



Luxembourg, 18.11.2022

Environmental and Social Data Sheet¹

Overview

Project Name:	Pearl Infrastructure Capital II
Project Number:	2022-0516
Country:	Regional - EU countries
Project Description:	Greenfield Fund targeting Energy transition (dispatchable heat and power, biogas, geothermal) and circular economy (waste management and recycling).

EIA required: Some investments may require an EIA

Invest EU sustainability proofing required no

Project included in Carbon Footprint Exercise²: no

Environmental and Social Assessment

Environmental Assessment

The operation will support renewable energy, climate action, CO₂ emission reductions and circular economy. The Fund has a pan-European focus, although it is largely focused on investments in France, Germany and Central Europe.

The investments financed will further contribute to EU priority objectives and will support the 2030 Climate Action objectives, as set out in the respective National Energy and Climate Plans (NECPs). The Fund also contributes to the EU policy objective in the waste and circular economy sectors (as laid down in various EU Directives for waste and in the EU Circular Economy Action Plan 2.0) and thereby to a more resource resilient Europe. It will also contribute to the objectives set forth in RePowerEU of doubling the EU ambition for biomethane by 2030.

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

Biofuels, bioliquids and biomass fuels used for the Fund's operations will be sustainably produced and will comply with the EU sustainability criteria of the revised Directive (EU) 2018/2001 and EU Taxonomy Delegated Act. Furthermore, the Fund commits to adhere to the

¹ 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.

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.



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waste hierarchy principle, e.g. to only incinerate waste wood which cannot be recycled, as well as not to use wood classified as hazardous waste.

Some of the projects to be financed by the Fund are expected to fall under Annex II of the Environmental Impact Assessment (EIA) Directive 2014/52/EU amending Directive 2011/92/EU. In these cases, the national competent authority would determine the need for an EIA, based on Annex III of the same Directive. The EIF will require the Fund manager to act according to the provisions of the Directive as transposed into national law. Should the competent authority screen in a project, the Fund manager will be required to ensure that the EIA studies have been made publicly available as part of the EIA process.

The Fund manager will be required to verify that none of the projects 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 a project 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 project will not have a significant negative impact on any protected site. If an underlying investment is subject to an EIA or biodiversity assessment, the Fund manager will be required to publish the Environmental Impact Study (or a link) on its website for access by stakeholders.

Climate Assessment

- **Climate change mitigation:** The investments in energy efficiency, renewable energy and circular economy, and those in other subsectors, will contribute to mitigating climate change.
- **Climate Neutrality:** The Fund has been assessed for Paris alignment and is considered to be aligned both against low carbon and resilience goals against the policies set out in the EIB Group's Climate Bank Roadmap. The Fund will ensure Paris alignment of all its investments, as part of the Side Letter with the EIF.

EIB Paris alignment for Counterparties (PATH) Framework

The Fund manager is in scope of and screened in the PATH framework. Hence, the EIF will require the Fund manager to report – at the latest 12 months after signature – in line with the TCFD³ recommendations, including in relation to transition and physical climate risk.

Other Environmental and Social Aspects

The Fund is a dedicated impact fund, and is in the process of applying for SFDR Article 9⁴ categorisation and the GreenFin label.

During appraisal, it has been verified that the Fund manager has 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 environmental responsible, who will oversee all the environmental and social activity aspects of the Fund's investments.

³ Task Force on Climate-Related Financial Disclosures

⁴ under the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (Sustainable Finance Disclosure Regulation or SFDR)



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The ESMS includes processes to ensure adequate identification, assessment, mitigation and monitoring of environmental, climate and social (ECS) risks. In particular, the Fund manager uses a scoring system to assess environmental, social and governance capabilities of its investments.

However, some parts of the ESMS are still incomplete or not in line with EIF requirements, notably the development of a communication mechanism for external stakeholders as part of its Grievance Redress Mechanism applicable to the entire Fund portfolio, and the application of EU taxonomy criteria on its potential investments. The EIF will require the Fund manager to reinforce its ESMS on these points prior to contract signature.

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 EIB E&S standards and relevant IEU sustainability proofing requirements.

The Fund is not allowed to invest in activities deemed as high E&S risk such as waste incineration and other forms of thermal treatment of waste, landfilling of waste and hazardous waste collection, treatment and disposal.

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

Conclusions and Recommendations

In order to strengthen the coordination and accountability aspects the Fund will undertake to:

- Reinforce and improve its ESMS tools, in particular regarding the development of a communication mechanism for external stakeholders as part of its Grievance Redress Mechanism applicable to the entire Fund portfolio, and the application of EU taxonomy criteria on its potential investments;
- Report in line with the TCFD recommendations, within 12 months of the Fund closing.
- The Fund will implement, for each investment, best available techniques to prevent methane leaks from biogas production units, a monitoring plan, propose mitigation measures to minimise those leaks, and operate according to the RED2 Directive and EU Taxonomy requirements.