

Environmental and Social Data Sheet

Overview

Project Name: DWS PAN-EUROPEAN INFRASTRUCTURE FUND III (PEIF3)
Project Number: 2019-0248
Country: Regional – Europe / EFTA
Project Description: Equity fund targeting investments in infrastructure assets and businesses predominantly in Europe.

EIA required: Multiple projects schemes, some may require an EIA

Project included in Carbon Footprint Exercise¹: No

Environmental and Social Assessment

Environmental Assessment

The Fund PAN-EUROPEAN INFRASTRUCTURE FUND III (PEIF 3) will invest in mature infrastructure assets and businesses within, amongst others, the following sub-sectors:

- Transportation projects focusing on the replacement of over-aged mobile assets (e.g. freight and passenger rail rolling stock) and the renewal of bus fleets and maritime vessels for public transport services contract, with more stringent emissions norms, thereby ensuring compliance with the latest environmental standards and facilitating the introduction of alternative fuel public transport services required by public transport authorities. Some investments in toll roads, airports, ports and other assets on the Ten-T network are also possible.
- Telecom projects, improving the relatively low broadband penetration in certain regions, as well as capacity expansion and integration between telecom towers, fibre networks and data centres.
- Energy and Utilities projects, such as storage, gas networks, waste to energy and industrial utilities.

The Fund will focus on medium sized infrastructure operating companies with the objective to implement capital expenditures, as well as to improve their operational efficiency (pure brownfield investments). Opportunistic greenfield projects will also be considered.

The Fund will focus on assets in EU countries (mainly Germany, Benelux, France, UK and Italy) as well as EFTA, EEA and OECD countries.

While some of the Fund's underlying investments will fall outside of the scope of EIA Directive some others may fall under Annex II of Directive 2014/52/EU amending the EIA Directive 2011/92/EU. For these investments, the relevant competent authorities shall decide upon the

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.

Luxembourg, 10 September 2019

requirement of a full EIA. Where an EIA is required, the Bank will request the Fund Manager to ensure that investee companies act according to the provisions of the aforementioned Directive as transposed into national law. Should the relevant competent authority screen in an investment project, the Fund manager shall deliver to the Bank a copy of the Non-Technical Summary (NTS) and the EIA, or provide a link to the website where the EIA is published.

Considering the type of projects to be funded (existing mature investments), the investments are not likely to have a significant negative environmental impact. Conversely, a majority of the investments are expected to have positive environmental impact through improved performance of the rail mode compared to other modes and the incorporation of new technologies that improve energy efficiency and reduce emissions (e.g. alternative fuel buses and cleaner vehicles, alternative fuel charging infrastructure)

During its own due diligence process, the Fund will conduct an in-depth analysis on each investment opportunity, including its environmental and social risks and impact. An environmental consultant may be engaged to review any environmental risk associated with the investment and the findings will be incorporated in the investment decision process. In order to enable this review, the Fund has developed an Environmental, Social and Corporate Governance (ESG) checklist that covers a large spectrum of risks, including social, environmental, health & safety and governance risks (e.g. fraud, bribery, sanctions and compliance), which are aligned with the Bank's Environmental and Social standards.

The Fund Manager has demonstrated a strong commitment to ESG performance in the course of deploying its two previous funds, one of them financed by the Bank. The Fund Manager has also assumed an active ownership of its portfolio companies requiring them to regularly report on ESG aspects and issues. The Fund is currently developing an Environment and Social Management System (ESMS), with the help of an external consultant. It is expected that this ESMS will define, amongst others, the policies and procedures that will apply to the investments, the organisational arrangements that will ensure their effective implementation, including monitoring and reporting, external communication mechanism, and the implementation of a grievance mechanism.

The Fund Manager will develop and maintain organisational capacity and competency for implementing the ESMS with clearly defined roles and responsibilities.

Climate Mitigation

Some of the projects funded by the Fund will address climate mitigation by supporting renewable energy and energy efficiency reducing greenhouse gas emissions. According to the existing pipeline, around 35% of the Fund's investments are expected to contribute to climate action mitigation.

Social Assessment, where applicable

At this point in time, no material issues in relation to this point are identifiable in the expected pipeline. However, the ESMS will duly define the policies and procedures related to social aspects that will apply to the investments.

Luxembourg, 10 September 2019

Public Consultation and Stakeholder Engagement

The Fund Manager will implement a consultation process with stakeholders where legally required and will provide an appropriate grievance mechanism that is available to all its employees and contractors.

Conclusions and Recommendations

During appraisal, it was verified that the Fund Manager understood the Bank's environmental and social requirements and is willing and capable to fully implement them at Fund level but also at portfolio company level.

The following loan disbursement conditions and undertakings will be included in the legal documentation:

Disbursement conditions

- The Bank's environmental and social requirements must be incorporated into the Fund's procedures through the Environmental and Social Management System (ESMS), to be implemented by the end of 2019 to the satisfaction of the Bank.

Undertakings

- The legal documentation to be concluded between the Fund and the Bank shall include an obligation on the Fund to ensure that all projects comply with national and European legislation (where applicable), as well as the Bank's Environmental and Social standards.
-
- The Fund Manager will develop and maintain organisational capacity and competency for implementing the ESMS with clearly defined roles and responsibilities.
- The Fund Manager will ensure regular (not less than annual) reporting to the EIB on the implementation of its ESMS, including its ESMS procedures as well as the of E&S performance of its sub-projects. The Fund Manager will 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.
- Should changes in the Fund's business supported by the EIB result in E&S risks that differ from those identified at the time of EIB's investment, the Fund is required to immediately notify the EIB and will be required to adjust its ESMS in a manner consistent with the E&S risk profile resulting from the new business activities.
- The Fund shall not invest in companies which do not comply with EIB environmental and social standards.
- For investments subject to an environmental impact assessment (EIA) as defined by national legislation the Fund Manager will be required to: (i) ensure that an Environmental and Social Impact Assessment (ESIA) is carried out and that public consultation is undertaken in accordance with national legislation and the EIA Directive, (ii) collect and publish the ESIA Study or – for investments within the EU – a non-technical summary (NTS) of the ESIA on the Manager's/Investee Company's website, or if otherwise agreed with EIB, send the ESIA or – for investments within

Luxembourg, 10 September 2019

the EU – the NTS to the EIB for publication in compliance with the EIB's Transparency Policy, (iii) retain on file a copy of the EIAS or NTS for a period of not less than six (6) years, (iv) upon request, provide a digital copy to the EIB, and (v) upon request, confirm to the EIB that the Investment incorporates relevant mitigating measures recommended as a result of the EIA.

Where relevant, the Fund Manager shall obtain written confirmation from the competent authority that the investment will not have any significant negative impact on sites of nature conservation importance, including sites protected under the "Habitats" and "Birds" Directives (92/43/EEC and 79/409/EEC as amended by the 2009/147/EC respectively) and the associated Natura 2000 network.

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