

Environmental and Social Data Sheet

Overview

Project Name:	<i>EVOLUTION II</i>
Project Number:	<i>2017-0177</i>
Country:	<i>Regional - Southern Africa, East Africa, West Africa, Central Africa</i>
Project Description:	<i>Equity investment into Evolution II Fund targeting renewable energy, energy efficiency and other resource efficiency projects and related corporate investments in sub-Saharan Africa.</i>

EIA required: yes

Project included in Carbon Footprint Exercise¹: no

(details for projects included are provided in section: "EIB Carbon Footprint Exercise")

Environmental and Social Assessment

This operation intends to bring about environmental benefits by supporting renewable energy (wind, solar, hydro), energy & resource efficiency projects, and other related growth equity investments linked to their supply chain. The Fund will target 10-15 investments mainly in 11 pre-selected countries with relatively stable regulations: Ethiopia, Kenya, Tanzania and Uganda in East Africa; Nigeria and Ghana in West Africa; Mozambique, Namibia, Botswana and Zambia in Southern Africa, and South Africa. 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. The Fund's investments are intended to bring environmental benefits, mainly the mitigation of greenhouse gases. The vast majority of the identified investments, including grid connected solar PV, wind, hydro and geothermal projects, will undergo a full EIA process, given their size. Some projects may not always be subject to an EIA process due to their technical characteristics, but in line with the best international practice they would require a thorough screening in all cases, and potentially require public consultation. Depending on the outcome of the screening a full EIA may be required, in which case the corresponding full studies will be published by the promoter and / or the Fund Manager, and will be sent to the Bank.

The Fund Manager is known to the Bank from a prior operation with similar investment focus. 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 core E&S requirements, as well as the E&S national laws and regulations. The Fund Manager's environmental and social due diligence process is divided into three steps: 1) initial screening including screening against the List of Excluded Activities (and restricted list if applicable); preliminary categorisation; high-level desk review highlighting key E&S red flags associated with the proposed investment; 2) preliminary investment committee with in-depth review against the policy requirements, including the EIB E&S Standards; 3) final investment committee to follow up on any outstanding items. Each project prepares regular E&S operational reports. On an annual basis the Fund Manager prepares and submits to the Bank an aggregated E&S performance report.

¹ 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_{2e}/year absolute (gross) or 20,000 tons CO_{2e}/year relative (net) – both increases and savings.

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The Fund Manager will perform an environmental assessment of each project, paying particular attention to the impacts on biodiversity, people living in the project affected area and potential cumulative impacts of the projects. The Fund Manager will be required to verify that none of the schemes have a significant negative impact on any site of nature conservation importance, including sites protected under national legislation and international agreements. Confirmation by the relevant national authorities that the project will have no significant negative impact on sites of nature conservation shall be obtained for projects with affected areas in the vicinity of a nature conservation site. Projects with residual environmental and social impacts are to be carefully designed, implemented and monitored. The Fund Manager seeks to include E&S requirements as part of the contractor's obligation when negotiating project contracts.

The mitigation of key risks and impacts derives from the Fund's capacity to identify and manage the potential environmental and social risks and impacts associated with the projects in the pipeline and to maintain and operate an appropriate environmental and social management system.

Through its development and investment track record, the Fund Manager is well aware of typical environmental and social (E&S) issues related to RE/EE and resource efficiency projects in South Africa. In addition, the Fund Manager is aware of the differences in regulatory safeguards between South Africa and most other countries in SSA. At the discretion of the Fund Manager, outside professionals may be hired to review environmental and other compliance issues where necessary. Depending on the final size reached by the Fund, additional dedicated E&S staff would be hired and appointed to mirror the needs of a larger portfolio of investments.

Furthermore, the Fund Manager has developed and implemented a social and environmental management system (SEMS) based on IFC Performance Standards. The SEMS was reviewed based on EIB's Environmental and Social Standards and found to be acceptable conditional to incorporation of adjustments suggested by the Bank. The ESMS will include a formal ESG policy, adequate environmental and social due diligence procedures and grievance redress mechanism applicable to the entire Fund's portfolio. Staff with overall responsibility for the implementation of the ESMS supporting the portfolio team on a day-to-day basis and ensuring continued alignment with investors regarding E&S requirements as well as ensuring, at project level, compliance with the approved ESMS, will have to be clearly designated. The ESMS will need to be enhanced to reflect the requirements of the EIB.

Conclusions and Recommendations

The Fund's procedures to ensure compliance with the EIB E&S Standards, core E&S requirements, as well as the E&S national laws and regulations, appear acceptable in view of its specific project pipeline and geography.

The Fund will incorporate EIB's environmental and social requirements into its legal documentation to the satisfaction of the Bank.

The Fund will enhance its ESMS to incorporate EIB's environmental & social requirements to the satisfaction of the Bank, including the development of a communication mechanism for external stakeholders as part of its Grievance Redress Mechanism.

The Fund will appoint designated staff responsible for the implementation of the ESMS as well as for undertaking the environmental and social due diligence and monitoring of the Fund's investments.

The Fund will, on an annual basis, prepare and submit to the Bank an aggregated E&S performance report.

With these conditions in place, the Fund is considered acceptable for the Bank in environmental and social terms.