

Public

Environmental and Social Data Sheet

Overview

Project Name:	BLUE ORCHARD RESILIENCE FUND
Project Number:	2019-0467
Country:	Regional - Africa Regional - Asia Regional - Latin America
Project Description:	The proposed operation consists of an equity participation of up to USD 25 m in BlueOrchard Resilience Fund, a private equity fund targeting 12 to 15 high growth insurance related companies which invest in and make use of technology and insuretec companies providing solutions to enhance adaptation and resilience to climate change.
EIA required:	no
Project included in Carbon Footprint Exercise ¹ :	no

Environmental and Social Assessment

Environmental Assessment

The proposed operation consists of an equity participation of up to USD 25 m in Blue Orchard InsuResilience Investment Equity Sub-Fund ("IIF" or the "Fund"), targeting climate change adaptation and resilience high growth innovative companies operating in the insurance industry. To reach this objective, the Fund will invest in both insurers that invest in and make use of technology and digital technology companies developing solutions for the insurance industry (so-called Insuretech). The Fund will target investments in key countries in Africa, Asia and Latin America.

Through its investees, the Fund is aiming to provide protective measures to some 50 m poor and vulnerable people from extreme weather events and natural catastrophes. Effective protection from the effects of extreme weather events and natural catastrophes provides economic and social benefits. Through its activities, the Fund will contribute directly and indirectly to several Sustainable Development Goals and most specifically SDG 8 (decent work and economic growth), SDG 10 (reduced inequalities) and SDG 13 (climate action).

¹ 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 CO₂e/year absolute (gross) or 20 000 tonnes CO₂e/year relative (net) – both increases and savings.

Luxembourg, 14 November 2019

The project can generate significant socio-economic benefits in particular as a result of further investments in companies which invest in and make use of technology and insuretec companies. The Fund will invest its funds in companies developing services for poor and vulnerable (defined by the Fund as a disposable income of less than USD 3 and USD 15 per day respectively) in emerging markets.

The proposed operation is fully in line with the Climate Action and Environment Facility (CAEF) is focused on climate action for mitigation and adaptation as well as environmental protection. This project is therefore directly contributing to the climate objectives of the facility. It is also in line with the regional Multiannual Indicative Programme 2014-2020 for Asia, which lists climate action as one of the main strategic objectives for EU's relationship with the region.

Lastly, improving resilience to climate is a key aspect of most developing countries national plans and is frequently included in their Nationally Determined Contributions (NDC) under the Paris Agreement. The Fund's strategy is strongly aligned with the adaptation pathway goals of the Paris Agreement and supports actions under developing countries' Nationally Determined Contributions ("NDCs").

By nature of its activities, the Fund is expected to have strong positive environmental and social impacts and may also have positive impacts on climate change as some foreseen investments will support both adaptation and mitigation. The Bank analysed the expected portfolio and sectors of investment and established the applicable EIB requirements, including (i) the EIB Exclusion List; (ii) applicable national environmental and social laws and regulations; (iii) EIB Environmental and Social Principles and Standards.

The Fund manager will be required to ensure compliance of the investments with the EIB Excluded list of Activities, the EIB E&S Standards and core E&S requirements, the E&S national laws and regulations as well as any international conventions to which the host countries in which the investments are taking place are party to.

The mitigation of key risks and impacts derive 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 operate an appropriate environmental and social management system (ESMS).

The Fund's board seat allows the team to improve corporate governance at investees while also focusing on their strategy, the build out of product capabilities, process improvement and more transparency. In each investment, the Fund plans to add value by helping the company incorporate climate risk into its current technology and solutions offerings.

The Fund and its investees benefit from a EUR 17 m Technical Assistance Facility ("TAF") funded by the German Government. The German Federal Ministry for Economic Cooperation and Development (BMZ) has provided a Technical Assistance Facility of EUR 11 m to ensure the investees reach vulnerable populations and to help them build resilience to climate change. It also granted a premium support facility of EUR 6 m to support innovative insurance products. Leading consulting firms, such as Celsius Pro, with strong, long-standing experience in developing countries, implement the technical assistance.

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Given the size and nature of the investments to be made through the Fund, the Fund's environmental and social risks and impacts are expected to be minimal. However, by financing SMEs working in certain sectors such as agriculture or agricultural services, there may be unintended adverse impacts on local communities and the environment. The ESMS will have a rigorous environmental and social screening process and an assessment, monitoring and evaluation process for every prospective investment to be undertaken including the application of a tested and established tangible positive impact metrics tool.

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 investees as appropriate and the performance of underlying projects/investee companies will be monitored against these targets.

The Fund Manager will submit a periodic report to the EIB using a monitoring and evaluation tool with agreed indicators satisfactory to the EIB.

Conclusions and Recommendations

The Fund Manager will be required to ensure compliance of all underlying investments with the EIB Excluded List of activities, the EIB E&S Standards and core E&S requirements, as well as E&S national laws and regulations as well as any international conventions ratified by the host countries in which the investment is taking place.

The Fund Manager will

- ☐ Review, update and enhance its existing ESMS to be in line with international good practice and EIB E&S Standards 2013 as well as include a Fund-level grievance mechanism to the satisfaction of the EIB;
- ☐ Appoint a dedicated senior ESG officer into the core team to support its investment decision-making process and monitoring activities for the Fund;
- ☐ Commit to monitor and evaluate the economic, social, environment and climate impacts of the portfolio companies invested in, applying agreed impact metrics tools and report annually to the Bank

Given the innovative 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-mentioned conditions in place the Fund is acceptable for financing in environmental and social terms.