Environmental and Social Data Sheet

Overview

Project Name: GREEN BOND CORNERSTONE FUND
Project Number: 2017-0751
Country: Regional - Asia
         Regional - Latin America
         Regional - Africa
Project Description: The proposed transaction concerns a USD 100m investment in the senior tranche of the IFC Amundi Green Bond Cornerstone Fund, a 12-year, layered debt fund being set up under a partnership between IFC and Amundi Asset Management. The Fund’s proposed investment strategy is to purchase green bonds from financial institutions (“FIs”) in emerging markets (“EMs”) as a way to create the necessary market demand for green bonds issuance in these countries.

EIA required: no
Project included in Carbon Footprint Exercise¹: no

Environmental and Social Assessment

The E&S standards of any target Green Bond will be the focus of technical assistance to be provided by an “Investment Support Facility”, administered by the IFC, and will be the subject of due diligence undertaken by the Fund to ensure compliance with the Amundi Planet Emerging Green One - ESG Policy. The Investment Support Facility will assist the Green Bond issuers to apply IFC environmental and social standards to projects financed by the green bonds. The IFC has dedicated significant attention to this aspect of the operation of the Fund providing, in principle, acceptable compliance with the EIB’s environmental and social standards. Amundi’s ESG Policy also reflects the IFC List of Excluded Activities and Amundi Exclusion Policy, being in line with EIB excluded activities.

Environmental Assessment

The Fund’s proposed investment strategy is to purchase green bonds from financial institutions (“FIs”) in emerging markets (“EMs”) as a way to create the necessary market demand for green bonds issuance in these countries. The fund’s operational guidelines will provide for environmental and social due diligence of all projects, according to guidelines acceptable to the EIB.

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 CO₂/year absolute (gross) or 20,000 tons CO₂/year relative (net) – both increases and savings.
The Fund will purchase Green Bonds issued in accordance with the Green Bond Principles (GBP). The GBP is a voluntary set of guidelines that promote transparency, require disclosure of use of proceeds and recommend issuance processes that ensure the quality of a Green Bond. There are four core components to the Green Bond Principles that are essential to the integrity and development of the Green Bond market:

- **Utilisation of Proceeds** - projects associated with the Green Bond should be appropriately described in the legal documentation for the security. All designated green projects should provide clear environmental benefits, which are assessed and quantified by the issuer.
- **Process for Project Evaluation and Selection** – the process for project evaluation should be clearly communicated to investors, including: the environmental sustainability objectives; the determination of how the projects fit within eligible green projects categories; the eligibility criteria, exclusion criteria and any other process applied to identify and manage environmental and social risks associated with the projects.
- **Management of Proceeds** – the proceeds should be tracked by the issuer in an appropriate manner and disclosed by the issuer in a formal internal process linked to the issuer’s lending and investment operations for green projects.
- **Reporting** - issuers should make information on the use of proceeds readily available to investors, to be renewed annually until full allocation, and as necessary thereafter. The information should include a list of the projects to which Green Bond proceeds have been allocated, a brief description of the projects and the amounts allocated, and their expected impact.

The GBP also lay out a number of green project categories, which include renewable energy, energy efficiency, pollution prevention and control, environmentally sustainable management of natural resources and land use, biodiversity conservation, clean transport, sustainable water and wastewater management, climate change adaptation, eco-efficiency and/or circular economy products and processes, and green buildings.

Amundi will adopt an environmental, social and governance policy (ESG Policy) for the Fund that was reviewed and edited jointly with the IFC, EBRD and EIB to ensure compliance with each institution’s E&S standards and policies. The investment guidelines exclude some “high-risk” assets from the list of eligible investments by the fund, reducing in this way several potential adverse impacts in terms of E&S standards: (i) nuclear plants; (ii) large dams or large hydropower projects associated with potentially significant environmental and social risks and impacts; and (iii) fossil-fuel extraction, transportation and power generation projects (including “clean coal projects”) and energy efficiency projects associated directly with coal or oil extraction, transportation and power generation.

The application of the EIB’s E&S standards are reflected in the due diligence procedures followed by the Fund for each bond issuer and for each Green Bond purchased for the portfolio. External, independent reviews of each Green Bond in the portfolio is a condition for meeting the Green Bond Principles and will include the environmental and social impact review of the projects financed by the bond.

The Fund will utilise and maintain an environmental and social management system designed to implement the ESG Policy and to monitor the portfolio investments relating to environmental and social sustainability ("ESMS"). As part of the ESMS, the Portfolio Manager will designate at all times a person responsible for oversight of ESG Policy implementation.
This person will be part of the risk and compliance team and will be functionally independent from the portfolio management team.

Social Assessment, where applicable

The fund's operational guidelines will provide for environmental and social due diligence of all bond issuers and all green bonds purchased by the Fund and, according to E&S guidelines acceptable to the EIB.

Besides the competences shown by the fund to assess and ensure compliance with the performance of social assessment (including Public Consultation and Stakeholder Engagement and Other Environmental and Social Aspects), the Fund shall also be required to provide annual project progress reports, in order to closely evaluate the execution of the fund's operational guidelines.

Conclusions and Recommendations

Overall, the environmental and social impact of this operation is expected to be positive given that the green bonds issued in emerging markets are expected to have significant positive environmental and social externalities, namely in terms reduction of CO₂ emissions, and also in terms of job creation.

The institutional capacity of the Promoter to manage the environmental and social issues is considered adequate and therefore, subject to the conditions mentioned above, the Project is acceptable to the Bank in environmental and social terms.

Nevertheless, the Fund should develop and maintain a database describing the environmental impacts generated by the green bonds issued in the emerging markets, and all information associated with the green bonds must be made available to EIB. In order to ensure that E&S standards are fulfilled, the Fund shall also be required to provide annual progress reports in order to closely evaluate its operation.