

Luxembourg, 28.03.2023

## Environmental and Social Data Sheet

### Overview

Project Name:	<i>ROCKTON SUSTAINABLE AVIATION FUND</i>	
Project Number:	<i>2022-0732</i>	
Country:	<i>Regional - EU countries</i>	
Project Description:	<i>Greenfield Fund targeting decarbonisation and climate mitigation technologies in the aviation sector.</i>	
EIA required:	<i>some investments may require an EIA</i>	
Invest EU sustainability proofing required :	no	
Project included in Carbon Footprint Exercise <sup>1</sup> :	no	

### Environmental and Social Assessment

#### Environmental Assessment

Rockton Sustainable Aviation Fund) (the “Fund” or “RSAF”) is a climate-focused infrastructure fund dedicated to the decarbonisation of the aviation sector.

As demand for air travel continues to grow, the decarbonization of aviation is key to achieving climate goals by mid-century. The Project will focus on the readily available and emerging solutions to support the aviation industry commitments to decarbonize and accelerate their deployment in the next decade. The Fund will target investments across the entire aviation value chain to deploy readily available technological alternatives to conventionally powered aircraft (low and zero-emissions technologies and aviation assets, electric propulsion) and associated infrastructure facilities, technological improvements to the aircraft system and any improvements in aviation operations and infrastructure and drop-in fossil fuel alternatives, also known as Sustainable aviation fuels (SAFs).

Sustainable aviation fuels (SAFs<sup>2</sup>) is the term used by the aviation industry to describe a set of fuels used to power aircraft that has similar properties to conventional jet fuel and that can be sustainably produced with a smaller carbon footprint on a life-cycle basis (thanks notably to electricity produced from renewable energy sources). SAFs are already in use – albeit in extremely small volumes –while new technologies being in R&D. Two main approaches are currently being developed – Power-to-liquid (PtL) to produce so called synthetic fuel alternatives, and the production of biofuels with various types of biomass as a feedstock.

The operation is aligned with the Bank’s COP objectives on Environmental Sustainability and Climate Action since, due to the Fund strategy, all investments will fit EIB Group Paris Alignment and Climate Bank Road Map requirements as well as the applicable EU framework

<sup>1</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>2</sup> In the context of international regulation developed under the International Civil Aviation Organization (ICAO), SAF is defined more precisely as a renewable or waste-derived aviation fuel that meets a set of Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) Sustainability Criteria, including a GHG emission reduction criterion.



(including EU taxonomy and the new RE Directive 2018/2001 provisions). It further contributes to the security of energy supply, environment, and climate change mitigation.

The project is in line with the air transport industry's long-term technology roadmap to improve drastically fuel efficiency and carbon footprint of aircrafts and represents a step towards the more ambitious target of zero emission flights by 2050. The project is therefore expected to have positive environmental externalities.

Through the introduction of new aviation assets and technologies, streamlined operations, decarbonized supply chain and more efficient infrastructure, the project is expected to have positive environmental impact in terms of safety, energy savings, air pollution, noise and CO<sub>2</sub> emissions. The maintenance of the new assets will be mostly carried out in existing facilities.

The environmental and social impact of most of these investments – if appropriately designed and operated – is expected to be limited, site-specific, and largely reversible with no significant negative residual effects after the implementation of mitigation measures.

It is expected that a full EIA will be required for some but not all investments. Even some R&D equipment (e.g. test benches for engines, turbines, etc..) fall under the Annex II 11 (f) of the EIA directive. Regardless, the Fund Manager will be required to perform an assessment of environmental and social risks for each project and follow through the environmental and social performance during project implementation. For investments subject to an Environmental and Social Impact Assessment (ESIA) or biodiversity assessment as defined by national legislation, the Fund Manager shall ensure that the Environmental and Social Impact Assessment or the biodiversity assessment is carried out and that the public consultation is undertaken in accordance with national legislation and in line with the EIB Standard 10 – Stakeholder Engagement. The Fund would also carry out such an assessment if the investment required one and if it were located in the EU in accordance with EIA Directive 2014/52/EU amending Directive 2011/92/EU.

EIF will require the Fund manager to act according to the provisions of the aforementioned Directive as transposed into the national law. Should the relevant competent authority screen in an investment project, the Fund manager will be required to ensure that the EIA studies have been made publicly available as part of the EIA process.

### **Climate Assessment**

- **Climate change mitigation and adaptation:** According to the preliminary pipeline and the strategy of the Fund, 100% of the Fund's investments are expected to contribute to climate action mitigation. The projects funded by the Fund will address directly climate mitigation by supporting electrification of aviation assets and energy efficiency of aviation ecosystem, reducing greenhouse gas emissions and indirectly by supporting renewable energy as well as adaptation .
- **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 Climate Bank Roadmap. The Fund will ensure Paris Alignment of all its investments, as part of the Side Letter with EIF.

### **EIB Paris Alignment for Counterparties (PATH) Framework**

The Fund manager has less than 500 MEUR of assets under management. As such, the Fund manager is in not scope of and screened out the PATH framework.

### **Other Environmental and Social Aspects**

E&S aspects are well integrated in the Fund's investment process, whereby these aspects are reviewed in tandem with other investment documents at the Investment Committee.

The Fund intends to classify the current operation as an Article 9 SFDR fund.



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 is about to designate an environmental and social responsible, who will oversee all the environmental and social activities aspects.

The Fund Manager will ensure that, at portfolio level, the ESMS will be in line with EIB principles and requirements, which will define, amongst others, the policies and procedures that will apply to the investments, as well as the organisational arrangements that will ensure their effective implementation, including monitoring and reporting, external communication mechanism, and the implementation of a grievance mechanism.

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.

The legal documentation to be concluded between the fund and the EIF will include an obligation on the fund to ensure that all projects (and all acquired assets) and all investees are in compliance with national and European legislation (where applicable), as well as the EIB excluded and restricted list of activities, the EIB's Environmental & Social (E&S) standards and relevant IEU sustainability proofing requirements.

There are no material issues identified 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.

The Fund seeks to be involved in operations that sustainably foster business growth and economic development, thereby helping to stimulate long-term employment. Depending on the the SAFs production technology implemented in the projects, SAFs can also generate extra revenue for farmers (in particular during off-seasons) and secure environmental benefits for farms. Environmental services contemplated include erosions control from biomass crops, improved water quality and quantity, increased biodiversity and waste reduction.

## **Public Consultation and Stakeholder Engagement**

Where legally required, the Fund Manager will ensure that a consultation process with stakeholders takes place and that an appropriate grievance mechanism is available to all its employees and contractors, for the underlying investments. The Fund Manager will also set up a grievance mechanism at Fund level.

## **EIB Carbon footprint Exercise**

The project is not included in the EIB carbon footprint exercise. As usual in funds, the net emission savings cannot be reliably estimated at this stage, as the expected portfolio of the Fund's Investments is still under development and there is not sufficient data. However, during the investment period the Fund will monitor and report CO<sub>2</sub> savings when reliable data becomes available.

## **Conclusions and Recommendations**

The Bank's environmental and social requirements have been shared with the Fund Manager and, during appraisal, it has been verified that the Fund Manager is willing and capable to fully implement them at Fund level but also at portfolio company level. The Fund Manager will enhance its ESMS in order to fully reflect the requirements spelled out above for due diligence, monitoring and reporting processes and procedures as well as enhancement of relevant environment, climate and social impact indicators;



In order to complement its ESMS and improve the management and monitoring of RSAF's ECS performance, the Fund Manager will be required to:

- Develop and maintain organisational capacity and competency for implementing the ESMS with clearly defined roles and responsibilities.
- Incorporate the 2022 EIB's environmental and social requirements to the satisfaction of the Bank, including the development of a communication mechanism for external stakeholders as part of its Grievance Mechanism and update its existing ESMS, including the E&S Policy, to be in line with the EIB List of Excluded Activities.
- Reinforce and improve its ESMS tools, in particular with regards to EU Taxonomy 'do no significant harm' criteria and 'minimum social safeguards'
- Through the implementation of the ESMS, the Fund manager shall ensure that investees and operating companies managing the assets and any new associated facilities built for the purpose of operating or maintaining assets part of the projects comply with the applicable EU environmental law and the EIB environmental and social standards. These companies shall also have in place an appropriate environmental management system, aiming at decarbonizing their supply chains.
- Submit an adequate ECS training plan for internal staff and portfolio companies;
- Disclose its E&S Policy and Summary ESMS on its website
- Prepare and submit to the Bank, on an annual basis, an aggregated E&S performance report that will include an update on its ESMS procedures as well as the E&S performance of its sub-projects. The Fund Manager shall also ensure immediate reporting to the EIB of any serious incidents, such as fatalities or breaches of law, in any of its activities or sub-projects. an ECS performance report on RSAF and on the underlying sub-projects in which it has invested; These reports will be in line with the TCFD<sup>3</sup> recommendations, within 12 months of the Fund closing;
- For investments subject to an environmental impact assessment (EIA) as defined by national legislation, the Fund Manager will be required to ensure that an Environmental and Social Impact Assessment (ESIA) is carried out and that public consultation is undertaken in accordance with the national and EU legislation and confirm to the EIB that the Investment incorporates relevant mitigating measures recommended as a result of the EIA.
- For investments using biomass, the Fund Manager shall ensure that the projects exclusively use sustainable biomass complying with the respective EU Directives and forest Regulations, and excluding biomass coming from irrigated plantations or from areas with natural forest conversion and logging of primary moist and tropical forests.
- The Fund Manager shall be required to ensure that if any assets are scrapped, the scrapping be carried out by entities certified for this activity.

With these contractual conditions in place, the operation is acceptable for EIB financing in environmental and social terms.

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<sup>3</sup> Task Force on Climate-Related Financial Disclosures