

Public

Environmental and Social Data Sheet

Overview

Project Name:	BADIA IMPACT FUND II
Project Number:	20190074
Country:	Regional – Mediterranean
Project Description:	Follow-on venture capital fund targeting early-stage and fast growing innovation companies.
EIA required:	no
Project included in Carbon Footprint Exercise ¹ :	no

Environmental and Social Assessment

The proposed operation consists of an equity participation in Badia Impact Fund Squared, a venture capital fund-targeting tech growth stage technology companies operating in the healthcare, Fintech, transportation and logistics and e-Commerce sectors. Through its investees, the Fund will generate significant social impact on the local economies in terms of creating sustainable jobs, developing local skills and competencies, bringing much needed capital to start-ups and attracting other investors in the region and industry.

Silicon Badia's executive management team has set out Group AML and Compliance Guidelines in order to outline the relevant compliance processes and procedures of the Silicon Badia group and each of its funds under management including but not limited to policies regarding the combatting of anti-money laundering, corruption, and terrorist financing, as well as environmental and social management.

In accordance with the Bank's policy to ensure that the investments comply with the EU acquis in the field of environment, the Bank will require the Fund Manager to take all the requisite measures, notably by establishing a contractual obligation, to ensure that the environmental procedures carried out by the final beneficiaries (the investee companies) in which the Fund will invest, will comply with the relevant EU legislation, provided that it is in conformity with the relevant EU directives or the principles as well as with the EIB's environmental and social standards.

¹ Only projects that meet the scope of the Carbon Footprint Exercise, as defined in the EIB draft 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, 03/11/20

The main E&S risks and impacts of this investment relate to the capability of the Fund Manager to assess and ensure that the underlying operations at the investee companies are in accordance with the applicable EU E&S requirements, including compliance with EIB's list of excluded activities, host country laws and regulations and EIB E&S standards.

The Fund's ESG policy requires investees, among others, to periodically monitor and report on a set of Environmental, Social and Governance (ESG) compliance metrics, with a particular focus on corporate governance processes (board membership, decision making processes, use of board committees etc.), on social development impact strictly related to business performance (e.g. inclusion impact in low income segment business models, HR practices, job creation progress) and on any environmental impact related to investments conducted by the Fund.

If located in Europe, the project would not trigger the European Environmental Impact Assessment Directive because the activities do not fall under Annexes I or II of the EU Directive 2011/92/EC as amended, and would therefore not be subject to mandatory Environmental Impact Assessments.

The nature of the Group's business requires adherence to various internal investment management processes and procedures throughout the lifecycle of an investment transaction. At each step in the cycle, steps are taken by Management to assess an Investee's adherence with these Guidelines.

The Silicon Badia Group ESG policy was validated by the Bank for its investments in Badia Impact Fund I. The Fund managers will be working with investing Development Financial Institutions (DFIs) to further enhance the current ESG policy post initial closing. Those changes will be subject to the Bank's validation.

Conclusions and Recommendations

Most of the proposed investments will take place inside buildings at existing RDI facilities already being used for similar activities, and are not expected to have a significant environmental impact on the surroundings. On the contrary, some of the RDI projects are addressing specific environmental issues. Therefore, the RDI results will help among others to allow for a more efficient and reduced use of energy.

The Fund manager will integrate into its existing procedures the EIB E&S requirements, including its exclusion list, list of sensitive sectors and disclosure requirements regarding environmental and social information will also be integrated in the Fund's procedures.

With the above-mentioned conditions to be included in the Fund's legal documentation, the Fund is acceptable to the EIB in environmental and social terms.