and blue economies and strengthening supply for seafood through financing investments in a broad range of different aquaculture and fisheries projects. The Fund's scope includes also the financing of seafood supply chains and related coastal development projects (e.g. eco-services, energy and waste).

The Fund is expected to be able to contribute to the Sustainable Development Objectives, SDG14 (Conserve and sustainably use the oceans, seas and marine resources) and SDG2 (end hunger, achieve food security and improved nutrition, and promote sustainable agriculture).

Given that the Fund will target equity investments in sensitive ocean ecosystems in Latin America, Caribbean, Asia, Pacific and Africa and investments may include projects in (i) aquaculture; (ii) sustainable fisheries; (iii) responsible seafood supply chains; and (iv) sustainable coastal development, the Fund's portfolio will include activities with potentially significant adverse environmental and social (E&S) risks and impacts.

The Fund Manager will be required to ensure compliance of the investments with the EIB Excluded List of activities and the restricted List of Activities considered accessible for the Fund's investment, the EIB E&S Standards and core E&S requirements, as well as E&S national laws and regulations.

<sup>1</sup> Only projects that meet the scope of the Pilot Exercise, as defined in the EIB draft Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: above 100,000 tons CO<sub>2</sub>e/year absolute (gross) or 20,000 tons CO<sub>2</sub>e/year relative (net) – both increases and savings.

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The mitigation of key risks and impacts derive from the Fund's capacity to identify and manage the potential environmental and social risk and impacts associated with projects in the pipeline and to maintain and operate an appropriate environmental and social management system. Risks may include but are not limited to: (i) environmental impacts on the marine environment including cetaceans and birds, introduction of alien species waste management, hazardous materials, (ii) OHS (occupational health and safety) risks (iii) labour issues; (iv) community issues such as impacts on livelihood, stakeholder engagement, health, safety and security; (v) potential impacts on indigenous and other vulnerable communities, and (vi) biodiversity and ecosystem protection and impacts on ecosystem services.

The Fund has developed an E&S Management System (ESMS) for managing the environmental and social risks and impacts. In order to meet EIB's requirements, the Fund will be required to significantly enhance its ESMS (to reflect the application of the EIB E&S Standards) including the development of its E&S capacity, hiring a dedicated senior ESG officer into the core team to support its investment decision making process and monitoring activities for the Fund. Additional sector-specific senior expertise in fisheries and aquaculture will be required to support the implementation of the ESMS and the underlying projects. In addition, the Fund needs to develop an implementation and training plan for any new team member.

The Fund's ESG Standards and sustainability targets and goals will be included as covenants and warrants into the investment agreements entered into on behalf of the Fund with underlying project developers as appropriate and the performance of underlying projects will be monitored against these targets.

The operations developed and financed by the Fund will comply with International Financial Institutions E&S policies such as IFC Performance Standards 2012, the EIB environmental and Social standards 2013, IDB Safeguard Policies and Guidelines, and where appropriate, the World Bank EHS guidelines for Aquaculture and Fish Processing.

Furthermore the operations will comply with reputable internationally recognised third-party standards Industry benchmarks such as:

- Marine Stewardship Council standards (MSC);
- Aquaculture Stewardship Council standards (ASC);
- Recognised fair trade standards such as Fairtrade Foundation or other equivalent;
- The FAO Code of Conduct for Responsible Fisheries.

The General Partner will ensure that each underlying project complies with the Environmental and Social Requirements and take all reasonable steps in anticipation of known or expected future changes to these requirements.

## **Conclusions and Recommendations**

The Fund Manager will be required to ensure compliance of all underlying investments with the EIB Excluded List of activities and the restricted List of Activities considered accessible for the Fund's investment, the EIB E&S Standards and core E&S requirements, as well as E&S national laws and regulations.

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Within 90 days from the date of the first close, the Fund Manager shall

- Revise and enhance its ESMS to reflect the application of the EIB E&S Standards
- Appoint a dedicated senior ESG officer into the core team to support its investment decision-making process and monitoring activities for the Fund.
- Appoint a dedicated Marine Technical Director expert in Aquaculture and Fisheries in tropical waters who shall be an experienced senior officer of the Fund having management responsibility for ensuring that required international best practice is complied with in all projects and portfolio companies that the Fund is financing.

Given the high E&S risk profile of the foreseen portfolio and to ensure adequate ESMS implementation, the EIB will review the first three environmental and social due diligences undertaken by the Fund prior to the Fund's investment.

With the above E&S conditions to be included in the legal documentation, the Fund is acceptable for investment in environmental and social terms.