

Luxembourg, 28/03/2023

Environmental and Social Data Sheet¹

Overview

Project Name:	<i>BALTCAP INFRASTRUCTURE FUND II</i>	
Project Number:	<i>2022-0573</i>	
Country:	<i>EU/EFTA – Mainly Baltics and Poland</i>	
Project Description:	<i>Equity fund targeting energy efficiency, renewable energy and other sectors such as municipal social infrastructure, transport and digital.</i>	
EIA required:	Some investments may require an EIA	
Invest EU sustainability proofing required		no
Project included in Carbon Footprint Exercise ² :		no

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

Environmental and Social Assessment

The project concerns the participation of the EIF in Baltcap Infrastructure Fund II. The Fund will invest in projects focused on energy efficiency (40% of the investment strategy), renewable energy (40%) and opportunistically on other sectors such as social infrastructure, transport and digital (20%). As far as energy efficiency is concerned, the Fund will target primarily projects in the street lighting and renovation of existing public buildings. Concerning renewable energy, the Fund will invest primarily in wind, solar and electricity distribution networks, and potentially other technologies such as biomass, biogas and hydrogen. Regarding social infrastructure, transport and digital, the Fund will seek projects in the fields of education, public transport, elderly care and municipal infrastructure.

In terms of geographical coverage, the Fund will invest in the Baltic countries (80%) and Poland (20%).

Environmental Assessment

A significant portion of the investments will generate environmental benefits and all fund investments are expected to have limited negative social or environmental impacts.

Some of the Fund's underlying infrastructure investments (e.g. the utility scale renewable energy projects) in the EU will fall under Annex I or II of EIA Directive 2011/92/EU, requiring a full Environmental Impact Assessment including public consultation or screening by the national competent authority on the basis of Annex III of the same Directive to determine the need for a full EIA. If an underlying investment is subject to an EIA, the fund manager will be required to publish the Environmental and Social Impact Study (or a link) on its website for access by stakeholders.

¹ The information contained in the document reflects the requirement related to the environmental, social and climate information to be provided to Investment Committee as required by the Invest EU Regulation and it represents the equivalent of the information required in the template of the InvestEU sustainability proofing summary

² 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, 28/03/2023

The fund manager follows the E&S aspects of its investments as part of its project due diligence process, during which it will confirm that the project incorporates all mitigating measures recommended as a result of the EIA.

The fund manager will be required to verify that none of the schemes has a significant negative impact on any site of nature conservation importance, including sites protected under the "Habitats" and "Birds" Directives (92/43/EEC and 2009/147/EC respectively) and the associated Natura 2000 network, Water Framework Directive (2000/60/EC), national legislation and international agreements. If in the reasonable view of the fund manager an investment has the potential to significantly affect sites of nature conservation importance, it shall ensure that an appropriate assessment is carried out for the potentially affected sites, and obtain written confirmation from the competent authority, as defined in the relevant EU Directives, or an equivalent assessment satisfactory to the EIF that the investment does not have a significant negative impact on any protected site.

Climate Assessment

The investments in renewable energy, energy efficiency and clean mobility (totalling 80% of the Fund's commitments) will contribute to mitigating climate change. The Fund has been assessed for Paris alignment and is considered to be aligned both against low carbon and resilience goals and against the policies set out in the Climate Bank Roadmap. In accordance with the EIBG requirements³, the Fund will ensure Paris Alignment of all its investments, as part of the Side Letter with EIF.

Social Assessment

The ESMS of the Fund will include a Human Rights Policy and a Code of Ethics, rejecting the use of any form of forced or compulsory labour, applicable inter alia to the supply chain of the underlined solar PV projects, in compliance with the applicable provisions of the relevant EIBG E&S standards (including Standard 8 – Labour), the national laws and the principles and standards of ILO conventions (in particular prohibition of child or bonded labour, non-discrimination and equal opportunity of employment, occupational health and safety).

The Fund will be required to undertake reasonable efforts to assess and address the risks of forced labour in the supply chain. This will include, on a reasonable effort basis, enhanced due diligence, commensurate with the capacity and leverage of the developers regarding labour issues in the supply chain (supply chain mapping and/or declarations from the supplier, per project) ensuring that appropriate contractual provisions are cascaded to contractors/suppliers of the sub projects.

Public Consultation and Stakeholder Engagement

Where required by EU Member States' laws and regulations, the fund manager shall ensure that a consultation process with relevant stakeholders takes place and that an appropriate grievance mechanism is in place, including the development of a communication mechanism with external stakeholders as part of its Grievance Redress Mechanism for the underlying investments. The fund manager will ensure that a grievance mechanism at Fund level is also in place.

Other Environmental and Social Aspects

With the expected additions, the fund manager will have a team with adequate experience in environmental, social and climate matters, and a mature set of environmental and social investment policies and procedures developed over time..

The ESG policies and procedures are incorporated into the overall Quality Management system of the Fund. The system is considered adequate for the sectors and geographies in which the Fund is investing. The fund manager is committed to improving its current systems and processes and therefore has undertaken to create a separate Environmental Social Management system (ESMS) to integrate all existing ESG procedures under a single specific system. The current ESG policies

³ EIB Group Climate Bank Roadmap 2021-2025



Luxembourg, 28/03/2023

and procedures in the ESMS will also be enhanced to ensure compliance with the EIBG requirements, notably to include the excluded activities list, transparency requirements and a grievance mechanism.

A senior sustainability manager of Baltcap will have ultimate responsibility for the ESMS, and for its adequate dissemination to and application by the investment team throughout the investment cycle.

The legal documentation to be concluded between the Fund and the EIF will include an obligation on the Fund to ensure that all projects are in compliance with national and European legislation (where applicable), as well as the EIBG's E&S standards and relevant IEU sustainability proofing requirements. The Fund will not be allowed to invest in activities marked as 'Not Supported' in the EIB Climate Bank Roadmap 2021-2025.

The Fund is classified as an Article 8 compliant Fund under the Sustainable Finance Disclosure Regulation (SFDR).

EIB Paris Alignment for Counterparties (PATH) Framework

The Fund manager's parent company has more than EUR 500 million of assets under management. The fund manager is therefore in scope of and screened into the PATH framework. Hence, the EIF will require the fund manager to report – at the latest 12 months after signature – in line with the TCFD recommendations, including in particular information in relation to transition and physical climate risk.

Conclusions and Recommendations

During appraisal, it has been verified that the fund manager has relevant capacity and expertise, has understood the EIBG E&S requirements and will be willing and capable to implement them. Although the fund manager has adequate ESG procedures integrated in the overall quality management system of this Fund, it will nonetheless set up a stand-alone ESMS based on the existing adequate procedures as part of its continuous commitment to improve its systems and procedures. The fund manager has designated an environmental responsible, who oversees all the environmental and social activity aspects.

Conditions for signature

1. The Fund will further align its ESMS to EIBG requirements, including on excluded activities, public disclosure, forced labour mitigation and supply chain due diligence and biomass sustainability requirements.

Undertakings:

2. The Fund will reinforce its ESG capabilities with the addition of a new team member with specialist knowledge of ESG.
3. The Fund will report – at the latest 12 months after signature – in line with the TCFD recommendations, including in particular information in relation to transition and physical climate risk.

In view of the above findings and conditions, the operation is deemed satisfactory from an environmental and social compliance perspective.