

Environmental and Social Data Sheet

Overview

Project Name:	<i>COPENHAGEN INFRASTRUCTURE III</i>
Project Number:	<i>2017-442</i>
Country:	<i>Denmark</i>
Project Description:	<i>Infrastructure fund investing in large energy projects, with a focus on renewable energy. The fund has a broad geographic scope including Europe, North America as well as a small potential share of non-OECD countries.</i>
EIA required:	yes (for most of the investments)
Project included in Carbon Footprint Exercise ¹ :	no

Environmental and Social Assessment

The Fund Manager expects to create a diversified portfolio for the Fund with around 17 large investments. Most of these investments are already identified at the time of appraisal. The portfolio will focus on offshore and onshore wind farms. Further investments are foreseen in gas and electricity transmission infrastructures, biomass cogeneration/power plants, and PV power plants. Other energy infrastructure investment (CCGT, geothermal power generation etc.) is also possible but only to a limited extent. The vast majority of investments will be located in Northwestern Europe (EU, EFTA), Canada and USA. Limited investment may also be done in other OECD countries and beyond. No investment must be made in sectors or activities that are excluded for the Bank.

The Fund Manager is known to the Bank from a prior operation with similar investment focus. The Fund Manager will be required to ensure compliance of the investments with the EIB Excluded and Restricted Lists of activities, the EIB environmental and social (E&S) Standards and core E&S requirements as well as the E&S national laws and regulations. The Bank's core E&S requirements include, amongst others, compliance with EU EIA Directive, the EU Birds and Habitats Directives and sector-specific environmental Directives for projects located inside the EU. In countries outside the EU, the principles and standards of the EU Directives on environment should be followed (with the necessary procedural adaptations).

The Fund Manager has a formal Ethical policy in place which is in principle known from a preceding operation. It defines environmental and social objectives. Given the possibility of limited investments outside countries with a robust environmental and social governance, the Fund Manager has modified its Ethical policy in 2017 towards a reinforced due diligence in line with IFC standards and monitoring of E&S issues in such countries.

The Bank's and other investors' E&S requirements in combination with the Fund's Ethical Policy define the Fund's ESG requirements.

¹ Only projects that meet the scope of the Pilot Exercise, as defined in the EIB draft Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: above 100,000 tons CO₂e/year absolute (gross) or 20,000 tons CO₂e/year relative (net) – both increases and savings.

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The vast majority of the identified investments will undergo a full EIA process given their large size. Most of them are also located inside countries that are characterised by robust environmental and social governance, legislation systems, and institutional capacity. With regards to those few identified investments that are located outside countries with a robust E&S governance, the Fund Manager confirmed that these will be subject to a full EIA process under national legislation.

The mitigation of key risks and impacts derives from the Fund's capacity to identify and manage the potential E&S risks and impacts associated with the projects in the pipeline. Each and every project undergoes the following process prior to investment:

- 1) initial screening including screening against the EIB's List of Excluded Activities (and restricted list is applicable);
- 2) in-depth technical and legal due diligence and review against ESG requirements. Comprehensive E&S checklists are filled in on the basis of thorough Due Diligence reports and serve the Fund Manager as a formal compliance tool;
- 3) Any E&S issues are discussed at Investment committee prior to final decision.

The Fund Manager seeks to include E&S requirements as part of the contractor's obligation, when negotiating project contracts.

Post investment, projects are monitored by the Fund's Asset Management Team for compliance with the Fund's ESG requirements. Each investment is attributed to one Asset Manager. Again, checklists serve as compliance tool. Material ESG incidents are reported to the Fund's Investment Committee.

Compliance of the Fund with its ESG requirements is being monitored by the Fund Manager's Compliance Officer. On a quarterly basis the Fund manager prepares an aggregated Compliance report, with a section for each investment.

Climate Mitigation

The Fund is expected to contribute around 80% of its investment to climate mitigation/ renewable energy.

Conclusions and Recommendations

The Fund's procedures to ensure compliance with its ESG requirements appear acceptable in view of its specific project pipeline and geography. A translation of the Fund's procedures and requirements into a formal Environmental and Social Management System (ESMS), including the appointment of internal or external E&S experts supporting deal teams and asset management teams on a day to day basis, would be considered an improvement.

The Fund will incorporate EIB's environmental and social requirements into its legal documentation and ESG requirements, to the satisfaction of the Bank. As part of the Bank's core requirements, the Fund will appoint an Environmental and Social Manager, which shall be an experienced senior officer of the Manager having management responsibility, among other things, for ensuring proper operation and maintenance of the Environmental and Social Management System.

The Fund will, on a regular basis, prepare and submit to the Bank a Compliance report.

With these conditions in place, the Fund is considered acceptable for the Bank in environmental and social terms