



Luxembourg, 16/11/2023

## Environmental and Social Data Sheet<sup>1</sup>

### Overview

Project Name:	ZENCAP EUROPEAN SUSTAINABLE TRANSITION II	
Project Number:	2023-0466	
Country:	<i>Regional - EU countries</i>	
Project Description:	Investment Fund targeting Energy, Sustainable Transport, and ICT assets.	
EIA required:	yes (potentially for some investments)	
Invest EU sustainability proofing required:	Yes	
Project included in Carbon Footprint Exercise <sup>2</sup> :	No	

### Environmental and Social Assessment

#### Environmental Assessment

The operation concerns the participation of the EIF in the Zencap Energy Sustainable Transition II (ZEST II) Fund. ZEST II will seek to pursue investments in the renewable energy, energy efficiency, e-mobility and ICT/ Data Centre sectors. In terms of geographical coverage, the Fund will have a mandate to invest in all EU 27 member states, with the possibility for the investee companies to invest in project in other OECD Countries outside EU.

The fund manager (FM) has put in place an ESMS that is in line with the Bank's environmental and social requirements, as set out in EIB E&S Standard 11. The FM ESG team is led by the Head of ESG who manages a team of three individuals. The ESG team is responsible for the E&S due diligence, monitoring and reporting of the underlying investments throughout the investment cycle. The capacity of the team to assess and monitor E&S matters is considered adequate.

The FM intends to apply to the NZAM (Net Zero Asset Managers) Initiative and for the French label "Greenfin" in 2023. The Fund is expected to comply with Article 9 of the SFDR.

The FM manages more than EUR 500m. Hence, and in line with the EIBG Path Framework requirements, it will be contractually required to disclose in line with the TCFD<sup>3</sup> recommendations within 12 months of the Fund closing.

A significant portion of the investments will generate environmental benefits in terms of reduction of air pollutants and GHG emissions, ultimately helping to mitigate climate change.

<sup>1</sup> The information contained in the document reflects the requirement related to the environmental, social and climate information to be provided to the 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.

<sup>2</sup> 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 CO<sub>2</sub>e/year absolute (gross) or 20,000 tonnes CO<sub>2</sub>e/year relative (net) – both increases and savings.

<sup>3</sup> Task Force on Climate-Related Financial Disclosures | TCFD) (fsb-tcfid.org)



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The investments targeted by the operation are expected to have limited social and environmental impacts, provided that all mitigation measures are implemented.

The Fund's underlying investments in the EU will fall under Annex I or II of EIA Directive 2011/92/EU, requiring an Environmental Impact Assessment (EIA) 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 an EIA. If an underlying investment is subject to an EIA, the fund manager is required to store and keep relevant project documents providing evidence of compliance with the EIA Directive and national environmental regulations (such as EIA screening decisions, environmental studies, environmental monitoring reports or equivalent documents), and shall upon request promptly deliver such documents to the Bank. The fund manager will be required to publish the EIA on its website or provide a website link to the location where the EIA is published. The fund manager will confirm that the project incorporates all mitigating measures stated in 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. If an underlying investment is subject to an E(S)IA or biodiversity assessment, the fund manager will be required to publish the Environmental and Social Impact Study (or a link) on its website for access by stakeholders.

The Fund will ensure that all projects are in compliance with national and European legislation (where applicable), as well as the EIB's E&S standards and relevant Invest EU sustainability proofing requirements. The Fund is not allowed to invest in activities marked as 'Not Supported' in the EIB Climate Bank Roadmap 2021-2025.

## **Social Assessment**

There are no material issues identified at this stage in relation to social aspects in the expected pipeline. However, the ESMS will duly define the policies and procedures related to social aspects that will apply to the investments, among others, impacts to vulnerable groups and indigenous peoples. The ESMS shall be aligned with the EIB E&S standards.

Furthermore, the ESMS will also 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, 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.

The Manager will be required to reinforce its ESMS tools to ensure it includes robust social criteria and procedures to address and mitigate any impact to local and indigenous communities and that these are contractually required from the investee companies.



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## **Public Consultation and Stakeholder Engagement**

As 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 the Grievance Redress Mechanism for the underlying investments. The Fund Manager will ensure that a grievance mechanism at Fund level is also in place. Both mechanisms are currently included in the ESMS.

## **Conclusions and Recommendations**

During appraisal it has been verified that the Fund Manager has fully understood the EIF E&S requirements and will be willing and capable to fully implement them. The fund manager has set up an Environmental and Social Management System (ESMS) to implement these requirements and has designated an ESG responsible and a dedicated team, who will oversee all the environmental and social activity aspects. The Fund Manager will be required to reinforce its ESMS to address due diligence of the supply chain and social impacts to local and indigenous communities. The Fund will undertake to report in line with the TCFD recommendations within 12 months of the Fund closing.

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