

Luxembourg, 17.07.2024

## Environmental and Social Data Sheet

### Overview

Project Name:	LEAPFROG ASIA AND AFRICA CLIMATE TRANSITION FUND
Project Number:	2023-0725
Country:	Regional – Asia, Regional - Africa
Project Description:	Equity participation in a growth equity fund focusing on companies supporting climate action and environmental sustainability solutions in Asia and Africa and supporting the Climate and Energy pillar of the Global Gateway strategy.
EIA required:	Some investments may require an environmental and social impact assessment.
Project included in Carbon Footprint Exercise <sup>1</sup> :	no

### Environmental and Social Assessment

The operation consists of an equity investment into a fund that will finance sustainable mobility, renewable energy (mainly based on solar PV and onshore wind technologies) and energy efficiency (including commercial and industrial C&I) for businesses and institutions, as well as sustainable cold chain solutions for food and Agri products and clean cooking. On an opportunistic basis, the Fund could also invest in circular economy (recycling), water treatment and sanitation, and battery energy storage. The investments are expected to be carried out in Asia (with a focus on India and Southeast Asia) and Africa (with a focus on Nigeria, Kenya, Ghana, and the Republic of South Africa).

#### Environmental Assessment

The key E&S risks and impacts of this project derive from the Fund Manager's capacity to identify, assess and manage potential environmental and social risks associated with its proposed investment activities. These risks typically include biodiversity, occupational health and safety, labour and working conditions, pollution prevention and stakeholder engagement.

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. Environmental impacts could arise from health and safety issues related to the inappropriate handling of batteries (notably at the time of disposal). Considerable e-waste (electronic and electrical waste) is expected to arise from the operation in five to ten years (average lifetime of the units and the appliances). To mitigate this risk, the fund is already committed to actively reducing its adverse environmental impact in this respect. The Bank has requested the fund to formulate a clear e-waste policy and management plan in line with industry best practice, and compliant with the EIB's environmental standard 2 concerning pollution prevention and abatement. The Bank will monitor the development and implementation of the e-waste management plan.

<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.



Luxembourg, 17.07.2024

The Fund will be required to screen and assess all sub-projects against the EIB List of Excluded activities, national E&S laws and the EIB Environmental and Social Standards.

It is expected that most of the investments will not require an Environmental and Social Impact Assessment (ESIA) under national legislations, nor would they fall under the scope of Annex II of the EIA Directive, if they were located in the EU. Regardless of this, as part of its overall investment appraisal process, the fund manager will perform environmental and social due diligence to ensure that potential risks and appropriate prevention, mitigation and compensation measures are identified through environmental and social impact assessments, including satisfactory and meaningful public consultation and participation, when relevant. The Fund will pass on relevant E&S conditions to the investee companies.

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

The Fund manager has more than EUR 500m of assets under management. As such, the Fund manager is in scope of and screened into the PATH framework. Hence, the Bank will require the Fund manager to report – 12 months after first closing at the latest – in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), including in particular information in relation to transition and physical climate risk.

### **Social Assessment, where applicable**

The EIB will ensure that the fund manager's social requirements include social assessment and development of a management plan for mitigation and remediation of social impacts (as applicable), compliance with national laws and the principles and standards of ILO conventions<sup>2</sup>, in particular prohibition of child or bonded labour, non-discrimination and equal opportunity of employment, occupational health and safety, as well as the relevant EIB standards.

The Fund has an ESMS in place, which includes 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 E&S standards of the Bank, the national laws and the principles and standards of ILO conventions.

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.

### **Public Consultation and Stakeholder Engagement**

The Fund will be required to include in its management system the requirement to establish an appropriate grievance redress mechanism ("GRM") at project level. The GRM is appropriate to the level of E&S impacts and risks of the underlying projects. It is designed to ensure that any individual or community who believes they are or might be adversely affected by a project is able to file a grievance or complaint using the grievance process. The Fund will also establish a grievance register at Fund level allowing stakeholders to submit feedback, concerns or complaints.

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

The Fund has an Environmental and Social Management System (ESMS) that is applicable to all the Fund Manager's investments. The ESMS includes a procedure for identifying, assessing

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<sup>2</sup> International Labour Organisation



Luxembourg, 17.07.2024

and managing the E&S risks and impacts associated with the Fund Manager's investments throughout the investment cycle. One of the partners is responsible for the overall implementation of the ESMS, supported by a dedicated E&S Manager who is responsible for E&S management across the organisation and supports the portfolio team on a day-to-day basis. The E&S Manager will be further supported by the Fund Manager's dedicated ESG team. The Fund Manager will ensure full adherence of the ESMS to EIB requirements prior to signature.

## Conclusions and Recommendations

The Fund Manager will:

- Incorporate the EIB's environmental and social requirements into its legal documentation to the satisfaction of the EIB, and will enhance its ESMS to incorporate the EIB's environmental and social requirements.
- Be required to make use of appropriately skilled and independent technical environmental and social experts to confirm compliance with the EIB Requirements.
- Establish at Fund level and implement a procedure for external communication allowing for receiving and reviewing inquiries or complaints from any interested party regarding ECS impacts and risks of the Fund's underlying operations.
- Make its e-waste policy and procedures official, passing them on to the investee companies and monitoring/reporting annually on the e-waste disposal and recycling activities undertaken, from collection to disposal/recycling centres, with statistics on volumes of e-waste processed.
- Use best efforts to ensure that the investments are screened for any labour issues in the supply chain, and cascade down similar requirements in its finance contracts.
- In addition to the ESG screening and due diligence embedded in the investment decision-making process, alignment of the investments with the ESG obligations (including the assessment of ESG risks and impact) are to be further reviewed by the impact team of the Fund Manager, as appropriate, before submission to the Climate Investment Committee meeting.
- Disclose its E&S Policy and Summary ESMS on its website.
- Provide regular updates on the Environmental and Social performance of its investments as part of the semi-annual reporting and through dedicated E&S subcommittee advisory sessions with the Limited Partners. The Manager will also include appropriate E&S conditions in its finance contracts with the borrowers.

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