European Commission

InvestEU Programme: Guidance on social sustainability proofing of investment and financing operations

Final Report

Written by FINANCE FOR IMPACT
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The conduct of the study and the final recommendations thereon do not prejudge the final position of the Commission

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List of acronyms

AFD	Agence française de développement
CDC	Caisse des dépôts et consignation
CDP	Cassa Depositi e Prestiti SpA
CEB	Council of Europe Development Bank
DD	Due Diligence
DG CLIMA	Directorate-General for Climate Action
DG EMPL	Directorate-General for Employment, social affairs and inclusion
DG ENV	Directorate-General for the Environment
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECFIN	Directorate-General for Economic and Financial Affairs
EFSI	European Fund for Strategic Investment
EIB	European Investment Bank
EIF	European Investment Fund
ELTIA	Association of European Long-Term Investors
ESA	Environmental and Social Assessment
ESS	Environmental and Social Standard
EU	European Union
E&S	Environmental and Social
FI	Financial Intermediary
HBOR	Croatian Bank for Reconstruction and Development
HLTF	High-Level Task Force on Financing Social Infrastructure in Europe
IC	Investment Committee
IFC	International Finance Corporation
IFI	International Financial Institution
IP	Implementing Partner
KPI	Key Performance Indicator
MDB	Multilateral Development Banks
NBI	Nordic Investment Bank
NPBI	National Promotional Bank and Institution
PR	Performance Requirements
SDG	Sustainable Development Goals
SME	Small and Medium Enterprise

Executive Summary

I

INTRODUCTION

This report presents the findings and recommendations of the Study mandated by the European Commission (Employment, Social Affairs & Inclusion, DG EMPL) on social sustainability proofing of investment and financing operations under the InvestEU Fund 2021-2027.

The purpose of the study is to provide evidence-based guidance to the Commission on how to approach the social dimension of screening and proofing of the different types of operations envisaged under the InvestEU Fund.

> "The InvestEU Fund will act as a single EU investment support mechanism for internal action, replacing all existing financial instruments. Its overall objective is to support the policy objectives of the Union by mobilising public and private investment within the EU that fulfil the criterion of additionality, thereby addressing market failures and sub-optimal investment situations that hamper the achievement of EU goals regarding sustainability, competitiveness and inclusive growth."[1]

The sustainability proofing in the InvestEU regulation represents a particular feature aimed to ensure an allocation of financing / investments resources contributing to sustainable development objectives, in their environmental, climate change and social dimensions.

In the broader context of the EU transition effort to sustainability, the requirement in the regulation seeks to ensure that supported projects and related financing operations at least respect the "do no harm" principle of the European Green Deal. Moreover, the requirement seeks also to ensure that InvestEU operations are gender-mainstreamed and contribute to equality between women and men.

Sustainability proofing is therefore a new requirement that concerns all actors in the investment / financing decision-making process: project promoters (at the forefront), financial intermediaries, Implementing Partners and InvestEU Governance bodies (Steering Board, Investment Committee and Advisory Hub).

Furthermore, InvestEU covers a broad spectrum of financing and investment operations, differing both in size and in nature, as they range from big and very big infrastructure projects to small and very small lending operations such as micro-finance. The operations intervene also in different economic sectors and geographical constituencies. Some InvestEU operations will be implemented in conjunction with other EU interventions, such as the Just Transition Mechanism and Structural Funds Programmes. Finally, InvestEU is part of a broader set of instruments contributing to the EU Recovery Plan and the policy priorities 2021-2027, including the Green Deal.

Ultimately, sustainability proofing should result in high-quality pipelines of investment projects and better, more targeted financing decisions. This means projects that have a positive impact on sustainability (environmental, climate and social dimensions) over and above the impact that can be expected from compliance with applicable legal (mandatory) requirements.

METHODOLOGY

The conduct of the study has been based, first, on a review of best practices at European and worldwide levels. UN SDG, international sustainable finance principles and guidelines as well as relevant EU Environmental and Social legislation have been taken into account.

Second, the conduct of the study has been based on analysis of case studies of different types of investment operations (direct finance, intermediated operations) in various economic sectors) in the recent past, examining matters relevant to social dimension impacts.

Third, the study takes account of the practical experience and views of key actors in the field of sustainable finance. Feed-back from the EIB Group, International Finance Institutions and National Promotional Banks in the EU Member States as well as other actors has been particular relevant in that regard.

Finally, the study was conducted in the period November 2019-July 2020. The

[1] European Council Conclusions, July 2020

expert workshop initially planned by the European Commission for the discussion of preliminary results was cancelled due to COVID-19. In exchange, an extensive effort of consultation has been made in the context of confinement measures.

Last, but not least, the present study covers the social dimension of sustainability proofing. The practical implementation of that process requires integration with the environmental and climate change dimensions.

THE LEGAL REQUIREMENT

The InvestEU Fund contains specific legal requirements for the contribution of investment projects to sustainability objectives. In particular, the draft regulation establishing the InvestEU programme[2] stipulates that project promoters that request financing shall provide adequate information enabling the Implementing Partner to determine if their proposals have a significant environmental, climate or social impact. If so, they should be subject to sustainability proofing.

Such proofing is meant to minimise potential detrimental impacts of the investment projects on the climate, environment and social dimensions, while maximising the benefits generated by the project along these dimensions, as well as the resilience of the project to potential impacts deriving from them. As explained in this report, the legal framework envisages that projects below a certain size will be excluded from the proofing. It will be the responsibility of the project promoters requesting financing to provide adequate information based on the guidance established by InvestEU. In turn, the Implementing Partners concluding that no sustainability proofing is to be carried out will be expected to provide a justification to the Investment Committee.

REVIEW OF BEST PRACTICES AND FRAMEWORK CONDITIONS

Section 2 of our report provides the results of a review of references and current practices, in light of the comments received from EIB and other potential InvestEU Implementing Partners. The comments and key takeaways presented below are based on the information available at this stage and do not represent any formal position of the persons interviewed.

The key findings from the review of best practices can be summarized as follows:

1. Clarification related to compliance with legal requirements

The InvestEU draft Regulation contains specific legal requirements with regard to targets related to the contribution to sustainability objectives of investment projects. The sustainability screening / proofing performed by the Implementing Partners for the purposes of the InvestEU Fund will not substitute or compete with the legal requirements under the EU legislation and national regulation.

2. Need for regulatory certainty and advisory support

Key stakeholders emphasize the importance for InvestEU to spell out clearly for all Implementing Partners what are the objectives and requirements regarding sustainability screening and proofing. These requirements would need to be realistically implementable across Europe, also by the financial intermediaries/promoters with diverse level of sophistication. In practice, sustainability proofing should not impede projects/financing operations of high EU added value due to undue burden/requirements.

Interviews confirmed that a single InvestEU Environmental & Social (E&S) framework is needed and that it should be accompanied by a robust advisory service. Those should provide technical guidance and information tools to assist projects promoters in preparing their proposals and Implementing Partners in applying the guidance on a consistent basis, enhancing transparency and sharing good practice. Wherever necessary, targeted technical accompaniment and technical support should also be made available as part of the capacity- and expertise-building effort within the implementing institutions.

3. Need for a level playing field

A wide disparity of environmental and social practices prevails within the finance community in Europe and makes it difficult to level the playing field for the new Implementing Partners who have different strategies and operational requirements. In addition, they have projects greatly varying in scope, size and theme. Moreover, a

[2] COM(2020)403 final of 29.5.2020.

common language does not exist on the main terminology of screening and proofing. Most key stakeholders argue it is important to achieve such common language when it comes to applying an InvestEU sustainability screening and proofing process.

The most advanced processes, e.g. the ones of EIB, EBRD or IFC, allow an institution to thoroughly appraise the environmental and social impacts of a potential project as well as risks and opportunities associated with the project if implemented. Although many NPBIs may not have reached a full level of maturity in terms of E&S screening and proofing, they are perceived as the much-needed Implementing Partners to provide access to finance for infrastructure and non-infrastructure projects in Europe.

4. Clarifying scope of application and the screening / sustainability proofing procedure

The (draft) regulation formulation implies that, while all financing and investments operations have to be screened; only projects above a certain size will be subject to proofing requirements. A large consensus prevails within the community of potential Implementing Partners to argue that risks should not be treated equally, e.g. small-scale projects should not lead to the same level of screening diligence as for large scale projects.

It is understood that, under a delegated approach, the screening will remain the responsibility of the Implementing Partner, with the outcomes of the screening and proofing being shared with the InvestEU committee. Neither the Commission nor the InvestEU Investment Committee will carry out the proofing or screening.

5. Consistency with due diligence procedures: risk-based approach as a prerequisite

Institutions met during our study have different approaches to addressing the E&S risks which they may run through the provision of financial products and services. Overall, we note that many of these institutions adopted a systematic risk-based approach to E&S risk due diligence to avoid undue administrative burden for projects below a certain size and / or certain types of intervention, e.g. intermediated finance.

6. Need for a limited number of social performance requirements/criteria

The study shows that financial institutions have adopted a variety of social criteria/ requirements. There is compelling evidence about the need to identify a limited but relevant number of social requirements for InvestEU-supported projects. In addition, such requirements should be defined in a generic way that would be applicable to all EU-27. Central to the social performance requirements will be the application of international good practice.

7. Requirements for financial intermediaries

The nature of intermediated financing implies that financial intermediaries assume delegated responsibility for environmental and social assessment. The review of best practices shows that direct and indirect financing should have their own technical guidance and requirements.

8. Requirements for a monitoring and reporting framework

To track the progress of the InvestEU Fund objectives, a robust monitoring and reporting framework needs to be in place. Different practices are noted in our benchmark, but financial institutions reviewed in our benchmark do have the required processes and tools in place for both monitoring and reporting.

9. Need for capacity building for new entrants

Among the potential Implementing Partners, some will require capacity building in the field of E&S screening and proofing before they can use InvestEU. This is also true for financial intermediaries in the case of intermediated finance models.

Such capacity-building plan should be considered. As illustrated in our benchmark analysis, most of the components of E&S screening and proofing already exist at multilateral institutions (e.g. EIB, EBRD, NIB) and are largely available for replication and adaptation in the context of each national institution. New entrants would also benefit from the sustainability proofing guidance and level playing field that is being proposed under the present study (Allowing for a transition period both for IPs and for financial intermediaries implementing ESG practices for the first time).

10. Challenges in measuring positive impacts

Large multilateral institutions have processes for measuring both negative and positive impacts. NPBIs do not usually assess positive outcomes, apart from a few exceptions.

There is no uniform way to measure positive impacts. It explains why many Implementing Partners have expressed reluctance in measuring positive impacts, in particular the smaller financial institutions.

II

ELABORATION OF A SCOREBOARD FOR SCREENING AND PROOFING PURPOSES

After explaining the context, the legal requirement and the findings about the level playing fields, this section is to present the recommendations / proposals of the study.

The main takeaways from the study on the scoreboard are as follows:

1. Purpose of the scoreboard

Our concept of the scoreboard is based on the assumption that InvestEU addresses market failures and sub-optimal investment situations. A measurement approach that links sustainability (social impact) and business/financial results is requested under the InvestEU programme.

For ensuring a consistent approach along all the process, the scoreboard is intended to serve for proofing purposes. The initial scoreboard, with the changes resulting from the proofing process (whenever required) would further serve for the purpose of informing the Investment Committee and, thereafter, for the monitoring of the operation.

2. Direct vs indirect financing

A different process is proposed for direct and indirect financing for screening and proofing purposes; this is also reflected in the scoreboard analysis. For indirect financing operations, the completion of the scoreboard is proposed at the level of the financial intermediary and is consequently adapted. Proofing requirements, where required, would take place at the level of design of the intermediated finance operation.

3. Scoreboard content and design architecture

The scoreboard aims to establish an independent, transparent and harmonised assessment of a proposed financing or investment operation of an Implementing Partner regarding the social performance requirements.

When providing guidance on scoreboard content and design architecture, we have referred to various options, from hierarchical to non-hierarchical ones. Other typologies were also discussed and proposed during the course of our analysis.

At present time, InvestEU is envisaging developing an add-on, hierarchical' scoreboard structure. We confirm this design is appropriate for the InvestEU as it aims at Glancing' financial and non-financial, short-term and long-term, as well as qualitative and quantitative success measures. It does so by presenting a set of strategic criteria defined for the InvestEU Fund, each of which is then assigned to one of three performance perspectives (environmental/climate, economic and social) and which ultimately lead to performance through cause-and-effect chains.

4. Social criteria used in the scoreboard

Central to the scoreboard application are the social performance requirements. Social proofing, i.e. improvement of the initial proposal, would ensure, whenever needed, minimising detrimental impacts and maximising social dimension benefits. From our many interviews and consultations, a consensus has emerged on.

Six criteria are seen as the minimum social criteria to be used for the InvestEU Fund:

- Labour and working conditions;
- Health, Safety and Security;
- Protection of vulnerable groups;
- Inclusion of Disabilities;
- Gender equality and non-discrimination; and
- Stakeholder engagement.

The above criteria could be regarded as a set of minimum criteria to be considered for carrying out an ex-ante assessment for the social dimension. The project promoter shall ensure that EU and international standards applicable in the following areas listed below are adequately taken into account in design of the investment operation. Risks should be identified and integrated in the social assessment.

5. Use of the scoreboard and assessment tool

Each Implementing Partner will be responsible for preparing the scoreboard based on this standardized template and the information obtained from the project promoters. When submitting the request for InvestEU guarantee, the Implementing Partners will provide the full scoreboard accompanied by a detailed description of the impacts for all applicable criteria.

Our summary scoreboard proposal uses a qualitative approach to estimate the potential positive and negative impacts for the six social criteria, based on a -2 to +2 ranking. Such approach complements the quantitative measurements from the economic analysis, project monitoring indicators and aggregate indicators used by Implementing Partners in their various E&S approaches. The score obtained for each social criterion would identify the project's expected level of impact on the 6 social dimensions. Its underlying logic is incremental (based on expected impacts) and cumulative. A score will be obtained for each criterion and also at the global level. Each criterion will have the same weight in terms of scoring.

When completing the scoreboard, Implementing Partners will therefore need to refer to the 6 social criteria and provide both the summary scoreboard and the scoring achieved for each of the 6 categories and the overcall scoring.

III

GUIDANCE FOR THE SOCIAL PROOFING PROCESS

The guidance for social proofing is based on the InvestEU Regulation proposal (May 2020) and takes account of feedback received from stakeholders, including the Commission' services and EIB Group experts. Taking account of the context described above, it provides a practical approach to address the social dimension of the InvestEU sustainability proofing process. It is based on the fundamental distinction between infrastructure projects of a certain size (usually direct finance operations by Implementing Partners) and non-infrastructure operations (usually intermediated finance operations by Financial Intermediaries).

The key takeaways can be summarized as follows:

1. Integration of the social, environmental and climate dimensions into the proofing guidance

It was noted that the social dimension of the sustainability proofing process will have to be integrated in a coherent manner with the guidance to cover the environmental and climate change dimensions (now in preparation). Some revision maybe needed taking account of the interaction among the three dimensions and given that environmental and climate change operations may involve important social impact trade-offs.

Furthermore, it should be noted that for InvestEU operations set up in interaction with other EU (or Member States) interventions, for example Just Transition Fund or Structural Funds, sustainability proofing is likely to be required at the level of the overall intervention. InvestEU stakeholders, including Implementing Partner, should be adequately involved in that process, as the support provided by those public sector interventions can be key enablers for the viability of "sustainable proofed" InvestEU operations.

2. Meeting the minimum requirements

We recognize that new Implementing Partners vary in their level of maturity and resources for E&S screening and proofing, and as such, the overall approach needs to cater for different integrated measurement models at each stage of the assessment process.

InvestEU will ensure that the social review includes at a minimum the following key components:

- Definition of risks and impacts of the projects
- Categorisation of risks for projects above the threshold under the direct lending model, based on an assessment of potential negative impacts
- Benchmark of the project's social performance against the official InvestEU social guidelines and production of a scoreboard
- Planned mitigating measures, if required, to be validated by the InvestEU Investment Committee
- Assessment of the capacity of the project promoter to manage potential negative impacts, if identified

3. Role of project promoters

As a rule, we expect that project promoters will ensure that EU and international standards, as further described within the six social criteria presented in the study, are adequately taken into account in the design of the investment operations.

Factors influencing sustainability proofing will need to be factored into the assessment by project promoters, including the relevant national legislation and company's internal standards and practices, the track record of suppliers and contractors associated with the project or the number of people impacted and their vulnerability profile.

4. Threshold

In the context of the preparation of this guidance, a threshold of [EUR 10 million] has been suggested[3] for that purpose. Under the present guidance and in the interest of building the widest consensus possible, we propose to adopt the following principles:

1. Direct Lending: For projects below [EUR 10 million] there should be no E&S proofing requirements i.e. there should be no need to apply a risk-based assessment approach, nor should there be any requirement for the social scoreboard.

2. Intermediated Finance: It is proposed that a distinction be made between infrastructure and non-infrastructure projects for sustainability proofing; the [EUR 10 million] threshold will determine the level of E&S scrutiny and risk assessment.

5. Risk-based approach

For direct lending projects and above the EUR 10 million threshold only, we believe it is important for Implementing Partners to use a standardized process of social risk categorization to reflect the magnitude of risks and impacts. We do not recommend applying sector- based and issue-based risk approaches in the context of InvestEU requests for simplification purpose. Still, Implementing Partners may continue to apply their own existing sector-based and issue-based risk approaches if these are already available.

6. Exclusion List

InvestEU requires the implementation of a standardized exclusion list to be complied with by all Implementing Partners. This exclusion list is found in the European Parliament legislative resolution of 18 April 2019 on the proposal for a regulation of the European Parliament and of the Council establishing the InvestEU programme[4]. InvestEU Implementing Partners will be responsible for ensuring compliance at signature and monitoring the compliance of the financing and investment operations with exclusion criteria.

7. EU policy check, application request

All InvestEU supported operations shall comply with applicable EU and national legislations. The Commission will conduct a Policy Check to ensure that the project is aligned to EU policy objectives and not falling within the EU exclusion list. All operations will be subject to this policy check (see also EIB Statute Article 19 procedure) to ensure the proposed investment project responds to EU legal requirements and that financing and investment operations receiving EU support are in line with or contribute to the EU goals and ambitions for a sustainable development. Only projects that have passed the Policy Check will be presented to the Investment Committee.

8. InvestEU operations combined with other EU (or Member States) interventions

For this category of operations, it is recommended to take appropriate account of sustainability proofing requirements at the level of EU (or Member State) programme providing the framework of the intervention. Process of industrial or economic transformation required for the Green Deal may involve, for example, closures or restructuring process requiring social support plans. The Just Transition Mechanism is precisely designed to minimize detrimental effects and maximize sustainable growth and job opportunities.

In those cases, it is recommended that social sustainability proofing requirements should be addressed at the level of the overall public intervention and not at the level of the individual InvestEU operation. This is because the InvestEU legal framework applies only to InvestEU supported operations, it cannot superimpose requirements on public programmes or other overall initiatives.

9. Guidance for the different types of financing

[3] In the context of the discussions with the Commission, EIB Group and potential Implementing Partners

[4] The exclusion list has been maintained in the COM amended proposal of May 2020).

InvestEU will support a diversity of financing and investment operations, with varied structures and levels of access to information. As such, a large disparity in the thoroughness and depth of sustainability proofing can be expected across different types of financing. Sustainability proofing guidance is consequently designed so that it takes into consideration this disparity and reflects the different realities and degrees of interaction between Implementing Partner and final recipients across the two categories of direct and intermediated financing.

Under the direct financing model, loans are provided directly by the Implementing Partner to a final recipient, whereas under the intermediated finance model, Implementing Partners will not directly finance individual underlying companies or projects. Instead, Implementing Partners will finance financial intermediaries, either to fulfil their public mandates (e.g. support student loans, enable mobility in underserved regions, etc.), often in relation to a market failure, or in response to requests from these Financial Intermediaries who seek financial support for their underlying projects.

10. Process for direct financing

For projects above the EUR 10 million threshold only, it is proposed that Implementing Partners undertake a risk-based categorization approach to ensure that diligences are commensurate with the nature and scale of the investment project, and the significance of its potential social impacts.

For projects categorized as high and medium risk, Implementing Partners will conduct their own Social due diligence and use the six social sustainability criteria presented in this report. Then, they will be required to summarize their sustainability screening and proofing appraisal into a standardized document and produce the scoreboard. This document should provide an overview of the E&S assessment and any mitigating action conducted prior to submission of the project to InvestEU. For projects under the threshold, no social proofing will be expected.

11. Process for intermediated financing

We believe that sustainability proofing should not impede equity/financing operations, and that the Intermediated Finance model, which is structurally designed to cater for a wide variety of situations, should recognize the diversity in Financial Intermediaries when it comes to addressing sustainability concerns. In all cases, Implementing Partners will promote sustainability principles and EU commitments. They will verify the Financial Intermediaries' capacity to act in line with legal obligations and to select eligible underlying projects.

We propose that there be no risk-based categorization applied to financial intermediaries, as this would create an unnecessary screening stage for Implementing Partners who already select financial intermediaries based on a review of their underlying projects in response to an investment mandate and often act to address a market failure. The proposed model should also take into consideration differences in geographies, markets and also sector-specific issues when appropriate.

12. Technical assistance

Technical assistance and/or capacity building may be provided either at underlying project level, or at Implementing Partner / Financial Intermediary level to be able to deal with sustainability proofing requirements related to the use of the InvestEU guarantee. Implementing Partners should ensure that project promoters applying for financing, including in particular small-sized projects, can request the InvestEU Advisory Hub to assist them in the preparation of their projects and also to consider whether projects may be bundled to generate economies of scale benefits. Capacity building requires the development of a roadmap for implementation - for which the InvestEU Advisory Hub can provide assistance through training, cross-fertilization of more advanced partners, etc. and which will be adjusted to fit each local environment.

13. Roles and responsibilities

The roles and responsibilities have been summarized in a specific section of the report. It is emphasized that project promoters that request financing should be in position to provide the information required in the scoreboard. On the other hand, Implementing Partners should be in position to assess the accuracy and reliability of the information provided and, whenever relevant, request further improvement (including the possibility of addressing the project promoter to the

InvestEU Advisory Hub for technical support related to sustainability requirements)

14. Avoiding the 'silo' approach for sustainability screening and proofing

When developing the scoreboard, it will be important to avoid using the "silo" mentality consisting in focusing on each dimension in isolation. Breaking silos and helping stakeholders to see the project contributions to particular goals in an integrated manner is important. We caution against an over-reliance on specific sustainability dimensions. Reality will always be more complex than the scoreboard, meaning for example that a project may have unanticipated effects that are not included in the scope of the scoreboard. The scoreboard approach should always play a crucial role in bringing systems thinking into the attainment of multiple sustainability dimensions.

SECTION 1. INTRODUCTION

1.1 Objectives of this section

1. ***Finance for Impact* has been mandated by the European Commission to conduct a study providing guidance for the development of the social sustainability proofing process of investment and financing operations under the InvestEU Fund.**[5] In this section, we outline the purpose of the study, which mainly consists in providing guidance related to the approach for proofing the social dimension of financing and investment operations under the InvestEU Fund for the period 2021-2027. Sustainability proofing is intended to ensure that InvestEU operations comply with responsible investment principles. That means that Implementing Partners along with the project promoters, final beneficiaries, and financial intermediaries properly integrate specific environmental, social and governance considerations into their proposals.

1.2 Background on the InvestEU programme

2. **In May 2018, the Commission proposed the creation of the InvestEU Programme, a single EU investment support mechanism for internal action for the 2021-2027 Multi-annual financial framework (MFF).** The InvestEU Programme consists of the InvestEU Fund, the InvestEU Advisory Hub and the InvestEU Portal. The objective is to promote a coherent approach to financing Union policy objectives and more specifically to mobilise public and private investment operations within the EU, with the view to address market failures and sub-optimal investment situations that hamper the achievement of EU goals regarding sustainability, competitiveness and inclusive growth. The InvestEU Fund foresees providing an EU guarantee supporting financing and investment operations carried out by the implementing partners in support of the Union's internal policies. It would use an effective and efficient mix of EU financing tools for specific policy areas and would target cross-sector needs and emerging priorities and select EU added-value priority projects.

3. The InvestEU Fund interventions will be channelled through four thematic policy windows:

- **Sustainable infrastructure policy window:** This window comprises sustainable investments in the areas of transport, energy (including renewable and energy efficiency projects), digital connectivity, including network infrastructure (smart grids, energy storage, e-mobility), broadband, environmental related sectors (e.g. waste, water, air, circular economy), innovative sectors (such as green infrastructure and other natural-capital related projects), and emerging priorities in areas such as urban mobility and digital service.

- **Research, innovation and digitalisation policy window:** The Research, Innovation and Digitalisation Window will aim to mobilise research, product development and innovation activities to deliver higher productivity, economic growth and better living standards. It will stimulate all innovation: from radical to incremental.

- **Small and medium-sized enterprises policy window:** The main objective of the SME Window is to increase the access to and availability of finance for

[5] Please refer to the official procurement notice for more information on our terms of reference: https://ec.EURpa.eu/social/main.jsp?catId=628&langId=en

European SMEs, in support of employment creation and economic growth.

- **Social investment and skills policy window:** The general objective of the Social Investment and Skills Window will be to support private and public investment in social infrastructure in areas such as education, social housing, and health, as well as to develop and consolidate the nascent market structures underlying the European social economy and social enterprises and the training and education sectors.

4. The InvestEU Fund will also feature a Member State compartment for each policy area, meaning that Member States may add to the EU guarantee's provisioning by voluntarily channelling up to [5%] of their Cohesion Policy Funds to these compartments.

1.3 Objectives and tasks of the study

5. **The InvestEU Fund will be deployed through financial institutions that will play the role of Implementing Partners.** The main partner will be the EIB Group, which has successfully implemented and managed the European Fund for Strategic Investment (EFSI) since its launch in 2015. In addition to the EIB Group, other international financial organizations active in Europe and national promotional banks and institutions (NPBIs) could become Implementing Partners (IPs) for InvestEU. The result of this study will allow the Commission to prepare the technical guidance for Implementing Partners to use the InvestEU Fund. It will also inform other interested parties, notably project promoters, financial intermediaries and final recipients about the social sustainability processes to be followed under the different windows of InvestEU.

6. The terms of reference for the study require undertaking specific tasks as outlined below:

Table 1 : Objectives and tasks of our study

Task 1: *Review of best practices at European and worldwide levels*	This task involves desk review and fieldwork for identifying best practices in the field of sustainability proofing of financing and investment operations. We had to conduct a detailed overview of existing investment related methodologies and procedures used by potential InvestEU Implementing Partners with respect to social screening and sustainability requirements.
Task 2: *Identify and analyse case studies relevant for screening and proofing of investment / finance operations*	This task involves the presentation of at least six concrete case studies that illustrate: ► “Only screening” needs, i.e. cases where, based on the screening, it is considered that no proofing is needed, meaning that the social impact is considered not significant ► Screening and subsequent proofing, i.e. cases with (significant) social impact and (examples of) the remedial measures to be taken in case of related deficiencies ► Above requirements applying to the infrastructure vs non-infra-infrastructure projects. ► Above requirements applying to cases from intermediated finance as well as equity investors.

Task 3: *Elaboration of a scoreboard for proofing purposes*	Based on the evidence gathered in tasks 1 and 2, it is expected that *Finance for Impact* outlines different options for a possible InvestEU social impact scoreboard and describe the methodology behind. The scoreboard shall be designed to (i) provide an overview of a potential investee's social performance by visually highlighting strengths and weaknesses and (ii) generate a social investment score.
Task 4: *Guidance for the social proofing process*	Based on the results of the previous tasks, *Finance for Impact* will elaborate a concept paper on how social sustainability proofing could operate in practice as per requirements laid out in the InvestEU regulation. The guidance in the concept paper should take into account the diversity of projects to receive InvestEU support (infrastructure and non-infrastructure), as well as the fact that more Implementing Partners, with different expertise and capacity, will be involved in applying this guidance. The options presented shall take into consideration that remedial measures might be necessary to make sure that the project is acceptable to receive InvestEU support. These remedial measures should be robust enough to ensure that the improvements carried out will serve to minimise detrimental impacts and maximise benefits on social dimension all along the project life cycle.

Source: Finance for Impact

7. **The focus of the study is on social sustainability, which pertains to project-affected people and their communities and workers and related to socioeconomic status, vulnerability, gender, gender identity, human rights, disabilities, labour and working conditions, health and safety and participation.** Under a separate workstream, DG ENV has launched a study related to the environmental dimension of sustainability proofing. DG CLIMA is also currently preparing an overarching guidance on the climate proofing of EU funded infrastructure projects in the period 2021-2027[6]. We understand these respective studies are progressing in parallel, but with different time-planning / milestones. In this report, we provide preliminary findings from the desk review and fieldwork for identifying best practices in the field of sustainability proofing of financing and investment operations (result of Task 1). We also present the case studies relevant for screening and proofing of investment / finance operation (result of Task 2). The findings for task 3 (scoreboard) and task 4 (technical guidance for the social proofing process) are also included in our analysis.

1.4 Methodology

8. **The methodology is based on a triangulation approach, whenever possible, by combining multiple data sources and methods.** Our main goal has been to overcome the bias that comes from a limited number of stakeholders, single methods or single theory studies. The first phase of the study (Tasks 1 and 2) was carried out between the mid-November 2019 and February 2020 and involved the preparation of a desk review, analyses/assessments, case studies, and an international benchmark (Table 2). Tasks 3 and 4 were carried out between March

[6] We noted that this guidance will apply to projects seeking support from the EU funds – the European Regional Development Fund (ERDF) and the Cohesion Fund (CF), as well as Connecting EURpe Facility (CEF) and the infrastructure projects to be financed with support from the InvestEU Programme.

and July 2020.

9. The details of our methodology are summarized below:

Table 2 : Methodology overview

Tool	Description
(i) Desk review	The desk review has constituted an important part of the analysis process by collecting, organizing and synthesizing available information, but also by identifying information gaps that were addressed during the key informant interviews. See Annex 1 for our desk review bibliography.
(ii) Kick-off and coordination meetings	We participated in two coordination meetings as follows: 6 November 2019 and 27 January 2020.
(iii) Key informant interviews and field visits	The interviews allowed us to collect information from different stakeholders: facts and verification of facts, opinions and points of view, stakeholders' analyses and suggestions from potential Implementing Partners. Over the course of the last 3 months, we have interviewed 50+ persons from the following institutions: 1. Agence Française de Développement (AFD) 2. Austria Wirtschaftsservice Gesellschaft mbH (AWS) 3. Bank Gospodarstwa Krajowego (BGK) 4. Banque des Territoires (CDC) 5. BPI France 6. Caisse des dépôts et consignation (CDC) 7. Caisse des dépôts et consignation (CDC), Belgium Office 8. Council of Europe Development Bank (CEB) 9. European Bank for Reconstruction and Development (EBRD) 10. ECFIN 11. European Association of Long-term Investors (ELTIA) 12. European Investment Bank (EIB) 13. European Investment Fund (EIF) 14. Fund Manager of Financial Instruments in Bulgaria (FMFIB) 15. Croatian Bank for Reconstruction and Development (HBOR) 16. HSBC 17. Instituição Financeira de Desenvolvimento (IFD) 18. International Finance Corporation (IFC) 19. KfW 20. Network of European Financial Institutions for SMEs (NEFI) 21. Nordic Investment Bank 22. NRW Bank 23. Mirova (Natexis) 24. RPA Europe 25. Société Générale 26. UNEP FI 27. United Nations, Global Compact 28. World Bank See Annex 2 for the full list of persons met during the interviews. The generic guiding questions used for the interviews are in Annex 3.

(iv) Comparator assessment/ benchmark study	We have also conducted a benchmark of good practices with the following institutions: 1. Agence française de développement (AFD) 2. Caisse des dépôts et consignation (CDC) 3. Cassa Depositi e Prestiti SpA (CDP) 4. Council of Europe Development Bank (CEB) 5. European Bank for Reconstruction and Development (EBRD) 6. European Investment Bank (EIB) 7. European Investment Fund (EIF) 8. Croatian Bank for Reconstruction and Development (HBOR) 9. International Finance Corporation (IFC) 10. MIROVA 11. Nordic Investment Bank 12. World Bank The template used for collecting the benchmark information for each institution is in Annex 4.
(v) Case studies	For this report, we have also prepared several case studies. The projects sought in priority for the case study analysis are those that illustrate the present and upcoming social sustainability dimension in a climate change world. Those could include, for example: Cases of infrastructure projects, i.e. - A case in the energy sector supporting renewables (wind, solar, etc.) that contribute to decarbonization, or a case that involves energy efficiency measures for households - A case in the transport sector, a case that contributes at the same time to prevent climate change impacts, e.g. bridges, ports and rivers, green transport, etc. - A case in the telecom sector, a case that contributes to digitalization, access to internet to underserved areas, etc. Cases of social infrastructures projects, i.e. - A case in the health sector, social housing, student facilities, long term care, etc - Cases of intermediate finance for example, i.e. - A case in support to SMEs for digitalisation, technological development, more sustainable productions methods - A case in support to start-ups and individuals for socially innovative processes An important element would be cases where the above types of projects have been carried out in less developed regions and/or more vulnerable parts of big cities / urban areas. The key objective is that the case studies can serve to draw conclusions and recommendations for the future implementation of the InvestEU Fund. Also important for the selected Case studies is to point any perceived need for advisory services / technical assistance to project promoters. This may also form the basis of guidance / recommendations in the Study. Advisory services may be considered in any relevant areas (planning, governance, etc.), they may depend on the nature of the project and will need to be positioned in the project life cycle. The selection of the case studies has been done from the review of projects in the EIB, EBRD, CEB and NIB databases. From thousands of projects, we have extracted a preliminary list of relevant projects (See

	Annex 6). Then we made a final choice based on the agreed selection criteria. See Annex 5 for the full case studies.
(vi) Consultations on the report	For this assignment, we have conducted several rounds of internal and external consultations on different versions of our report. In particular, our report was circulated to all stakeholders interviewed during the course of this assignment. By engaging such stakeholders, we got a depth and breadth of data and information that allowed to develop consensual proposals for the InvestEU. In total, we collected and processed over 500 comments, each of them recorded in a 'Comment Matrix' and addressed by our team.
(vii) Focus group discussion/ workshop	It was planned that Finance for Impact present the preliminary results of the study during a workshop that the Commission will organise in Brussels on March 31st, 2020. Such workshop could not take place due to the COVID situation. Another workshop may be scheduled at a more appropriate time.

Source: Finance for Impact

10. **In terms of the overall methodology approach, we cannot insist enough on the importance of consolidating the work of the various workstreams on proofing (Social, climate and environmental) in order to arrive at a harmonized and consistent approach for the InvestEU programme.** We believe, for instance, it would be detrimental if technical guidance for the social, climate, and environmental proofing would rely on different methodological frameworks and implementation processes and, therefore, create inconsistencies and/or increase the administrative burden for Implementing Partners. During the course of our interviews, key stakeholders insisted to obtain a "single" sustainability proofing process integrating the three dimensions altogether. During our last Coordination Meeting, we noted that the overall coordination and the integration of the inputs received from the studies in the three dimensions will be ensured by the Expert Group on sustainability proofing created by ECFIN.

1.5 Definitions

11. For the purpose of this study, the terms "adverse social impacts", "sustainability screening" and "proofing" are defined as follows:

- **Adverse social impacts:** The term "adverse social impacts" includes any potential deterioration of the socio-economic or cultural environment, surrounding community, or health and safety of workers directly resulting from the business activity to be financed.

- **Sustainability screening:** According to article 7§3 of the InvestEU Regulation, the "Financing and investment operations shall be screened to determine if they have an environmental, climate or social impact". Screening will involve the assessment of ex-ante information of a financing or investment operation. It will be conducted by the Implementing Partners, based on information provided by the project promoters, the final recipients or financial intermediaries requesting financing and in line with criteria laid down in a technical guidance. It is a process through which the Implementing Partners will take into account the nature and significance of the potential environmental and social risks and impacts, the timing for development and implementation of the investment project, the capacity of the project promoters, the final recipients or financial intermediaries involved in developing and implementing the project to address such risks and impacts.

- **Social proofing:** According to the InvestEU Regulation, if the screening determines that a financing or investment operation has significant social impact, for projects above a certain size, it shall be subject to social sustainability proofing. The aim of sustainability proofing is to improve a financing or investment operation, with a view to minimise detrimental impacts and maximise benefits on the social dimension. It is therefore a process through which the Implementing Partners may propose and seek adoption of specific measures or actions to avoid, minimize, reduce or mitigate adverse social risks and impacts of the investment project over a specified timeframe. Once the InvestEU guarantee is approved and during implementation of the project, a monitoring of adverse social impacts should also take place by the Implementing Partners.

1.6 Review of the legal framework

12. **Through its InvestEU Fund, the EU is committed to environmental and social sustainability, including stronger collective action to support social resilience and inclusiveness of the Union and the integration of the Union capital markets.** The EU investment strategies recognize that EU economies have a potential to grow, but they need to do so sustainably, so that income producing opportunities are not pursued in ways that limit or close off opportunities for future generations. Under the InvestEU Fund and other recently launched policies and initiatives, e.g. the Green Deal, the EU is committed to supporting member countries to manage their economies, to decarbonize and invest in resilience, while reducing inequalities and boosting shared prosperity. The EU recognises that environmental and social sustainability is a fundamental aspect of achieving outcomes consistent with its policy objectives. Therefore, the investment projects that foster environmental and social sustainability are within the highest priorities of the InvestEU Fund. In this section, we review the main legal and regulatory requirements that shall govern the InvestEU Fund.

13. **The InvestEU Fund contains specific legal requirements for the contribution of investment projects to sustainability objectives.** The main requirements for sustainability proofing of InvestEU Fund operations are found in the draft InvestEU Regulation of 29 May 2020[7], e.g. article 7§3 and 7§4, articles 21, 22, 23 and 24, as well as the Treaty on the functioning of the EU, e.g. Protocol 5, Article 19 - EIB Statute Article 19 (Table 3). In particular, Article 7§3 of the InvestEU Regulation stipulates that financing and investment operations shall be screened by the Implementing Partner to determine if such operations support projects above a certain size and, in such case, whether they have a significant environmental, climate or social impact. If so, they should be subject to sustainability proofing. Such proofing is meant to minimise potential detrimental impacts of the investment projects on the climate, environment and social dimensions, while maximising the benefits generated

[7] Proposal for a regulation of the European Parliament and of the Council establishing the InvestEU Programme, Brussels, 29.5.2020, COM(2020)403 Final, 2020/0108 (COD). Other versions of the draft were also provided to us in 2019, e.g. the version COM(2018)0439 – C8-0257/2018 – 2018/0229(COD).

by the project along these dimensions, as well as the resilience of the project to potential impacts deriving from them. Furthermore, it intends to strengthen and ensure a consistent approach to proofing for all major programmes, taking into consideration the different applicable requirements.

14. **The InvestEU Regulation serves as a legal foundation to the present study.** It is understood that the final version to be adopted by the European Parliament and Council may involve changes in the legal provisions. Nevertheless, the findings of the study and the recommendations thereon should remain valid in the broader context of sustainability proofing of investment and financing operations. To any extent, we carefully took into account the requirements under the Regulation as it lays down the objectives of the InvestEU Fund, the budget and the amount of the EU guarantee for the period 2021 to 2027, the forms of Union funding and the rules for providing such funding. It also delves into the specificities of the policy windows, the EU guarantee features, and the governance structure and other requirements related to policy check, screening, proofing, eligibility, monitoring and reporting, etc. We took good note that a scoreboard will be required (i) to provide an overview of a potential investee's social performance by visually highlighting strengths and weaknesses and (ii) to generate a social investment score. From our recent discussions with the EU, we understand the scoreboard for each of the dimensions (social, environmental and climate) would be eventually brought together to become a unique selection tool for the Investment Committee. In particular, the main requirements for the elaboration of a scoreboard of indicators are foreseen in the proposed Regulation in Article 17 (b). We have been made aware of the need to avoid creating a scoreboard that is perceived as a barrier with undue administrative burden.

Table 3 : Key legal provisions guiding our work

Article 7§3
Financing and investment operations shall be screened to determine whether they have an environmental, climate or social impact. If those operations have such an impact they shall be subject to climate, environmental and social sustainability proofing with a view to minimising detrimental impacts and to maximising benefits to the climate, environment and social dimensions. For that purpose, project promoters that request financing shall provide adequate information based on the guidance referred to in paragraph 4. Projects below a certain size specified in the guidance shall be excluded from the proofing. Projects that are inconsistent with the climate objectives shall not be eligible for support under this Regulation. In case the Implementing Partner concludes that no sustainability proofing is to be carried out, it shall provide a justification to the Investment Committee.
Article 7§4
The Commission shall develop sustainability guidance that, in accordance with Union environmental and social objectives and standards, allows to: (a) as regards adaptation, ensure resilience to the potential adverse impacts of climate change through a climate vulnerability and risk assessment, including through relevant adaptation measures, and, as regards mitigation, integrate the cost of greenhouse gas emissions and the positive effects of climate mitigation measures in the cost-benefit analysis; (b) account for the consolidated impact of projects in terms of the principal components of the natural capital relating to air, water, land and biodiversity; (c) estimate the social impact of projects, including on gender equality, on the social inclusion of certain areas or populations and on the economic development of areas and sectors affected by structural challenges such as the need to decarbonise the economy;

(d) identify projects that are inconsistent with the achievement of climate objectives;
(e) provide Implementing Partners with guidance for the purpose of the screening provided for under paragraph 3.

Article 21 – Scoreboard

1. A scoreboard of indicators (the 'Scoreboard') shall be established to ensure that the Investment Committee is able to carry out an independent, transparent and harmonised assessment of requests for the use of the EU guarantee for financing or investment operations proposed by Implementing Partners.
2. Implementing Partners shall fill out the Scoreboard for their proposals for financing and investment operations.
3. The Scoreboard shall cover the following elements:
(a) a description of the proposed financing and investment operation;
(b) how the proposed operation contributes to EU policy objectives;
(c) a description of additionality;
(d) description of the market failure or sub-optimal investment situation;
(e) the financial and technical contribution by the Implementing Partner;
(f) the impact of the investment ;
(g) the financial profile of the financing or investment operation;
(h) complementary indicators.

Article 22 – Policy Check

1. The Commission shall conduct a check to confirm that the financing and investment operations proposed by the Implementing Partners other than the EIB comply with Union law and policies.
2. In the case of EIB financing and investment operations within the scope of this Regulation, such operations shall not be covered by the EU guarantee where the Commission delivers an unfavourable opinion within the framework of the procedure provided for in Article 19 of the EIB Statute.

Articles 23§1 & 23§4 – Investment Committee

A fully independent investment committee shall be established for the InvestEU Fund (the 'Investment Committee'). The Investment Committee shall:
(a) examine the proposals for financing and investment operations submitted by Implementing Partners for coverage under the EU guarantee that have passed the policy check referred to in Article 22(1) or that have received a favourable opinion within the framework of the procedure provided for in Article 19 of the EIB Statute;
(b) verify their compliance with this Regulation and the relevant investment guidelines;
(c) give particular attention to the additionality requirement set out in point (b) of Article 209(2) of the Financial Regulation and in Annex V to this Regulation and to the requirement to crowd in private investment set out in point (d) of Article 209(2) of the Financial Regulation; and
(d)check whether the financing and investment operations that would benefit from the support of the EU guarantee comply with all relevant requirements…

…The documentation to be provided by the Implementing Partners shall comprise a standardised request form, the Scoreboard referred to in Article 21 and any other document the Investment Committee considers relevant, in particular a description of the character of the market failure or sub-optimal investment situation and how it will be alleviated by the financing or investment operation, as well as a reliable assessment of the operation that demonstrates the additionality of the financing or investment operation. The secretariat shall check the completeness of the documentation provided by Implementing Partners other than the EIB Group.

Article 24 – InvestEU Advisory Hub

1. The Commission shall establish the InvestEU Advisory Hub. The InvestEU Advisory Hub shall provide advisory support for the identification, preparation, development, structuring, procuring and implementation of investment projects, and for enhancing the capacity of project promoters and financial intermediaries to implement financing and investment operations. Such support may cover any stage of the life-cycle of a project or financing of a supported entity...

2. The InvestEU Advisory Hub shall in particular:
(a) provide a central point of entry, managed and hosted by the Commission, for project development assistance under the InvestEU Advisory Hub for public authorities and for project promoters;
(b) disseminate to public authorities and project promoters all available additional information regarding the investment guidelines, including information on their application or on the interpretation provided by the Commission;
(c) where appropriate, assist project promoters in developing their projects so that they fulfil the objectives set out in Articles 3 and 7 and the eligibility criteria set out in Article 13, and facilitate the development of Important Projects of Common European Interest and aggregators for small-sized projects, including through investment platforms as referred to in point (f) of this paragraph, provided that such assistance does not prejudge the conclusions of the Investment Committee with respect to the coverage of the EU guarantee with respect to such projects…

Source: European Parliament

SECTION 2. BENCHMARK AND REVIEW OF BEST PRACTICES

2.1 Objectives of this section

15. **In this section, we are taking a close look into norms, policies and practices applied by financial institutions to screen and proof investment projects.** The purpose of this section is to present the findings and results of the interviews & research carried out by *Finance for Impact*. During the desk review, we collected, organized and synthesized available information on social sustainability proofing. The review examined the current body of literature on social sustainability proofing of investments by focusing on (i) definitions and characteristics of what constitutes social proofing; (ii) methodologies, tools, guidelines and principles for sustainable and impact investments; and (iii) recommendations, implications, insights and lessons learnt from the application of different approaches, judgments and measures in real-world settings.

16. **Reviewing E&S sustainability proofing practices has also entailed selected interviews with many stakeholders supporting investment projects across Europe**. We conducted interviews with institutions identified as having best practices in terms of screening and proofing of investment operations but also with the ones lacking such processes so that we could assess the gaps and needs in terms of social screening and proofing. Please note that we have made a significant effort of consultation and exchange of views with potential Implementing Partners. We have summarized the current practices in a coherent and synthetic Annex, the 'Benchmark' (See Annex 4). In the following pages, we summarize the key findings.

2.2 Finding a balance between 'social' and 'environmental/climate change' requirements

17. **Our interviews and benchmark confirm a strong interest in social sustainability practice for investors in Europe.** The area of E&S screening and proofing has rightly taken on greater focus for policy makers and a broad set of investors in Europe. Two policy considerations quickly come to the fore. First, a well-regulated sustainable finance ecosystem is said to be required to support broader sustainability related policy initiatives at the European level, most pointedly to mobilize the massive amount of capital needed to address climate and social change ambitioned by the EU. Second, and by no means unrelated, is the concern that robust E&S standards must be harmonized to screen and proof investment projects, with an outright goal to inform investors of requirements related to sustainability characteristics of their investments.

18. **During our interviews, key stakeholders emphasize the importance for InvestEU to spell out clearly for all Implementing Partners what are the objectives and requirements regarding sustainability screening and proofing.** At the implementation level, our interviews confirm a strong demand for a detailed technical guidance that will clearly set the requirements for Implementing Partners, project promoters and final recipients relating to the identification and assessment of environmental and social risks and impacts under the InvestEU Fund. A consistent application of these requirements, by focusing on the identification and management of E&S risks, will support the investing community and final recipients in their goal to

increase prosperity in a sustainable manner for the benefit of the environment and their citizens.

19. During our interviews with potential Implementing Partners of the InvestEU Fund, key stakeholders indicated on a consistent basis the following points:

- **Sustainable investing is no longer a niche area; it is going mainstream.** The demand for sustainable investment is poised to accelerate—driven by societal and demographic changes, increased regulation and government focus, and greater investment conviction.

- This ecological transition claimed by many institutions and governments cannot be constructed exclusively upon the imperative of economic efficiency (e.g. a 'green growth' that will be bound to bring new forms of environmental damage and inequality in its wake). Any new initiative must be driven by the **principle of social justice and fair transition**, which offer stability and promote social inclusion, decent work conditions and labour market policies, social protection, skills training, redeployment, and community development and renewal.

- **Enhanced insights** make it possible to create sustainable portfolios without compromising financial goals. Greater availability of data also helps in assessing the impacts of projects.

- **Integration of sustainability considerations into investment processes is on the rise**. Incorporating relevant sustainability insights can provide a more holistic view of the risks and opportunities associated with a given investment. There is no one-size-fits-all approach, but the opportunity to improve investment processes by integrating material sustainability considerations is real and growing.

- Because not everyone is at the same level of understanding for E&S screening and proofing, it is crucial to support new Implementing Partners so that they can **identify good international practices relating to environmental and social sustainability screening and proofing**.

20. **key stakeholders emphasize the importance for InvestEU to spell out clearly for all Implementing Partners what are the objectives and requirements regarding sustainability screening and proofing.** They also indicate that there is a need to substantially increase investment in social infrastructure in Europe. Moreover, it is asserted that social investment should not be seen in isolation as other environmental and climate change challenges must be rightly addressed. A holistic sustainability approach is indisputable in itself. Having said that, the notions of inclusivity, solidarity and of greater equilibrium in terms of the access to social services and wealth are becoming the pillars of the sustainability paradigm, with the recent sanitary crisis having clearly demonstrated this need. Interviews confirmed that a single InvestEU E&S framework is needed. It will be accompanied by a robust technical guidance and information tools to assist Implementing Partners and project promoters in applying the guidance on a consistent basis, enhancing transparency and sharing good practice. Wherever necessary, targeted technical accompaniment and technical support should also be made available as part of the capacity- and expertise-building effort within the implementing institutions.

2.3 Need for a level playing field for the new Implementing Partners

21. **There is no doubt that institutions met during the course of this study have increased focus and resources towards sustainability.** The intention to develop E&S frameworks and processes have been around for a long time but the mainstreaming of E&S considerations in decision making has significantly increased in recent years. However, not all organizations have been able to fully develop comprehensive E&S frameworks. Our analysis confirms there is still a wide disparity of practices among the possible Implementing Partners. Clearly, the most prominent IFIs have significantly increased staff and resource allocations to E&S. For instance, EBRD has implemented an Environmental and Social Policy, a document which is updated regularly. EBRD also operates an Environment & Sustainability Department, which comprises 50 staff, including 35 specialists.

22. **Similarly, EIB mainstreams the E&S screening and proofing processes through its Environment, Climate and Social Office (ESCO) within the Safeguards and Quality Management Department and counts many specialists in different sectors.** NIB has developed the concept of sustainability in its operations several decades ago and produced a variety of E&S tools, scoring systems and technical guidelines over the years. The NIB Sustainability & Mandate Unit is composed of a team of 8 analysts (5 for environmental aspects and 3 for productivity aspects) and is in charge of applying the Mandate Rating Framework and perform the sustainability review for all investments. Consultants are also involved for specific assignments and studies (typically commissioned by clients). At the other end of the spectrum, many smaller institutions cannot afford to develop sophisticated E&S frameworks and tools, and critically lack resources for ensuring that all E&S due diligence be performed according to best practices. The case of institutions in which only one staff is dedicated on a part-time basis to E&S screening and proofing has been reported to us.

23. **The InvestEU Fund will need to find a common ground for all new Implementing Partners joining the programme in 2021 and beyond.** As shown in Table 4, the new Implementing Partners will most likely not have the same level of expertise and maturity on sustainability screening and proofing. It should be noted that there is a striking difference in the activities of a NPBI and a MDB which is the number and the size of projects supported. For instance, in 2018, BPI France granted loans for a total amount of EUR 8.7 billion to finance 60 801 projects. The average loan amount was approximatively EUR 140 000[8]. For the same year, the EBRD[9] funded 395 projects to a total amount of EUR 9.5 billion[10]. The website of the EBRD specifies that "the average EBRD investment is USD 25 million"[11]. Consequently, the degree of details of the sustainability screening and proofing cannot be the same between the two institutions.

24. **Clearly, EIB is in a first entrant position (Scenario 1) because it has been**

[8] Data extracted from Bpifrance's 2019 annual business review, page 4. The document is available here : https://www.slideshare.net/Bpifrance/bilan-activit-bpifrance-2019
[9] The EBRD has been picked up for comparison as: its case study (case n°2) is the only one targeting a SME and is the lowest funding amount among all case studies (€16m through two loans).
[10] Data extracted from the EBRD's 2018 annual review, page 6. The document is available here: https://www.ebrd.com/news/publications/annual-report/annual-review-2018.html
[11] Website of the EBRD, last consulted on May 4.

the sole Implementing Partner under the so-called "Juncker plan". It was noted that EFSI relied on the existing EIB E&S framework. The EIB E&S Framework has been in place since 2002 and was developed independently from EFSI. Other multilateral institutions such as EBRD and CEB present a similar comparative advantage over smaller possible Implementing Partners that will be found in Scenario 2 or 3. A few NPBIs will be placed in Scenario 4 and not be able to join the InvestEU Fund in a few months because of the lack of willingness or resources to develop a full-fledged E&S framework. For such institutions, more time will be required for them to develop capacity in the field of E&S. This is also true for financial intermediaries that fall within scenario 4 (Table 4).

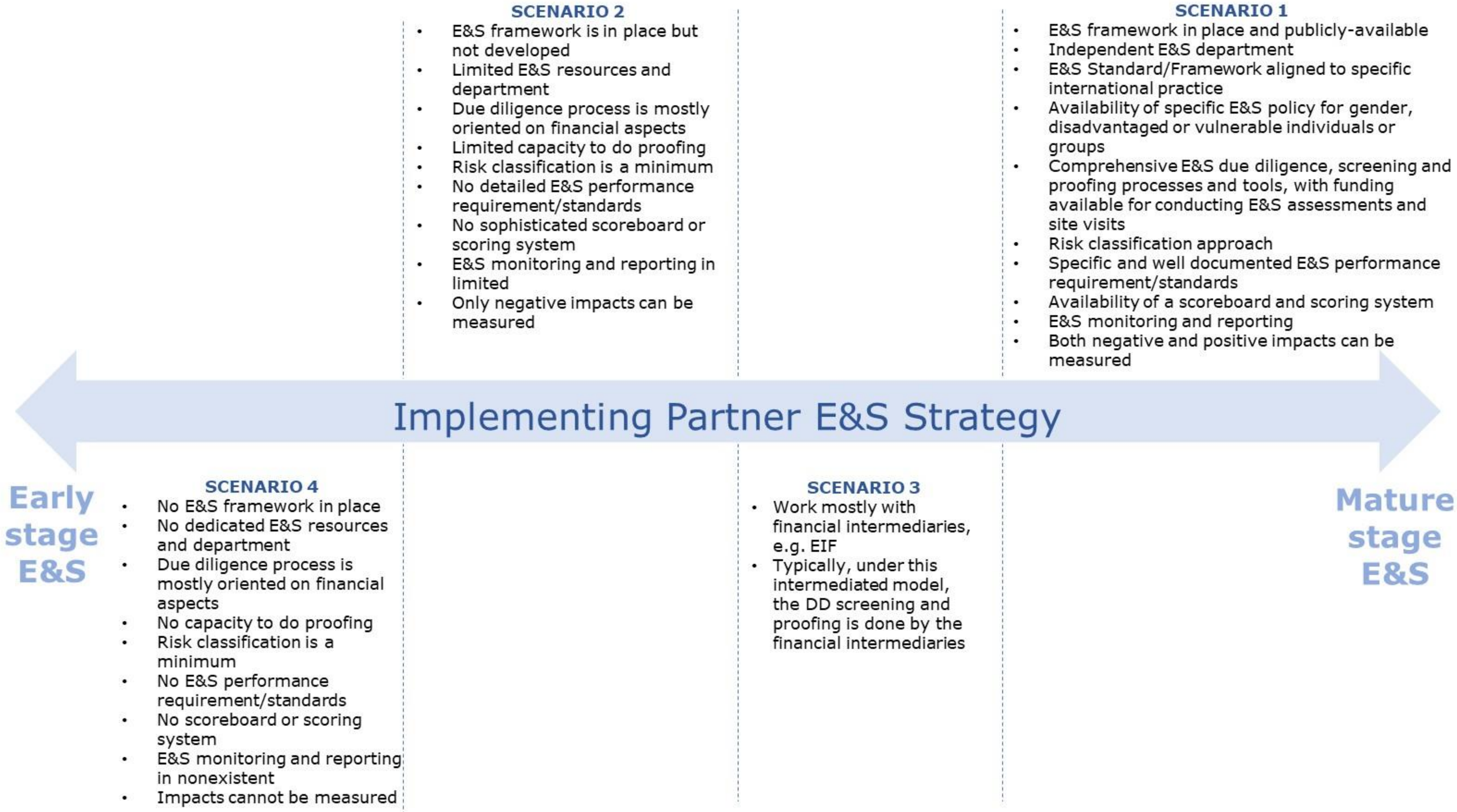
25. In sum, we concluded that a wide disparity of E&S practices prevails within the investment community in Europe and makes it difficult to level the playing field for the new Implementing Partners. An important degree of disparity also concerns the varying internal capacities in terms of specialised in-house expertise and the availability of internal operational teams to fully implement the new requirements. A one-size-fits-all E&S approach cannot be realistically implemented in a short timeframe and it will be important to take into consideration the great variety of projects, borrowers, Implementing Partners and beneficiaries when drafting the technical guidance for the InvestEU screening and proofing processes.

2.4 Absence of a common language for social screening and proofing

26. **Our interviews confirm there is a perpetuated confusion between varying strategies and approaches that make up the sustainable screening and proofing landscape.** From our qualitative assessment, it appears that the consideration of E&S issues in investment analysis is applied in many different ways by stakeholders. The concepts and terms are being used interchangeably. Also, stakeholders use different approaches and tools for E&S screening and proofing. There is no consensus across investors, industry experts, policy makers, academics, and NGOs around definitions for similar concepts. For instance, some NPBIs would argue that "screening" is a task consisting of ensuring compliance with national laws only (of course, it very much depends on the type of financing the NPBI is engaged in), whereas other stakeholders would define the terms more broadly to arrive at an E&S ranking or scoring against a multitude of economic, financial, social and environment criteria. According to key stakeholders, this situation may be explained by some of the factors listed below:

- Lack of understanding on the benefits of adopting a full fledge E&S approach;
- Lack of knowledge and best practices;
- No one E&S standard has emerged yet (therefore, some institutions do not know how to start with E&S screening and proofing, and find the standards implemented by IFIs, e.g. IFC, as too complex);
- There is no obligation to adopt an E&S approach and E&S processes are seen as too costly and cumbersome to implement; and
- Limited understanding of E&S issues and E&S integration with clients/borrowers. This aspect is one of the keys. The level of practical experience and the availability of expertise/operational capacity within the client / partner / beneficiary entities still remain alarmingly insufficient, despite the growing interest towards improving their policies and practices. This reality requires very close accompaniment and targeted capacity-building to be deployed for these entities, in addition to similar measures to be put in place for the internal teams of the implementing institutions.

Table 4 : Different levels of E&S maturity within the financial community



Source: Finance for Impact

27. **Most key stakeholders argue it is important to achieve a common understanding across market participants of what is expected from investments that offer exposure to social sustainability themes.** It is clear to everyone that the EU has now produced an EU Taxonomy.[12] The EU's Action Plan on Financing Sustainable Growth (March 2018) called for the creation of a classification system for sustainable activities or Taxonomy. The EU Taxonomy is a tool to help investors, companies, issuers and project promoters navigate the transition to a low-carbon, resilient and resource-efficient economy. However, several stakeholders indicated that social objectives, in addition to environmental objectives, are needed in the existing EU Taxonomy to identify substantial contributions in addition to minimum safeguards. In the InvestEU context, this requires a harmonised approach that incorporate specific social criteria and targets.

28. **During our interviews, a consensus has emerged on the main methodological attributes that a harmonized E&S framework could have.** At the general level, our interviews confirm the InvestEU approach and processes for screening and proofing investment projects should have specific characteristics, including:

- **Concise.** The E&S methodology should be capable of being treated as a free-standing document and should be comprehensible even to those who are not involved in the E&S process.
- **Flexible.** The methodology must be kept under regular review and should be amended when and if the programme changes course. For instance, the methodology should allow for different types of Implementing Partners, from a regional multilateral institution to a national bank, to join the InvestEU Fund over time.
- **Simple and consistent,** rather than subtle and arbitrary, to allow easy processing, consistency and accuracy of the E&S screening and proofing work. The methodology will maximize consistency by relying on generally accepted principles and international standards.
- **Adequate E&S due diligence.** Implementing Partners that perform poorly in environmental, social, and governance criteria are more likely to endure materially adverse events, e.g. lack of reputation, regulatory fines in case of non-compliance with national legal requirements.
- **Implementable** and therefore rely, as much as possible, on **reliable technical guidance** in order to minimize areas of judgment applied in the E&S process and thus take into account the difficulty of obtaining information and data in some instances.

29. **Moreover, our study confirmed that sustainability proofing is not perceived as "just" another administrative burden, but rather as an opportunity for creating shared value.** For instance, the benchmark and the review of the selected cases allowed us to see that applying sustainability proofing to

[12] For social objectives, the most relevant aspect of the Taxonomy are currently the minimum social safeguards, as the 'Do No Significant Harm' (DNSH) criteria in the regulation for now only cover climate and environment. The Taxonomy Regulation includes provisions that the Commission shall evaluate by 31 December 2021 the extension of the Regulation to cover social objectives (art. 26 TR) and that the Platform on Sustainable Finance shall advise the Commission on addressing other sustainability objectives, in particular social objectives (art. 20 TR).

projects represents an opportunity and is used as a "guarantee of acceptance" by most parties, as described in the following examples picked from the examined case studies. Sustainability proofing is also:

- An early glance into what can reasonably be expected to become a "new level playing field", such as for example in the case of **gender actions** where, even though coercive practice remains the subject of debate, a new set of norms is likely to emerge on topics such as pay equality, parity in smaller organization or gender gaps in sectors.
- A way to secure a project against the risk of future issues arising, for instance by ensuring that an early **stakeholder engagement** process is carried out i.e. disclosing information on safeguarding measures to project-affected persons or carry out consultations.
- An opportunity to establish a dialogue with a public financial institution during the appraisal process and/or to receive advisory services, potentially uncovering issues which were not initially contemplated.
- An opportunity for the project promoter to communicate and to represent itself and the project as more "appealing" to its clients, banks, and importantly, to its internal workforce, for giving due consideration to social and environmental issues (the two being often linked) before entering into a new initiative.

2.5 Raising awareness on legal compliance, policy check and use of exclusion list

30. **As a first step in the screening process, all InvestEU supported operations shall comply with applicable EU and national legislations.** The Commission will conduct a Policy Check to ensure that the project is aligned to EU policy objectives and not falling in the EU exclusion list. All Operations will be subject to this policy check (see also EIB Statute Article 19 procedure)[13] to ensure the proposed investment project respond to EU legal requirements and that financing and investment operations receiving EU support are in line with or contribute to the EU goals and ambitions for a sustainable development. Only projects having passed the Policy Check will go through E&S screening/proofing, review of the scoreboard and other E&S information, and eventually presented to the Investment Committee. At this stage of our study, we understand that the policy check will be performed on the Policy Check Request Form, which will include:

- A general identification part, describing the main elements, characteristics and entities participating in the operation;
- A policy related part, describing the main policy elements on the basis of which the Commission will carry out the policy check;

[13] It will be possible to group sub projects into one single operation and to submit such operation to the InvestEU Investment Committee if such operation is a facility, programme or structure. The Committee may however want to see separately sub projects ≥ EUR 3 million. Art. 19(6): "Where the Investment Committee is requested to approve the use of the EU guarantee for a financing or investment operation that is a facility, programme or structure which has underlying sub projects, that approval shall comprise the underlying sub projects , unless the Investment Committee decides to retain the right to approve them separately. If the approval concerns sub projects of a size below EUR 3 000 000, the Investment Committee shall not retain this right."

- Specific elements may include:
  - For direct operations, name, country or region of final recipient
  - For intermediated operations, name and type of financial intermediary, targeted country or region
  - Description of the operation, the target policy areas and the sector(s) targeted at the NACE 2 level, where applicable
  - Expected timing of the operation
  - Indicative project costs, approximate size of the operation, EU Guarantee amount
    Expected leverage of the operation
  - Compatibility of the operations with the InvestEU Regulation, the investment guidelines and the relevant guarantee agreement
  - Etc.

31. **Other documents will be required in the review of investment projects presented for InvestEU support and therefore need to be standardized to facilitate the preparation of projects, the review process and the decision making.** For instance, a Guarantee Request Form will need to be provided by the Implementing Partners and shall include a general identification part (identical to the one provided for the Policy Check), and an investment related part, describing the main economic, financial and compliance elements, as well as the narrative for the information provided in the scoreboard. A full scoreboard will also be produced and will include indicators on: contribution to EU policy objectives, additionality, financial and technical contribution by the Implementing Partner, investment impact, financial profile of the operation and complementary indicators, E&S risk assessment and score, etc. The scoreboard will be publicly available after the signature of the relevant operation. Interviews confirm that expectations exist for potential partners to understand how the process will work and ensure that no excessive administrative burden will prevail. Some potential Implementing Partners also indicate that they may choose not to join the InvestEU Fund if the process is too complex.

32. **Interviews confirm all benchmarked institutions have their own exclusion lists for investments or advisory services.** Typically, specific sectors or investment projects are excluded for a variety of reasons, including ethical, social or environmental concerns, such as gambling and sex related activities, the production or manufacturing of alcohol, tobacco or firearms, or atomic energy. Exclusions can also extend to entire sectors, such as fossil fuels. However, the granularity of exclusion varies from one institution to the other. For instance, some institution would implement exclusion lists based on their relevant national law, e.g. AWS has a limited set of excluded activities. On the other hand, multilateral institutions such as EIB, CEB or EBRD would have more comprehensive exclusion lists. To avoid misunderstanding in the use of the InvestEU Fund, we therefore recommend raising awareness of the new Implementing Partners on the scope of application of InvestEU and the official exclusion list.

33. **In sum, project promoters, other investors or final recipients, financial intermediaries and Implementing Partners should be made aware of their respective responsibilities for preparing the investment project and ensure compliance with the legal requirements, including the policy check and exclusion list.** Any type of EU support (repayable or non-repayable) can go only to

operations compliant with the different legislation. Although many potential Implementing Partners should already know about InvestEU Regulation, many indicated that they need further information on the legal compliance requirements for the InvestEU Fund, in particular when some of them are still in a draft format. Interviews confirm all benchmarked institutions understand that they will need to abide to exclusion list in Annex V (draft regulation), so IPs and intermediaries can receive InvestEU support. In case IPs have their own exclusion lists, they will have to respect both.

2.6 Clarifying the scope of application, concept of proportionality and threshold

34. **The demand for social and environmental projects will be substantial for the years ahead.** The EU long-term goals regarding sustainability, competitiveness and inclusive growth require significant investments in different policy areas. This includes, inter alia, new models relating to mobility, renewable energy, energy efficiency, natural capital, innovation, digitisation, skills, social infrastructure, circular economy, climate action, oceans. The policy goals also include small businesses' creation and growth as well as social inclusion. It implies that InvestEU should be able to provide support to institutions, e.g. NPBIs, whose mandate is to invest in people, e.g. to strengthen people's skills and capacities, to support them to participate fully in employment and social life (education, quality childcare, healthcare, training, job-search assistance and rehabilitation, local municipal development).

35. **To meet the demand in terms of investments, InvestEU will be required to provide support for large infrastructure projects but also has the capacity to invest in small scale, local projects as well.** Any intermediated finance business model in general can also play a catalytic role in financing smaller social investments. For instance, AWS, the Austrian public promotional bank, supports companies in implementing their innovative projects by offering soft loans, grants and guarantees, particularly in cases where sufficient funds cannot be obtained through alternative funding. The average transaction is EUR 200 000, well below the provisional InvestEU threshold (Table 5). Similar to other NPBIs, AWS have a strong local presence in its country of operations, working with local authorities and businesses as well as a dense network of commercial banks and thousands of branches. NPBIs similar to AWS would allow InvestEU to focus on a business segment comprising small businesses and excluded populations in regions facing structural challenges. Indeed, NPBIs have a comparative advantage for the InvestEU Fund as they have proximity and knowledge of local clients. Although the landscape of NPBIs in Europe is very heterogeneous, most of the NPBIs in Europe are medium-sized banks with a volume of total assets between EUR 1 billion and 10 billion, with a business model and operating procedures that would make them good candidates for the use of InvestEU support.

Table 5 : Case study – CDP in Italy and AWS in Austria

CDP Italy
In 2017, EIB and Cassa Depositi e Prestiti renewed their support to Italy's schools upgrading plan. New loans for up to EUR 1,3bn were made available over three years by the European Investment Bank (EIB) to Italian schools for the modernisation and safety of their buildings and facilities. The financing is part of a new institutional agreement signed with the Italian

Ministry of Education, University and Research which builds up on a previous commitment coming to an end this year.

One key component of the Schools Upgrade Plan is the prevention of accidents and seismic damages. The EIB funding will be provided to Cassa Depositi e Prestiti (CDP) who, in turn, lend it to the Regions, who are the bodies responsible for coordinating and selecting the relevant projects at local level. Within each Region, Municipalities, Provinces and Metropolitan Cities identify projects and ensure implementation.

AWS Austria

Austria Wirtschaftsservice Gesellschaft mbH (AWS) is the promotional bank of the Austrian federal government. It promotes the structural improvement of the Austrian economy with a focus on start-up companies and SMEs. It supports companies in implementing their innovative projects by offering soft loans, grants and guarantees, particularly in cases where the funds required cannot be obtained sufficiently through alternative funding. The support provided through the AWS can help to set up an enterprise more easily, access soft loans from EUR 10,000, access finance by providing guarantees and develop and implement innovations. In past years, AWS provided support for:

- SME
- R&D projects (The share of Innovation in AWS portfolio is 80%)
- Environmental investments
- Investments in new facilities or in the context with new products in regional development areas (including large companies)

The AWS Mid Cap Fund also invests in medium-sized companies as part of its growth projects. Established in 2009, the AWS Mid Cap Fund offers follow-on funding for companies enjoying strong growth or co-invests in medium-sized acquisitions or company successions. The AWS has also been cooperating with EIF since 1998:

- 2012: CIP counter guarantee for EUR 180m loan volume (SME)
- 2013: RSI for guarantee banks for EUR 23m guarantee amount (innovative SME & small midcaps)
- 2015: COSME counter guarantee for EUR 170m guarantee volume (SME)
- 2015: InnovFIN for EUR 96m guarantee volume (innovative SME & small)
- 2017: COSME counter guarantee (EFSI) for EUR 85m guarantee volume (SME)
- 2018: Increase of InnovFIN up to 192m guarantee volume (SME)
- 2019: Increase of COSME up to 250m guarantee volume (SME)

Source: AWS and CDP

36. **We confirm that a large consensus prevails within the community of potential Implementing Partners to argue that different risk levels should not be treated in an equal manner; everyone agrees that more resources and attention should be allocated to projects with greater risks.** In line with the principle of proportionality, the InvestEU investment guidelines should include adequate provisions to avoid undue administrative burden. As a result, projects below

a certain size shall be excluded from the proofing requirements. The threshold will be determined by the Commission during the development of guidance. At this stage, we note that the threshold is EUR 10 million for direct financing (based on total project costs). For intermediated finance, InvestEU requires proofing only for infra projects, therefore the threshold would be the same as for direct:

For direct operations:

a. For (investment) projects, based on total project cost, it shall be EUR 10 million.
b. For general corporate finance, based on total financing given to the final recipient, it shall be EUR 10 million.

For intermediated operations:

a. a. For infrastructure funds the same threshold as for direct operations applies to the underlying projects. Based on total project investment cost, it shall be EUR 10 million.
b. b. For financing of SMEs, small mid-caps and other eligible enterprises, no screening or proofing will be required. However, specific safeguards will be set up in order to ensure a minimum alignment with EU commitments, while trying not to overburden small economic actors with complex requirements.

37. **During our meetings with stakeholders, different scenarios for the threshold were discussed**. For instance, BPI France indicated a possible alternative scenario as follows (Table 6):

Table 6 : BPI and alternative scenarios on the threshold

The outstanding majority of projects related to SME funding under InvestEU will be small projects. It is important that InvestEU E&S requirements be focused on projects with a significant size to ensure a proportionate approach. The E&S impact of small enterprises projects is by nature limited and cannot be compared with infrastructure projects.

Therefore, a potential change in the thresholds should be submitted to the approval of the InvestEU working group on sustainability proofing and climate tracking. From the beginning, the EU legislators as well as the working group have demonstrated the will to accelerate the deployment of the InvestEU fund for small projects and exempt them from screening and proofing.

Against this background, should the scope of E&S screening be extended, we would be very careful about its practical feasibility on the ground and its impact on InvestEU implementation. To this respect, and based on InvestEU regulation, one could set the following thresholds:

- Smallest projects: no requirement (no screening nor proofing):
  - Cost of the project ≤EUR 3m.

- “Intermediate” projects receiving a support from EUR 3m to EUR 10m: lighter screening, no risk- based approach, no proofing.
  - Only for projects directly funded by an Implementing Partner.
  - Cost of the project >EUR 3m but ≤EUR 10m
  - Intermediated financing is excluded to avoid undue burden.

- Significant projects: screening, risk-based approach, proofing and mitigating.

- Thresholds

The projects from EUR 3m to EUR 10m should be assessed following the simplest and most straightforward scoreboard possible. Their screening should be composed of few questions and should not include qualitative aspects (qualitative components are mentioned at pages 14 and 242). It should be born in mind that this E&S screening will have to be integrated in NPBIs IT systems, reasons why they have to be as simple, user friendly as possible. Therefore, this questions template should be defined together with national promotional banks. An interim impact assessment of InvestEU should be performed in order to reassess the relevance of the thresholds.

Source: BPI France

38. **In sum, there is a common understanding that the EU will only support projects that are consistent with, and within the boundaries of, the InvestEU regulation and are expected to meet the E&S requirements in a manner and within a timeframe acceptable to the EU.** A large consensus prevails within the community of potential Implementing Partners to argue that risks should not be treated equal. The threshold is EUR 10 million for direct financing (based on total project costs) and EUR 10 million for intermediated financing (based on total financing given to the final recipient) is acceptable. However, for projects under EUR 10 million (direct or intermediated financing) a lighter version of the E&S scoreboard should be produced. We do not recommend treating differently infrastructure and non-infrastructure projects; only the monetary threshold (below or above EUR 10 million) should determine the level of E&S scrutiny and need for risk categorisation to be applied. In addition, we assume that non-infrastructure projects, e.g. research, innovation and digitisation (RID) activities, SME financing, microfinance and support for social enterprises will likely be under the threshold of EUR 10 Million.

2.7 A variety of approaches for social screening/proofing

39. **Our analysis confirms that institutions met in past months are operating a wide variety of E&S screening and proofing frameworks and processes.** The most sophisticated processes, e.g. the ones of EIB, EBRD or IFC, allows an institution to thoroughly appraise the environmental and social impacts of a potential project as well as risks and opportunities associated with the project if implemented. In addition, the most comprehensive frameworks would typically set clear expectation for the project promoter or financial intermediary. Not only the commitment of the project promoter to implement the project in accordance with the relevant E&S requirements would be thoroughly assessed but transfer of expertise would take place between the financing institution (e.g. EBRD) and its project promoters.

40. **Several good practices have been identified for the E&S proofing of investment projects, with some institutions having designed comprehensive proofing protocols and created shared knowledge.** For instance, central to the IFC proofing requirements is the application of a mitigation hierarchy to anticipate and avoid adverse impacts on workers, communities, and the environment, or where avoidance is not possible, to minimize, and where residual impacts remain, compensate/offset for the risks and impacts, as appropriate. This is central to most standards followed by multilateral institutions (EBRD, EIB or IFC). Such information is typically found in the first paragraphs of the PS1 PR1 and Standard 1. In addition, EIB has a specific mitigation hierarchy for human rights. IFC believes that its Performance Standards provide a solid base on which clients may increase the overall sustainability

of their operations, identify new opportunities to grow their business, and build their competitive advantage in the marketplace. In its screening and proofing processes, IFC does not limit its investigations to the review of all available information, records, and documentation related to the environmental and social risks and impacts of the business activity. It also can conduct site inspections and interviews of client personnel and relevant stakeholders. More importantly, it seeks to identify any gaps and corresponding additional measures and actions beyond those identified by the client's in-place management practices. To ensure the business activity meets the Performance Standards, IFC can propose supplemental actions (e.g. an Environmental and Social Action Plan) necessary conditions of IFC's investment. EIB has also specific E&S conditionalities that are reflected in EIB's FC and ESDS.

41. **Another example. NIB has a separate Sustainability & Mandate unit, which assesses the mandate fulfilment of new projects.** The assessment focuses on evaluating the extent to which a project considered for financing contributes to strengthening the member countries' productivity and benefitting the environment. The mandate unit performs a qualitative sector assessment and a project-specific quantitative analysis to reach an overall environmental rating using the NIB Mandate Rating Framework. The framework contains guidelines and tools that are used to assess how the projects provide productivity gains and environmental benefits. NIB's environmental and social review includes the following key components: Categorisation based on assessment of potential negative impacts of the project; definition of risks and impacts of the project and of planned mitigating measures; benchmark of the project's environmental and social performance with relevant standards; assessment of the commitment and capacity of the client to manage these potential impacts; and verification that the costs resulting from the environmental and social risks and impacts are factored into the project. When required, a mitigation plan is proposed with feasible and cost-effective measures to avoid or to reduce adverse environmental and social impacts to acceptable levels on a sustainable basis. Such plan can address other environmental issues such as the need for worker health and safety improvements, inter-agency coordination, community involvement etc., as well as outline measures which would enhance environmental aspects within the area affected by the project. The mitigation action plan typically provides details of work programmes and schedules, capital and recurrent cost estimates, as well as institutional and training requirements which are in phase with all stages of the project's implementation.

Table 7 : Case study – EBRD screening and proofing all projects for the domestic business

At EBRD, all projects undergo environmental and social appraisal both to help EBRD decide if the project should be financed and, if so, the way in which environmental and social risks and impacts should be addressed in planning, implementing and operating a project. Whilst the exact scope of the appraisal is determined on a case by case basis, it is appropriate to the nature and scale of the project and commensurate with the level of its environmental and social risks and impacts.

EBRD categorises each project to determine the nature and level of environmental and social investigations, information disclosure and stakeholder engagement required. This is commensurate with the nature, location, sensitivity and scale of the project, and the significance of its potential environmental and social impacts which are new and additional. EBRD also monitors and evaluates both directly financed and FI projects it finances against the objectives of this Policy throughout the time that the Bank has financial interest in the project. The extent of monitoring is of course commensurate with the environmental and social risks associated with the project.

EBRD appraisal of each project assesses the environmental and social risks and impacts of the project and the capacity and commitment of the client to implement the project in accordance with the relevant E&S performance requirements (PRs). When a project involves existing facilities or business activities, and/or associated facilities, the appraisal will consider the environmental and social risks and impacts associated with such facilities and activities.

It is the responsibility of the client to ensure that adequate information is provided so that the EBRD can undertake an environmental and social appraisal in accordance with this Policy. EBRD's role is to: (i) review the client's information; (ii) provide guidance to assist the client in developing appropriate measures consistent with the mitigation hierarchy to address environmental and social impacts to meet the relevant PRs and (iii) help identify opportunities for additional environmental or social benefits.

In cases that the Bank's investment is not directed at specific project or physical assets, such as working capital finance and some types of equity investments, or will lead to future investments, the proposed use of proceeds and the environmental and social footprint are largely indeterminate at the time of EBRD's decision to invest. The Bank will therefore (i) assess the investment based on the risks and impacts inherent to the particular sector and the context of the business activity, and (ii) assess the client's capacity and commitment to manage the environmental and social risks and impacts in accordance with the relevant PRs. Where the project involves general corporate finance, working capital or equity financing for a multi-site company, and where the use of proceeds is not directed at specific physical assets, the client will be required to align its corporate environmental and social management systems with the PRs and develop measures at the corporate level to manage the environmental and social risks associated with its business activity. In capital market transactions, the disclosure of environmental and social documentation prior to and after subscription is subject to applicable capital market rules and regulations that prevent trading in listed securities on the basis of material non-public information and principles related to the equal treatment of investors. For FI projects, EBRD will conduct due diligence on the FI to assess E&S policies, risks, and systems.

Source: EBRD[14]

42. **In terms of knowledge sharing, several institutions have developed training material, online guidelines and webinars to share knowledge on good practices to help project promoters/final recipients in understanding E&S concepts and processes.** Some institutions have also developed rigorous processes for advising project promoters/financial intermediaries in developing measures to manage the E&S risks and impact of their projects, e.g. identifying opportunities to enhance E&S outcomes. For instance, EBRD clients are required to take into account the findings of the E&S assessment process and the outcomes of stakeholder engagement in order to develop and implement a programme of actions to address the identified environmental and social impacts and issues of the project as well as to determine any performance improvement measures to meet EBRD's performance requirements (Table 7). Through its Environmental and Social Management Plans (ESMP), EBRD may require a client to comply with specific adaption or mitigation measures. For instance, components of such ESMP may include a Biodiversity Action Plan, Emergency Response Plan, Resettlement Action Plan, Livelihood Restoration Framework, Indigenous Peoples' Development Plan, Human Rights Action Plan, Stakeholder Engagement Plan and/or other specific plans. Where

[14] Environmental and Social Policy, EBRD, April 2019.

the project does not meet the performance requirements from the outset, the client and EBRD will in addition to the ESMP agree on an Environmental and Social Action Plan (ESAP), which will include technically and financially feasible, and cost-effective measures for the project to achieve compliance with the performance requirements within a time frame acceptable to EBRD.

43. **However, our analysis provides evidence that some institutions do not implement comprehensive E&S screening and proofing frameworks and processes on all projects, but have good reasons to do so.** For instance, KfW is not conducting an E&S assessment for each project but still has specific E&S processes in place (Table 8). Sustainability is one of KfW's primary business targets. As a bank committed to responsibility it is promoting environmental and climate protection worldwide. KfW is also committed to social responsibility and is engaged in an intense dialogue with its stakeholders. Good corporate governance plays an important role and it goes without saying that sustainability principles are also applied in-house. However, KfW does not have a specific E&S screening and proofing process for each of its investment projects. First, the volume of such project is too high for individual screening and proofing (over 350 000 projects in the global portfolio). Second, KfW, its partners and borrowers operate under a strong E&S regulatory framework in Germany, with specific laws and regulations.

Table 8 : Case study - KfW not screening and proofing individual projects for the domestic business

KfW is Germany's most important promotional bank, for private individuals as well as for enterprises, cities, municipalities and non-profit and social organisations. With a total of EUR 49 billion invested last year, KfW targets three segments:

1. Private customers (e.g. purchase, renovation and energy-efficient modification of existing properties, financing of business start-ups, students' loans…)
2. Companies (e.g. company's energy-efficiency measures, expansion of company and company takeovers and stakes, innovation…)
3. Public institutions (e.g. municipalities…)

In Germany, KfW is involved in many things people do. The moment they leave school, many people become acquainted with KfW's student and educational loans. KfW finances academic studies and provides financial assistance for master craftsmen trainees independent of the parents' income and at favourable terms and conditions. Home financing is also unimaginable without KfW. People who want to build or buy a home will be financing through their regular bank what may be the biggest investment of their lives, as well as subsequent investment in energy-efficient refurbishment or conversions to make their homes senior friendly. KfW joins the commercial bank in the lending process and closes financing gaps to make the financing affordable. KfW provides special support for houses that are particularly energy-efficient and sets standards with the KfW Efficiency House. Funds are provided not only for the construction but also for later refurbishment. Whether for thermal insulation, new heating systems or windows, KfW has also a number of programmes to advance energy-efficient refurbishment.

KfW does not have a specific E&S screening and proofing process for each of its investment projects. First, the volume of such project is too high for individual screening and proofing (above 350 000 projects in the global portfolio). Second, KfW, its partners and borrowers operate under a strong E&S regulatory framework in Germany, with specific laws and regulations. Also, KfW signed the Principles for Responsible Investments (PRI) in 2006 and committed itself to invest sustainably and disclose information about its sustainable activities. By implementing PRI in our sustainable investment approach, we want to drive forward sustainable business practices actively and transparently, while encouraging other market participants to do the same. By implementing PRI in its sustainable investment approach, KfW wants to drive forward sustainable business practices actively and transparently, while encouraging other market participants to do the same.

The guiding principles are as follows:

- KfW incorporates ESG issues into investment analysis and decision-making processes.
- KfW is active owners and incorporate ESG issues into its ownership policies and practices.
- KfW seeks appropriate disclosure on ESG issues by the entities in which it invests.
- KfW promotes acceptance and implementation of the Principles within the investment industry
- KfW works together to enhance our effectiveness in implementing the Principles.
- KfW reports on its activities and progress towards implementing the Principles.

Since 2008, KfW has also been including a sustainability rating in its investment decisions for the liquidity portfolio. The sustainability ratings for the issuers in the liquidity portfolio are provided by the sustainability rating agency ISS-oekom. In addition to the E&S criteria, exclusion criteria are integrated into the investment approach for the liquidity portfolio. If the issuers are financial services providers, the exclusion criteria are applied indirectly, in the case of banks, for example, to their relevant equity participations.

The exclusion criteria for producing enterprises and financial services providers are based on the "IFC Exclusion List" and it includes:

- Production or activities involving harmful or exploitative forms of forced labour or child labour as defined in the ILO core labour standards.
- Production, use of or trade in pesticides/herbicides or other hazardous substances that are subject to international bans.
- Trade in animals or animal products that are subject to the provisions of CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora).
- Production of cosmetics etc. involving testing on animals.
- Commercial logging operations for use in primary tropical moist forests.
- Production or trade in controversial weapons or important components for the production of controversial weapons (anti-personnel mines, biological and chemical weapons, cluster bombs, radioactive ammunition, nuclear weapons).
- Production or trade in tobacco.
- Controversial forms of gambling: operation of casinos, production of devices or other equipment for casinos or betting offices or companies that generate turnover via online betting. (So-called "short odds" are defined as "controversial forms of gambling").
- Any business activity involving pornography.

Source: KfW

44. **Our benchmark confirms that institutions met in past months are operating a wide variety of E&S screening and proofing frameworks and processes.** The most sophisticated processes, e.g. the ones of EIB, EBRD or IFC, allows an institution to thoroughly appraise the environmental and social impacts of a potential projects as well as risks and opportunities associated with the project if implemented. While the Implementing Partner will identify and manage social risks and impacts in a manner consistent with the InvestEU requirements, it will be the responsibility of InvestEU and the Commission to ensure that a complete E&S assessment (scoreboard) is available for the Investment Committee to make a final decision.

45. **Our interviews indicate that there is an expectation to precisely define the responsibilities of the various stakeholders for E&S screening and proofing projects under the InvestEU Fund.** Under the InvestEU regulation, it is admitted that investment projects shall be screened by the Implementing Partners to

determine if they expect to support projects and, in such case, whether they have significant environmental, climate or social impact. If so, they should be subject to sustainability proofing. It will therefore be the duty of Implementing Partners to conduct the screening and proofing of all investment projects, prepare the scoreboard and ensure that projects are in. In doing so, the Implementing Partners will be expected to review all available information, records, and documentation in order to analyse the borrower's social performance in relation to the social requirements of the InvestEU Fund and any other guidelines implemented by the implement partner. The Implementing Partners will be expected to identify any gaps in the E&S assessment and, if required, propose additional measures and actions to be taken for the project to be approved by the InvestEU Investment Committee. For intermediated finance, this can only be done at the level of the financial intermediaries. In doing so, the Implementing Partner will use their own sustainability assessment approaches and tools (e.g. risk assessment, life-cycle assessment, benefit-cost analysis, ecosystem services valuation, integrated assessment models, sustainability impact assessment).

2.8 The risk-based approach as a prerequisite in most institutions

46. **The study found that financial institutions have different approaches to addressing the E&S risks.** Our benchmark provides evidence that a number of factors can influence the way a financial institution approaches E&S risks, including, but not limited to, the financial institution's business model, the types of financial services offered (including their typical duration, amounts involved…), the sectors, the types of E&S issues typically encountered, the geographic scope, etc. Based on our benchmark, E&S risk assessment practices also vary according to the importance of specific industry sectors to a financial institution. For example, a NPBI having a long experience in lending to certain sectors (e.g. social housing or municipal finance) through trusted financial intermediaries will focus more on E&S issues pertinent to this sector, with E&S due diligence approaches tailored accordingly. The interviews with financial institutions also showed that strategic or national aspects influence E&S due diligence approaches (e.g. importance of local or regional economic priorities).

47. **Overall, several financial institutions confirm having adopted a systematic risk-based approach in order to avoid undue administrative burden for projects below a predetermined level of E&S risk.** As such, all projects are categorised according to their potential negative environmental impact. Then, different levels of scrutiny and investigations apply to the project in accordance with its risk ranking. Typically, our benchmark shows that a common risk categorisation implemented by many institutions (e.g. CDP, EBRD, CEB, IFC, NIB) is as follows:

- **Category A Projects**: Projects with potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented
- **Category B Projects**: Projects with potential limited adverse environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures
- **Category C Projects**: Projects with minimal or no negative environmental potential impact.

48. **Other risk categorisation approaches are also available.** For instance, EIB uses an E&S Impact Rating under which "category A" refers to acceptable, insignificant residual impacts, low risks, neutral or positive global impacts; "category B" refers to acceptable, medium residual impacts, low to moderate risks, low adverse global impacts; "category C" refers to acceptable, high residual impacts, moderate to high risks, moderate to high adverse global impact; and "category D" refers to not acceptable, very high residual impacts, very high risks, high negative global impact. Another example: MIROVA categorizes risks across its impact measurement scale. Based on criteria specific to each sector, Risks are assessed on a high/medium/low scale. We can also mention the World Bank, which classifies all projects (including projects involving Financial Intermediaries (FIs)) into one of four classifications: High Risk, Substantial Risk, Moderate Risk, or Low Risk.

2.9 Agreeing on a limited number of social performance requirements/criteria

49. **Our study shows that financial institutions have adopted a great variety of social criteria/requirements**, ranging from simple ones (e.g. AWS and its diversity criteria) to more comprehensive ones encompassing a myriad of topics such as access to education, financial inclusion, affordable health care, housing of adequate quality, childcare and support to children, community development for urban and peri-urban depressed areas, labour market integration and equal opportunities, gender, inclusion of people with disabilities, integration of minorities and vulnerable people… In Table 9, we provide an overview of social requirements and criteria adopted by some financial institutions.

50. **In addition, interviews confirmed that the list of criteria should not be cumbersome (no more than 5-6 main criteria per dimension).** Interestingly, most interviews confirmed that social criteria to be used for the InvestEU Fund should not necessarily be aligned to the SDGs (See Annex 8) or the EU Pillars of Social rights (See Annex 9), such principles being seen as "aspirational" and "not pragmatic" for the design of social requirements applying to the InvestEU Fund. In the following table, a summary of the social criteria used by several institutions is provided.

Table 9 : Social criteria/requirements used by various institutions

Institutions	Social criteria
AFD	► **Social wellbeing and reduction of social imbalances** Effective access to services, development of capabilities, improvement of living conditions and environment, decent employment conditions, inclusion and participation in community life, lifelong income security, reduction of sensitivity to tensions and conflicts ► **Gender equality** Access to services, control over resources and income, access to justice, combating violence against women, participation in economic, social and political decision-making bodies, project governance considered with regard to gender ► **Sustainability of project impacts and governance framework** Information and transparency, consultation and participation, planning, execution and management, rights and justice, economic governance and funding

CDC	▶ Social & Professional inclusion mechanisms ▶ Number of jobs sustained, territorial partnerships
CDP	▶ Explicit inclusion of people and specific/vulnerable populations ▶ Explicit inclusion of territories, regions and cities that are not as developed as the national average ▶ Estimate direct externalities: Final recipients (e.g. Employment) ▶ Estimate indirect externalities: Final recipients (e.g. Cities that benefit from infrastructures)
CEB	▶ Conditions and rights of workers ▶ Protection of vulnerable groups ▶ Forced labour and child labour ▶ Gender equality and non-discrimination ▶ Protection of livelihoods and housing ▶ Community health and safety ▶ Stakeholder information and consultation
EBRD	▶ PR 1 Assessment and Management of Environmental and Social Risks and Impacts ▶ PR 2 Labour and Working Conditions ▶ PR 4 Health, Safety and Security ▶ PR 5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement ▶ PR 7 Indigenous Peoples ▶ PR 8 Cultural Heritage ▶ PR 9 Financial Intermediaries ▶ PR 10 Information Disclosure and Stakeholder Engagement
EIB	▶ Standard 1. Assessment and Management of E&S Impacts and Risks ▶ Standard 2 Pollution Prevention and Abatement ▶ Standard 3 Biodiversity and ecosystems ▶ Standard 4 Climate-related standard (as it deals with resilience) ▶ Standard 5 Cultural Heritage ▶ Standard 6 Involuntary resettlement ▶ Standard 7 Rights and interests of vulnerable groups ▶ Standard 8 Labour standards ▶ Standard 9 Occupational and public health, safety and security ▶ Standard 10 Stakeholder engagement
HBOR	▶ Employees, new employees as a result of investment ▶ Access to finance ▶ Special state concern areas ▶ Vulnerable groups (women, young, start-ups)
IFC	▶ Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts ▶ Performance Standard 2: Labour and Working Conditions ▶ Performance Standard 4: Community Health, Safety, and Security ▶ Performance Standard 5: Land Acquisition and Involuntary Resettlement ▶ Performance Standard 7: Indigenous Peoples ▶ Performance Standard 8: Cultural Heritage

MIROVA	▶ Health & Safety ▶ Policy around Responsible workforce restructuring ▶ Mechanisms to attract and retain workers / talents ▶ Governance and corporate social responsibility ▶ Training, presence in industry groups for the improvement of safety standards ▶ Presence of a formal human rights policy that applies to both the company and its contractors ▶ Transparency around community outreach, grievances, use of force, etc.
NBI	▶ Human capital and equal economic opportunities ▶ Improvements in market efficiency and business environment
World Bank	▶ Occupational health and safety ▶ Labour and working conditions ▶ Community health and safety. ▶ Transparency and stakeholder engagement ▶ Non-discrimination provisions against disadvantaged or vulnerable individuals or groups ▶ Human rights principles ▶ Social inclusion ▶ Etc.

Source: Finance for Impact

51. **Our interviews confirm that new potential Implementing Partners expect InvestEU to adopt an effective but reasonable set of social performance requirements or criteria.** The need for a good balance between the environmental and social considerations has been repeatedly mentioned during our interviews, some market participants arguing that the environmental cause should not be detrimental to the social agenda. At the same time, interviews reveal that it should be discouraged to aggregate a myriad of social metrics, with little consideration of their financial materiality and the capacity to deliver better positive impacts. Too many social criteria would create an administrative burden for project promoters and eventually deter investment. Yet, there is compelling evidence about the need to identify a limited but relevant number of social requirements for InvestEU-supported projects; under a realistic approach, with well-defined and relevant social criteria (that can be measured), the investment projects are likely to have a substantial impact. A strong social value proposition can therefore link value creation in many different ways (Table 10).

Table 10 : Value creation in the social approach

	Strong social proposition	Weak social proposition
Investment optimization	▶ Typing social impact to investment strategies ▶ Social return on investment ▶ Activating the potential of public and private investment for greater social impact	▶ Failing to link investment performance with social impact

Regulatory and legal interventions	▶ Improved reliability and availability of E&S data ▶ Earn more support from regulators and the government	▶ Higher risks on compliance issues ▶ Social costs of dispute
Productivity uplift	▶ Can reduce operational costs and expenses	▶ Deal with social stigma and restrict employment ▶ Loss in terms of attractiveness for the project promoter
Reputational gains	▶ Provide greater social credibility	▶ Fall behind those investing in social assets

Source: Finance for Impact

52. In sum, our benchmark study shows that financial institutions have adopted a great variety of social criteria/requirements. Therefore, it should be discouraged to aggregate a myriad of social metrics, with little consideration of their financial materiality and the capacity to deliver better positive impacts. There is compelling evidence about the need to identify a limited but relevant number of social requirements for InvestEU-supported projects. Central to the social performance requirements will be the application of good international practice, in particular to understand what is already well regulated by the EU.

2.10 Different practices for designing E&S scoreboards

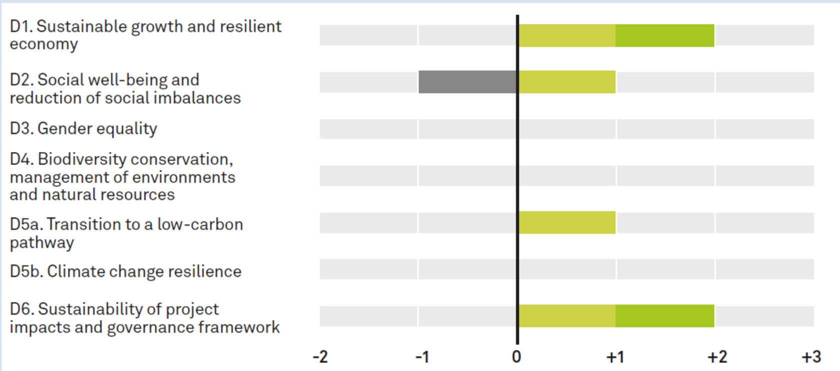
53. **Our interviews and benchmark confirm the existence of good practices for ranking, scoring and rating investment project, but no one-size-fits-all solutions prevails today.** First, a great variety of E&S scoreboards exist today (Table 11). Each model that we reviewed includes a different level of information, choice of strategy, social criteria, metrics/indicators, scoring protocol, reporting requirements, organisational setup, and so on. But many institutions have not designed and implemented a scoreboard or scoring system yet. This is particularly true for the smaller NPBIs because they do not have the capacity, resources or knowledge to do it. Other institutions, e.g. EBRD and IFC, have designed comprehensive and robust E&S processes, but they did not find necessary to implement scoring systems. Indeed, the elaboration of an E&S scoring is seen by some institutions as not needed to arrive at an investment decision, as long as other E&S processes are in place for the DD and risk ranking of projects (risk-based approach).

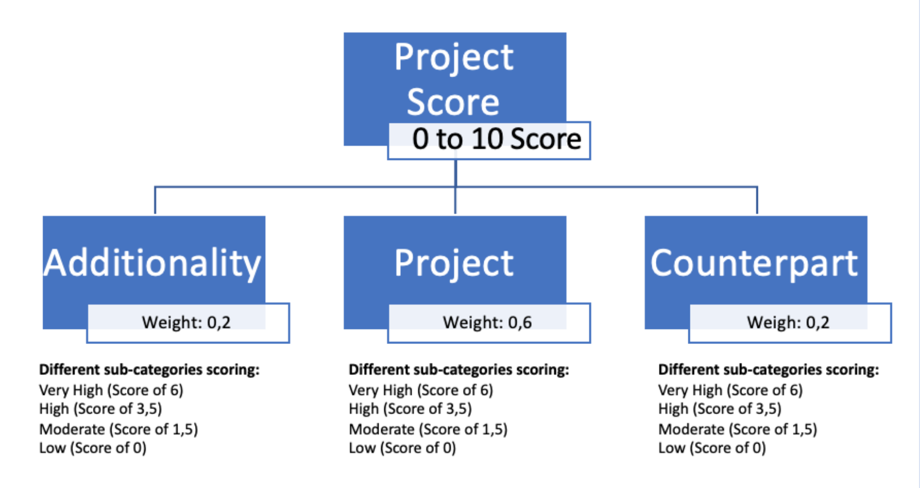
54. **We have reviewed many scoreboard options during our investigation.** Typically, a scoreboard is designed to (i) provide an overview of a potential investee's E&S performance by visually highlighting strengths and weaknesses and (ii) generate a social investment score (which can be qualitative and/or quantitative, based on a standardized scoring protocol). The most efficient scoreboards are easy to visualize and pragmatic in reporting the key findings of the E&S assessment. It is likely to be best received by potential users if its content is lean and pertinent to each case in point; also, its metrics will be easily understandable and measurable, unless fully justified. Successful scoreboards would generally rely on a limited number of social metrics so that it can provide a simple answer to the all-important questions of: How much social impact constitutes sustainable performance and how to measure it? Will

the specific investment project under consideration generate positive and significant social impact? To what extent?

55. In the following table, the key characteristics of several scoreboards are summarized:

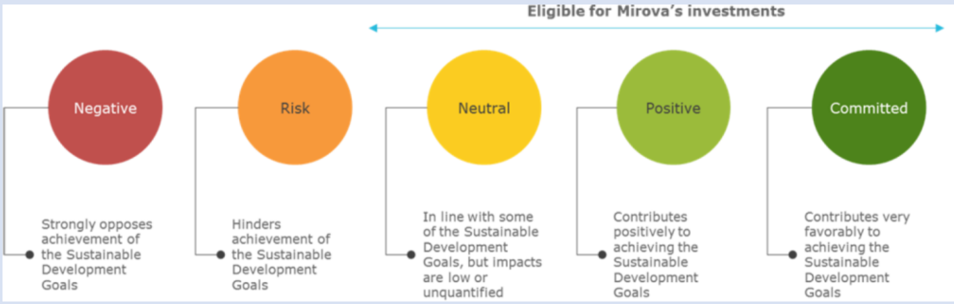
Table 11 : Use of scoreboard by different institutions

Institution	Scoreboard and scoring options
AFD	A scoreboard summarizes different types of impacts for each dimension (See the benchmark for details on the dimensions). This scoreboard uses a qualitative approach to estimate the potential positive and negative impacts for the six sustainable development dimensions, based on a -2 to +3 ranking. It complements the quantitative measurements from the economic analysis, project monitoring indicators and aggregate indicators. Levels 1 to 3 are progressive and cumulative: a higher level can only be reached if the conditions of the level below are fulfilled (no project with a -1 or -2 can be financed). The staff conducting the E&S assessment first identify the project's expected level of impact for each dimension. Then a detailed analysis is performed for each dimension with the sub-criteria, in order to fine-tune the analysis of the impacts, if necessary, to decide between two possible ratings or to identify the actions to be implemented to optimize the project impacts. If the project has positive and negative effects in the same dimension (different effects on populations, territories or resources), both effects must be specified in the chart and analysis report. If the operation is not applicable for a given dimension, you may specify NA instead of 0 (neutral effect). An example of the rating is provided below as an example. 
AWS	AWS uses 4 different categories for the evaluation of impact for every project. The following rating method is used: innovation, growth and employment, ecology, and diversity (including gender balance). A questionnaire helps to have precise answer on the following: Innovation e.g.: Is a product or process innovation part of that project? Is a product improvement part of that project? Decisiveness of IPR in that project? Growth and Employment e.g.: Size of the project and addition to capacity; Effect on employment and qualification; International activity and export

	Ecology: Does the project enable environmental benefits, based on product or process innovation? If yes, in what field? Diversity: Is there any positive social impact based on the project or the enterprise policy? Is there any support in the enterprise for interventions of gender equality? All questions are the same for all AWS products. All questions are weighted according to the strategic alignment of the products/product categories. An additional segment can be added for specific questions, when needed by a program. The result is an economic revenue scoring class from 0 to 200 Points. The minimum score is 100 for a project having positive impact.
CDP	CDP has developed its own scoreboard mechanism, which is fully effective since 2020. The scoring process is based on three dimensions (additionality, project, counterpart) and several sub-domains. The final score is computed with a mix of qualitative and quantitative techniques, taking into account: ► Market gaps and failures ► Direct, indirect and induced impacts ► Econometric techniques (e.g. levels of financial additionality, results of similar initiatives, targets and structures, etc.) The final score is used for the internal due diligence. According to the final score obtained by the project, the Impact Evaluation Unit provides also an appraisal ranked as: low, sufficient, good, very good. The Investment Committee uses this analysis as part of its final decision (no pre-determinate lower bound are defined). 
EIB	IEB has an ESDS that summarises the E&S DD and the conditions to be included in the FC. Furthermore, the 3 Pillar Assessment is part of the overall assessment of the project from an additionality, technical, economic, E&S + capacity of the promoter and other important indicators.
HBOR	Methodology for appraisal of investment projects set in place, consisting of quantitative (CF and sensitivity analysis; IRR; NPV etc) and qualitative factors (financing structure; market analysis; management etc). The score part is

<table>
<tr><td></td><td>defined as a quantitative measure in a form of a financial grade of a project which reflects to appropriate rank and it is solely based on quantitative data with certain knockout factors on the qualitative side.</td></tr>
<tr><td>MIROVA</td><td>MIROVA’s evaluation methodology seeks to capture the extent to which each asset contributes to the SDGs. This allows to address both materiality (how the current transitions are likely to affect the economic models of the assets financed, whether positively or negatively) and impact (how investors can play a role in the emergence of a more sustainable economy).

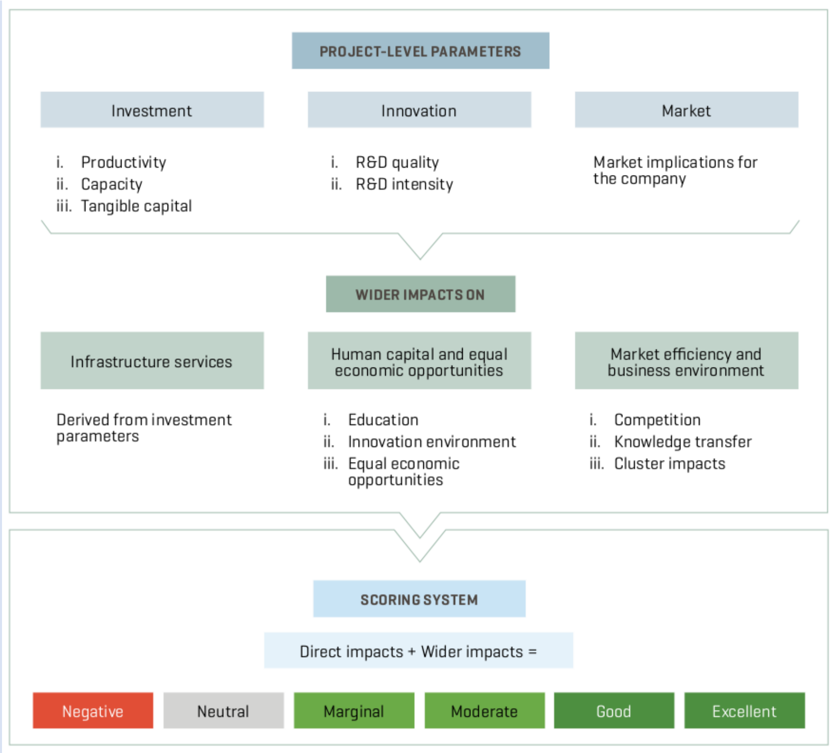
MIROVA ensures that E&S analyses are summarized through an overall qualitative opinion with five levels.



This scale is based on the SDGs. As a result, opinions are not assigned based on a predefined distribution; MIROVA is not grading on a curve overall or by sector. The risk assessment of projects is done based on the grid of indicators relevant for the sector, categorizing the criteria on a qualitative basis across a 3-level scale of “Positive”, “Neutral” or “Risk”.To be eligible for Mirova’s investments, an asset must be rated at least “Neutral”, but we prioritize assets with better opinions (“Positive” and “Committed”). For example, companies involved in fossil fuel extraction are considered “Risk” at best, rendering them ineligible for Mirova’s funds. On the contrary, renewable energy companies are generally well rated and thus present in our investments.</td></tr>
<tr><td>NIB</td><td>NIB’s E&S mandate is assessed using a rating framework that includes various qualitative and quantitative factors as inputs in a scoring tool. NIB uses the following scoring system:

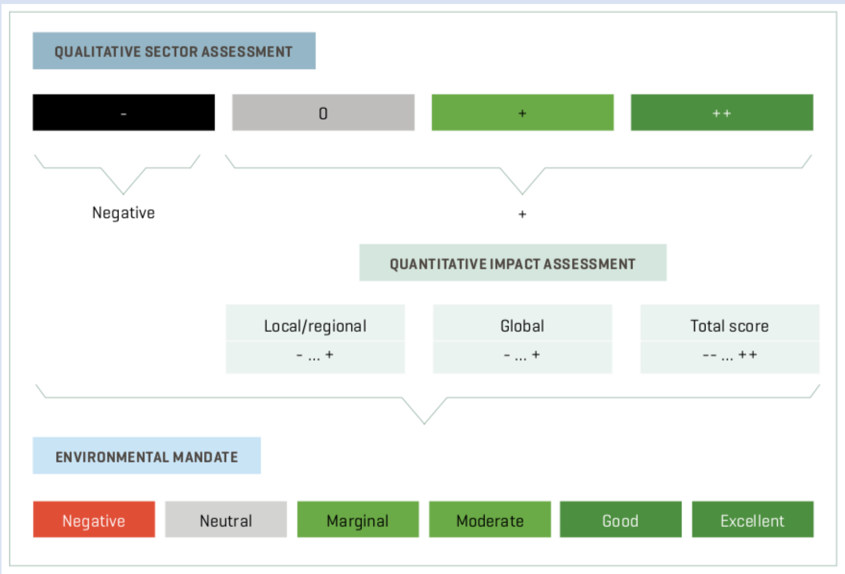
Rating process for the productivity impacts

The rating principles for productivity impacts is illustrated below.</td></tr>
</table>



Rating process for the environmental impacts

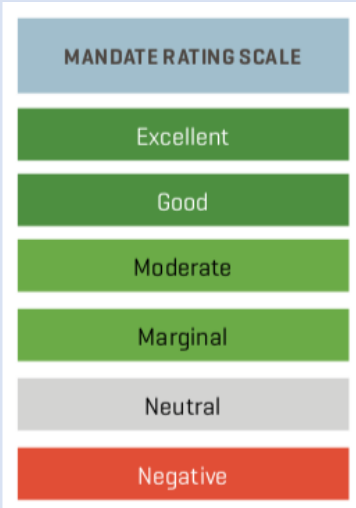
The rating process for the environmental impacts includes a qualitative sector assessment, a quantitative impact assessment and an aggregated qualitative/quantitative assessment. The overview of the rating system for environmental impacts is illustrated below.



Both the qualitative sector and the quantitative impact part of the assessment can generate the same amount of scores, i.e. they are equally weighted in the assessment. This means that a project within a sector that is generally considered to contribute to NIB's environmental mission, may receive a positive environmental mandate score without achieving measurable positive absolute impact. Likewise, a project within a sector that as such is not considered to directly contribute to any of the set national or international policy targets may achieve a positive environmental mandate score by showing a significant positive absolute impact on the environment.

Overall rating

The rating of both mandate components is expressed separately. Moreover, the mandate assessment involves a risk assessment that describes the reasons and the likelihood that the predicted productivity or environmental impacts the completed project will not fully materialize.



Source: Finance for Impact

2.11 Requirements for financial intermediaries

56. **Our interviews show that the many potential Implementing Partners already provide support through an intermediated finance model.** Under such approach, financial intermediaries generally assume a delegated responsibility for environmental and social assessment, risk management and monitoring as well as overall portfolio management. For instance, EIF supports Europe's SMEs by improving their access to finance through a wide range of selected financial intermediaries, e.g. commercial banks, guarantee and leasing companies, micro-credit providers and private equity funds. Most transactions are made through this finance intermediated model, allowing EIF to support more than 1.4 million SMEs for above 7.5 million job creation. Several NPBIs typically use financial intermediaries for reaching their final recipients. The way in which the financial intermediaries manage their portfolio takes various forms, depending on a number of considerations, including the capacity of the financial intermediaries and the nature and scope of the funding to be provided by the financial intermediaries.

57. In case of intermediated operations, the Implementing Partners will continue assessing financial intermediaries and their capacity to act in line with legal obligations

and other specific requirements. However, Implementing Partners will not be required to ensure that their financial intermediaries have adequate E&S processes for screening and proofing all types of projects (This is discussed in greater length in Section 5 of this report). More specifically, under the delegated approach, the Implementing Partners will review the capacity of financial intermediaries to:

- Support projects prepared and implemented in accordance with relevant environmental & social national and local laws and regulations as well as any other regulations relevant to the projects.

- Screen projects against exclusions.

58. For projects above the threshold and in the infrastructure sector only:

- Screen projects for environmental and social risks and impacts; and

- Monitor and keep and regularly update on social information on financial intermediaries' projects.

Table 12 : EIF's sustainability screening and proofing approach for Financial Intermediaries

The EIF does not directly finance or assess whether to invest in individual underlying companies: it deploys its mandates and other funds exclusively through financial intermediaries, such as venture capital and private equity funds or banks and microfinance institutions, dividing the EIF's financing activities in Equity Investments (EI) and Guarantees, Securitization & Microfinance (GSM).

Thus, EIF operates a delegated model where financial intermediaries, based on pre-defined eligibility criteria, provide targeted financing to eligible final recipients, mainly SMEs (including sole traders, micro and social enterprises) as well as private individuals, within the policy focus of the respective mandate. Therefore, the policy objectives of the mandates grant, by construction, a defined positive impact depending on the priorities of the mandator. Accordingly, the EIF does not directly finance or invest in (and accordingly, assess) underlying companies, rather it assesses financial intermediaries and their ability to select eligible underlying companies. This business model naturally influences the type, depth and level of EIF's assessments including in relation to Environmental, Social and Governance (ESG) factors.

The EIF uses monitoring and an independent risk management function to ensure sustainable and compliant business operations. EIF's Environmental, Social and Governance Principles underline EIF's commitment to responsible and sustainable practices.

The EIF adheres to well-defined ESG principles as published on the website. As per the "S factor" of the principles, the EIF focuses on promoting sustainable and inclusive growth and follows ethical considerations in its activities. The respect for and promotion of fundamental human rights as laid out in the EU Charter of Fundamental Rights, the UN Declaration of Universal Human Rights and the European Convention on Human Rights guide the relationship with internal and external stakeholders. Consequently, the EIF may refuse to enter into business with counterparts that disregard or violate the principle of respect for persons or principles, which affirm the dignity of all people, irrespective of ethnicity, gender, age, disability, sexual orientation, education and religion.

As described above, the EIF operates through a wide variety of financial intermediaries, which are responsible for the selection of eligible underlying companies based on a set of eligibility and other criteria. Following the adoption of its own ESG Principles in 2017, the EIF has since 2018 been in the process of setting up and piloting a general ESG framework for its activities. This framework is being structured in various phases, incorporating different EIF activities gradually, to duly take into account of the wide variety of financial intermediaries[15], geographies and markets (at various stages of development in which the EIF operates, as well as taking account of the different mandate requirements.

Since 2018, EIF's Equity Investments' due diligence process (screening of fund managers before investment) has integrated the ESG perspective. Currently, the EIF has incorporated an ESG assessment procedure, involving a questionnaire and scoring methodology on i) ESG policies and practices of the fund manager, ii) integration in investment decision-making processes and iii) monitoring and reporting to assess the ability of the fund manager to manage and explore ESG risks and opportunities. Following investment into the fund, the EIF monitors the fund manager at least on a yearly basis within this ESG framework: follow-up on specific investments, discussion within the fund's advisory board meetings, screening of potential ESG incidents, among others. This engagement with the fund manager may lead to a regrading of the fund manager's ESG score, based on the updated ESG questionnaire.

Currently, the EIF is in the process of mirroring this process to the GSM side and adapting it as necessary to cover the whole spectrum of EIF's activity, i.e. a pilot was launched in January 2020 to implement a due diligence questionnaire for the Guarantee business line.

Typically, EIF's operations require the financial intermediaries and, in turn, final recipients of underlying financing to comply with all applicable laws, including social and environmental legislation. Furthermore, the EIF applies restrictions to its operations in certain activities ('EIF Restricted Sectors'). Those restrictions generally apply to activities that are considered not to be compatible with the ethical or social standards of the EIF's public mission.

In addition, certain mandates specifically impose international standards and recommendations. For example, under the EaSI mandate, the financial intermediaries are obliged to acknowledge the European Code of Good Conduct for Microcredit Provisions[16]. Furthermore, the EIF is proactively contributing to the efforts in the European social impact investment space in international platforms, such as the Global Steering Group for Impact Investing.

Finally, the EIF, in its assessment of counterparties, pays significant attention to any possible reputational risks that may arise in connection to operations entered into with financial intermediaries. This is an important dimension of our fiduciary duty vis-à-vis our mandators.

More information on the EIF process can be found in Annex 5, case study 8 (in which we provide the ESG questionnaire used for financial intermediaries, accompanied by 2 anonymised examples).

Source: EIF

2.12 Requirements for a monitoring and reporting framework

59. **To track the progress of the InvestEU Fund objectives, a solid monitoring and reporting framework needs to be in place.** Under the InvestEU Regulation, it is stipulated that the Commission is expected to report and provide information on the level of implementation of the Programme against its objectives and performance

[15] The EIF has worked with 1,288 financial intermediaries.

[16] The European Code of Good Conduct for Microcredit Provision provides a set of standards in terms of management, governance, risk management, reporting, and consumer and investor relations that are common to the microcredit sector in the European Union https://ec.EURpa.eu/regional_policy/sources/thefunds/doc/code_bonne_conduite_en.pdf

indicators. It is expected that new Implementing Partners provide annually the necessary information for allowing the Commission to comply with its reporting obligations. Each Implementing Partner will be required to submit every six months a report to the Commission on the financing and investment operations covered by the InvestEU Regulation. It will include operational, statistical, financial and accounting data and an estimation of expected cash flows on each financing and investment operation. Additionally, once a year, the report of the Implementing Partners will include information on the obstacles to investment encountered when carrying out financing and investment operations.

60. **Different practices are noted in our benchmark but, generally speaking, financial institutions have processes and tools in place for both monitoring and reporting.** Overall, key stakeholders indicate that a strong E&S monitoring process would give them a better understanding of the performance of investments over time. Also, the monitoring provides internal objective-setting for their responsible investment activities and helps financial institutions to better understand the responsible investment objectives and priorities.

61. The E&S monitoring and reporting good practices identified in our benchmark are summarised as follows:

Table 13: E&S monitoring and report practices at various institutions

Institutions	Social criteria
CEB	ESS monitoring takes place as decided during the appraisal phase by the Technical team. In direct lending of large operations, monitoring is usually undertaken once a year, during technical monitoring. Technical monitoring has also to ensure that the project will indeed achieve its social performance, e.g. reach its intended beneficiaries and provide the intended social benefit. Supplier E&S risk typically not embedded in loan documentation but included in procurement / tenders in the form of guidelines. E&S reporting is usually undertaken within the progress report (for direct lending operations). Setting / defining the targets and social indicators may be included in the monitoring templates annexed to the loan agreement, part of the Negotiation within the contract.
EBRD	At EBRD, the monitoring of the E&S impacts of projects is based on the monitoring activities initially determined upon completion of the E&S due diligence. Monitoring is risk driven, with higher risk projects subject to more intensive monitoring. The risk evaluation is subject to ongoing review and amendment according to the project's environmental and social performance during implementation.
EIB (for investment projects)	There is continuous project monitoring until completion - EIB receives project progress reports as defined in the finance contract. EIB would typically expect the project promoter to provide the following: ► Reporting on the environmental and social impacts of the project on a regular basis, including any breach of environmental and social legislation, regulation and relevant international standards and frameworks;

	► Fulfilling any environmental and social conditions as stipulated in the finance contract; ► Periodically evidencing that the project is being implemented in accordance with the environmental and social management/action plan, including information about the effectiveness of environmental and social management measures. At completion we have the project completion report and then we draft the Environment and Social Completion Sheet.
EIF	During the monitoring period, the investment teams, while carrying out ESG monitoring, should flag any material ESG issues to EIF's compliance unit. The latter operates as a second line of defence and carries out its own independent analysis. Compliance's assessment and the investment teams' monitoring shall be at the source of the assessment of the need for an action plan and recurrent reporting on any material ESG issues that may have been identified. Such action plan and reporting shall be proposed by the investment team and should then be submitted to the relevant EIF's internal committees for deliberation (if necessary and applicable) and to other governing bodies for information or decision. "Material" ESG issues shall be those considered as having or being susceptible of originating a direct substantial negative impact on EIF's ability to create or preserve economic, and/or social and/or environmental value in its portfolio, as well as any substantial reputational risks to the EIF and/or its investors.
IFC	IFC carries out the following actions to monitor its investments and advisory activities as part of its portfolio supervision program: *Direct Investments* ► Implement a regular program of supervision for business activities with environmental and social risks and/or impacts in accordance with the requirements of IFC's Environmental and Social Review Procedures. ► Review implementation performance, as reported in the client's Annual Monitoring Report and updates on the Environmental and Social Action Plan, against the environmental and social conditions for investment and the client's commitments. Where relevant, identify and review opportunities for further improving client performance on the sustainability front. ► If changed business activity circumstances might result in altered or adverse environmental or social impacts, IFC will work with the client to address them. ► If the client fails to comply with its environmental and social commitments, as expressed in the environmental and social conditions for investment, IFC will work with the client to bring it back into compliance to the extent feasible, and if the client fails to reestablish compliance, IFC will exercise remedies as appropriate. *Investments Through Financial Intermediaries*

	► Implement a regular program of supervision of FI investments with environmental and social risks and/or impacts in accordance with the requirements of IFC's Environmental and Social Review Procedures. ► To determine the effectiveness of an FI's ESMS, IFC will periodically review the process and the results of the environmental and social due diligence conducted by the FI for its investments.
MIROVA	Done by dedicated team based on risk level. Mirova has an excellent reporting policy with publicly available information on Mirova's approaches, analyses, portfolio's ratings, etc. Mirova is also producing an Annual Impact Report.
NBI	The need for monitoring specific environmental or social issues is assessed as part of NIB's sustainability review. The Bank expects clients to be in compliance with the *Sustainability Policy and Guidelines* throughout the project and provisions entitling the NIB to monitor projects are incorporated into the loan agreement. The projects are assessed ex-ante during the mandate rating process (MRF), where environmental benefits are estimated, and monitoring indicators set for follow-up with the client. After NIB's financing is agreed and disbursed, the Bank monitors projects with significant environmental and social risks and impacts. This is done in accordance with the environmental review or when deemed necessary by NIB due to unexpected events. Upon completion of financed projects, NIB follows up on the realisation of the estimated environmental benefits and performs an ex-post assessment *(internal document: ex-post mandate assessment framework)*. If during this assessment, the Sustainability & Mandate Unit observes that a loan has not fulfilled the NIB eligibility criteria and the anticipated environmental impact has deviated substantially from the ex-ante assessment, the unit will bring this to the attention of the Bank's Credit Committee. The Credit Committee's responsibility is to approve any recommendations, including removing a specific loan from the NIB Fund Pool. The monitoring and ex-post mandate assessment consist of the following elements: 1. Monitoring of project implementation 2. Impact assessment (mandate fulfilment in both productivity and environment) 3. Sustainability assessment (environmental and social impact) when relevant The final impact will be assessed using an evaluation standard in line with the one used in ex-ante assessments. If the sustainability review process carried out during the normal credit process concludes that assessment of environmental and social aspects is needed, this will form part of the monitoring of implementation of the project.

Source: Finance for Impact

2.13 The capacity building requirement on sustainability proofing for new entrants

62. **Among the potential Implementing Partners, some will require capacity building in the field of E&S screening and proofing before they can use InvestEU.** Such capacity building plan should be discussed. As illustrated in our benchmark analysis, most of the components of E&S screening and proofing already exist at multilateral institutions (e.g. EIB, EBRD, NIB) and are largely available for replication and adaptation in the context of each national institution. Capacity Building should also be provided to Financial Intermediaries participating in InvestEU via an Implementing Partner. New entrants would also benefit from the sustainability proofing guidance and level playing field which is being proposed under the present study.

63. In other words, a comprehensive knowledge base exists to either initiate or to refine an existing process of checking the environmental & social aspects before approving financing for a project. The main areas of focus faced by institutions looking to implement proofing within InvestEU can be summarized as follows:

1. Policy & Representation

- Establish sustainability proofing within a national institution's Policy would typically require (i) a **strategic decision** and validation of the perimeter for which the EU Guarantee would be sought (i.e. transaction type, client/sector type, geographies, etc.) and (ii) a **legal validation** as to the agreed E&S standards and capacity of the institution to make valid representations in accordance with its own rules and procedures.

2. Resources & Delivery

- In organisational terms, an institution developing proofing would have to develop its capacity from a process and human resources viewpoint to undertake E&S assessment against the relevant EU and national legislation and in line with the proposed guidance. This means for the Implementing Partner to be able to mobilise **dedicated and expert resources** to (i) undertake necessary project due diligence and prepare related documentation, (ii) interact with Project Promoters re mitigation measures in liaison with investing/banking officers for project structuring, and (iii) monitor the projects proofed in accordance with its internal rules and procedures and report accordingly.

3. Market & Communication

- A new entrant would also be able to generate value from sustainability proofing in its market by pointing to the benefits, for example in terms of facilitated access to funding and to the EU guarantee for beneficiaries previously not eligible (below threshold) and therefore unaware, thus "incentivizing" proofing on the back of access to InvestEU.

- Overall, there may well be a need to raise the awareness and the attractiveness of proofing at a number of potential Implementing Partners across Europe. This would involve both highlighting the value and the potential benefits of sustainability proofing, notably for underserved markets, small-value transactions, etc.

- In this respect, Capacity Building requires an exercise of translating the above three points into a **roadmap for implementation** - for which the EU Advisory Hub can provide assistance through training, cross-fertilization of more advanced partners, etc. – and which will be adjusted to fit each local environment.

2.14 Challenges in measuring positive impacts

64. **One of the expectations under the InvestEU Fund is the possibility for Implementing Partners to measure both negative and positive impacts (Table 14).** Negative impacts will typically be captured through the E&S screening process, as discussed earlier. Assessment of negative impacts is focused on determining measures for avoiding, or where avoidance is not possible, minimising and mitigating and, as the last resort, offsetting the impacts. Risk-based approaches are fairly common and efficient for identifying and assessing negative impacts across a great variety of dimensions and criteria.

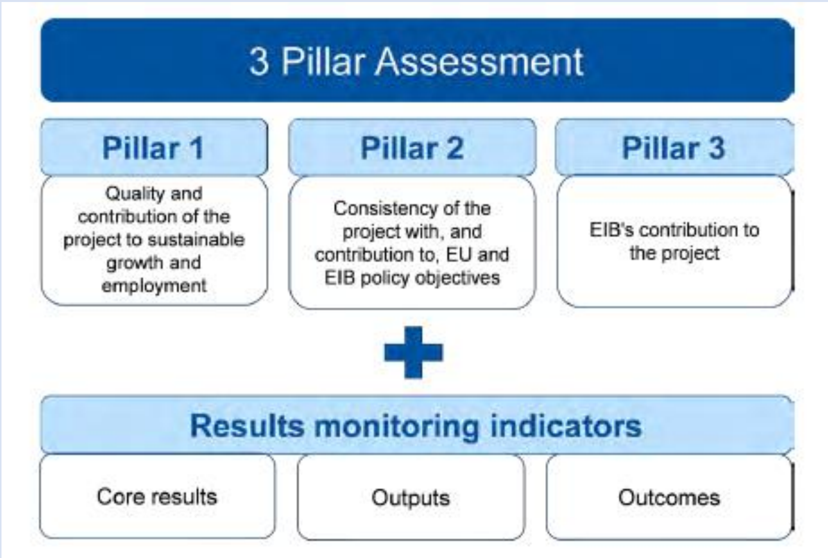
65. **Positive impact measurement, on the other hand, is a much more complex process requiring how much positive social change occurred**, e.g. more employment opportunities for women or vulnerable groups, and can be attributed to an investment project that would benefit from InvestEU support. As an example, at EBRD, the assessment of positive impacts focuses on identifying opportunities for delivering significant environmental and social benefits. Let's take the example of GHG emissions: as a negative impact, shadow carbon pricing is applied for investments with a GHG emission impact above a predefined threshold; in this case, the projects need to undergo an economic assessment to verify their economic viability. A positive impact would translate in GHG savings which can be quantified for climate mitigation projects. Please note that EIB has had the shadow price of carbon or socio-economic price of carbon in place since 2008.

66. **At NIB, positive impact measure is also a key component of the E&S process.** The bank, which includes investments in education and healthcare, has specific indicators (e.g. # of students affected or # of patients treated) that can be used as a proxy for the positive social impacts in terms of human capital and labour productivity. NIB also looks at the wider impacts of projects that initially could be less obvious in terms of the social dimension. For example, increased competition in a regional market (due to better infrastructure, logistics etc) can bring lower prices of goods, which can be seen as a benefit to society (e.g. consumers). Digitalization of services and offering is also, if maintaining the quality of service, seen as a positive impact with reduced time and costs for the users, therefore providing an overall positive effect for society as a whole. Large R&D programmes could also have significant positive spill-over effects if collaborating with local universities and public research centres.

Table 14 : Review of practices for assessing positive impacts

Institutions	Methodology outline
ADF	AFD has also a process for measuring impacts of its projects. For instance, AFD conduct independent evaluations on the impacts that a project has on maintaining and creating employment, gender issues, environmental

	practices (reduction of greenhouse gases, use of renewable energies…), social practices (employment conditions, health and safety of workers…) and governance practices, improvement in access to essential goods and services for disadvantaged populations, the public revenue generated, the transfer of technology and know-how.
CEB	Additionality / Positive agenda is appreciated on a case by case basis for each project proposal submitted for financing at appraisal stage. Social benefits have to be clearly identified in each project and included in the project documentation, to be in line with the social mandate of the CEB. Specific indicators measuring the positive social benefits are also usually identified at appraisal stage and included in the monitoring framework of the project (in addition to output and outcome indicators). In addition, the Social scoring (see social scoring question above) has to be positive and more than 3. Grants are being used to fund Technical Assistance when required, in particular to create more social value added. Examples of positive impacts for the social dimension: In the case of cities: ► Improving living conditions territorial dimension ► Economic inclusion (macro-finance part) ► Social inclusion (cultural heritage, social cohesion) city practice/survey When CEB start a project, Technical advisors identify ex ante the additionality (data sources, target values, ..) Developing a framework to measure social impact (categories, identify vulnerable groups, etc.)
EBRD	Assessment of positive impacts focuses on identifying opportunities for delivering significant environmental and social benefits. Also, the EBRD has a transition concept that argues that a well-functioning and sustainable market economy should be characterised by six key transition qualities, i.e. it is an economy that is Competitive, Well-governed, Green, Inclusive, Resilient and Integrated. For each investment, EBRD assesses how the project contributes to the Bank’s mandate to promote transition. Projects are scored by looking at the two main transition qualities they contribute to, but all are reviewed along the six qualities to make sure there are no elements that could potentially produce negative impact on the other qualities.
EIB	The EIB’s mission is to support projects that make a significant positive impact on people’s lives. The EIB applies the highest standards in its project appraisal to ensure that the investments it supports are economically and technically sound and comply with demanding environmental and social criteria. To fulfil these objectives, in late 2012 the Bank reviewed its 3 Pillar Assessment Results Framework, or 3PA, a multi-criteria project appraisal method which assesses potential operations before Board approval, and identifies indicators to monitor the projects’ expected results. The 3PA is structured around 3 pillars (or metrics), and is complemented by three categories of result monitoring indicators.

	
EIF	EIF considers that the positive agenda is generally addressed via the specificities of EIF's business model: the mandates it deploys incorporate eligibility criteria that determine whether the final recipients supported fall within a policy focus, and therefore contribute positively to achieving its objectives. EIF reports back to the mandators on the agreed set of indicators of performance of the financial instrument, which is based on information provided by the Financial Intermediary via a robust reporting model.
IFC	The IFC has developed a comprehensive tool for measuring positive impacts. The Anticipated Impact Measurement and Monitoring (AIMM) system enables IFC to estimate the expected development impact of our investments—allowing us to set ambitious yet achievable targets and select projects with the greatest potential for financial sustainability and development impact. This method allows to measure project and market outcomes.
MIROVA	MIROVA's evaluation methodology seeks to capture the extent to which each asset contributes to the SDGs. This allows to address both materiality (how the current transitions are likely to affect the economic models of the assets financed, whether positively or negatively) and impact (how investors can play a role in the emergence of a more sustainable economy).
NBI	The mandate rating framework allows for both negative and positive impact assessment. So effectively by applying the MRF, NBI is able to identify and possibly quantify positive impacts. It uses a set of indicators, depending on the project, either environmental or social or both, that allow us to assess the impact.

Source: Finance for Impact

67. Large multilateral institutions have processes for measuring both negative and positive impacts. NPBIs do not usually assess positive outcomes, apart for a few exceptions. There is no uniform way to measure positive impacts. It explains why many Implementing Partners have expressed reluctance in measuring positive impacts, in particular the smaller financial institutions.

SECTION 3. RELEVANT CASE STUDIES ON SCREENING AND PROOFING OF INVESTMENTS

3.1 Objectives of this section

68. **The case study analysis should serve as a basis to examine current approaches to sustainability proofing in a number of typical investment projects. The analysis is intended to facilitate the discussion about the practical implementation of sustainability proofing requirements**. We sought to identify a balanced set of cases to illustrate the screening and proofing of transactions as currently supported by several public banks (Table 15). The selection of cases was made in conjunction with four institutions (EIB/EIF, EBRD, NIB and CEB) with the goal not to point to "best or weaker" practices, but instead, to illustrate the fact that social aspects represent key stakes in a project and that they should rightly be built into the decision making process to inform decisions and to assess the project impacts.

3.2 Selection basis for the case studies

69. **The present analysis is a qualitative and forward-looking review of the selected cases, it does not represent a full picture of all the borrower and transaction types which may be seeking the EU guarantee in the future programme.** The selected cases are in fact limited to banks which have already developed a systematic approach to the management of E&S risks and are seeking to minimize adverse effects; the cases do not include banks with no proofing mechanism in place.

70. **From the sample of cases, we note that a common goal shared by the institutions providing case studies is to identify and assess the social risks and impacts of projects and to propose measures to mitigate adverse impacts.** In addition, when necessary, the institutions are able to advise on the integration of social safeguards and are committed to ensuring that the projects are designed to comply with these safeguards. It was also noteworthy that in order to operationalize their sustainability policy, the banks have developed project management techniques to conduct due diligence, manage documentation flow and drive action plans to ensure that the E&S standards are built into their existing credit assessment process appropriately. And this E&S diligence is under the responsibility of dedicated staff who have a distinct reporting line from that of the bank/investment managers. Also noted is the fact that banks are applying an integrated approach to the assessment of both 'environmental' and 'social' risks, as it is quite clear from the cases reviewed that safeguard issues are interrelated and need appropriate coordination during project planning and implementation.

Table 15 : Case study selection

The selection of projects is intended to serve the analysis and to illustrate how the social sustainability dimension is taken into account. Cases have been selected in various sectors and represent a mix of infrastructure and service-related projects; they involve a variety of social aspects which are addressed through different mitigating actions. As per the request formulated by the Commission, cases are mapped into the following 3 broad sector categories

- *Cases of infrastructure/construction projects, i.e.*
    - A case in the **energy sector** supporting renewables that involves energy efficiency measures for households **(A client in Spain via EIB – Case 5**)
    - A case in the **transport sector**, (**Mobility in a Bulgaria Municipality via EIB – Case 4**) a case that contributes at the same time to prevent climate change impacts, e.g. bridges, ports and rivers, green transport, etc.
    - A case in the **telecom sector**, a case that contributes to digitalization, **urban regeneration** (**Hellinikon project in Greece via EBRD – Case 3**), access to Internet to underserved areas, etc.

- *Cases of non-infrastructure/social infrastructures projects, i.e.*
    - A case in support to start-ups and individuals for **socially innovative/inclusive processes** (**Relocation of vulnerable populations via CEB - Case 1**).
    - A case in the **health sector (two Hospital cases, one in Dublin via EIB – Case 6, one in Finland via NIB – Case 7)**, **social housing (A client in Spain via EIB – Case 5)**, student facilities, long term care, etc.

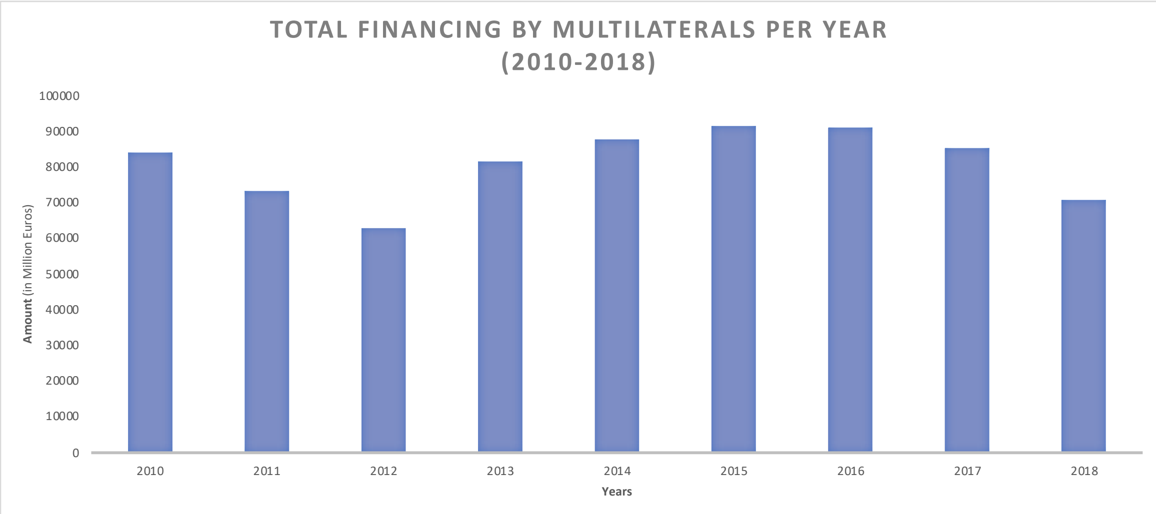
- *Cases of SME-support / innovation / intermediated finance for example, i.e.*
    - A case in **support to SMEs** (**Manufacturing SMEs in Romania via EBRD – Case 2**) for digitalisation, technological development, more sustainable productions methods
    - A generic case – not customer specific – for **investment in Funds**, describing the E&S risk management framework currently under implementation **(EIF - Case 8).**

Another important criterion for the selection of cases was the location of the projects. Four projects are taking place in less developed and/or more vulnerable areas (in Bulgaria, Romania and in neighbouring Europe) versus three occurring in more developed environments (Athens, Dublin and Valencia).

Three projects have raised a more significant social content, thus resulting in a more formal Proofing process (Case 1 with CEB, Case 3 with EBRD, Case 6 with EIB) while the others (Case 2 in Romania, Case 4 in Bulgaria, Case 5 in Spain and Case 7 in Finland) have been vetted based on simple criteria which can be assimilated with simple screening.

Source: Finance for Impact

71. **To achieve representativeness in our case studies and ensure that we met the above criteria, we reviewed and analysed the project database of EIB, EBRD, CEB and NIB.** Over the period 2010-2018, these multilaterals have financed a total of 10 677 projects for an estimated total financing of Eur 726.4 billion. This period of time was selected to have a set of harmonized and congruent information, thus facilitating the data consolidation of all project databases. In the graphic below, it is possible to have an overview of the financing over this period:



Source: EIB, EBRD, CEB, NIB

72. **From the consolidated database (four project databases together), there are a few indicators that can give us a panorama of the financing behaviour of multilaterals in Europe and internationally.** The idea behind this exercise is to observe how EIB and other potential Implementing Partners (EBRD, CEB, NIB) are financing projects across manifold geographies. The indicators presented in Table 16, were estimated on the basis of the data available from the EIB, EBRD, CEB and NIB "financed projects" databases, which prevailed from 2010 to 2018:

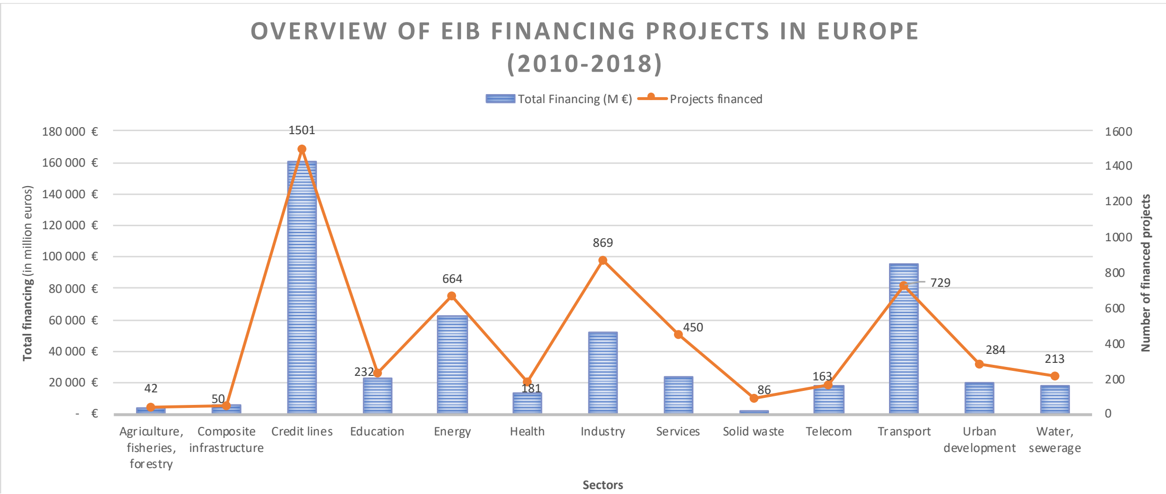
Table 16: Panorama of the projects financed by multilaterals

	▪ **Total number of projects for the period:** 10 677 o *% of projects below EUR 10 million (InvestEU threshold):* 27% o *% of projects below EUR 25 million:* 44% o *% of projects between EUR 25 and 100 million:* 38% o *% of projects above EUR 100 million:* 18%
	▪ **Total financing for the period:** EUR 726.4 billion o *% of financing directed to projects below EUR 10 million (InvestEU threshold): 2%* o *% of financing directed to projects below EUR 25 million: 6%* o *% of financing directed to projects between EUR 25 and 60 million: 32%* o *% of financing directed to projects above EUR 100 million: 62%* ▪ **Average amount invested per project for the period:** EUR 65 million
	▪ **Top 5 countries with the highest number of projects for the period** (% of total): Spain (7,8%), Italy (7,2%), Poland (6,4%), France (5,5%) and Germany (4,5%). ▪ **Top 5 countries receiving the largest financing for the period** (% of total): Spain (12,6%), Italy (11,6%), France (8,5%), Germany (8,3%) and Poland (7,5%). ▪ **Top 5 countries with the highest number of projects for the period while being below EUR 10 million** (% of total): Several EU Countries

	(4,52%), Spain (4,31%), Poland (4,24%), Kyrgyzstan (3,82%), Ukraine (3,53%) and Romania (3,25%). ▪ **Top 5 countries receiving the largest financing for the period while being below EUR 10 million** (% of total): Poland (4,71%), Several EU Countries (4,69%), Spain (4,56%), Ukraine (4,15%), Romania (4,1%).

Source: EIB, EBRD, CEB, NIB

73. **As the main Implementing Partner, EIB Group plays a crucial role in the InvestEU Fund 2021-2027.** EIB Group will remain the Union's key partner in financing European priority projects for each policy window under the next EU budget. EIB Group will have the responsibility of implementing 75% of the future program to promote public and private investment in Europe. As a central partner in this process, the priorities and objectives of the EIB Group will shape the next cycle. For this reason, it is also important to look at their past behaviour both at the European and international level. In the graph below it is possible to see the most dynamic sectors in which EIB Group has the highest number of projects financed and the largest financing both inside and outside Europe.



Source: EIB

74. **It is equally interesting to compare some of the above-mentioned indicators between EIB and potential Implementing Partners (EBRD, CEB and NIB).** Although these institutions may have different priorities and objectives, the comparison reveals some interesting facts regarding the orientation and focus of multilateral financing. For instance, EIB seems to be more focused on projects above EUR 25 million while other potential Implementing Partners seem to be concentrated on projects below EUR 100 million (Table 17). Note that EIB does only a direct investment where total project cost is EUR 25 million or above; anything below will be done through an FI or Framework loan structure, with exception for the mandates such as the NCFF where projects are very small. This information is important for our study, to be consistent when providing guidance to current and future Implementing Partners.

Table 17: Comparison between EIB and other potential Implementing Partners

Indicators	EIB	Potential Implementing Partners (EBRD, CED, NIB)
▪ **Total number of projects for the period**	**7038**	**3639**
○ *% of projects below 10 million EUR*	○ *18%*	○ *43%*
○ *% of projects below 25 million EUR*	○ *34%*	○ *65%*
○ *% of projects between 25 and 100 million EUR*	○ *42%*	○ *29%*
○ *% of projects above 100 million EUR*	○ *24%*	○ *7%*
▪ **Total financing for the period**	**611 billion EUR**	**115 billion EUR**
○ *% of financing directed to projects below 10 million EUR*	○ *1%*	○ *5%*
○ *% of financing directed to projects below 25 million EUR*	○ *4%*	○ *16%*
○ *% of financing directed to projects between 25 and 100 million EUR*	○ *29%*	○ *49%*
○ *% of financing directed to projects above 100 million EUR*	○ *67%*	○ *35%*
▪ **Average amount invested per project for the period**	**81 million EUR**	**55 million EUR**

Source: EIB – EBRD – CEB – NIB

75. **It is recognized that a more precise and detailed analysis must be implemented in order to draw concrete conclusions and operational recommendations.** All the work done on these databases was aimed at facilitating our process of research and selection of case studies. Work on these databases will be continued and deepened in future deliverables.

76. **On the basis of the datasets available to us, we identified the most representative and relevant projects which could be good candidate for a detailed case study.** The selection criteria for the case studies are as follows: (i) Cases of infrastructure / construction projects, (ii) Cases of non-infrastructure/social infrastructure projects, (iii) Cases of SME support / innovation / intermediated financing, and (iv) Cases of direct investment. The selection of case studies was a combination of desk research (databases) and field work (interviews) which allowed to identify 7 cases with strong social content and wide availability of information (Table 18). On this list of 7 cases, we added a generic case / information sheet presenting the EIF sustainability screening and proofing process in Annex 5. All the relevant projects identified are presented in Annex 6.

77. From this list of relevant projects, we selected our cases as follows:

Table 18: Summary of the selected cases studies

	Project Information	Lender	Infrastructure/ Non-infrastructure	Size of project (EUR)	Size of funding Small<25MEUR Large>100MEUR	Direct investment/ Intermediated finance / …
Case study 1	**Name:** Health Infrastructure Project **Location:** N/A **Year:** 2018 **Reference:** N/A	CEB	Non-infrastructure	**Proposed CEB finance:** EUR 54 million loan **Total cost:** EUR 75 million	Medium	SME / Innovation Intermediated finance
Case study 2	**Name:** DFF - Teraplast 1 **Location:** Romania **Year:** 2019 **Reference:** 49305	EBRD	Non-infrastructure	**Proposed EBRD finance:** EUR 16 million **Total cost:** EUR 28.6 million	Medium	SME / Innovation Intermediated finance
Case study 3	**Name:** DFF - Lamda Development **Location:** Greece **Year:** 2019 **Reference:** 51534	EBRD	Infrastructure	**Proposed EBRD finance:** EUR 22.7 million **Total cost:** EUR 800 million	Large	Direct investment
Case study 4	**Name:** Urban Infrastructure in Bulgaria (mobility & Transport) **Location:** Bulgaria **Year:** N/A **Reference:** N/A	EIB	Infrastructure	**Proposed EIB finance:** EUR 22.8 million **Total cost:** N/A	Large	Direct investment
Case study 5	**Name:** A Energy Efficiency Social Housing **Location:** Spain **Year:** 2019 **Reference:** N/A	EIB	Non-infrastructure	**Proposed EIB finance:** EUR 25 million **Total cost:** N/A	Large	Direct investment
Case study 6	**Name:** NATIONAL CHILDREN'S HOSPITAL - DUBLIN **Location:** Dublin **Year**: 2017 **Reference**: 20140107	EIB	Non-infrastructure	**Proposed EIB finance:** EUR 490 million **Total cost:** EUR 1000 million	Large	Direct investment
Case study 7	**Name:** Central Hospital in Finland **Location:** Finland **Year:** 2018 **Reference:** N/A	NIB	Non-infrastructure	**Proposed NIB finance:** EUR 69 million	Medium	Direct investment
Case study 8	**N/A**	EIF	Intermediated Finance	**N/A**	N/A	SME / Innovation Intermediated finance

Source: Finance for Impact

3.3 Case study outlines

78. In the following pages, an outline of the case studies is provided. For more information on each case, please refer to Annex 5.

Case 1: Bank Health Infrastructure in a non-EU Country / CEB

Note: This case is ongoing and has therefore been anonymised.

79. The case takes place in an Eastern European country (outside of the EU) in an underserved area, involving vulnerable populations.

80. **The project aims to finance the construction of a new (greenfield) healthcare facility, a present cost estimate of Eur75m via a partial CEB Loan for Eur 54m.** Social stakes are high with clear benefits to be gained not only for the patients in the country, but also for the workers, medical students, and patients' families that would profit from an improved environment. Social impacts are made complex due to the particular context that surrounds the site designated for the facility and which involves the resettlement of vulnerable populations. The national government requested CEB financing at a very early stage of project conception and design, which allowed the Bank to provide support for the project development. A pre-feasibility study was carried out and provided a detailed assessment of the situation, giving practical recommendations for the project to move forward, including technical and functional programmes, as well as staffing plans. Subsequently, a consortium of consulting firms was hired to update the cost estimates through a comprehensive feasibility study and prepare a schematic design. Both studies were financed by the CEB as project technical assistance.

Health Infrastructure Project in a Non-EU Country

The project aims to build a new (greenfield) facility of the existing healthcare facility in a non-EU since the current pre-World War II facility is outdated, overcrowded, and not up to modern standards of quality and safety. The new Hospital Facility should provide the population with a high quality and safe acute tertiary level hospital services comparable with the best in Europe, containing modern organizational models of care delivery and the latest diagnostic and therapeutic technologies.

The project initially envisaged the construction of a separate new facility connected to the existing building, which would recover its initial external shape. Yet, the pre-feasibility study underlined several legal, regulatory, technical and organizational constraints related to the land selected for the construction of the new facility, that was occupied by operational structures. CEB's E&S consultants were sent to discuss with the Project Implementation Unit the requirements of the Environmental and Social Safeguards Policy (ESSP) of the CEB, and clarify their obligations particularly concerning the resettlement processes. Consequently, after a thorough exploration, the national and municipal authorities selected a new location, with better access in terms of transportation and next to another large healthcare facility, thus offering many synergies between the two.

The selected land plot for the construction is a building complex owned by another Ministry. The premises serve as administrative centre of their catering services, as office space and are also used as temporary accommodation for over a hundred of Ministry employees, even though they lack appropriate sanitation and room structure, and were never intended to be a permanent living solution.

All current inhabitants are in the lengthy process of acquiring permanent accommodation provided by the public authorities, which will not be completed before the construction process starts. To solve this situation, the government decided to provide alternative temporary accommodation in two Ministry owned hotels to be rehabilitated for that purpose. The national authorities have already secured the funds to finance these renovation works and provided a schedule to ensure a timely relocation.

The information obtained to date on the relocation strategy is partial and raised issues related to the vulnerability of the employees living in the complex, as well as the relocation process and timeline, in a tense context regarding such type of relocations.

To clarify this situation and ensure alignment with its ESSP, CEB recruited a consultancy to support the Ministry and the Project Implementation Unit (PIU) in this task. The Consultancy is intended to facilitate the relocation process, to assess potential gaps with the CEB'S environmental and social policy, to provide recommendations to the PIU and the Ministry, to improve the current process by mitigating any potential vulnerabilities, and finally to build the capacity in terms of social safeguards management of the representatives in charge.

The consultancy is at this stage accompanying the Ministry in charge of the resettlement to enhance their ESS practices and to ensure their resettlement practices is aligned with the CEBs ESSP. The monitoring of such activities in line with the ESSP, was included as a condition for this loan during the appraisal process.

Source: CEB

81. **The Bank's ESS diligence, which categorized the transaction as B, made it clear that social issues need to be addressed**, including the relocation of about 120 inhabitants who currently have temporary accommodation at the foreseen site for the future hospital. The Technical Appraisal Report states clearly that modalities and timing of the relocation process should be further monitored to ensure that social risks are mitigated and that the site is made available for construction in accordance with the proposed implementation schedule. This is to be assessed by external consultants. The terms of reference used for the Technical Assistance to be performed by the external consultant (cf. extract below) provide a convincing evidence of the work to be undertaken to ensure that the Bank's social standards are met. It also highlights the availability of the Bank's internal ESS Technical expert to accompany the process throughout, thus ensuring that recommended actions are well framed before the transaction is submitted further up the Bank's approval chain.

"The objectives of this assignment are:
• To obtain sufficient information on the relocation strategy and its status of implementation. Clarify the processes and systems to manage social safeguards risks; in particular, assess the physical displacement of the tenants in line with CEB's ESSP.
• To ensure that the proposed timeline for completing the relocation is realistic and that social risks related to the relocation process are mitigated;
• To provide recommendations to the Ministry and CEB based on any gaps identified during the assessment in order to build capacity in terms of social safeguards management.
The Technical Advisory Manager will provide the necessary project documentation and background and will be available to brief the consultant on the priorities for CEB. This task is considered part of the preparation for the site visits and the assignment in general"

82. It is apparent that an early assessment of social issues is necessary (cf. also case 6 EIB Dublin Hospital): Implementing Partners note themselves the key importance of performing such appraisal early, to launch further diligences, consultations, feasibility studies which are typically time consuming in the social sphere; and in doing so, the Banks ensure that safeguarding measures can be agreed with the promoter and integrated into the deal structure. Second and as mentioned previously, a key success factor for social sustainability proofing at a Bank is the setting up of a project management discipline around the management of social issues in a form equivalent to what is in place for addressing the more "technical" aspects of environmental/climate finance.

Key findings:

This case which involves public authorities, illustrates clearly the importance of an **early** involvement of the sponsoring bank, as well as its ability to **arrange - and to fund - in-depth advisory work**, in order to identify the relevant social issues which may have otherwise been discarded if they had been uncovered later in the process and seen to contradict Project plans.

Case 2: Industrial Facility Financing in Romania / EBRD

83. **This case involves the granting by EBRD of two senior loans for Eur5m and 11m to the subsidiaries of TeraPlast Group, a med-sized firm headquartered in Romania, operating also in the CEE area (Serbia).** TeraPlast Group is one of the leading manufacturers of materials for construction and installation markets in Romania, listed on the Bucharest stock exchange. The production of the Group is structured around two main business lines: plastic division and steel division (which include metallic sandwich panel and metallic roofing activities). The two companies were seeking finance to support the expansion of the Group steel segment business in Romania and the CEE region as follows:

- Wetterbest SRL (former Depaco SRL): Eur 5m for financing a new roof systems production and storage facility in Romania (Total project cost: Eur 9.2m)
- TeraSteel: EUR 11m for the refinancing of the costs of setting-up operations in Serbia for metallic sandwich panels production and developing the CEE presence of the company (Total project cost: Eur 19.4m)

84. The company, which is already well-banked, has attracted the attention of EBRD as a leader in its field with a strong sustainability orientation demonstrated through recent actions. This growing company is also offering an opportunity to support work-based learning opportunities to local youth in Romania, as well as to improve its Corporate Governance with new procedures, regulations and greater transparency.

SME finance in Romania: Environmental and Social Summary

The project was categorised as B (under EBRD's 2014 ESP). The environmental and social issues associated with balance sheet refinancing and provision of capex addressing the expansion of TeraPlast Group's steel segment business in Romania and the CEE area were readily identified and managed. Due diligence carried out by the Bank's Environment & Sustainability Dept.

focused on TeraPlast Group's **existing management systems, current facilities** and operations.

The ESDD included a review of the **E&S Questionnaire**, the Company's policies and procedures, a **site visit to the production facilities** in Saratel and Bistrita and **interviews with the relevant management staff**. Identified issues for remediation included a lack of formal corporate grievance mechanism; inadequate on-site traffic and pedestrian management, and exceedance of permitted noise and dust limits in the Romanian industrial park; as well as an outstanding environmental and other permits for the new facility and its inclusion in the Company's Integrated Management System (IMS).

The ESAP was developed and **agreed jointly with the Company to address these issues**. The specific measures included the inclusion of a new facility into the existing IMS; obtaining the required permits and development of a Construction Environmental and Social Management Plan for the new facility prior to construction; development of a Traffic Management Plan for the Romanian industrial park; bringing and maintaining the microclimate working conditions within permissible levels in all the Company's facilities; and the development of a formal corporate grievance mechanism.

Source: EBRD

85. In terms of Impact assessment (ETI score: 80), the project was estimated to make a potentially significant contribution to additional technological skills transfer and to enhance the SME's training offer in collaboration with established local training providers, through accredited dual learning and work-based opportunities to local youth. The company also engaged to improve its Corporate Governance by implementing various measures directed at improving company's procedures, internal regulations and transparency.

86. From the case review, we note that social sustainability proofing is based on a broad perspective, covering a wide range of social risks and that the approach also aims to address the projects' full life from inception to completion. This is justified by the interdependence of social issues, the presence of direct and indirect impacts and their effects at both the project site and community level. Altogether, our review for all cases in this report shows that social proofing covers at a minimum, working conditions, the protection of vulnerable groups, gender equality and the protection of livelihoods and housing. At the same time, we observe that the scope and detail of the assessment is best scaled to the project characteristics, its social sensitivity of the location and the magnitude of the project's potential risks. This is illustrated by the EBRD case 2 (SME Finance in Romania) suggesting that mitigating actions be built into the company's integrated Management System for maximum efficiency and also in case 3 (EBRD Urban regeneration in Greece) showing that the comprehensive due diligence / preparatory work was tailored to the project's vast scope and complexity, ranging from human health to cultural heritage.

87. The proposed takeaway from this is that, while proofing should be well framed and holistic, it should also remain flexible to adapt to the local context, and potentially also to the level of competition between financing parties, in essence leaving the Implementing Partner to decide how far social safeguards should apply based on local "project intelligence" and on an approach which would consist in "striking the right balance between what is desirable and what is feasible". It may also be appropriate for sustainability proofing to address adverse social impacts in accordance with a

'mitigation hierarchy' aiming at selecting and prioritizing measures that either avoid impacts, minimize impacts or enhance positive impacts by means of social planning and management over the life of a project.

Key findings:

This case illustrates a situation where, without a need for Technical Cooperation, the involvement of EBRD and its comprehensive due diligence process has helped to create the **necessary framework for a variety of social aspects to be taken into account**, mapped and addressed within the company's own processes (e.g. IMS).

In this case, it appears that **the positive impact** has come from the role played by EBRD in **further strengthening Environmental & Social practices** to accompany the firm moving to its next phase of growth.

Conversely, the position of EBRD as a highly regarded institution, providing over 50% of the requested financing package, has helped to generate a positive image for an SME seeking to develop cross-border in Europe. This is a clear benefit trade-off for the Company to **commit to the remediation plan** as defined during the Bank's due diligence process.

Case 3: Urban Regeneration in Greece / Loan participation / EBRD

88. **One of the most significant urban regeneration projects in Europe.** This case involves a EUR 22.7m participation in a EUR 650 million share capital increase by Lamda Development, the private developer of the Hellinikon Urban Regeneration Development. The Project aims to finance the first phase of development to regenerate the former Hellinikon Airport area located on the Athens coastal front, into a sustainable and fully integrated residential, commercial and tourist infrastructure. EBRD is investing EUR 22.7 million in the capital increase of Lamda Development, one of the largest developers in Greece, thus supporting the country's Green Economy Transition with funds towards transformation of the abandoned site of Hellinikon airport closed in 2001. The abandoned site spans a total area of 6.2 million m2 and the project's total investment cost is estimated at EUR 8 billion over the next 25 years. The project is expected to have a positive impact on Greece's economy, creating around 85,000 new jobs during the construction and operation stages, contributing to the increase of Greece's GDP and generate significant amounts in tax revenues to the Greek state.

89. **The project will create a metropolitan area that is accessible to all citizens and visiting tourists by enhancing transport links**; adding new cultural, sports, tourism and educational infrastructures; improving pedestrian connectivity; creating new public spaces and an open park of 2 million m2; giving access to 3.5 kilometres of the Athenian coastline that is currently inaccessible; and adding new housing and mixed use centres consisting of prime offices and retail.

An Environmental & Climate action project

The EBRD funds will be used to support the green economy. The Bank will work with Lamda Development to identify climate actions, including the development of assets at an energy level of nearly zero, in compliance with the EU Building Directive.

The Project will support Lamda in certifying one asset in the Hellinikon Development under the Leadership in Energy and Environmental Design (LEED) certification scheme, thereby **creating EBRD value added**, promoting sustainability and green investments as part of the development process.

The Bank will also bring together Lamda and international bodies that manage and oversee green certification schemes. These will help Lamda identify key areas for improvement in relation to energy infrastructure, waste management, water efficiency, smart infrastructure, transportation and reduction of air, soil and water pollution.

Source: EBRD

90. **At the same time, the Project contributes to the urban regeneration of the greater Athens agglomeration, being one of the biggest projects in modern Greek history.** The Project is categorised as "B" under the Bank's 2014 ESP. This equity transaction covers the project masterplan for which both a Strategic Environmental Impact Assessment (SEIA) and an Environmental Impact Assessment (EIA) were conducted.

91. **Environmental & Social Due Diligence (ESDD) was carried out by EBRD with the support of a consultant and included a site visit, discussion with the Client, review of the completed corporate ESDD Questionnaire, the SEIA and EIA.** The EIA covered demolition of existing buildings, site infrastructure and parks. These studies assessed a wide spectrum of impacts and included mitigation measures related to human health, flora, fauna, biodiversity, soil, water, air, climate and cultural heritage. Public consultations were also carried out as part of the EIA including public meetings in each of the 3 municipalities and a public comments period. The Client is in fact preparing a number of engagement mechanisms including an online stakeholder engagement platform and have committed to developing and disclosing a Stakeholder Engagement Plan (SEP) inclusive of a grievance mechanism.

92. **Further efforts were identified to manage Environmental Health, Safety & Security systems (EHSS) issues, resulting in the hiring of a number of EHSS staff to develop policies and systems.** These include a corporate ISO 45001 certification for health and safety management and Project-specific Environmental and Social Management System (ESMS) to comply with permitting requirements, national law and EBRD Performance Requirements. Three churches, an archaeological site and several listed buildings were found within the boundaries of the site. Rehabilitation and protection of these buildings is included in the development master plan. Greece's Archaeological Authority have been brought in to oversee construction on site and the client is required to develop a Chance Finds procedure (cf. EBRD Performance Requirement 8) as part of the project's Environmental and Social Action Plan (ESAP). As regards project monitoring, the client will also be required to comply with EBRD Performance Requirements as well as submit an annual environmental & social report.

The Bank will monitor the project by reviewing Annual Environmental and Social Reports prepared by the client as well as through site visits.

Key findings:

In the context of a project of this magnitude, it is manifest that **Environmental and Social aspects cannot be dealt with separately**. Whether it is in relation to the conditions for building demolition and construction (bringing together environmental design and cultural heritage preservation), or in relation to public community engagement (confronting views on green space versus private sector activities), the environmental and social risk assessment studies which stand behind financing are intrinsically linked.

EBRD is creating additionality by bringing its expert advisory practice, enabling stakeholder engagement and driving a comprehensive approach to E&S issues, and importantly, contributing to the project compliance with EU standards across the board. This is the direct result of the **Bank's performance requirements** which are brought in from the start of the Bank's involvement, even if the share of EBRD's financial contribution is quite small in comparison with the project size.

A noteworthy point is the inclusion in all the Assessment and Project Documents of Lamda, as main Client, but also, of all its associated contractors. This is a point of vigilance highlighted in such large project, to ensure that **compliance with standards is applied and monitored across the entire supply chain**.

Case 4: Urban Infrastructure in Bulgaria (mobility & Transport) / EIB

93. **This case consists of a Eur22m multi-annual municipal investment programme by EIB into a Municipality in Bulgaria.** The EIB investment loan will support the modernisation of mobility, education and social infrastructure. This includes various sub-projects focusing on tram tracks modernisation, new trams acquisition and public transport management system, the construction and modernisation of schools and kindergartens and construction of a multifunction centre. All schemes are part of the Integrated Urban Development Strategy document which addresses the main economic, environmental, climate, demographic and social challenges of the Municipality. The EIB is offering to provide long term financing to the Municipality which is not available on the market, improving the sustainability of the project and the promoter's financial situation. The project was rated "Moderate" overall in terms of contribution to EU Policy which included a 100% grade on the EIB Economic & Social Cohesion cross-cutting objective.

H&S issue identified during Due Diligence

During site visits performed in the presence of the Project promoter, the Bank noted that contractors were not adequately implementing Health & Safety standards on the construction sites. The view was taken that this may be the case on all sites and that it could lead to casualties and reputational risks.

As a result, the Bank has required that H&S standards be embedded as provisions in the Finance Contract. The Promoter will be requested to provide their H&S policy and procedures and to submit regular reports on the provisions and implementation from contractors. The Bank will require reports on accidents, near misses and fatalities (to be reported immediately) on the sites associated with the investment programme as part of a regular monitoring report.

The Bank will also request an external labour inspection/audit on the active sites summarizing the results on the promoter's and contractors' adherence to H&S obligations and the mitigation measures to be implemented in case of wrongdoings. The audit may become mandatory on an annual basis if the report suggests that H&S provisions are not adequately addressed, and this will become part of the annual monitoring obligations of the Promoter.

Source: EIB

94. **The project was rated "Good" by EIB on its own account of quality and soundness;** this resulted from good/excellent grades on sustainability and employment respectively, which helped to counterbalance the Promoter capabilities assessed only as "Acceptable". In terms of impact, the project was assessed as generating positive economic and social externalities, enabling higher quality services for businesses and economic activities as well as improvement of the quality of life of residents.

Key findings:

A Project which is internally rated as "Acceptable" due to social issues, such as a prevailing H&S deficiency, can still be approved based on (i) its **overriding positive impact**, in this case, strong sustainability and employment potential, and (ii) on **enforceable mitigating actions**, thus helping to improve the overall project value.

The inclusion of mitigating actions as **financial contract undertakings** with a set of audits/controls which are gradually reinforced, represent an efficient way to raise the social level playing field without compromising the entire project.

Case 5: Social Housing in Spain / EIB

95. **This case consists of a Eur 25m long-term facility from EIB in favour of an Energy Efficiency Social Housing company to finance the construction and refurbishment of social and affordable housing units for rent with gender specifications and low energy consumption.** The Project Promoter is an agency of the City which carries out urban studies, rehabilitation and project management. With this project, AUMSA will be promoting NZEB buildings for the first time. The project is also a pilot in its sector with a gender strategy to be implemented transversally throughout the project cycle.

96. **The implementation of gender mainstreaming in urban development implies a user centred approach that captures the different needs of women and men in relation to life phases, cultural and social backgrounds and amenities offered by the city, in public spaces and in the household.** This requires not only expertise in social and affordable housing, but also capacity to assess the needs of most vulnerable groups and to offer them housing options that reflect the intended gender strategy. Since the start of the project scoping, EIB has provided

advice on how to incorporate a gender perspective in the promoter's allocation of housing, and how gender can have an impact on direct and indirect employment, in the promoter's technical team involved in project design and in the sub-contractors involved in the construction, maintenance and operation phases. Advice was also provided to develop indicators which have been integrated as part of the future monitoring of the operation.

97. **It became clear during the due diligence process that the project promoter needed to build capacity in social and affordable housing**, as well as in project management, thus justifying a strong advisory contribution from the Bank in view of the highly positive impact generated by the project (Cf. EIB Scoring classification below).

EIB Scoring

Alignment to EU policies: Good
Through its strong focus on social Inclusion, planning led approach and incorporation of a gender perspective throughout the project (design-implementation-operation), the Project is in line with the provisions of the 2016 EU Urban Agenda, the EU 2020 strategy and the EIB Urban Lending Review (CA/496/16).

EIB Climate Action share for the investment programme: 20%
taking into consideration that 63 of the new social and affordable housing units will comply with the EIB eligibility criteria for energy efficiency for new building. These housing units will be built following Nearly Zero Energy Building (NZEB) standards as defined in the Spanish Regulation.

Quality and Soundness of the Project: Good
EIB Technical Contribution and Advice: **High**
due to the EIB's positive impact on the technical and economic quality of the investment particularly with regard to NZEB standards and advisory support for the implementation of the promoter's Gender Strategy, particularly in relation to design specifications incorporating gender principles, monitoring of project implementation following gender considerations, and evaluation of impacts and results focused on gender mainstreaming.

- Growth: Good
- Promoter capabilities: Good
- Sustainability: Good
- Employment: Excellent

Source: EIB

98. **The key Impact/Proofing items and the remediation actions which were identified by the Bank can be summarized across the Social and Monitoring dimensions as follows:** The promoter agreed to adopt a strategy to incorporate a gender perspective to its investment plan. The public consultation process was embedded in the planning process, therefore the creation of new social and affordable housing components of this operation were subject to stakeholder engagement. Additionally, the Promoter committed to submit to the Bank the technical specifications for the construction of new social and affordable housing units incorporating a gender perspective. The Promoter will submit to the Bank a revised and updated procedure for the allocation of social and affordable housing units incorporating a gender perspective.

Key findings:

Limited **social skills on gender issues** by the project promoter required expert advice from the Bank, suggesting that social infrastructure projects – which are driven by a positive impact agenda - may justify specific screening/proofing techniques.

In order to ensure that maximum impact is generated by such a social project, it seem pertinent to **undertake a full cycle impact evaluation** - from the initial decision to invest/finance ex ante, to monitoring impact performance throughout the project with dedicated indicators, all the way through project completion to assess overall project performance.

Case 6: Children Hospital in Ireland / EIB

99. **This case consists of a sizeable Eur 495m long-term financing from EIB for the construction of the National Children Hospital and two Paediatric Outpatients and Urgent Care Centres in Dublin to enable the relocation of three existing but outdated facilities to this new site, leading to modernisation and consolidation of the paediatric tertiary hospital care in Ireland.** The new hospital will provide a wide range of services in the areas of paediatrics, obstetrics and gynaecology. The National Children Hospital will deliver general paediatric hospital services for the greater Dublin area and tertiary care for the Republic as well as for Northern Ireland. It is also intended that the hospital becomes a research-intensive medical institution which will drive excellence in clinical care. As expected for a project of this materiality, an EIA was carried out by the competent authority as part of the approval process under the Planning and Development Act. The relevant planning & building permits have been issued within this process. The project will be verified by an independent external certifier and the promoter is aiming for high environmental standards during construction and operation. The project Positive Impacts have been identified and shared regularly since the start of the project i.e. beyond offering a better access to 39 different health specialities to the public, hundreds of jobs will be created during construction and when the hospital opens, it will employ 3,700 people.

100. The case review shows that, on the one hand, the scope of the social assessment and the planned corrective measures are commensurate to the risks and to the adverse impacts of the project. And on the other hand, we observe that several cases have positive impacts factored in the assessment of the project. This suggests that in practical terms, there is an overall assessment framework—probably specific to the social dimension in contrast with the environmental one—which brings together negative screening and positive agenda to form a single opinion which is ultimately funnelled through the credit approval process.

A pervasive 'stakeholder engagement' issue…

Early in the project there were complaints raised by neighbouring stakeholders affected by the project, including noise and vibration concerns, as well as claims over the risk of spreading diseases.

The EIB appraisal team carried out investigations to ensure that stakeholder engagement requirements had been met. In particular, the team verified that the process had been concluded satisfactorily and verified that:
• reports and project-information had been disclosed to the public,
• information about stakeholder engagement had been disseminated,
• a grievance mechanism was set up and a third-party monitoring had been planned.

A formal complaint was filed by nearby Residents against the promoter and contractors alleging structural damage to their houses. An Agreement was reached between the plaintiffs, the legal action was adjourned with leave to re-enter. Engineers have carried out surveys and ground investigation to propose and agree a technical solution to strengthen or rebuild the alleged damaged properties. Regular engagement with stakeholders has been conducted since the start of the project, though this has proven insufficient to alleviate concerns.

Source: EIB

Key findings:

The case illustrates that, even in the case of a project drawing significant positive impacts, minimum requirements such as an **early Stakeholder engagement process** cannot be ignored as part of the sustainability proofing process. Stakeholder engagement needs to be **project managed and fully integrated into the project process map** to ensure that the steps are carried out in a timely and orderly manner. This needs to be carried out within the framework of EU legislation under the requirements for public consultation (EU EIA Directive).

Case 7: Central Hospital in Finland / NIB

101. **NIB and the Lapland Hospital District (a public authority of 15 municipalities) have agreed on a Eur 69m loan for the renovation and expansion of the central hospital in Rovaniemi, in the centre of Finnish Lapland.** With a maturity of 25.5 years, the loan will fund an extension that almost doubles the hospital’s current premises and include the building of “hot departments”, psychiatric hospital and parking building. The “hot departments” consist of an emergency clinic, operating theatres, a hospital pharmacy and intensive care unit. The construction work started in 2019 and is scheduled to be completed in 2023.

102. Lapland Central Hospital is Finland's broad-based emergency hospital and one of the most important employers in the Rovaniemi region. The hospital is responsible for providing specialised health care services for 118,000 inhabitants in the region’s 15 municipalities. It also engages actively in cross-border cooperation with northern Sweden and northern Norway, especially in pre-hospital emergency care and mental health care. Tourism is part of the daily life of the hospital, as the Lapland region has over 2 million visitors a year, bringing a significant number of emergency room patients. The project was assessed as having no significant negative social impacts.

103. The framework used for this assessment is shown below:

Social Risk and Impact Framework are embedded in NIB screening process

Social elements are included in the Bank's Sustainability Policy and accordingly in NIB's environmental and social review of the projects. "NIB believes in good human resources management. Respect for workers' rights and their freedom of association is part of good business. The Bank does not accept discrimination based on gender, race, nationality, ethnic origin, religion, disability, age or sexual orientation. Further, NIB requires its clients to comply with international standards for the employment of minors. Use of forced labour is not accepted by NIB. Sound management of workers' and communities' safety and health is essential for the productivity and efficiency of the business as is the respect for their livelihood."

NIB's Mandate Rating Framework also specifies several impact categories. In investments in healthcare infrastructure, the relevant impact category is "**Human capital and equal economic opportunities**". The appraisal process focuses especially on healthcare service needs of the affected population and effectiveness of healthcare services before and after the implementation of the project.

The key criteria in the appraisal of this project were:

- Current and estimated growth of demand for healthcare services,
- Current waiting times in public healthcare services and cost structure,
- Estimated impacts on productivity in terms of operational cost,
- Estimated impacts to treatment outcomes (qualitative descriptions)

Source: NIB

104. The criteria used during the appraisal process which resulted in the project being rated "Good" were classified as (i) direct impacts i.e. the upgrade will modernize the processes of the hospital which will help achieve significant cost savings, and (ii) wider impacts in terms of health outcomes, i.e. being the central hospital in a region where the share of older population is increasing, the project will alleviate the pressures on the healthcare service quality and costs.

Key findings:

NIB's impact assessment of Health infrastructure projects is based on balanced set of measuring criteria, including productivity gains on an equal level with access to quality health services for the local population. Sustainability proofing is a holistic process.

Project Data availability was deemed difficult to gather (scattered demographics) for an objective assessment to be performed before and after implementation.

Case 8: Generic Case / EIF

This case is more fully described in Annex 5.

EIF's intermediated model of supporting SMEs

105. The EIF does not directly finance or assess whether to invest in individual underlying companies: it deploys its mandates and other funds exclusively through financial intermediaries, such as venture capital and private equity funds or banks and

microfinance institutions, dividing the EIF's financing activities in Equity Investments (EI) and Guarantees, Securitization & Microfinance (GSM).

106. EIF operates a delegated model where financial intermediaries, based on pre-defined eligibility criteria, provide targeted financing to eligible final recipients, mainly SMEs (including sole traders, micro and social enterprises) as well as private individuals, within the policy focus of the respective mandate. Therefore, the policy objectives of the mandates grant, by construction, a defined positive impact depending on the priorities of the mandator. Accordingly, the EIF does not directly finance or invest in (and accordingly, assess) underlying companies, rather it assesses financial intermediaries and their ability to select eligible underlying companies. This business model naturally influences the type, depth and level of EIF's assessments including in relation to Environmental, Social and Governance (ESG) factors.

107. The EIF uses monitoring and an independent risk management function to ensure sustainable and compliant business operations. EIF's Environmental, Social and Governance Principles underline EIF's commitment to responsible and sustainable practices.

EIF's approach to sustainability proofing: ESG Assessment of Financial Intermediary

108. The EIF adheres to well-defined ESG principles as published on its website. As per the "S factor" of the principles, the EIF focuses on promoting sustainable and inclusive growth and follows ethical considerations in its activities. The respect for and promotion of fundamental human rights as laid out in the EU Charter of Fundamental Rights, the UN Declaration of Universal Human Rights and the European Convention on Human Rights guide the relationship with internal and external stakeholders. Consequently, the EIF may refuse to enter into business with counterparts that disregard or violate the principle of respect for persons or principles, which affirm the dignity of all people, irrespective of ethnicity, gender, age, disability, sexual orientation, education and religion.

Key Findings

In its intermediated model, EIF's approach to sustainability is built on several pillars:
- EIF's ESG framework, in the process of being applied to all the financial intermediaries participating in EU programmes via EIF;
- Legal provisions with financial intermediaries requiring that the SMEs benefitting from EU support comply with applicable environmental and social laws;
- Eligibility criteria distilled from the mandates' policy objectives are also a tool to ensure the positive socio-economic impact of EIF's operations.

EIF's approach to sustainability proofing via its ESG framework is evolving in a manner that all types of financial intermediaries (at different stages of development) can participate smoothly, while targeting different final recipients and diverse dimensions of the EC's policy interventions.

SECTION 4. ELABORATION OF A SCOREBOARD FOR PROOFING PURPOSES

4.1 Objectives of this section

109. **The purpose of this section is to outline different options for a possible InvestEU social impact scoreboard and describe the methodology behind.** As per the requirements of our ToRs, the scoreboard will be designed to (i) provide an overview of a potential investee's social performance by visually highlighting strengths and weaknesses and (ii) generate a social investment score (based on a standardized scoring protocol). It was noted that our proposed solutions would need to be pragmatic in order to attract the right investors and lead to positive social impacts.

4.2 Methodology outlook

110. **Our concept of the scoreboard is based on the assumption that the efficient use of the investment capital is no longer the key determinant for a competitive advantage.** A measurement approach that links social impact and business/financial results is requested under the InvestEU programme. From our experience, the elaboration of a scoreboard for screening/proofing purposes can be complex. It is likely to be best received by potential users if its content is lean, pertinent to each case in point and its metrics easily understandable and measurable, unless fully justified. Typically, specific phases should be followed for the elaboration of a scoreboard (Table 19). In our analysis of each scoreboard option, we will provide the level of information reported in the following table.

Table 19: Stages in the elaboration of the scoreboard

PHASE	DESCRIPTION OF THE ACTION
1.	**Formulating a screening/proofing strategy or approach** Linking the strategy to the scoreboard will be the first and most important feature. It is crucial to decide who is the main audience or the target group for the scoreboard and what are the desired outcomes (e.g. is the outcome to innovate into specific sectors, grow investment into specific regions…).
2.	**Identifying social and environmental criteria used for screening** It will be necessary to agree on the specific criteria used for social screening, e.g. gender, social inclusion, labour rights and any complementary indicators stemming from the implementation of the European Pillar of Social Rights and from the social and environmental dimensions of the UN Sustainable Development Goals (SDGs). Social metrics would have to answer the all-important question: How much social impact constitutes sustainable performance and how to measure it? In other words: Will the specific investment project under consideration be generating positive and significant impact? To what extent?
3.	**Weighting and scoring arrangements** Then it will be important to decide what is the weight to be retained for each of our criteria (some criteria may have more weight than others). This scoring will be critical for identifying risks to an investment project, and ensuring that those risks are reduced to acceptable levels through long-lasting and environmentally sound,

		economically viable, and socially acceptable changes implemented at one or more of the following stages in the project cycle: planning, design, construction, operation, etc.
4.		**Designing options for the scoreboard grid** We will design several scoreboard grids / schemes to measure the social impacts of investment projects. We will test the robustness of each option and propose specific recommendations. The ultimate objective of this process is to arrive at a consensus scoreboard grid, including on the use of weights and thresholds.
5.		**Defining the governance arrangements** Also, the respective roles and responsibilities among stakeholders, e.g. InvestEU team and Implementing Partners, shall be defined and/or clarified in terms of using the scoreboard.

Source: Finance for Impact

4.3 Formulating a screening/proofing strategy or approach

111. **The scoreboard aims to establish an independent, transparent and harmonised assessment of a proposed financing or investment operation of an Implementing Partner regarding the social performance requirements.** The Investment Committee will carry out the appraisal of the financing or investment operation in line with the provisions of the InvestEU regulation and of the Investment Guidelines.

112. The scoreboard should adopt a precise structure, encompassing the criteria outlined in the Investment Guidelines of InvestEU and the main principles of intervention outlined in the InvestEU proposal:

- ***Project Description and eligibility criteria:*** this section provides basic information on the operation, and allows the Investment Committee to check that the operation complies with the basic requirements of InvestEU (no scoring);

- ***Principle 1 - Contribution to EU policy objectives & Additionality:*** This section provides a detailed overview of how the operation contributes to EU policy objectives and the rationale for the additionality of such operation together with a detailed description of the benefits for final recipients;

- ***Principle 2 - Quality and soundness of the project:*** This section provides a detailed assessment of the financial and risk profile of the operation, and how this operation is meeting required standards in terms of creditworthiness and best banking practice; and

- ***Principle 3 - Investment Impact:*** This section aims at assessing the expected impact of an operation on the broader eco-system, in economic terms as well as social and environmental terms.

113. The Scoreboard is one of the elements used by the Investment Committee to form its opinion on an operation. We noted that, due to their distinct scope, each principle shall be most likely assessed individually without aggregation into one single

rating. These are just assumptions at this moment and there is no definitive decision in this respect. At the time of writing this report, the InvestEU scoreboard is still in process of being developed.

4.4 Identifying social criteria used for screening and proofing

114. **Central to the social performance requirements will be the application of good international practice.** Several key stakeholders indicate that each social performance criteria should include detailed guidance from the InvestEU Programme in terms of what are the requirements and metrics imposed on Implementing Partners, regardless of whether the investment project is carried out directly by the Implementing Partner or through financial intermediaries. This is particularly true because Implementing Partners will be the ones required to ensure that the social risks and impacts arising from the investment project are identified and mitigated in accordance with the objectives of the performance requirements/criteria defined by InvestEU. There is also an expectation that the social performance requirements or criteria under the InvestEU Programme be aligned to best international practices. In doing so, there is more chance for the social requirements and criteria to be easily adopted and implemented. For instance, reference has been made to the EIB or EBRD performance requirements as a good practice on several occasions.

115. **The initial screening of operations should aim to identify inasmuch as possible direct, indirect and induced impacts on essential social aspects.** Social proofing, i.e. improvement of the initial proposal, would ensure, whenever needed, minimising detrimental impacts and maximising social dimension benefits. At this stage of our study, we confirm that some social criteria can be singled out from our interviews. The following criteria (Table 20) are the ones for which a consensus seems to be reached during our interviews with stakeholders; they are seen as the minimum social criteria to be used for the InvestEU Programme. Therefore, the following could be regarded as a set of minimum criteria to be considered for carrying out an ex-ante assessment for the social dimension.

Table 20 : Summary for the proposed social performance criteria for the InvestEU Programme

Labour and working conditions	Under this social requirement/criterion, the Implementing Partner will ensure that the investment project complies, at a minimum, with (i) national labour, employment and social security laws, and (ii) the fundamental principles and standards embodied in the ILO core conventions. This social requirement/criterion will establish requirements for the Implementing Partner's project promoters/final recipients with respect to all project workers, including full-time, part-time, temporary, fixed-term, seasonal and migrant workers, whether engaged directly by the client or by a third party, and sets out specific requirements for primary suppliers. The scope of requirements will include different topics that the IP should check that the final recipient has in place: ► Human Resources Policies, e.g. adoption and maintenance of written human resources policies and management systems or procedures

	▶ Working Relationships, e.g. with written contracts at the beginning of the working relationship ▶ Child labour, e.g. comply with all relevant national laws or international labour standards regarding employment of minors ▶ Non-Discrimination and Equal Opportunity, e.g. employment decisions on the basis of personal characteristics unrelated to inherent job requirements, such as gender, race, nationality, political opinion, affiliation to a union, ethnic, social or ▶ indigenous origin, religion or belief, marital or family status, disability, age, sexual orientation or gender identity ▶ Existence of a grievance mechanism ▶ Etc.
Health, Safety and Security	Under this social requirement/criterion, the Implementing Partner will verify that the project promoters/final recipients protect and promote the health, safety and security of workers, by ensuring safe, healthy and secure working conditions and identify, assess, and manage health, safety and security risks to project affected communities and consumers during the project life cycle from both routine and non-routine activities. Under this social requirements/criterion, the Implementing Partner will be required to describe what are the requirements for Health and Safety Management available with project promoters/final recipients.
Protection of vulnerable groups	Under this social requirement/criterion, the Implementing Partner will verify that the project promoters can identify vulnerable people, if any, or groups who may be disproportionately impacted by projects and develop and implement mitigation measures so that vulnerable people are not disproportionately impacted.
Inclusion of people with disabilities	Under this social requirement/criterion, the Implementing Partner will verify that the project promoters/final recipients remove barriers against those who are often excluded from the development process because of disabilities.
Gender equality and non-discrimination	Under this social requirement/criterion, the Implementing Partner will verify that the project promoters/final recipients promote gender equality as a fundamental aspect of a modern, well-functioning market economy and democratic society, and is committed to preventing gender discrimination and to promoting gender equality within its mandate. In particular, the Implementing Partner may seek to identify, to the extent possible, any potential gender specific and disproportionate adverse impacts and suggest mitigation measures to reduce these. InvestEU will require that Implementing Partner and the project promoters/final recipients can adopt measures to effectively prevent and address any form of violence, harassment, including sexual harassment, exploitation and abuse, gender-based violence, bullying, intimidation, and/or exploitation.
Stakeholder engagement	Under this social requirement/criterion, the Implementing Partner will affirm that a sound project's implementation should involve any stakeholders who may be directly or indirectly affected, or may be interested by the project. A clear, understandable and transparent engagement builds strong relationships between the project

	promoter/beneficiary and stakeholders. Stakeholder engagement will involve the project promoter/beneficiary, workers and unions, local communities and any people affected and/or interested by the project.

Source: Finance for Impact

116. **When seeking InvestEU support, project promoters shall ensure that EU and international standards applicable in the following areas listed above are adequately taken into account in design of the investment operation.** Risks should be identified and integrated in the social assessment. Influencing project factors to be assessed in such an undertaking, although not exhaustive, also include: the location and type of the project; relevant national legislation and company's internal standards and practices; the track record of contractors as well as of public and private security providers associated with the project the number of people impacted and their vulnerability profile; the timescale of the impact and possible legacy issues, among others.

117. **Under the delegated approach, we argue that it is up to the Implementing Partners to do a screening and proofing of projects when promoters/final recipients submit their request for financing along with the relevant documentation.** In the future investEU programme, different Implementing Partners will be involved, each of them with specific due diligence processes and requirements (e.g. at national level). Implementing Partners will do their screening and, when required, performed proofing to enhance the projects. Only once the projects have been fully screened and proofed under the delegated approach, Implementing Partners shall submit to investEU the required documentation and scoreboard. At this point in time, the investment committee would be in a position to make its decision based on the available information (and the scoring reached for different dimensions and criteria). In our professional judgement, such a delegated approach is adequate both in terms of effectiveness and efficiency.

118. **It is noted that the Implementing Partners are not enforcers of the law; they are not replacing competent authorities, nor do they check the work of this competent authorities.** They could make the promoter aware of certain legal requirements, they could check if the permits and authorisations required by the law exist, but many legal compliances will be made based on self-declaration of the project promoter/final recipient. In our opinion, it would be unrealistic for InvestEU to request Implementing Partners to verify all social policies, plans and processes existing at the level of the project promoters/final recipients, e.g. human resources policies. As a result, Implementing Partners may need to work on the basis of self-declaration from project promoters/final recipients.

119. In the following pages, we provide the guidance for the social criteria. It should be noted that the InvestEU Programme shall not impose stringent social requirements to Implementing Partners under the delegated approach. Instead, the following constitutes guidelines for preparing the scoreboard against a set of predetermined list of social criteria.

CRITERION 1: LABOUR AND WORKING CONDITIONS

Introduction

120. The workforce provides the engine for economic change and growth. The protection of the fundamental rights of workers[17] is a key factor in sustainable business practices. Efficient worker-management relationships, based on the development of fair working conditions, can foster efficiency and productivity in a company and in the wider economy. Per contra, the failure to build and preserve a healthy working environment can cripple workforce commitment and can threaten the implementation of projects.

121. Financing and investment projects under all windows of the InvestEU Programme should be in line with labour and working European and international conventions/instruments, including those from the EU Taxonomy Regulation[18], the European Pillar of Social Rights[19], the ILO[20], the UN[21] and the Sustainable Development Goals[22] (Table 21). Of course, under the Labour and Working Conditions' criterion, the investment project should respect national labour, employment and social security laws.

Table 21 : Examples of EU & ILO Guidance around Labour and Workers' Rights

Directive 2019/1152 on Transparent and Predictable Working Conditions	• Information regarding aspects of the work • Probationary periods • Additional employment • Anti-abuse legislation for zero-hour contracts • Requests to transfer
Directive 2011/98	• Common set of rights for third-country workers legally residing in a Member State
Directive 2006/54/EC	• Equal treatment for men and women in regard to employment, promotion, pay, and working conditions
Directive 2002/14/EC	• General Framework for informing and consulting employees in the European Community
Directive 2000/78/EC	• Conditions of access to employed or self-employed activities • Employment and working conditions • Membership of and involvement in an organisation of employers or workers or any other organisation whose members carry on a particular profession

[17] Following the ILO Decent Work Agenda and ILO core Conventions on Freedom of Association and Protection of the Right to Organise (1948), on the Right to Organise and Collective Bargaining (1949), on Forced Labour (1930) and its supplementing protocol P029 (2014), on the Abolition of Forced Labour (1957), on Equal Remuneration (1951), on Discrimination (Employment and Occupation) (1958), on Minimum Age (1973) and on the Worst forms of Child Labour (1999).
[18] All financial operations will have to comply with the Minimum Social Safeguards as laid out in Article 18 of the Taxonomy Regulation.
[19] The European Pillar of Social Rights (2017).
[20] Refer to footnote 17.
[21] Such as the UN Guiding Principles on Business and Human Rights (2011).
[22] Goal 8.8 of the UN Sustainable Development Goals: "Protect labour rights and promote safe and secure working environments of all workers, including migrant workers, particularly women migrants, and those in precarious employment".

	• Discrimination and equal treatment • Accommodations for disabled persons
Directive 94/33/EC	• Work by children • Vulnerability of young people • Working and night work for young people • Annual rest and breaks
Directive 89/391/EEC – OSH "Framework Directive." Further EU OSH Legislation	• Health and safety at work • Working environment adapted to their professional needs • Working environment that enables them to prolong their participation in the labour market
The Examination of Grievances Recommendations, 1967 (No. 130) by ILO	• Worker's rights around submitting grievances without prejudice • Grievance examination procedures

Source: EU

Field of application

122. A range of suggested guidance with Labour and Working Conditions is presented below. Such guidance can be taken into account during the InvestEU social screening process and should help establish the level of compliance of a project with this social criterion. This guideline can encompass all categories of workers, including full-time, part-time, temporary, seasonal, migrant and fixed-term workers.

Aims

123. The aim of this guidance regarding the Labour and Working criterion is to:

- Seek better compliance with the fundamental rights of workers and national employment and labour laws;
- Promote fair treatment, non-discrimination and equal opportunity in the workforce;
- Help protect all workers, including workers in the supply chain;
- Avoid the use of child labour and forced labour; and
- Foster a healthy work environment with accessible and effective mechanisms to address workers' concerns.

Possible sub-criteria to be considered in the screening/proofing process

As noted earlier, InvestEU will not seek to impose stringent social sub-criteria. As a matter of guidance, when reviewing a project against social sustainability criteria, it is suggested to consider the following issues:

Contracts	► Availability of sound management procedures appropriate to the workforce and the size of the project and consistent with national laws. ► Existence of written contracts at the beginning of the working relationship highlighting workers' rights regarding national labour and employment law.
Workers' Organisations	► Respect workers' organisations: Workers have the right to organise elections, choose workers' representatives, create workers' organisations and to be involved in collective bargaining.

	▶ Non-discrimination against workers who act as representatives and/or participate in these organisations or in collective bargaining. ▶ Existence of an information dissemination plan to facilitate negotiation.
Grievance Mechanism	▶ Existence of an effective grievance mechanism for workers to raise workplace concerns. ▶ Information of workers at the time of hiring of the presence of an accessible grievance mechanism. ▶ Establishment of a clear and well managed grievance mechanism to ensure a good complaint process to workers, including confidentiality and protection measures when it is needed. ▶ Communication to workers of any material changes that may affect them and provide them the possibility to make comments on these evolutions.
Remuneration for Workers	▶ Verification that wages and benefits offered to workers are comparable to those offered by equivalent employers in the relevant region and sector. Such remuneration should also reflect relevant collective bargaining agreements. ▶ Availability of terms of remuneration which are documented and communicated to workers. This can include, but is not limited to, wages, hours of work, overtime arrangements, overtime compensation, and benefits relating to leave for illness, maternity/paternity, or holidays.
Non-discrimination and Equal Opportunity	▶ Rejection of any employment decisions made regarding personal characteristics, such as nationality, race, gender, political opinion, social and ethnic origin, religion, family status, disability, age, affiliation to a union, sexual orientation or gender identity. ▶ Promotion of sound working relationships based on fair treatment and equal opportunity. ▶ Avoidance of any form of discrimination and violence, harassment, bullying, intimidation and/or exploitation. However, some measures such as actions against discrimination or local employment are not considered as discrimination.
Gender Equality	▶ Existence of an equal treatment of women and men. ▶ Prevention of discrimination on the basis of gender. ▶ Identify any gender-based adverse impacts and minimize them with appropriate measures. ▶ Establishment of pay equity for work of equal value, including between women and men. ▶ Avoidance of any form of violence, including gender-based violence[23], intimidation, exploitation, harassment, including sexual harassment and/or abuse.

[23] "Violence and harassment" are defined by the EBRD as "a continuum of unacceptable behaviours and practices, or threats thereof, whether a single occurrence or repeated, having the aim of causing physical, psycho-social, or economic harm, including GBV. GBV is an umbrella term for any harmful acts perpetrated against a person's will and that is based on socially ascribed gender differences. GBV includes acts that inflict physical, mental or sexual harm or suffering, threats of such acts, coercion and other deprivation of liberty".

Migrant Workers	▶ Equal treatment of migrant workers to non-migrant workers undertaking similar functions[24]. ▶ Ensure that migrant workers enjoy the same rights, equal opportunities and treatment. The project's primary contractors and first-tier suppliers should uphold the same principles.
Forced Labour	▶ Forced labour[25] should be avoided, including any type of compulsory labour such as involuntary prison labour, indentured labour, bonded labour or similar labour-contracting arrangements, or trafficking in persons[26].
Child Labour	▶ Compliance with national laws and/or international labour standards related to employment of minors. A higher degree of protection for children should also be provided.
Supply Chain	▶ Analysis the risks of child labour and/or forced labour. ▶ Plan to take adequate measures if child labour or forced labour cases are identified. ▶ Introduction of procedures and mitigation measures to ensure that primary suppliers within the supply chain are taking steps to prevent and/or correct life-threatening situations.

Source: Finance for Impact

CRITERION 2: HEALTH, SAFETY AND SECURITY

Introduction

124. Providing a healthy, safe and secure work environment and ensuring the protection and the well-being of workers may enhance the efficiency and the smooth execution of a project. Any infrastructures, activities and equipment related to the project can have adverse impacts and can expose and affect workers to health, safety and security threats.

125. Investment operations under the InvestEU Programme should be in line with European and national legislations/conventions ensuring the respect of healthy, safe and secure working conditions, including those from the European Pillar of Social Rights[27], the Treaty on the Functioning of the European Union[28], the OSH Framework

[24] UN Convention on the Protection of the Rights of all Migrant Workers and Members of their Families (1990).
[25] "Forced labour" is defined by EBRD as "any work or service not voluntarily performed that is exacted from an individual under threat of force or penalty, including through abusive and fraudulent recruitment practices".
[26] "Trafficking of persons" is defined by the EBRD as "the recruitment, transportation, transfer, harbouring, or receipt of persons, by means of the threat or use of force or other forms of coercion, abduction, fraud, deception, abuse of power, or of a position of vulnerability, or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation. Women and children are particularly vulnerable to trafficking practices".
[27] The European Pillar of Social Rights (2017).
[28] Article 153 of the Treaty on the Functioning of the European Union gives the EU the authority to adopt legislation (directives) in the field of safety and health at work, in order to support and complement the activities of Member States.

Directive[29] and the Sustainable Development Goals[30]. Under this criterion, the investment project should identify potential threats related to Health, Safety and Security and implement appropriate measures to minimize and/or avoid any adverse impact on workers and on Affected Communities[31].

Field of application

126. A range of suggested guidance regarding Health, Safety and Security is presented below. Such guidance can be taken into account during the InvestEU social screening process and should establish the level of compliance of a project with this social criterion. This criterion is based on the potential risks and impacts of project activities, and aims to ensure the protection of any individuals involved in the project including the project promoter/beneficiary, workers, affected communities, visitors, customers, clients and sub-contractors.

Aims

127. The aim of such guidance regarding the Health, Safety and Security criterion is to:

- ensure, promote and protect health, safety and security of any individuals involved in the project by providing healthy, safe and secure working conditions;
- evaluate and manage health, safety and security risks; and
- prevent any adverse impacts related to health, safety and security.

Possible sub-criteria to be considered in the screening/proofing process

As noted earlier, InvestEU will not seek to impose stringent social sub-criteria. As a matter of guidance, when reviewing a project against social sustainability criteria, it is suggested to consider the following issues:

Health, Safety and Security Management	► Existence of a risk assessment to evaluate threats and adverse impacts regarding project's activities. ► Availability of a health, safety and security management plan that should be regularly updated.
Grievance Mechanism	► Existence of an effective grievance mechanism to raise Affected Communities and workers' concerns. ► Information to workers at the time of hiring of the presence of an accessible grievance mechanism. ► Establishment of a clear and well managed grievance mechanism to ensure a good complaint process to workers and Affected Communities, including confidentiality and protection measures when it is needed.

[29] Directive 89/391/EEC lays down the main principles to encourage improvements in the safety and health of workers at work. It guarantees minimum safety and health requirements throughout EURpe while Member States are allowed to maintain or establish more stringent measures.

[30] The Health, Safety and Security criteria is related to:
SDG 3.9 Good Health: "By 2030 substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water, and soil pollution and contamination 3.a strengthen implementation of the Framework Convention on Tobacco Control in all countries as appropriate", and
SDG 8.8: "Protect labour rights and promote safe and secure working environments of all workers, including migrant workers, particularly women migrants, and those in precarious employment".

[31] Affected Communities refer to the local people, workers and project promoter/beneficiary who may be affected by the project's implementation and may face adverse impacts.

	▶ Process of examination of claims related to unlawful or abusive acts questioning the safety, security and health of workers and/or Affected Communities. Appropriate measures should be undertaken, including if needed a report to competent authorities in order to avoid any reoccurrence.
Safe Working Conditions	▶ Availability of adequate equipment to workers to ensure their protection during the project's implementation. Any individual present on project sites, including workers, visitors, customers, clients and sub-contractors should be appropriately and freely equipped in compliance with the health, safety and security management plan. ▶ Sound supervision throughout the project life-cycle guaranteeing the health, safety and security of workers. ▶ Ensure, when workers are exposed to risks and accidents, the adaptation of project's activities to prevent this exposure. If any accident, ill-health or injury happens during the project life-cycle, an investigation should be conducted and the necessary measures should be taken to avoid reoccurrence. A financial compensation should also be provided to workers affected by such risks and accidents.
Emergency Response	▶ Organization of an emergency response related to project's activities in collaboration with local authorities and affected communities in order to take effective actions in case of emergency situations. ▶ Capacity to evaluate major accident hazards in order to implement appropriate measures and prevent accident hazards.
Workers' Exposure to Disease and COVID-19	▶ Availability of a plan to assess potential exposure for workers to contagious diseases, including COVID-19. Document in risk assessments this exposure in order to put in place preventive measures. These measures should be respected by individuals concerned by project's activities, including workers, visitors, customers, clients and sub-contractors. ▶ Availability of action plans to mitigate COVID-19 in case of high exposure risk and in line with the epidemiological situation and the risk assessments. ▶ Information to workers of any updates regarding work-related exposure to COVID-19. Mitigation measures should be adapted to the situation's evolution.
Communication and Training	▶ Adequate communication with workers and affected communities about any information related to health, safety and security, including hazards, risks, protective and preventive measures, emergency response in order to ensure their protection during project's activities. ▶ Information for any individuals involved in the project about risks and adverse impacts related to the project. ▶ Availability of appropriate training to individuals involved in the project to inform them on health, safety and security threats and procedures such as emergency response or protective equipment trainings.

Hazardous Materials[32]	▶ Analysis of community's exposure to hazardous substances and materials that may be released by the project and implement mitigation measures to minimize and/or prevent them. ▶ Availability of decommissioning actions to reduce and/or avoid the public's exposure when substances and hazardous materials are associated with the project. The public's exposure to operational accidents and/or natural hazards should be particularly considered. ▶ Secure hazardous materials' transportation, such as waste transportation, in order to prevent and/or minimize community exposure.
Community Exposure to Diseases	▶ Diagnostic on the risk of transmissible diseases, including COVID-19, and take adequate measures to protect communities. ▶ Preparation of mitigation plan in case of COVID-type of diseases identified during the project review ▶ Verification of implementation of mitigation measures for avoiding a higher community exposure to contagious and water diseases. Exercise a special care to vulnerable groups and individuals' exposure, including affected communities, who may be less resilient to these diseases.
Infrastructure and Constructions	▶ Availability of measures to ensure that design and construction are managed by professionals and validated by competent authorities. ▶ Analysis of structural elements such as dams, tailings dams or ash ponds when they might have adverse impacts on communities. ▶ Availability of measures to ensure that equipment design, building and infrastructure are conducted following the concept of universal access[33].
Product Security and Safety	▶ When production of and/or trade in consumer products are part of the project, provide safe and secure manufacturing processes, storage, handling and transportation. These processes should be in line with GIP and its product standards. ▶ Ensure that safety of products and safety of consumers are not affected. ▶ Availability of a plan to communicate information to consumers. ▶ Establishment of specific withdrawal procedures and policies in cases in which a product may be subject to health risks.
Road Traffic Safety	▶ Identification of potential road traffic safety risks and carry out mitigation measures in order to limit threats. ▶ Respect of the EU road and traffic safety management standards[34] and road safety measures. If needed, a road traffic safety audit can be conducted for the different steps of the project. ▶ When the project includes transportation on public roads, avoid any accidents and injuries involving individuals associated with the project, including the public.

Source: Finance for Impact

[32] "Hazardous materials" are defined by EBRD as "substances which have one or more inherent hazardous properties which can result in a significant adverse effect on the environment or human health".
[33] "Universal access" is defined by the EBRD as "safe and inclusive access for people of all ages and abilities in different situations and under various circumstances".
[34] Directive 2008/96/EC of the European Parliament and of the Council of 19 November 2008 on road infrastructure safety management.

CRITERION 3: GENDER EQUALITY

Introduction

128. Improving gender equality in the workplace contributes to the social well-being of workers and can bring benefits and performance. Even though women's involvement in the labour market has increased in Europe, inequalities such as gender wage gaps, continue to persist and affect women's empowerment. As a key component of the Sustainable Development Goals[35], gender equality promotes the equal opportunity, responsibility and participation between women and men.

129. Investment operations under the InvestEU Programme should be committed to ensuring the equal treatment of women and men and to prevent discrimination on the basis of gender. The use of appropriate codes of conduct complies with a number of European and international conventions/instruments such as the EU Taxonomy Regulation[36], the European Pillar of Social Rights[37], the OECD Recommendation[38], the ILO[39] and the UN[40].

130. Under this social criterion, the investment project should encourage gender equality as a fundamental aspect of a modern, well-functioning market economy and democratic society, and should be committed to preventing gender discrimination.

Field of application

131. A range of suggestion guidance regarding Gender Equality is presented below. Such guidance can be taken into account during the InvestEU social screening process and should establish the level of compliance of a project with this social criterion.

Aims

132. The aim of such guidance regarding the Gender Equality criterion is to:

- ensure equal opportunity between women and men at the workplace;
- prevent any discrimination related to gender and promotes equal treatments between women and men; and
- establish equal health, safety and security between female and male workers.

Possible sub-criteria to be considered in the screening/proofing process

As noted earlier, InvestEU will not seek to impose stringent social sub-criteria. As a matter of guidance, when reviewing a project against social sustainability criteria, it is suggested to consider the following issues:

[35] Sustainable Development Goal 5: "Achieve gender equality and empower all women and girls".
[36] All financial operations will have to comply with the Minimum Social Safeguards as laid out in Article 18 of the Taxonomy Regulation.
[37] The European Pillar of Social Rights (2017).
[38] OECD Recommendation of the Council on Gender Equality in Education, Employment and Entrepreneurship (2013).
[39] Following the ILO Decent Work Agenda and ILO protocol P029 (2014) on Equal Remuneration (1951) and on Discrimination (Employment and Occupation) (1958).
[40] Such as the United Nations Human Rights Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) (1981) and the UN Guiding Principles on Business and Human Rights (2011).

Non-Discrimination and Equal Opportunity	▶ Existence of sound working relationships based on equal opportunity between women and men. ▶ Identification of any gender discriminations, including stereotypes. ▶ Implementation of adequate measures to provide equal treatments between women and men and avoid and/or minimize discrimination' impacts throughout the project life-cycle.
Access to Labour Market	▶ Identification of any discrimination against women and men access to labour market. ▶ Availability of same employment and working opportunities for men and women, including during the phases of hiring, job assignment, promotion, training and termination. Ensure that women and men participate equitably in decision making at any levels of the organisation.
Equal Pay	▶ Existence of a plan to ensure equal remuneration between women and men for work of equal value, including benefits. ▶ Evaluation of the gender pay gap and implement appropriate measures to prevent remuneration discrimination.
Forms of Violence	▶ Pay attention to any form of violence such as gender-based violence[41], intimidation, exploitation, bullying, harassment, including sexual harassment and/or abuse. ▶ Establish appropriate measures, such as prevention campaigns and awareness, to end and/or reduce any form of violence in the workplace.
Grievance Mechanism	▶ Availability of an effective grievance mechanism to raise gender concerns; ▶ Information to workers at the time of hiring on the presence of an accessible grievance mechanism. ▶ Establishment of a clear and professionally managed grievance mechanism to ensure a good complaint process to female and male workers, including confidentiality and protection measures when it is needed. ▶ Existence of a process for dealing any claims related to unlawful or abusive acts questioning gender discriminations, such as gender-based violence, intimidation, exploitation, harassment, including sexual harassment and/or abuse. Appropriate measures should be undertaken, including if needed a report to competent authorities in order to avoid any reoccurrence.

Source: Finance for Impact

[41] "Violence and harassment" are defined by the EBRD as "a continuum of unacceptable behaviours and practices, or threats thereof, whether a single occurrence or repeated, having the aim of causing physical, psycho-social, or economic harm, including GBV. GBV is an umbrella term for any harmful acts perpetrated against a person's will and that is based on socially ascribed gender differences. GBV includes acts that inflict physical, mental or sexual harm or suffering, threats of such acts, coercion and other deprivation of liberty".

CRITERION 4: PROTECTION OF VULNERABLE GROUPS

Introduction
133. Vulnerable groups and/or individuals experience a higher risk and are less resilient than others to adverse impacts. This category of population encompasses youth, the elderly, the poor or ethnic, religious, cultural or linguistic minorities, persons with disabilities, migrant workers. Vulnerable groups are more exposed to risk and adverse impacts that make them even more sensitive to financial, socio-economic, cultural and/or gender discrimination. Furthermore, those with vulnerability have a weaker adaptative capacity to manage these risks.

134. Financing and investment projects under all windows of the InvestEU Programme should be in line with the respect and the protection of vulnerable groups and/or individuals. The use of appropriate codes of conduct should comply with European and national laws, including those from the Charter of Fundamental Rights of the European Union[42], the EU Taxonomy Regulation[43], and the European Pillar of Social Rights[44]. Under this social criterion, discrimination against individuals based on their differences and/or their identification with a particular group should be rejected. Financing and investment operations should identify vulnerable individuals and/or groups who may be disproportionately impacted by the project.

Field of application
135. A range of suggested guidance regarding the Protection of Vulnerable Groups is presented below. Such guidance can be taken into account during the InvestEU social screening process and should establish the level of compliance of a project with this social criterion. The scope of application of this criterion is based on the potential risks and adverse impacts of project activities on vulnerable groups and/or individuals.

Aims
136. The aim of such guidance regarding the Protection of Vulnerable Groups criterion is to:

- respect and promote the rights and interests of vulnerable groups and/or individuals;
- identify any risks and/or adverse impacts that may affect vulnerable groups and/or individuals;
- ensure that appropriate measures protect vulnerable groups and/or individuals throughout the project’s duration.

Possible sub-criteria to be considered in the screening/proofing process
As noted earlier, InvestEU will not seek to impose stringent social sub-criteria. As a matter of guidance, when reviewing a project against social sustainability criteria, it is suggested to consider the following issues:

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[42] The European Charter of Fundamental Rights (2009) sets out a range of human rights including the Community Charter of Fundamental Social Rights of Workers, the fundamental rights and freedoms recognised by the European Convention on Human Rights, the constitutional traditions of the EU Member States, the Council of EURpe's Social Charter.
[43] All financial operations will have to comply with the Minimum Social Safeguards as laid out in Article 18 of the Taxonomy Regulation.
[44] The European Pillar of Social Rights (2017).

Risks Associated with the Project	▶ Identification of any risks and/or adverse impacts related to the project that may affect vulnerable groups and/or individuals, including local communities and indigenous peoples[45]. ▶ Existence of appropriate measures to avoid and/or minimize these risks and adverse impacts. ▶ Availability of a plan to ensure the consultation and participation of local communities affected by project activities in design, implementation and termination of the project. ▶ Compliance with the Free Prior Informed Consent (FPIC) Concept[46] is not mandatory but would constitute a good approach to vulnerability.
Access to Information	▶ Availability of a plan to inform in a clear, understandable and transparent manner local communities of any risks and/or adverse impacts related to the project that affect their daily life. ▶ If necessary, communicate to local authorities on the project's risks and/or adverse impacts and undertake, with the local authorities, adequate actions in order to prevent and/or limit the vulnerability of local communities.
Non-Discrimination and Equal Opportunity	▶ Diagnostic of any discrimination against vulnerable individuals and/or groups at the workplace. ▶ Implementation of adequate measures to provide equal treatments and avoid and/or minimize discrimination' impacts throughout the project life-cycle. ▶ Respect the concept of equal pay for equal work.
Access to Labour Market	▶ Availability of a plan to identify any discrimination against vulnerable individuals' access to labour market.
Forms of Violence	▶ Identification of any discrimination and forms of violence related to sex, race, age, physical ability, religion, language, colour, political or other opinion, ethnicity, national and/or social origin, and discrimination based on sexual orientation. These discriminations and forms of violence include intimidation, exploitation, bullying, harassment and/or abuse. ▶ Implementation of appropriate measures, such as prevention campaigns and awareness, to end and/or reduce any forms of violence in the workplace.
Grievance Mechanism	▶ Availability of an effective grievance mechanism to raise workers concerns on vulnerability. ▶ Information to workers at the time of hiring of the presence of an accessible grievance mechanism. ▶ Establishment of a clear and well managed grievance mechanism to ensure a good complaint process, including confidentiality and protection measures when it is needed.

[45] The UN Declaration on the Rights of Indigenous Peoples (UNDRIP) states that "indigenous peoples have the right to the full enjoyment, as a collective or as individuals, of all human rights and fundamental freedoms as recognized in the Charter of the United Nations, the Universal Declaration of Human Rights and international human rights law" (UNDRIP, Art. 1).

[46] The UN declares that " Free Prior Informed Consent is a principle protected by international human rights standards. All peoples have the right to self-determination' and – linked to the right to self-determination – all peoples have the right to freely pursue their economic, social and cultural development".

	► Availability of a plan to examine any claims related to unlawful or abusive acts related to vulnerability, such as intimidation, exploitation, harassment and/or abuse. Appropriate measures should be undertaken, including if needed a report to competent authorities in order to avoid any reoccurrence.

Source: Finance for Impact

CRITERION 5: INTEGRATION OF DISABILITIES

Introduction

137. The respect for inherent dignity, individual autonomy and independence of persons should be promoted. Financing and investment projects under all windows of the InvestEU Programme should adhere to European and international legislations/conventions, which ensure those with disabilities are considered in non-discrimination policies and in a project's impacts. These policies include the European disability strategy 2010-2020[47] and the European Pillar of Social Rights[48]. National laws should be taken into account when screening investment projects against this criterion. It may be advisable to also seek compliance with the United Nations Convention on the Rights of Persons with Disabilities[49], the UN's Sustainable Development[50], the UN Disability Inclusion Strategy[51] as well as the EU Accessibility Act.[52]

Field of application

138. A range of suggested guidance regarding Integration of Disabilities is presented below. Such guidance can be taken into account during the InvestEU social screening process and should establish the level of compliance of a project with this social criterion. The scope of application is based on the potential risks and adverse impacts of project activities on people with disabilities.

Aims

139. The aim of such guidance regarding Integration of Disabilities is to:

- respect and promote the rights and interests of persons with disabilities;
- identify any risks and/or adverse impacts that may affect disproportionally persons with disabilities;

[47] The European disability strategy 2010-2020, including the European Accessibility Act, aims to "empower people with disabilities so that they can fully enjoy their rights and participate in society and the economy on an equal basis with others". The strategy is based on the development of eight areas: accessibility, participation, equality, employment, education and training, social protection, health and external actions.
[48] The European Pillar of Social Rights (2017).
[49] The UN Convention on the Rights of Persons with Disabilities (2008) declares that "the Convention is intended as a human rights instrument with an explicit, social development dimension. It adopts a broad categorization of persons with disabilities and reaffirms that all persons with all types of disabilities must enjoy all human rights and fundamental freedoms".
[50] Integration of Disability is referenced in SDGs on education (SDG 4), on growth and employment (SDG 8), on inequality (10) and accessibility of human settlements (SDG 11).
[51] The United Nations Disability Inclusion Strategy promotes disability inclusion.
[52] Directive (EU) 2019/882 of the European Parliament and of the Council of 17 April 2019 on the accessibility requirements for products and services (Text with EEA relevance). Under this directive, persons with disabilities and elderly people will benefit from more accessible products and services in the market, accessible products and services at more competitive prices, fewer barriers when accessing transport, education and the open labour market, more jobs available where accessibility expertise is needed.

- ensure that appropriate measures are implemented in order to integrate disabilities throughout the project's duration.

Possible sub-criteria to be considered in the screening/proofing process
As noted earlier, InvestEU will not seek to impose stringent social sub-criteria. As a matter of guidance, when reviewing a project against social sustainability criteria, it is suggested to consider the following issues:

Fair Working Environment	▶ Availability of a plan to respect the right of persons with disabilities to work on equal bases with others, including specific measures that promote and/or achieve equality of persons with disabilities.
Equal Opportunity	▶ Implementation of appropriate measures promoting equality between all workers. Any measure promoting the integration of disabilities should not be considered as discrimination. ▶ Identification of any discrimination against persons with disabilities in employment.
Non-Discrimination	▶ Identification of any discrimination against persons with disabilities at the workplace. ▶ Implementation of adequate measures to provide equal treatments and avoid and/or minimize discrimination' impacts throughout the project life-cycle.
Forms of Violence	▶ Identification of any discrimination and forms of violence regarding disabilities. These discriminations and forms of violence include intimidation, exploitation, bullying, harassment and/or abuse. ▶ Implementation of appropriate measures, such as prevention campaigns and awareness, to end and/or reduce any forms of violence in the workplace.
Grievance Mechanism	▶ Availability of an effective grievance mechanism to raise workers' concerns regarding disabilities. ▶ Establishment of a clear and well managed grievance mechanism to ensure a good complaint process, including confidentiality and protection measures when it is needed. ▶ Availability of a plan to examine any claims related to unlawful or abusive acts affected persons with disabilities, such as intimidation, exploitation and harassment. Appropriate measures should be undertaken, including if needed a report to competent authorities in order to avoid any reoccurrence.

Source: Finance for Impact

CRITERION 6: STAKEHOLDER ENGAGEMENT

Introduction
140. A sound project's implementation should involve any stakeholders who may be directly or indirectly affected, or may be interested by the project. A clear, understandable and transparent engagement builds strong relationships and ensures good practice and a successful management of the project. Stakeholder engagement

should involve the project promoter/beneficiary, workers and unions, local communities and any people affected and/or interested by the project.

141. Financing and investment operations under InvestEU Programme should comply with European and international legislations/conventions, which ensure the principles of public participation, transparency and non-discrimination as a part of sound governance. These policies include the Treaty of Amsterdam, the Treaty of Lisbon, the White Paper on European Governance[53], the Rio Declaration on Environment and Development and the Johannesburg Declaration on Sustainable Development that remind the right to information access and public participation.

Field of application
142. A range of suggested guidance regarding Stakeholder Engagement is presented below. Such guidance can be taken into account during the InvestEU social screening process and should establish the level of compliance of a project with this social criterion.

Aims
143. The aim of such guidance regarding Stakeholder Engagement is to:

- identify any stakeholders involved in the project;
- ensure the right to information, public consultation and participation;
- promote the equal opportunity and possibility to voice of any stakeholders, including vulnerable groups and/or individuals involved in the project.

Possible sub-criteria to be considered in the screening/proofing process
As noted earlier, InvestEU will not seek to impose stringent social sub-criteria. As a matter of guidance, when reviewing a project against social sustainability criteria, it is suggested to consider the following issues:

Identification of Stakeholders	► Identification of stakeholders who might be affected by the project. ► Identification of stakeholders interested by the project or other interested parties. ► Implementation of mitigation measures in order to minimize and/or avoid negative outputs on disadvantaged stakeholders.
Stakeholder Engagement Plan	► Establishment of a stakeholder engagement plan (SEP) or an equivalent documented process to evaluate risks and adverse impacts associated with the project that may affect stakeholders. This document should be updated during the project's implementation if any changes happen. ► When the project does not have a specific location, provide a SEP or an equivalent documented process developing the project's approach, its principles, strategy, threats and opportunities. This document can be completed once the location is known.
Specific Stakeholders	► When the project includes multi-site operations and/or general corporate finance, establish a corporate SEP describing the project, its risks and adverse impacts and the level of stakeholder interest.

[53] https://ec.EURpa.eu/commission/presscorner/detail/en/DOC_01_10

	▶ When governmental authorities are responsible of stakeholder engagement, establish a sound collaboration. If needed, engagement activities can be modified.
Information Dissemination	▶ Communication plan with stakeholders to provide any information and/or modifications of the project. ▶ Disclosure of risks and adverse impacts related to the project in order to inform of any threats and opportunities. This information includes the purpose of the project, its risks, adverse impacts and opportunities, stakeholder engagement process, grievance mechanism and if necessary, the envisaged public consultation. ▶ When stakeholder engagement is based on community representatives, establishment of a clear, understandable and transparent communication process.
Stakeholders Consultation	▶ Conduct relevant public consultations at appropriate steps of the project's implementation. ▶ Consider and respond to stakeholder feedback and recommendations. ▶ Inform stakeholder of any final decision and its process.
Grievance Mechanism	▶ Availability of an effective grievance mechanism to raise stakeholders' concerns. ▶ Establishment of a clear and well managed grievance mechanism to ensure a good complaint process, including confidentiality and protection measures when it is needed. ▶ Availability of a plan to examine any claims related to unlawful or abusive acts affecting stakeholders. Appropriate measures should be undertaken, including if needed a report to competent authorities in order to avoid any reoccurrence.

Source: Finance for Impact

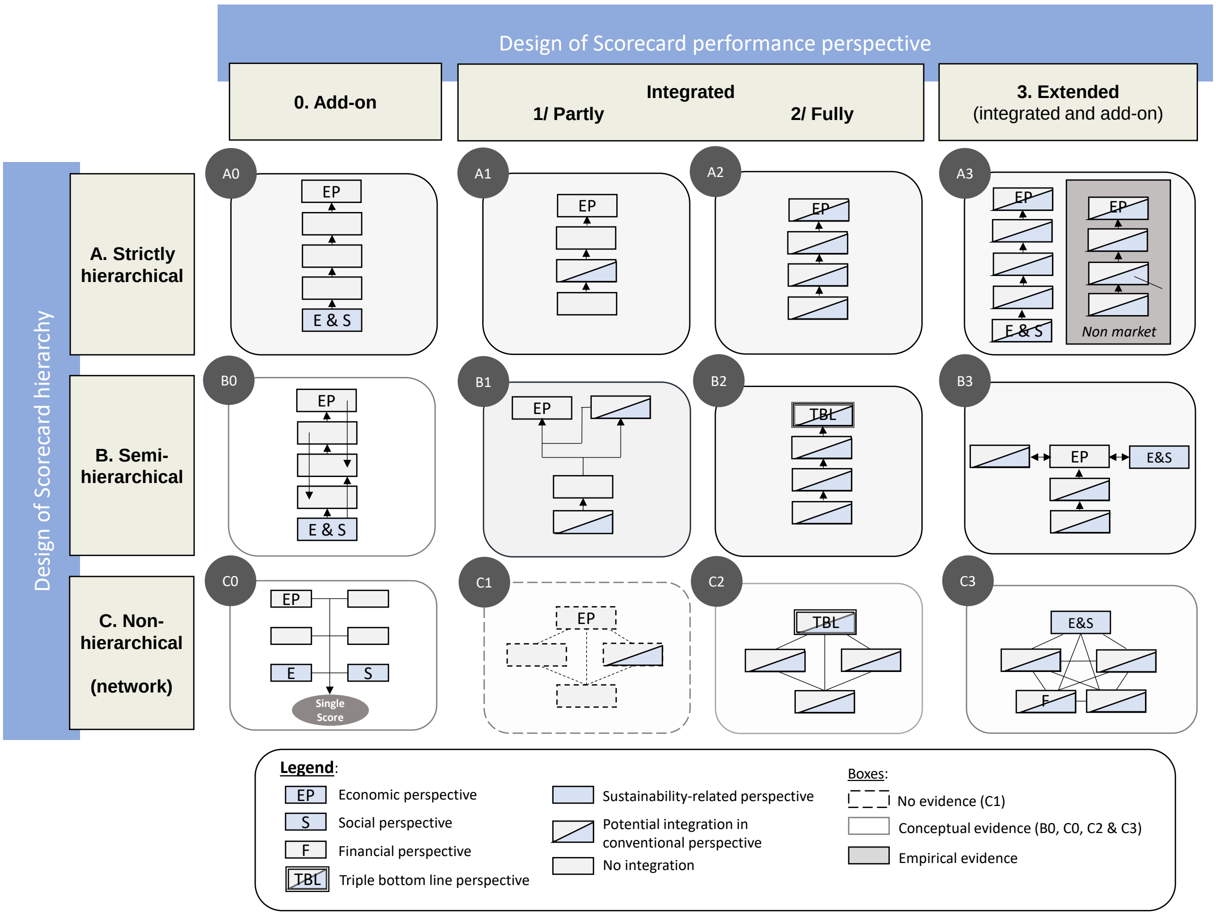
4.5 Designing options for the scoreboard grid based on social criteria

144. **When providing guidance on scoreboard content and design architecture, we have referred to various options.** First, we argue that the scoreboard may have different level of content. In a conservative perspective (A0 in Figure 1), the scoreboard may add environmental and social metrics to pre-existing indicators, e.g. economic or financial ones. Under a more pro-active perspective, a 'sustainability scoreboard' would be produced by integrating together the economic, environmental and social criteria and metrics. As shown on Figure 1, some trade-offs are possible and may be seen as appropriate. Similarly, different architectures could be used for the scoreboard, from hierarchical to non-hierarchical ones. It should be noted that each model (scoreboard option) includes information of choice of strategy, criteria, metrics/indicators, scoring protocol, reporting requirements, organisational setup, foreseen constraints and so on.

145. **At present time, InvestEU is envisaging developing an 'add-on, hierarchical' scoreboard structure (Type C0 in Figure 1).** This design is appropriate for the InvestEU as it aims at 'balancing' financial and non-financial, short-term and long-term, as well as qualitative and quantitative success measures. It does so by presenting a set of strategic criteria defined for the InvestEU Programme, each

of which is then assigned to one of three performance perspectives (economic, social, environmental) and which ultimately lead to performance through cause-and-effect chains. The current architecture proposed for the InvestEU scoreboard is designed to explicitly recognize sustainability-related objectives and performance measures. It will allow the Investment Committee to address goals in all three dimensions of sustainability, e.g. by integrating economic, environmental, and social issues whereas other approaches merely focus on, for example, the financial dimension.

Figure 1: Typology of scoreboard content and architecture



Source: Finance for Impact, adapted from E. G. Hansen, S. Schaltegger, 2013

146. **We caution against an over-reliance on specific sustainability dimensions. Reality will always be more complex than the scoreboard, meaning for example that a project may have unanticipated effects that are not included in the scope of the scoreboard.** Models can assist us in structuring the analysis and put light on unintended consequences of different projects, but they do not immunize against uncertainties and unpredictable real-world behaviours. Nonetheless, the scoreboard approach will play a crucial role in bringing systems thinking into the attainment of multiple sustainability dimensions. When developing the scoreboard, it will be important to avoid using the "silo" mentality consisting in focusing on each dimension in isolation. Breaking silos and helping stakeholders to

see the project contributions to particular goals in an integrated manner is important. The value of horizontal analysis (against vertical one) and cross-boundary analysis will achieve greater understanding on the sustainability impacts of projects to be funded under InvestEU.

4.6 Proposed scoreboard design

147. **Our objective has been to integrate the six social criteria into the scoreboard design (Figures 2 and 3).** We recommend that each Implementing Partner be responsible for preparing the scoreboard based on this standardized template. When submitting the request for InvestEU guarantee, the Implementing Partners will provide the full scoreboard accompanied by a detailed description of the impacts for all applicable criteria. The proposed scoreboard design (Figure 3) uses a qualitative approach to estimate the potential positive and negative impacts for the six social criteria, based on a -2 to +2 ranking. Such approach complements the quantitative measurements used by Implementing Partners in their various E&S approaches (often based upon a set of economic/financial analysis, project monitoring and aggregate indicators).

Figure 2: The 6 social criterions and compliance to key conventions and standards

The 6 Social Criterions

At a Glance

The following criterions are applicable to the social dimension. In the following sections concrete examples sustained with guidance on how social sustainability proofing could operate in practice as per requirements laid down in the InvestEU Regulation will be provided

Criterions inspired from and compliant with

- ILO's Core Conventions
- EU Taxonomy Regulation
- European Pillar of Social Rights
- European Disability Strategy 2010-2020
- UN Guiding Principles on Business and Human Rights
- UN Convention on the Rights of Persons with Disabilities (UNCRPD)
- SDGs 3, 5, 8, 10, 11
- Multilateral & Bilateral Organizations' Standards

Criterion 1:
LABOUR AND WORKING CONDITIONS
The project workers, including full-time, part-time, temporary, fixed-term, seasonal and migrant workers, directly or indirectly engaged, have certain fundamental rights that must be ensured through sound practices around working conditions and management-worker relationships.

Criterion 2:
HEALTH, SAFETY AND SECURITY
A healthy, safe, and secure work environment is essential in order to ensure project workers, project-affected communities and consumers are protected, both mentally and physically, during the project life cycle from both routine and non-routine activities.

Criterion 3:
GENDER EQUALITY
The commitment to preventing gender discrimination and to promoting gender equality within its mandate is a fundamental aspect of a modern, well-functioning market economy and democratic society. This involves removing gender barriers, ensuring equal access to opportunities created by the project and supporting structural changes in society to foster greater independence for social groups.

Criterion 4:
PROTECTION OF VULNERABLE GROUPS
Vulnerable people or groups are more exposed to the risks of a project, with a lower adaptive capacity. A project must be proactive in developing and implementing mitigating measures so that vulnerable people are not disproportionately impacted.

Criterion 5:
INTEGRATION OF DISABILITIES
The fair treatment of persons with disabilities, in the planning, hiring, and execution of a project is essential. This involves removing barriers against those who are often excluded from the development process because of disabilities.

Criterion 6:
STAKEHOLDER ENGAGEMENT
The implementation of a project should engage those directly affected, indirectly affected, or otherwise interested in the project. Establishing a dialogue with relevant stakeholders throughout the project life cycle by giving equal opportunity and possibility to voice their opinions and concerns, and that these are accounted in project decision-making.

Source: Finance for Impact

Figure 3: Proposed summary scoreboard template

	- 2	- 1	0	+ 1	+ 2	N/A
Criterion 1: LABOUR AND WORKING CONDITIONS *The project workers, including full-time, part-time, temporary, fixed-term, seasonal and migrant workers, directly or indirectly engaged, have certain fundamental rights that must be ensured through sound practices around working conditions and management-worker relationships.*	The project contributes to the deterioration of labour and working conditions	The project may weaken labour and working conditions or promote the continued use of unsustainable labour and working conditions patterns	The project has no significant effect on labour and working conditions patterns	The project takes into account labour regulations and improve working conditions patterns	The project leads to a structural change that improves collective social benefit, while fully respecting labour and working conditions	The project does not involve labour and working conditions
Criterion 2: HEALTH, SAFETY AND SECURITY *A healthy, safe, and secure work environment is essential in order to ensure project workers, project-affected communities and consumers are protected, both mentally and physically, during the project life cycle from both routine and non-routine activities.*	The project negatively affects the healthy, safe, and secure work environment	The project has residual impacts on health, safety, and security at local level despite the implementation of offsetting measures	The project has no significant effect on health, safety, and security	The project includes measures aimed at improving health, safety, and security	The project has a measurable positive impact on improving health, safety, and security	The project, by its nature, does not require health, safety, or security measures
Criterion 3: GENDER EQUALITY *The commitment to preventing gender discrimination and to promoting gender equality within its mandate is a fundamental aspect of a modern, well-functioning market economy and democratic society. This involves removing gender barriers, ensuring equal access to opportunities created by the project and supporting structural changes in society to foster greater independence for social groups.*	The project worsens gender inequality	The project provides an opportunity to reduce gender inequality but fails to initiate a dialogue or specific measures, thus maintaining inequality	After analysis, the project does not have any effect on gender equality	The needs and interests of women and men were analysed and addressed and the project has some positive effects on gender equality	The empowerment of women and the structural reduction of inequalities between women and men is one of the main or crosscutting objectives of the project	Gender equality does not apply to this project
Criterion 4: PROTECTION OF VULNERABLE GROUPS *Vulnerable people or groups are more exposed to the risks of a project, with a lower adaptive capacity. A project must be proactive in developing and implementing mitigating measures so that vulnerable people are not disproportionately impacted.*	The project worsens the vulnerability of some groups	The project provides an opportunity to protect vulnerable groups but fails to do so fully	After analysis, the project does not have any effect on the protection of vulnerable groups	Vulnerable groups are protected and some of their interests furthered	The project comprehensively furthers and protects vulnerable groups.	The protection of vulnerable groups does not apply to this project
Criterion 5: INTEGRATION OF DISABILITIES *The fair treatment of persons with disabilities, in the planning, hiring, and execution of a project is essential. This involves removing barriers against those who are often excluded from the development process because of disabilities.*	No consideration has been made for persons with disabilities in the project	Insufficient measures are in place for persons with disabilities	After analysis, the project does not have any effect on the integration of disabilities	The project improves individual well-being for people with disabilities	The project makes it possible to significantly integrate disabilities	Protection of disabilities does not apply to this project
Criterion 6: STAKEHOLDER ENGAGEMENT *The implementation of a project should engage those directly affected, indirectly affected, or otherwise interested in the project. Establishing a dialogue with relevant stakeholders throughout the project life cycle by giving equal opportunity and possibility to voice their opinions and concerns, and that these are accounted in project decision-making.*	No attempt has been made to engage with the project's stakeholders.	Insufficient measures are in place for engaging with all stakeholders	After analysis, the project does not have any effect on stakeholders' engagement	The project improves stakeholders' engagement to some extent	The project significantly benefited from stakeholders' engagement, which resulted in measurable positive impacts	stakeholders' engagement does not apply to this project

4.7 Weighting and scoring arrangements

148. **As envisaged in the regulation, a scoring mechanism will need to be adopted.** The overall scoreboard and initial scoring will be done by the Implementing Partners. In our opinion, scoring should be done whether or not proofing has been identified and performed. It implies that a project may not require proofing because it scores high on all or most social criteria and therefore no specific remediation or mitigation measures are required. The score obtained for each social criterion would identify the project’s expected level of impact on the 6 social dimensions. Its underlying logic is incremental (based on expected impacts) and cumulative. A score will be obtained for each criterion and also at the global level. Each criterion will have the same weight in terms of scoring. With the scoring methodology and among other expected outcomes, a summary chart identifying the potential trade-offs between the project dimensions will be produced, as shown in Figure 4.

149. The first proposed rating methodology would have a scale from -2 to +2 (Figure 4). Implementing Partners would be expected to provide a score for each social criteria as well as an overall score. The degree of answer will lead to a score for each dimension and will assess the potential positive and negative impacts of the project on the social requirement/criterion. The proposed scoring is as follows:

- -2: The project is seriously deficient (high negative impacts are foreseen)
- -1: Insufficient positive impacts are likely to be produced
- 0: There is a fair balance of positive and negative impacts
- +1: The project will lead to specific positive impacts
- +2: The project leads to a structural change that significantly improves collective social benefit
- N/A (Not Applicable): if a project action has no impact on a given dimension.

150. An alternative scoring method would consist in using a scale of 0-10 as suggested by the Commission under its current work on the scoreboard (Figure 4). Similar to the previous scoring method, this approach would provide a detailed overview of the project’s impacts on selected sustainability criteria. However, we do not recommend using such approach on a large scale (0 to 10) as it becomes quite subjective for Implementing Partners to use the scaling system, e.g. determining what could be the difference between a 4 and a 6. The scale between -2 and +2 would be easier to use and would provide a more standardized approach to the scoring approach.

Figure 4: Possible scoring mechanisms

Scoring Method n°1

	- 2	- 1	0	+ 1	+ 2	NA
GENDER EQUALITY Removing barriers and ensuring women access to the opportunities created by the project; supporting structural changes in society to foster greater independence for women (gender parity in decision-making bodies, incentives for employing women, etc.).	The project worsens gender inequality	The project provides an opportunity to reduce gender inequality but fails to initiate a dialogue or specific measures, thus maintaining inequality	After analysis, the project does not have any effect on gender equality	The needs and interests of women and men were analysed and addressed and the project has some positive effects on gender equality	The structural reduction of inequalities between women and men is one of the main or crosscutting objectives of the project	Gender equality does not apply to this project

Scoring Method n°2

	0	1	2	3	4	5	6	7	8	9	10
GENDER EQUALITY How is gender taken into account in this project?	Very poorly										Very comprehe nsively

4.8 Proposed guideline for using the scoreboard

151. **As indicated earlier, under the delegated approach, it will be the responsibility of the Implementing Partner to prepare the scoreboard based on the information provided by the project promoter.** In doing so, the Implementing Partner will ensure that it is correctly presented, with no risk on over or understatement. For each social criterion, the scoreboard aims to (i) take into account the project's potential relative to its own context; (ii) Ensure an analysis of the project's impacts; and (iii) Provide a positive or negative mark for each social performance requirement /criterion to obtain an overall score for the social dimension, and consequently report on the complexity of project funding. When completing the scoreboard, Implementing Partners will therefore need to refer to the 6 social criteria and provide both the summary scoreboard and the scoring achieved for each of the 6 categories and the overcall scoring. In doing so, the Implementing Partners may refer to the guidelines provided for each criterion (See section 4.4 above) for preparing the scoreboard along with national legislation to be complied with.

152. For instance, for '*Criterion 1: Labour and Working Conditions',* it is indicated that the project workers, including full-time, part-time, temporary, fixed-term, seasonal and migrant workers, directly or indirectly engaged, have certain fundamental rights that must be ensured through sound practices around working conditions and management-worker relationships. Therefore, when preparing the scoreboard, the Implementing Partners will refer to the existing national regulations prevailing in their country along with their own procedures and due diligence to ensure that this is reflected in the InvestEU scoring requirement. The guidance provided in section 4.4 will also guide the implementation partner in preparing the scoreboard and assigning a score.

153. We admit that there may be some form of subjectivity in filling the scoreboard, each Implementing Partner having its own procedures and understanding of what constitutes social sustainability. However, by using the same scoreboard template and guidelines, we believe that such subjectivity will be significantly reduced. To help with the scoring, we propose to use the -2/+2 scoring approach as follows:

- If the project contributes to the deterioration of labour and working conditions: ***Mark -2.***
- If the project may weaken labour and working conditions or promote the continued use of unsustainable labour and working conditions patterns: ***Mark -1***.
- If the project has no significant effect (it doesn't harm but also does not create any positive impact) on labour and working conditions patterns: ***Mark 0***.
- If the project takes into account labour regulations and improve working conditions patterns: ***Mark +1.***
- If the project leads to a structural change that improves collective social benefit, while fully respecting labour and working conditions: ***Mark +2***.
- If the project does not involve labour or working conditions: ***N/A.***

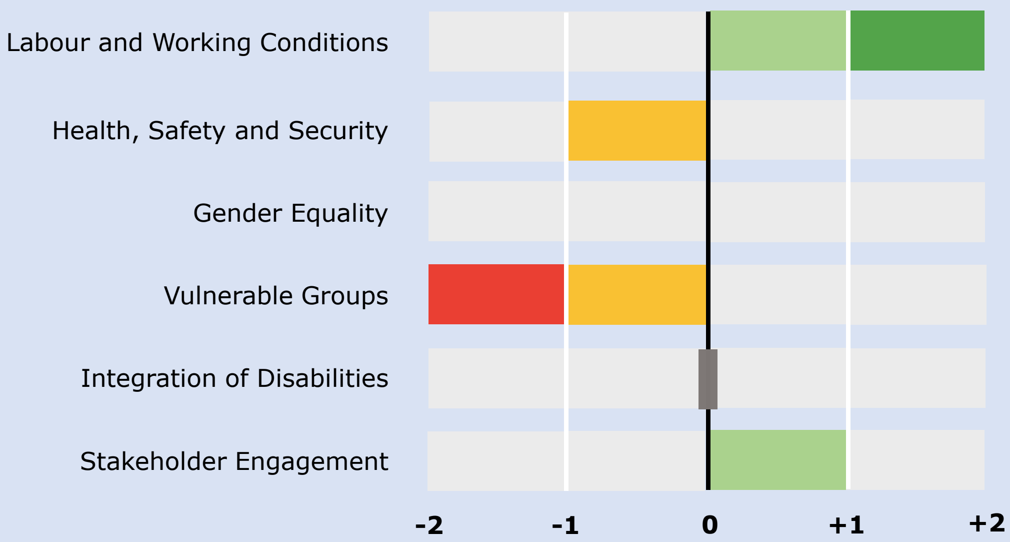
154. Once a score has been produced for each criteria, the Implementing Partners will produce an overall score, which corresponds to the sum of individual scores reached for each criteria.

Figure 5: How is sustainable scoring obtained?

In this example, each criterion receives a score and the overall scoring is visually prepared on the scoreboard document to be transmitted to the InvestEU Investment Committee.

For each criterion, the Implementing Partner will provide its own assessment. The social criteria guidelines provided in this report will serve as a guide for completing the scoreboard. Each criterion shall receive a score, unless it is not applicable (e.g. the gender dimension is not expected to be part of the project. In such case, no score would be applicable to gender).

The following scoring shows how a project may receive an overall score. In this case, the project obtains a +2 on labour and working condition, a -1 on health, safety and security, a -2 on vulnerable group, a 0 on integration of disabilities and a +1 on stakeholder engagement. The overall score is therefore equal to 0 on a scale of -2 to +2. Such a scoring would be presented to the InvestEU Investment Committee, who would probably reject the project or seek further clarification. We propose that projects under a certain score be rejected. It will be up to InvestEU to determine such standard and decide what is an acceptable minimum score for the project to be accepted. For instance, projects with a score of +1 and +2 may be accepted



Source: Finance for Impact

155. In the following table, we provide a summary on how to use the scoring for each of the 6 social criteria:

Table 22 : Guidelines for scoring under the 6 social criteria

Labour and working conditions	► Mark -2: The project contributes to the deterioration of labour and working conditions. ► Mark -1: The project may weaken labour and working conditions or promote the continued use of unsustainable labour and working conditions patterns.

	▶ Mark 0: The project has no significant effect on labour and working conditions patterns. ▶ Mark +1: The project takes into account labour regulations and improve working conditions patterns. ▶ Mark +2: The project leads to a structural change that improves collective social benefit, while fully respecting labour and working conditions. ▶ N/A: The project does not involve labour and working conditions.
Health, Safety and Security	▶ Mark -2: The project negatively affects the healthy, safe, and secure work environment. ▶ Mark -1: The project has residual impacts on health, safety, and security at local level despite the implementation of offsetting measures. ▶ Mark 0: The project has no significant effect on health, safety, and security. ▶ Mark +1: The project includes measures aimed at improving health, safety, and security. ▶ Mark +2: The project has a measurable positive impact on improving health, safety, and security. ▶ N/A: The project, by its nature, does not require health, safety, or security measures.
Gender equality	▶ Mark -2: The project worsens gender inequality. ▶ Mark -1: The project provides an opportunity to reduce gender inequality but fails to initiate a dialogue or specific measures, thus maintaining inequality. ▶ Mark 0: After analysis, the project does not have any effect (positive or negative) on gender equality. ▶ Mark +1: The needs and interests of women and men were analysed and addressed, and the project has some positive effects on gender equality. ▶ Mark +2: The empowerment of women and the structural reduction of inequalities between women and men is one of the main or crosscutting objectives of the project. ▶ N/A: Gender equality does not apply to this project.
Protection of vulnerable groups	▶ Mark -2: The project worsens the vulnerability of some groups. ▶ Mark -1: The project provides an opportunity to protect vulnerable groups but fails to do so fully. ▶ Mark 0: After analysis, the project does not have any effect on the protection of vulnerable groups. ▶ Mark +1: Vulnerable groups are protected and some of their interests furthered. ▶ Mark +2: The project comprehensively furthers and protects vulnerable groups. ▶ N/A: The protection of vulnerable groups does not apply to this project.
Integration of disabilities	▶ Mark -2: No consideration has been made for persons with disabilities in the project. ▶ Mark -1: Inadequate measures are in place for persons with disabilities. ▶ Mark 0: After analysis, the project does not have any effect on the integration of disabilities.

	▶ Mark +1: The project improves individual well-being for people with disabilities. ▶ Mark +2: The project makes it possible to significantly integrate disabilities. ▶ N/A: Protection of disabilities does not apply to this project.
Stakeholder Engagement	▶ Mark -2: No attempt has been made to engage with the project's stakeholders. ▶ Mark -1: Inadequate measures are in place for engaging with all stakeholders. ▶ Mark 0: After analysis, the project does not have any effect on stakeholders' engagement. ▶ Mark +1: The project improves stakeholders' engagement to some extent. ▶ Mark +2: The project significantly benefited from stakeholders' engagement, which resulted in measurable positive impacts. ▶ N/A: Stakeholders' engagement does not apply to this project.

Source: Finance for Impact

4.9 Defining the working arrangements for preparing the scoreboard

156. **The scoreboard is established to ensure an independent, transparent and harmonised assessment by the Investment Committee of requests for the use of the EU guarantee for a proposed financing or investment operation by an Implementing Partner.** It is clearly stated that the Investment Committee shall use in its assessment and verification of the proposals a scoreboard of indicators. It is also indicated that a project team expert shall not assess the due diligence or appraisal relating to a potential financing or investment operation submitted by the Implementing Partner. It will be the responsibility of each Implementing Partner to provide adequate and harmonised information in the scoreboard to the Investment Committee, as part of its submitted documents for approval of an operation or a framework of operations. We suggest the setup of an experts' group that will be responsible for reviewing the scoreboard prepared by Implementing Partners and ensure that the scoring is made on an objective and transparent basis.

157. The process for submitting the scoreboard is as follows:

Table 23 : Scoreboard process[54]

IMPLEMENTING PARTNERS	
Conduct their own E&S diligence under the delegated approach	Prepare the InvestEU scoreboard with the scoring for projects (please note that some projects, e.g. the ones under the threshold for intermediated finance, will not require a scoreboard (See next seection)

INVESTEU
The secretariat shall check the completness of the documentation provided by other IPs than the EIB (EIB will submit the requests directly to the Investment Committee). The secretariat may decide to involve experts to review the scoreboard if deemed necessary.

INVESTMENT COMMITTEE (INVESTEU)	
The Investment Committee seeks to select the projects that are in line with the InvestEU Regulation and the Investment Guidelines	Further questions may be asked to the Implementing Partners in case of issues identified on the scoreboard

Source: Finance for Impact

[54] We were advised to avoid going so much in the details of the governance of the InvestEU, as the final text might change again by the time the Regulation is adopted.

SECTION 5. GUIDANCE FOR THE SOCIAL PROOFING PROCESS

5.1 Objectives of this section

158. The purpose of this section is to present the social sustainability proofing process for Implementing Partners to access the InvestEU guarantee. The section is intended as general guidance and as such, it does not go into detailed steps, nor does it describe the specific documents required from Implementing Partners to solicit the European Guarantee. It provides a high-level process description for requesting the guarantee, for both direct and intermediated financing and highlights the roles and responsibilities of the relevant stakeholders.

5.2 Methodological outlook

159. While Implementing Partners will identify and manage social risks and impacts in a manner consistent with their own requirements, they will ensure together with InvestEU and the Commission that a standard organizational framework is implemented, including an E&S scoreboard to be made available for the Investment Committee to take its final decision. We recognize that new Implementing Partners vary in their level of maturity and resources for E&S screening and proofing, and as such the overall approach needs to cater for different integrated measurement models at each stage of the assessment process. The present section is therefore intended to assist the Commission in providing guidance and check compliance of proposed operations.

160. InvestEU will ensure that the social review includes at a minimum the following key components:

- Definition of risks and impacts of the projects
- Categorisation of risks for projects above the threshold under the direct lending model, based on an assessment of potential negative impacts
- Benchmark of the project's social performance against the official InvestEU social requirements, the production of a scoreboard and the inclusion of any mitigating measures if necessary
- Assessment of the capacity of the project promoter to manage potential negative impacts, if identified

5.3 The InvestEU context and the perimeter of the guidance

161. InvestEU is a public intervention instrument designed to address market failures in investment markets. Sustainability proofing under InvestEU is not an additional layer of eligibility or exclusion, it is a feature of the regulation aimed at ensuring an allocation of financing / investments resources to operations that are in line with the EU commitments in terms of sustainability. InvestEU covers a broad spectrum of financing and investment operations, different both in size and in nature, as they go from big and very big infrastructure projects to small and very small lending operations such as micro-finance. The operations intervene also in different economic sectors and geographical constituencies. Finally, InvestEU is part of a broader set of instruments contributing to the EU Recovery Plan and the policy priorities 2021-2027, including the Green Deal. Some InvestEU operations will be implemented in

conjunction with other EU interventions, such as the Just Transition Mechanism and Structural Funds Programmes.

162. The guidance in this document is based on the InvestEU Regulation proposal (May 2020) and takes account of feed-back received from stakeholders, including the Commission' services and EIB Group experts. Taking account of the context described above, it provides a practical approach to address the social dimension of the InvestEU sustainability proofing process. It is based on the fundamental distinction between infrastructure projects of a certain size (usually direct finance operations by Implementing Partners) and non-infrastructure operations (usually intermediated finance operations by Financial Intermediaries).

163. The social dimension of the sustainability proofing process will have to be integrated in a coherent manner with the guidance to cover the environmental and climate change dimensions (now in preparation). Some revision may be needed taking account of the interaction among the three dimension and given that environmental and climate change operations may involve important social impact trade-offs. InvestEU actors, including Implementing Partner, will be directly involved in the proofing process under the delegated approach. As it stands now, under the current guidelines, Implementing Partners may have to develop specific sustainability proofing to conform to the guidelines presented in this report. It is noted that proofing will apply to the individual operation requiring InvestEU support. If this operation involves blending or combination with funds coming from other programmes, then the operation will undergo screening and proofing because InvestEU requires it.

164. Finally, the guidance provided in this document will require opportune updates, taking account of the practical implementation experience of InvestEU. Eventually, based on that experience, the guidance could be expanded, helping to develop the standardized process referred to below for particular situations of each InvestEU windows.

5.4 Role of project promoters

165. As a general rule, we expect that project promoters will ensure that EU and international standards, as further described within the six social criteria presented in the study, are adequately taken into account in the design of the operations for which they require financing. It is the purpose of this guidance that risks pertaining to these operations are properly identified and that their management is built into the overall environmental & social assessment, in support of a holistic approach to risk management. Many factors will influence sustainability proofing and need to be factored into the assessment, including the location and type of project, the relevant national legislation and company's internal standards and practices, the track record of suppliers and contractors associated with the project or the number of people impacted and their vulnerability profile, among others.

5.5 Threshold

166. **Sustainability proofing will apply to investment projects supported by InvestEU above a certain size.** Importantly, sustainability proofing does not substitute or compete with the legal requirements under the EU legislation and national regulation. As it is the case for any other EU funds / guarantees, the financing

and investment operations applying for support under InvestEU will have to comply with the applicable Union/EU legislation on their own merits, irrespective of whether the proofing is performed or not.

167. According to the InvestEU Regulation, we clearly understand that projects below a certain size shall be excluded from sustainability proofing. The exclusion criteria apply in view of alleviating possible administrative burden. Under the present guidance and in the interest of building the widest consensus possible, we propose to adopt the following principles:

1. Direct Lending: For projects below EUR 10 million (Except EIA Annex I), there should be **no E&S proofing requirements** i.e. there should be no need to apply a risk-based assessment approach, nor should there be any requirement for the social scoreboard (See Process Guidance section below). Of course, for projects above EUR 10 million, we would expect that the Implementing Partners embark on a risk-based approach for screening and proofing projects. As such, a full scoreboard would be provided to the InvestEU Secretariat.

2. Intermediated Finance: It is proposed that a distinction be made between infrastructure and non-infrastructure projects for sustainability proofing; the EUR 10 million threshold will determine the level of E&S scrutiny and risk assessment. (see details in Intermediated Finance Section hereafter).

5.6 Risk-based approach

168. **For direct lending projects and above the EUR 10 million threshold only**, we believe it is important for Implementing Partners to use a standardized process of social risk categorization to reflect the magnitude of risks and impacts. This is intended so that projects below a predetermined level of E&S risk avoid any undue administrative burden. The interviews and the benchmark done under the present study show that many international institutions categorise projects to determine the nature and level of environmental & social risks. This is commensurate with the nature, location, sensitivity and scale of their investment projects, and the significance of potential environmental and social impacts. Applying such an approach in the context of InvestEU's larger projects will result in Implementing Partners having to collect and provide evidence to justify the risk rating, thus providing a standardized framework for InvestEU to review the information submitted. We do not recommend applying sector-based and issue-based risk approaches in the context of InvestEU requests for simplification purpose. Still, Implementing Partners may continue to apply their own existing sector-based and issue-based risk approaches if these are already available.

5.7 Exclusion List

169. **InvestEU requires the implementation of a standardized exclusion list to be complied with by all Implementing Partners.** This exclusion list is found in the European Parliament legislative resolution of 18 April 2019 on the proposal for a regulation of the European Parliament and of the Council establishing the InvestEU Programme. InvestEU Implementing Partners will be responsible for ensuring

compliance at signature and monitoring the compliance of the financing and investment operations with exclusion criteria as shown in Table 24.

170. All Implementing Partners will use the EU exclusion list to avoid inconsistencies in excluded sectors and activities. Also, the Implementing Partners will be forbidden to knowingly finance projects that would contravene national laws or country obligations under relevant international treaties, conventions and agreements.

Table 24 : InvestEU exclusion list

The InvestEU Programme shall not support:

(1) activities which limit people's individual rights and freedom or violate human rights;

(2) in the area of defence activities, the use, development, or production of products and technologies that are prohibited by applicable international law;

(3) tobacco related products and activities (production, distribution, processing, and trade);

(4) activities excluded in Article [X] of the [Horizon Europe] Regulation: research on human cloning for reproductive purposes; activities intended to modify the genetic heritage of human beings which could make such changes heritable, activities to create human embryos solely for the purpose of research or for the purpose of stem cell procurement, including by means of somatic cell nuclear transfer;

(5) gambling (production, construction, distribution, processing, trade or software related activities);

(6) sex trade and related infrastructure, services and media;

(7) activities involving live animals for experimental and scientific purposes insofar as compliance with the "Council of Europe's Convention for the Protection of Vertebrate Animals used for Experimental and other Scientific Purposes" cannot be guaranteed;

(8) real estate development activity, i.e. an activity with a sole purpose of renovating and re-leasing or re-selling existing buildings as well as building new projects; however, activities in the real-estate sector that are related to the specific objectives of the InvestEU as specified in Article 3(2) of this Regulation and/or to the eligible areas for financing and investment operations under Annex II to this Regulation, such as investments in energy efficiency projects or social housing, shall be eligible;

(9) financial activities such as purchasing or trading in financial instruments. In particular, interventions targeting buy-out intended for asset stripping or replacement capital intended for asset stripping shall be excluded.

(10) activities forbidden by applicable national legislation;

(11) the decommissioning, the operation, the adaptation or the construction of nuclear power stations;

(12) Investments related to mining / extraction, processing, distribution, storage or combustion of solid fossil fuels and oil as well as investments related to extraction of gas. This exclusion does not apply to:
i. projects where there is no viable alternative technology;
ii. projects related to pollution prevention and control;

iii. projects equipped with Carbon Capture, Storage or Utilisation installations; industrial or research projects that lead to substantial reductions of greenhouse gas emissions compared to the applicable Emission Trading Scheme benchmark(s).

(13) Investments in facilities for the disposal of waste in landfill. This exclusion does not apply to investments in:
i. On-site landfill facilities that are an ancillary element of an industrial or mining investment project and where it has been demonstrated that landfilling is the only viable option to treat the industrial or mining wastes produced by the concerned activity itself;
ii. Existing landfill facilities to ensure the utilisation of landfill gas and to promote landfill mining and the reprocessing of mining wastes.

(14) Investments in Mechanical Biological Treatment (MBT) plants. This exclusion does not apply to investments to retrofit existing MBT plants for waste-to-energy purposes or recycling operations of separated waste such as composting and anaerobic digestion.

(15) Investments in incinerators for the treatment of waste. This exclusion does not apply to investments in:
i. Plants exclusively dedicated to treating non-recyclable hazardous waste;
ii. Existing plants in order to increase energy efficiency, capture exhaust gases for storage or use or recover materials from incineration ashes provided such investments do not result in an increase of the plant waste processing capacity.

Source: EU legislation

5.8 EU policy check, application request

171. **All InvestEU supported operations shall comply with applicable EU and national legislations.** The Commission will conduct a Policy Check to ensure that the project is aligned to EU policy objectives and not falling within the EU exclusion list. All Operations will be subject to this policy check (see also EIB Statute Article 19 procedure) to ensure the proposed investment project responds to EU legal requirements and that financing and investment operations receiving EU support are in line with or contribute to the EU goals and ambitions for a sustainable development.

172. Only projects that have passed the Policy Check will be presented to the Investment Committee. Policy check will include:

- A general operation identification
- A Policy related section, describing the policy elements on which the Commission will carry out the policy check
- Specific elements may also include:
    - For direct operations, name, country or region of final recipient
    - For intermediated operations, name and type of financial intermediary, targeted country or region
    - Description of the operation, the target policy areas and the sector(s) targeted at the NACE 2 level, where applicable
    - Expected timing of the operation
    - Indicative project costs, approximate size of the operation, EU Guarantee amount
    - Expected leverage of the operation
    - Compatibility of the operations with the InvestEU Regulation, the investment guidelines and the relevant guarantee agreement
    - Etc.

173. A Guarantee Request Form will be provided by the Implementing Partners and shall include a general identification part (identical to the one provided for the Policy Check), and an investment related part, describing the main economic, financial and compliance elements, as well as the narrative for the information provided in the scoreboard. The full scoreboard will be produced and include indicators on the contribution to EU policy objectives, additionality, investment impact, financial profile of the operation and complementary indicators, E&S risk assessment and score, etc. The scoreboard will be publicly available after the signature of the relevant operation. Other documents may be required in the review of investment projects presented for InvestEU support and therefore be standardized to facilitate the preparation of projects, the review process and the decision making.

5.9 InvestEU operations combined with other EU (or Member States) interventions

174. **For this category of operations, it is recommended to take appropriate account of sustainability proofing requirements at the level of EU (or Member State) programme providing the framework of the intervention.** Process of industrial or economic transformation required for the Green Deal may involve, for example, closures or restructuring process requiring social support plans. The Just Transition Mechanism is precisely designed to minimize detrimental effects and maximize sustainable growth and job opportunities. In those cases, it would be recommended that social sustainability proofing requirements be addressed at the level of the overall public intervention and not at the level of the individual InvestEU operation. In addition, and as said earlier, if this operation involves blending or combination with funds coming from other programmes, then the operation will undergo screening and proofing because InvestEU requires it.

5.10 Guidance for the different types of financing

175. **InvestEU will support a diversity of financing and investment operations, with varied structures and levels of access to information.** As such, a large disparity in the thoroughness and depth of sustainability proofing can be expected across different types of financing. Sustainability proofing guidance is consequently designed so that it takes into consideration this disparity and reflects the different realities and degrees of interaction between Implementing Partner and final recipients across the two categories of direct and intermediated financing.

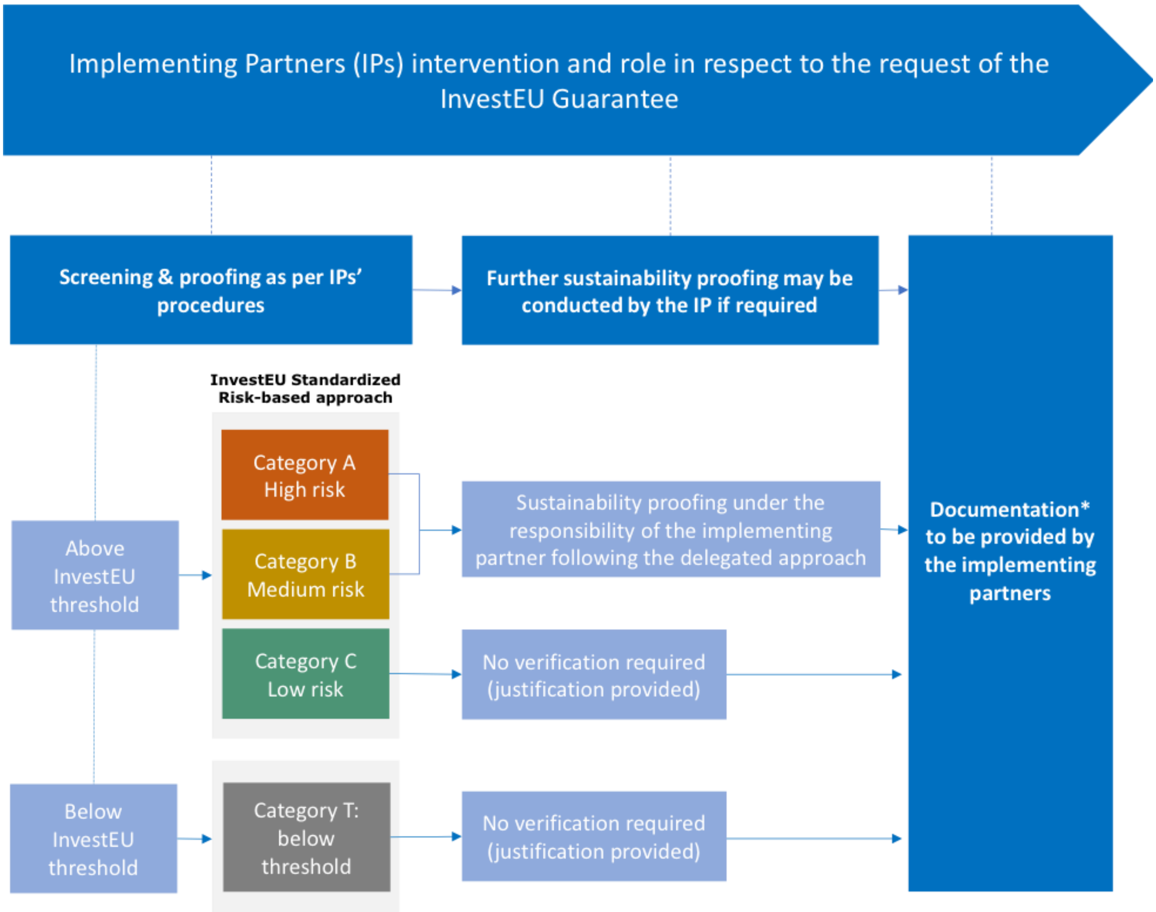
176. Under the direct financing model, loans are provided directly by the Implementing Partner to a final recipient, whereas under the intermediated finance model, Implementing Partners will not directly finance individual underlying companies or projects. Instead, Implementing Partners will finance financial intermediaries, either to fulfil their public mandates (e.g. support student loans, enable mobility in underserved regions, etc.), often in relation to a market failure, or in response to requests from these Financial Intermediaries who seek financial support for their underlying projects. It should be noted that the approval process for Intermediated Finance is different from the one applying to direct financing, to the extent that the underlying / final beneficiary transactions are not presented for approval to the InvestEU Investment Committee. Instead, and in line with the

delegated principle, approval will be granted by InvestEU to the Implementing Partner based on the Financial Intermediary or in line with the provisions of the approval process.[55] As a result, proofing requirements for direct and intermediated financing, will follow different processes, as described hereafter.

5.11 Process for direct financing

177. For direct financing, Implementing Partners will undertake their own project appraisal and due diligence, including in relation to Environmental & Social issues. Implementing Partners will include in their early due diligence an assessment of their project's compliance with EU & National Policies and against the InvestEU exclusion list. The role of the Implementing Partners throughout the process of requesting an InvestEU guarantee is outlined below:

Table 25 : Process for directing financing[56]



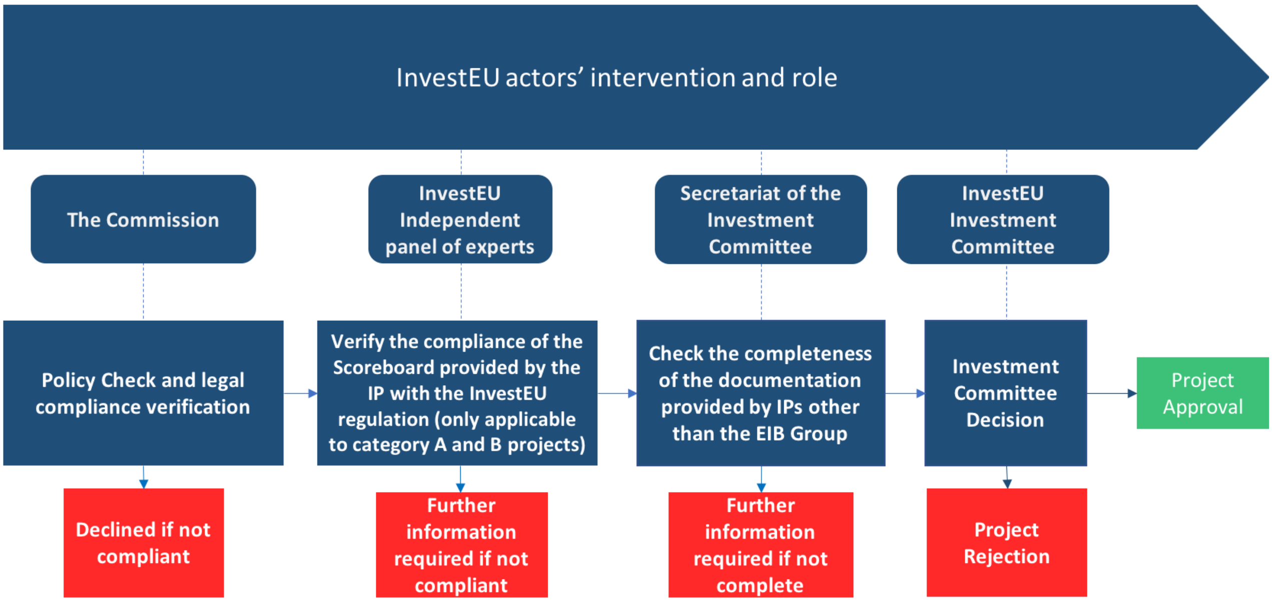
Source: Finance for Impact
* It will be important to standardize the documentation expected from Implementing Partners and/or Project Promoters.

[55] At the time of the drafting of this report, it is noted that approval process is not definitive yet.
[56] It is suggested to standardize the categories. For instance, Category A would be high risk for all three dimensions, not only for social. Also, a project might have a high impact on social, but it could be category B if no other impact is identified for climate and environment. That shouldn't affect the quality of the assessment, it only means that it will be done for the impacts identified.

178. **For direct financing projects above the Eur 10 million threshold**, it is proposed that Implementing Partners undertake a risk-based categorization to ensure that diligences are commensurate with the nature and scale of the investment project, and the significance of its potential social impacts. For projects categorized as High and Medium risk only, Implementing Partners will conduct their own social due diligence. For the purpose of submission to InvestEU, they will apply the framework of the six social sustainability criteria to summarize the sustainability proofing appraisal into a standardized document. This document should include both details of their E&S assessment and any mitigating action plan if applicable. For projects under the threshold, no social proofing will be expected.

179. Implementing Partners will fill the social scoreboard template for their individual project, which will subsequently be merged into the overall scoreboard including other sections relating to credit, environmental proofing, etc. Based on its own internal project approval, Implementing Partners will then proceed with their submission to InvestEU as illustrated in the diagram below.

Table 26 : Process for submitting request (Direct financing)[57]



Source: Finance for Impact

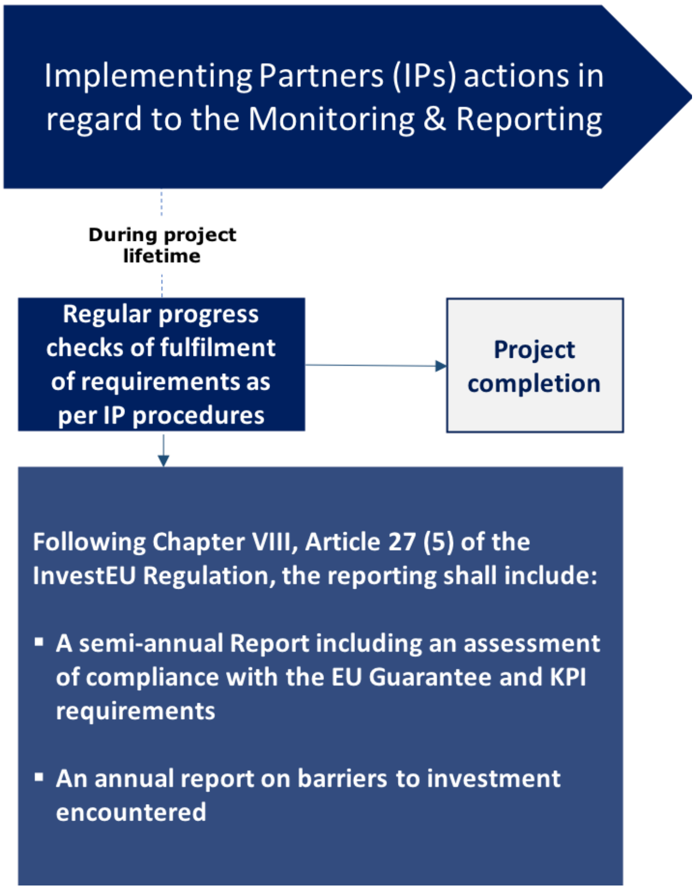
180. The application (including all project documentation) will first be screened through an EU policy check (as described above) and then directed to the Secretariat in order to ensure common quality standards and compliance with InvestEU regulation. It is proposed that prior to submission for approval, the Secretariat of the

[57] Please note that we recommended created an independent panel of experts to ensure that the InvestEU Secretariat has sufficient technical E&S expertise to review the volume of information received from Implementing Partners, including the scoreboards. We fully understand that no independent panel of experts is foreseen by InvestEU at this stage, but we still highly recommend building the capacity of the Secretariat so that it can verify with accuracy and consistency the documents received from Implementing Partners.

Investment Committee undertakes a formality check of the completeness of documentation, notably to address the needs of new Implementing Partners unfamiliar with the InvestEU process. Once the approval is received, Implementing Partners will perform their customary obligations in relation to legal contracts, disbursements, etc. towards the project promoter and towards InvestEU for the implementation of the guarantee.

181. The next key stage is the monitoring which in the case of social risk assessment is not a single action but an on-going and iterative process. As such, it is essential that E&S issues be taken into account during overall project monitoring. Implementing Partners should therefore provide periodic reports to InvestEU on the compliance of their projects with social requirements and updated information on mitigating actions flagged during the approval process (at least for projects in Category A & B). Results from monitoring reports should be used to evaluate the effectiveness of the proposed mitigation strategies and the effectiveness of the environmental and social management plans of promoters. The process for Implementing Partners in regard to monitoring and reporting is illustrated in the diagram below.

Table 27 : Process for monitoring & reporting for direct financing



Source: Finance for Impact

5.12 Process for intermediated financing

182. While this particular model of Intermediated Finance is already well experienced within the EIB Group, by both EIF and EIB, a significant part of the InvestEU programme will be deployed through this model across a larger group of Implementing Partners, reaching out to Financial Intermediaries that have a wide variety of policies in place for E&S due diligence.

183. In Art. 14 'Selection of Implementing Partners other than the EIB Group' in the latest Proposal for a Regulation establishing the InvestEU Programme dated 29/05/2020, the Commission clearly lays out its objectives under the programme "to maximise private investment, address market failures and sub-optimal investment situations, achieve geographical diversification, allow for the financing of smaller projects and provide sufficient risk diversification". Based on this Article, we believe that sustainability proofing should not impede equity/financing operations, and that the Intermediated Finance model, which is structurally designed to cater for a wide variety of situations, should recognize the diversity in Financial Intermediaries when it comes to addressing sustainability concerns. In all cases, Implementing Partners will promote sustainability principles and EU commitments. They will verify the Financial Intermediaries' capacity to act in line with legal obligations and to select eligible underlying projects.

184. We propose that there be no risk-based categorization applied to financial intermediaries, as this would create an unnecessary screening stage for Implementing Partners who already select financial intermediaries based on a review of their underlying projects in response to an investment mandate and often act to address a market failure. The proposed model should also take into consideration differences in geographies, markets and also sector-specific issues when appropriate.

185. Consequently, and in the interest of establishing a fair level playing field, it is proposed that, under the intermediated finance model, the following principles should apply to the following two groups:

(i) Infrastructure projects[58] below the EUR 10m threshold and all non-infrastructure funds (SMEs, mid-caps and all other project types)

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[58] Infrastructure projects include the following list of projects, as per Annex II of the Council Directive of 27 June 1985 as further amended on the assessment of the effects of certain public and private projects on the environment (85/337/EEC)
(a) Industrial estate development projects;
(b) Urban development projects, including the construction of shopping centres and car parks;
(c) Construction of railways and intermodal transshipment facilities, and of intermodal terminals (projects not included in Annex I);
(d) Construction of airfields (projects not included in Annex I);
(e) Construction of roads, harbours and port installations, including fishing harbours (projects not included in Annex I);
(f) Inland-waterway construction not included in Annex I, canalization and flood-relief works;
(g) Dams and other installations designed to hold water or store it on a long-term basis (projects not included in Annex I);
(h) Tramways, elevated and underground railways, suspended lines or similar lines of a particular type, used exclusively or mainly for passenger transport;
(i) Oil and gas pipeline installations and pipelines for the transport of CO2 streams for the purposes of geological storage (projects not included in Annex I);
(j) Installations of long-distance aqueducts;

186. There should be no formal obligation on the financial intermediary to perform E&S due diligence on their underlying projects and there should be no obligation on the Implementing Partner to undertake any sustainability proofing on the financial intermediaries. Implementing Partners will proceed with their submission to InvestEU with full documentation, with no need to include a social scoreboard.

187. This approach is proposed for implementation in a flexible manner given the diversity of Financial Intermediaries and their projects, and the need for Implementing Partners to adjust their expectations in terms of Financial Intermediaries' practice to the level of E&S risks anticipated in the underlying projects and portfolios.

188. Indeed, the role of InvestEU, specifically in the context of the Intermediated Finance model, is to raise awareness on sustainability issues amongst a diverse community of Intermediaries and to contribute to enhancing the E&S level playing field amongst them, rather than restricting access to the European Guarantee. If a Financial Intermediary has no ESMS in place, it is proposed that it should not be required to implement one, it may however be encouraged to develop one and guidance for this is provided hereafter.

189. A basic list of questions is recommended for inclusion in the agreements between the Implementing Partner and the Financial Intermediaries, with the goal to promote sustainability considerations and to encourage financial intermediaries towards a responsible behaviour in their financing activity, as well as to ensure a minimum alignment with EU commitments.

1. Does the Financial Intermediary have a code of ethics / social charter in place?
2. Do they confirm compliance with applicable ethical finance principles and social laws and regulations?
3. Are social principles built into investment/financing decisions accordingly?
4. Is monitoring conducted regularly on their investment/financing portfolio with respect to social laws and regulations?

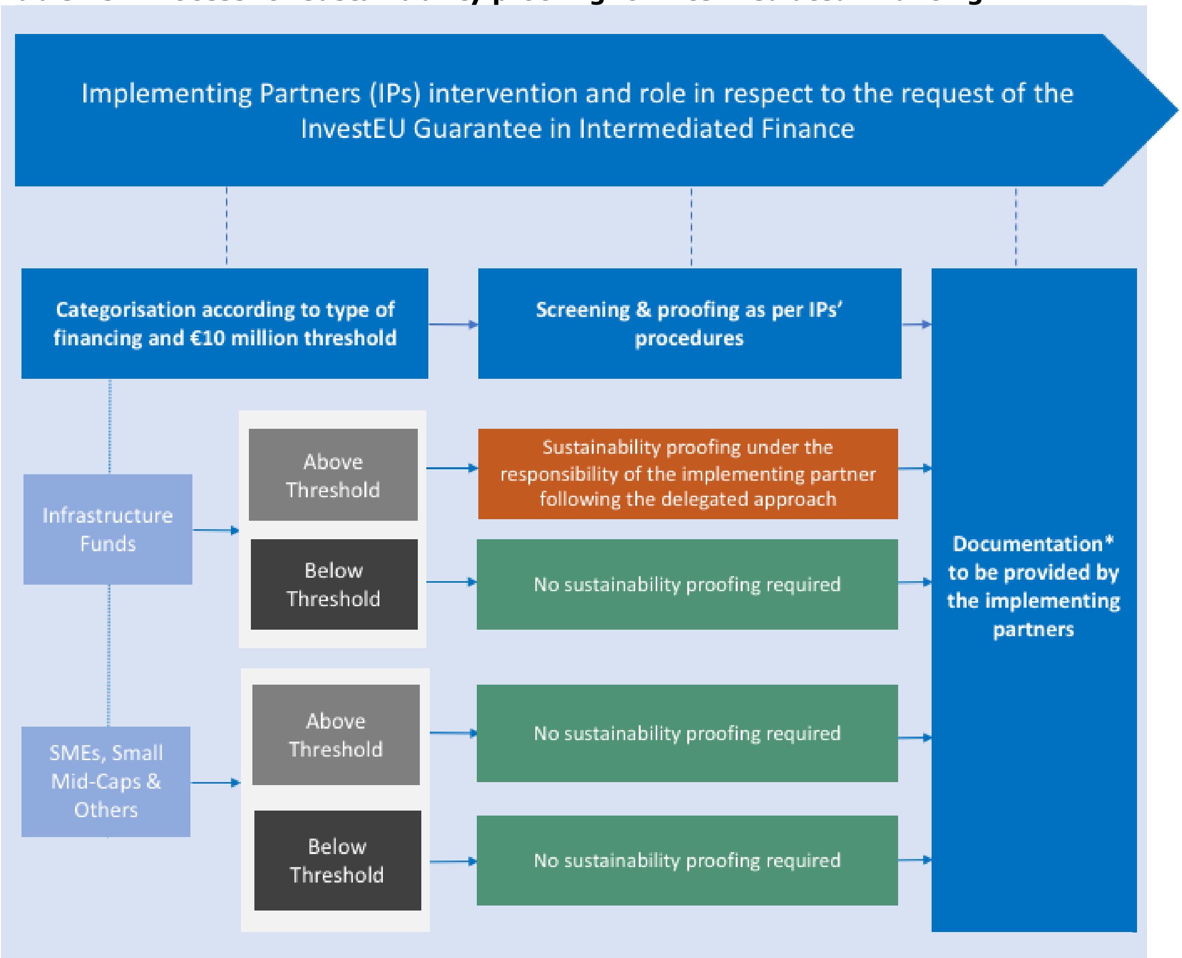
(ii) Infrastructure projects above the EUR 10m threshold

190. The proposal is that Implementing Partners screen Financial Intermediaries to assess whether they do apply ESG-related diligences when considering their underlying investments and whether they have appropriate system, e.g. an Environmental & Social Management System (ESMS) or equivalent in place. The ESMS —as defined hereafter—will need to address a minimum set of questions. The Financial Intermediary will perform the proofing of the project, if necessary. If the Financial Intermediary lacks sufficient capacity to do so, the Implementing Partner could provide support to facilitate this process.

(k) Coastal work to combat erosion and maritime works capable of altering the coast through the construction, for example, of dykes, moles, jetties and other sea defence works, excluding the maintenance and reconstruction of such works;
(l) Groundwater abstraction and artificial groundwater recharge schemes not included in Annex I;
(m) Works for the transfer of water resources between river basins not included in Annex I.

191. The diagrams below illustrate the proposed sustainability proofing high-level process for the respective two groups of financial intermediaries:

Table 28 : Process for sustainability proofing for intermediated financing



Source: Finance for Impact
Note: A clarification is brought on the orange box above. As noted earlier, the Financial Intermediary will perform the proofing of the project, if necessary. If the Financial Intermediary lacks sufficient capacity to do so, the Implementing Partner could provide support to facilitate this process. Eventually, it will be the responsibility of the Implementing Partner to ensure that sufficient level of screening and proofing have been done.

192. The proposed diligences to be performed in connection with infrastructure projects above Eur10 million threshold can be summarized as follows:

a. Environmental and Social Management Systems (ESMS)

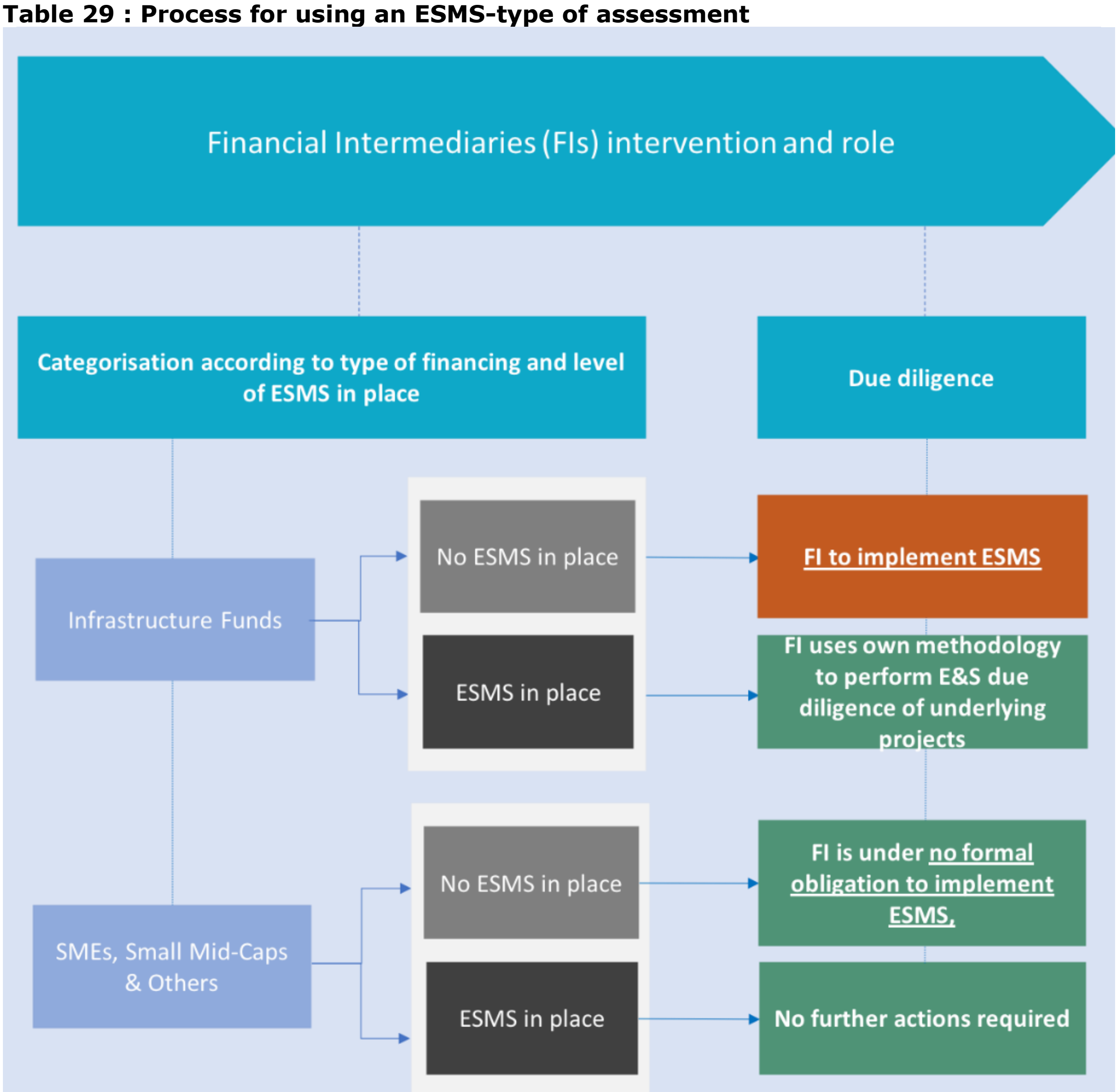
193. Implementing Partners will verify that the Financial Intermediaries have an Environmental and Social Management Systems (ESMS) in place (See table 29 below) and they will assess it via a questionnaire and/or a physical meeting. The review will include at a minimum a set of key topics; Implementing Partners may:

a. require improvements to be made to the ESMS, or require the creation of an ESMS if there is not one in place);

b. undertake further due diligence vis-à-vis the Financial Intermediary in relation to proposed investee projects, including the need for addressing areas of improvement, depending on an assessment of the potential social risks identified; it is recommended that a formal due diligence process be performed focusing on the Investee Project.

194. Implementing Partners will also report back to InvestEU on the presence of an ESMS (or any equivalent process), in order for the Commission to derive a picture of how widely E&S practices are spread in the Intermediated Finance market. The process will be as follows:

Table 29 : Process for using an ESMS-type of assessment



Source: Finance for Impact

195. **In particular, Implementing Partners will review the due diligence process applied by Financial Intermediaries on their underlying investees, in a manner that is commensurate with the identified risks**: for Higher risk

transactions, it is proposed that Implementing Partners should implement a program of annual supervision and require periodic performance reports. For low risk portfolios, Implementing Partners should only monitor any material changes to the due diligence performed by the Intermediaries and assess E&S risks affected by such changes.

Table 30 : Proposed Guidance for establishing an Environmental and Social Management System

An Environmental and Social Management System ("ESMS") will set the required policies, organisation and procedures within a Financial Intermediary to ensure the assessment and monitoring of Investments with its own standards, against a list of excluded activities and the International/EU Legislation and/or National Legislation related to environment and social issues. The ESMS shall be designed in such a way as to enable the identification, assessment and monitoring of the environmental and social risks and opportunities related to the Fund's Investments over time. It is expected that ESMS will be in place for all the Fund entities within a Financial Intermediary, and not only in relation to the activities supported under the InvestEU programme. The Financial Intermediaries shall establish and maintain an ESMS during the life of the Fund being supported under the InvestEU programme. A Financial Intermediary's ESMS should include at a minimum the following elements: 1) an environmental and social policy, 2) processes for the assessment and monitoring of projects, 3) an organizational capacity and competency mapping, and 4) monitoring and reporting processes. These are detailed below: **1) Environmental & Social policy:** An environmental and social policy is a statement of the objectives and principles that guide the Financial Intermediary to achieve sound environmental and social performance. The policy should set out the ambitions of the Financial Intermediary with regards to the management of E&S risks and its objectives with regards to its E&S performance. **2) E&S assessment of projects:** The Financial Intermediary will have environmental and social procedures which reflect its Environmental and Social Policy. These procedures will be proportionate to the nature of the Intermediary and the level of potential risks and impacts associated with the underlying projects. The procedures in the ESMS contain instructions on how to implement E&S policies and include risk assessment and monitoring mechanisms, as well as the Financial Intermediary's ability to review any mitigation measures agreed with individual investees. Where the Intermediary is only financing projects with minimal or no adverse risks or impacts, a minimal ESMS should be required, to ensure compliance with national or EU laws/regulation. FIs that support higher risk projects will need to adopt more detailed requirements. **3) Organizational capacity and competency:** Organizational capacity and competency are key to implementing an effective risk management system. These will vary depending on the environmental and social risk profile of the Financial Intermediary's projects and the relevant portfolio. The Intermediary may use in-house staff with the appropriate qualifications or retain the services of external experts to establish the ESMS and to conduct its project assessment work. The Financial Intermediary should appoint a qualified environmental and social manager, who has sufficient management responsibility to ensure the proper operation and maintenance of the ESMS and who shall act as the Implementing Partner's contact for E&S matters.

4) Monitoring and reporting:

The Intermediary will monitor the environmental and social performance of its projects in a manner proportionate to the risks and impacts of the projects and issue regular progress reports. This will include periodic review of the effectiveness of the ESMS. The frequency and method of monitoring and reporting of projects will depend on the risk levels and performance of the projects. It will seek to enhance practices and efficiency, address potential changes in the E&S risk profile of the portfolio and respond to changes in the E&S regulatory environment.

The Intermediary will notify the Implementing Partner of any significant incidents associated with projects. If the risk profile of a project increases significantly, the Intermediary will notify the Implementing Partner and will apply relevant measures in a manner agreed upon between them. The ESMS should be updated or supplemented if the environmental and social risk profile of the Intermediary's general purpose or project portfolio changes significantly.

Source: Finance for Impact

b. E&S diligence on the underlying projects

196. In addition, under the guidance of the Implementing Partners, the Financial Intermediaries should conduct an environmental & social due diligence at the underlying project level (it may be appropriate that this applies for the first time and not for follow on or repeat investments). As an outcome of this due diligence, the Implementing Partner may decide to review the mitigation measures identified by the Financial Intermediary and which are relevant for the investee operations, e.g. for investments subject to an Environmental and Social Impact Assessment ("ESIA") or identified under Annex II of the EU EIA Directive. If the Implementing Partner is confident that the Financial Intermediary has good procedures and real knowledge to deal with E&S requirements, it does not need to go into an in-depth review of the screening/proofing processes done by Financial Intermediary. Still, ex-post reporting would need to be done by the Implementing Partner.

197. Implementing Partner should request the Financial Intermediary to provide a review of the Project Promoter/investee's activity against the Exclusion List, a statement of compliance with national E&S laws & regulations, a review of the investee's track record on E&S issues and the relevant sustainability proofing metrics. Where possible and relevant, site visits to facilities / meetings with the relevant investee stakeholders should be organized.

198. Below list of possible E&S diligence questions in relation to underlying investee project (inspired from EIB requirements). It is by no means an exhaustive list and it is provided as guidance for a template (Implementing Partners that already have questionnaires in place may choose to ignore this):

Table 31 : Proposed questionnaire for submission to Financial Intermediary to assess E&S risk / impact Project Promoter / Investee

What environmental and social due diligence has been undertaken and by whom? Were any environmental and social studies commissioned during due diligence (e.g. audits/ESIAs etc.)?

What are the key social and environmental requirements (e.g. EU directives) applicable to the investee project?
What were the main social and environmental issues associated with the project and how were they dealt with? Are there any material non-compliance with minimum E&S sustainability requirements?
Is the investee project in compliance with all applicable environmental, social, health and safety laws and regulations?
Which measures has the Financial Intermediary taken to ensure that the investee is structured to meet the E&S sustainability requirements?
Which measures had the Financial Intermediary taken to ensure that the investee project continues to meet the applicable environmental, social, health and safety laws and regulations as well the E&S sustainability requirements?
Has the investee company/project been subject to any fines, penalties for non-compliance with environmental, health and safety regulations?
Was an E&S action plan developed for this investment? If yes, was it included in the legal agreement with the investee project
Has any public consultation or disclosure of E&S information occurred during this period?

Source: Finance for Impact

c. Due diligence for sector-specific investees

199. Infrastructure projects in certain sectors are known to generate significant adverse E&S impacts, and as a result, specific eligibility criteria are proposed for Financial Intermediaries to apply within their ESMS. These criteria are to be considered in addition to all other relevant EU directives and applicable national laws. The sectors identified include bioenergy, hydro power, onshore wind, geothermal and solar power.

200. The list of criteria in the below table provides details on three out of the six Sustainability proofing criteria for InvestEU, as recommended under the present study, namely Health, Safety & Security, Stakeholder Engagement and the Protection of vulnerable groups.

Table 32 : Examples of the application of social criteria for financial intermediation

Bioenergy Infrastructure Projects
Health, Safety and Security: Noise Pollution: the project will address, and when required by national requirements or international standards, include noise abatement measures to eliminate or minimise impacts to nearby communities caused by construction activities.
Odour Nuisance: the project will address the effects of adverse odours, caused by feedstock and processing activities, on nearby communities and where adverse, include measures to eliminate and minimise the effects.
Traffic and Road Safety: the project must evaluate and monitor traffic and road safety related risks caused by construction and operations throughout the project life cycle.

Public Consultation: the project sponsor should identify stakeholders and impacted communities and provide them with an opportunity to have input into the decision-making process and to contribute to any required mitigation measures.

Protection of vulnerable groups: Regarding land acquisition, involuntary resettlement and economic displacement, the project sponsor will identify if the project, its components or any associated facilities will require the relocation and/or loss of residences, commercial/industrial establishments or rights to land of economic value. If any of this has occurred, a Resettlement Action Plan (RAP) and/or compensation plan would be required. Regarding indigenous peoples, if the project is located in, or its supply chain relies on feedstock from areas inhabited by indigenous peoples, the sponsor is to rely on expert advice to ascertain whether any population group potentially affected (positively or negatively) is considered indigenous people.

Hydropower Infrastructure Projects

Health, Safety and Security: Rapid Flow Variations: the project sponsor must undertake a comprehensive review of the possible rapid flow variations scenarios, evaluate the corresponding risks posed to the local communities and put in place appropriate mitigation measures.

Stakeholder engagement: Regarding local communities' use of a river, the project must not stop or limit local communities' use of (or access to) either the river or the surrounding area to provide a livelihood, i.e. by fishing, or as a leisure amenity.

Public Consultation: the project sponsor should identify stakeholders and impacted communities and provide them with an opportunity to have input into the decision-making process and to contribute to any required mitigation measures.

On-Shore Wind infrastructure Projects

Health, Safety and Security: Community health and safety: the turbines and any ancillary structures must be designed and sited to avoid impacts on local residences, schools, hospitals, businesses and taking into account the safety of those in proximity to turbines.

Stakeholder engagement: Regarding landscape and visual impacts, the turbines and any ancillary structures must be constructed so as to minimise changes in the landscape fabric, character and quality created as a result of their development.

Regarding local communities, the project's sponsor must undertake an appropriate impact assessment of auxiliary facilities, such as roadways to access turbines and equipment for the transmission of electricity, to ensure that any significant adverse impacts on local communities have been identified. These impacts must then either be avoided, or where this is not possible, mitigated.

Public Consultation: the project sponsor should identify stakeholders and impacted communities and provide them with an opportunity to have input into the decision-making process and to contribute to any required mitigation measures.

Geothermal infrastructure projects

Health, Safety and Security: Ground Subsidence: the project design should address measures to manage ground subsidence that could be facilitated by the withdrawal of aquifier water. Additionally, where Enhanced Geothermal System (EGS) technology is proposed, the project should evaluate the potential for induced seismic activity.

Noise Pollution: the project will address, and when required by national requirements or international standards, include noise abatement measures to eliminate or minimise impacts to nearby communities caused by drilling and construction activities.

Stakeholder engagement: Public Consultation: the project sponsor should identify stakeholders and impacted communities and provide them with an opportunity to have input into the decision-making process and to contribute to any required mitigation measures.

Protection of vulnerable groups: Regarding land acquisition, involuntary resettlement and economic displacement, the project sponsor will identify if the project, its components or any associated facilities will require the relocation and/or loss of residences, commercial/industrial establishments or rights to land of economic value. In particular, the project sponsor should identify its impact on nearby uses of geothermal springs for recreational uses or as local opportunities for tourism. Regarding indigenous peoples, if the project is located in, or its supply chain relies on feedstock from areas inhabited by indigenous peoples, the sponsor is to rely on expert advice to ascertain whether any population group potentially affected (positively or negatively) is considered indigenous people.

Solar infrastructure projects

Health, Safety and Security: Glint and Glare: the project sponsor must ensure that potential risks associated to glint and glare from solar panels are mitigated. In particular, extra consideration is required if the site is located in close proximity to airports or military sensitive sites.

Noise Pollution: the project will address, and when required by national requirements or international standards, include noise abatement measures to eliminate or minimise impacts to nearby communities.

Traffic and Road Safety: the project must evaluate and monitor traffic and road safety related risks throughout the project life cycle.

Public Consultation: the project sponsor should identify stakeholders and impacted communities and provide them with an opportunity to have input into the decision-making process and to contribute to any required mitigation measures.

Protection of vulnerable groups: Regarding land acquisition, involuntary resettlement and economic displacement, the project sponsor will identify if the project, its components or any associated facilities will require the relocation and/or loss of residences, commercial/industrial establishments or rights to land of economic value. If any of this has occurred, a Resettlement Action Plan (RAP) and/or compensation plan would be required. Regarding indigenous peoples, if the project is located in, or its supply chain relies on feedstock from areas inhabited by indigenous peoples, the sponsor is to rely on expert advice to ascertain whether any population group potentially affected (positively or negatively) is considered indigenous people.

Source: Finance for Impact, based on EBRD's E&S eligibility criteria (found at: https://www.ebrd.com/who-we-are/our-values/environmental-emanual-risk.html)

5.13 Technical assistance

201. Technical Assistance and/or capacity building may be provided either at underlying Project level, or at Implementing Partner / Financial Intermediary level to be able to deal with sustainability proofing requirements foreseen in the InvestEU regulation.

202. Implementing Partners should ensure that project promoters applying for financing, including in particular small-sized projects, can request the InvestEU Advisory Hub to assist them in the preparation of their projects and also to consider whether projects may be bundled to generate economies of scale benefits.

203. Technical assistance/capacity building should be made available to Financial Intermediaries – either through or independently from Implementing Partners, with the aim to help them develop or refine their ESMS and sustainability proofing requirements. A capacity building plan should be based on the E&S screening and proofing already in place at Implementing Partners and largely available for replication. New entrants can benefit from the sustainability proofing guidance and level playing field which is being proposed under the present study.

204. Areas of focus to be considered include the definition of policy, resources & organization, as well as marketing within their own perimeter. Capacity building requires the development of a roadmap for implementation - for which the InvestEU Advisory Hub can provide assistance through training, cross-fertilization of more advanced partners, etc. and which will be adjusted to fit each local environment.

205. It is understood that the InvestEU Advisory Hub will provide project development "advisory support and accompanying measures throughout the investment cycle to foster the origination and development of projects and access to financing". The InvestEU advisory hub may also act as single point of access for project promoters and financial intermediaries using the InvestEU portal to reinforce the visibility of investment opportunities and help project promoters in search of financing.

5.14 Positive impact assessment

206. **The objective of the present sustainability proofing process is to ensure that projects to be supported by InvestEU are adequately screened using a minimum set of social criteria.** This process will be implemented in a highly diverse context, with project promoters and financial counterparties applying different levels of social assessment and with projects presenting a diverse complexity of social issues. This heterogeneous landscape justifies an approach of fostering stakeholders to endorse sound social policies, rather than imposing on them a single set of diligence standards.

207. This proposed approach implies that the assessment will include the identification, not only of adverse impacts and possible mitigating actions, but also, of positive impacts which may be direct, induced or associated with each project. As such, positive impacts are inherently part of the social assessment and form part of the continuum of risks and opportunities being reviewed within each project.

208. Social assessment represents the identification of the actions intended to avoid or remedy negative impacts, but also of the actions which will contribute to reinforce the project's positive effects. While it may be difficult to mark on a scale the level of positive impact which can be attained by a given project, rating in the scoreboard should include a qualitative assessment of the positive impact agenda of the project during its lifecycle, including any potential mitigating plans to enhance such positive impacts.

209. The assessment of positive agenda on social dimension should match the highest level(s) of acceptability of social risk measured in the scoreboard in absolute terms. The assessment itself should not be boundary-based but it should be highly context focused and recognize positive effects within a reasonably short time span following their implementation.

5.15 Roles and responsibilities

210. The roles and responsibilities can be summarized as follows:

Role of Project Promoter

As regards direct financing, the role of the Project Promoter should include the following:

- Ensure compliance with relevant national and/or EU legal standards and policies and managing the social impacts and risks associated with its projects
- Provide the necessary information and documentation required by the IP to perform screening and proofing, as applicable to the scale and nature of the project. In order to fulfil the contractual requirements outlined in Art. 7(3), the project promoter shall be obliged to provide all the adequate E&S information to the Implementing Partner to enable the sustainability proofing appraisal.
- Develop and implement a plan to address the remedial measures that were determined alongside the Implementing Partner, in order to deal with the identified challenges and/or enhance positive effects.
- Establish organisational structures to effectively identify and manage E&S issues (e.g. establish new corporate governance for setting up a grievance mechanism)
- Monitor the social performance of the underlying project in a manner proportionate to its social impact and risks, and report to the Implementing Partner, as applicable.
- Provide periodic reports to the IP in accordance with the IP's own existing rules and procedures.
- Entitled to request Technical Assistance from InvestEU Advisory Hub (though this does not mean necessarily that they will receive it, the process for the TA is a separate workstream and specific conditions should be met).

As regards intermediated financing, the role of the Project Promoter will include the following:

- Ensure compliance with relevant national and/or EU legal standards and policies and manage the social impacts and risks associated with its projects.
- For infrastructure projects above the threshold, the project promoter will need to provide all the necessary information and documentation required by the Financial Intermediary to perform proofing, as per the scale and nature of the project.
- For SMEs, small mid-caps and non-infrastructure-related entities, where no sustainability proofing is performed, final recipients are not required to provide details on E&S risks.
- Entitled to request Technical Assistance from InvestEU Advisory Hub

Role of Financial Intermediary

For Infrastructure Funds, the role of the Financial Intermediary should include the following activities:

- Assess and ensure compliance of underlying projects with appropriate national and/or EU legal standards and policies.
- Provide the necessary information and documentation for the Implementing Partner to assess the Financial Intermediary's ESMS and the E&S standards within its portfolio.

- Update the Implementing Partner on any significant changes in its portfolio with regards to E&S.
- Develop and maintain organisational capacity and competency for implementing the ESMS as appropriate to the level of social risks present in their portfolio.
- Monitor the social performance of the underlying project in a manner proportionate to the risks and impacts of the underlying projects and report to the Implementing Partner as applicable
- Entitled to request Technical Assistance from InvestEU Advisory Hub

For funds financing SMEs and other non-infrastructure-related Enterprises, the role of the Financial Intermediary should include the following activities:

- Assess and verify compliance of underlying projects with appropriate national and/or EU legal standards and policies.
- Select projects that are in line with the IP's E&S standards.
- Entitled to request Technical Assistance from InvestEU Advisory Hub

Role of Implementing Partner:

As regards direct financing, the role of the Implementing Partner should include the following:

- Assess and verify compliance of underlying investments with EU & national policies and against Invest EU's exclusion list.
- Verify the documentation and information provided by the promoter, and thereby identify the E&S risks or impacts of the project.
- For projects above the threshold, undertake a risk based-categorisation of projects as aforementioned, and for projects categorised as High and Medium risk (or A and B when considering all three dimensions), conduct their own social due diligence (including the use of the scoreboard).
- Monitor social risks throughout the duration of the project; provide periodic reports to InvestEU on the compliance of their projects with social requirements and updated information on mitigating actions flagged during the approval process (at least for Category A & B projects).

As regards intermediated financing, the role of the Implementing Partner should include the following:

- Financial Intermediaries are encouraged to apply a responsible behaviour in their financing activity and promote sustainability considerations.
- For Infrastructure projects below the threshold, and for all non-infrastructure funds (SMEs, small mid-caps and all other project types), no sustainability proofing is required. Therefore, Implementing Partners may proceed with their submission to InvestEU without needing to include a social scoreboard. However, requirements regarding legal compliance (including for the social dimension) should be included in the agreements with the financial intermediaries.
- Verify if the financial intermediary has an ESMS or equivalent in place and report to COM, in order to have a better understanding of the situation on the market.
- For Infrastructure projects above the threshold, Implementing Partners should assess the capacity of an FI to measure and manage the social risks of their project/portfolio, i.e. assess whether they have an ESMS or equivalent in place, and report back to InvestEU. Moreover, Implementing Partners will review the Due Diligence process applied by Financial Intermediaries on their underlying investees, in a manner that is commensurate with the identified risks. Finally, it is proposed that Implementing Partners should conduct an E&S due diligence at the underlying project level and subsequently review the mitigation measures identified by the Financial Intermediary.

Role of Investment Committee:

- Take due consideration of the results of the sustainability proofing to be received from Implementing Partners, both the scoreboard and details in the application documentation.
- Request complementary information from Implementing Partners on the outcome of sustainability proofing, if the results of the sustainability proofing (or the justification for the absence of proofing) are deemed insufficient.

Role of the Commission:

- Ensure jointly with Implementing Partners that the InvestEU guidance is "fit to purpose" and applied consistently and coherently across the windows of the InvestEU programme.
- Ensure the alignment of the financing and investment operations with the EU sustainability policies and that sustainability commitments are duly met. Ensure consistent approach with the EU Taxonomy and the promotion of sustainable finance in the broader context of the Capital Markets Union
- Provide through the relevant Advisory Hubs, technical assistance for Implementing Partners on the execution of InvestEU guarantee requests.

Role of the Expert Panel Group and capacity building for the InvestEU Secretariat

Within the InvestEU Secretariat, we have recommended the creation of a panel of experts to support the verification of the E&S information and documentation received from Implementing Partners. We do not have sufficient information to assess what should be this level of expertise but we assume that many new Implementing Partners will join the InvestEU programme and will a significant amount of information to the InvestEU Secretariat that will require processing (legal verification, policy check, conformity assessment of the sustainability scoring indicated in the scoreboard, etc.).

Our assignment did not entail an assessment of what should be the governance model and the needs for organizational development within the InvestEU Secretariat. Our role is limited to argue that it will be important to ensure consistency and accurate treatment of all information and scoreboards received from Implementing Partners.

Envisaged tasks for the Panel Group or any other task force involved on verification of information could be as follows:

- Review the sustainability scoreboard provided by Implementing Partners;

- Make an independent assessment of accuracy of the scoring performed on the scoreboard and against all social dimension criteria;

- Undertake an informed review of a project's proposed rating under the submitted scoreboard;

- If information is missing on the scoreboard or scoring is said to be inaccurate, communicate clearly these points to the InvestEU Secretariat so that follow up actions can be decided; and

- Confirm full compliance of the scoreboard with the predefine InvestEU guidelines and regulation so that the Investment Committee can make the correct decision.

Source: Finance for Impact

CONCLUSION

211. In this report, FINANCE FOR IMPACT provided the Commission services with evidence-based analysis as regard the approach for screening the social dimension of financing and investment operations under the InvestEU Programme 2021-2027 and for applying, where necessary, the proofing requirements foreseen in the Programme. It was noted that the InvestEU will be deployed through financial institutions that will play the role of implementing partners. The main partner will be the EIB Group, which has successfully implemented and managed the European Fund for Strategic Investment since its launch in 2015. In addition to the EIB Group, other international financial institutions active in Europe and national promotional banks could become implementing partners for InvestEU. The scope of the study corresponds to the Commission' preparatory work of policy initiatives. The result of the study should allow the Commission to further discuss with implementing partners the guidance foreseen in the particular context defined by the InvestEU Programme regulation.

212. From the onset, it was obvious that the result of our study should allow the Commission to further discuss with Implementing Partners the guidance foreseen in the particular context defined by the InvestEU Programme regulation. Our proposed guidance on the social criteria and use of the scoreboard should allow the Commission to inform all interested parties about the social profile expected from operations supported under InvestEU.

213. In addition, the recommended guidance presented in this document follows the text of the draft regulation, which is the reference of the present study. It was well noted that, as a basic requirement, InvestEU-supported projects shall meet specific climate, economic, environmental and social standards. Our study only focused on social sustainability; other streams of work, independent from our study, concentrated on the climate and environmental aspects. In our study, we insisted to seek an harmonized approach for all sustainability dimensions (climate, environmental, and social) and avoid any analysis done in 'silos'.

214. To the extent possible, we have sought to clarify the articulation between screening and proofing as well as the use of the scoreboard. Under the delegated approach, it will be the responsibility of the Implementing Partners to ensure that projects submitted to the InvestEU Investment Committee conform with the E&S guidelines set by the Commission. As such, the Implementing Partners will also be responsible for preparing the scoreboard and submit it to the InvestEU. As such, the scoreboard prepared by Implementing Partners will serve as (i) a screening tool to define the relevance of projects from a social viewpoint, providing indication of the project's expected impacts (either negative or positive) against the backdrop of the agreed six social criteria, and (ii) as a proofing tool reflecting the outcome of any remediation/mitigation measures performed on the projects by the Implementing Partners.

215. The screening and proofing process should in our view be seen as a continuum process within the Implementing Partner's own lines of diligence and approval procedures, where screening allows to identify a project's social value, flagging any potential issues which may need addressing, leading on to the proofing process which takes into account any remediation and mitigation actions which are deemed

necessary as per the assessment of the Implementing Partners. Under the delegated model, each Implementing Partner is responsible for assessing the need for further mitigating measures before the project can be submitted to InvestEU. In other words, we proposed that the screening/proofing process be structured as follows:

- Social sustainability relies on an Implementing Partner-driven screening/proofing process
- The project social impact/content should be assessed under the six-criteria framework proposed in this report. The social criteria are not prescriptive and only serve as guidance for Implementing Partners to prepare the scoreboard and scoring.
- EC/InvestEU should define the minimum acceptable social scoring level (also taking into consideration other environmental / climate scores)

216. In our study, we have also highlighted the need to "operationalize" the recommended guidance for screening/proofing of projects submitted to InvestEU. Our proposed guidance focused on the objective to develop a 'level playing field', allowing new Implementing Partners from across Europe to join the InvestEU programme. This is the reason why the framework has been positioned at a relatively high level and why it cannot be overly prescriptive at granular level, although detailed content is provided for consideration in the Study.

217. To achieve the best possible implementation results in a diverse, and now complex European context due to the COVID pandemic, we are convinced that it should be up to each Implementing Partner to refine and deploy its own sustainability processes. In practice, these processes are already in place with the larger potential Implementing Partners but not necessarily with the smaller-size national banks. This is why we insisted on developing capacity for these new potential implementing partners. Capacity development would refer to the process of creating and building capacities in the field of E&S and their (subsequent) use, management and retention with each potential or new implementing partner. This process would be driven from the inside and starting from existing national capacity procedures and requirements. Capacity development shall also be seen as a perpetually evolving process of growth and positive change, through which smaller-scale institutions interested in InvestEU guarantees would build strong capacities in the field of sustainability screening and proofing. Not only such capacity development is needed to build institutional and individual E&S skills, but also to focus on training to address broader questions of institutional change, leadership, empowerment and public participation.

218. As a final word, we confirm our expertise was provided independently and free of any conflict of interest, or undue influence that may have compromised our judgment and impaired our objectivity. We have met a large pool of stakeholders in past months, conducted in-depth analysis from a comparative perspective, including an international benchmark of best practices, and organized several consultations to collect feedback on various versions of our report. Therefore, the findings in this report have been prepared under a rigorous participatory approach. In our professional judgment, the proposed guidance presented in this report should help reach a consensus on many of the technical issues related to screening and proofing of investment projects under the future InvestEU programme.

ANNEXES

Annex 1 – List of relevant documents reviewed by our team

ORGANI-ZATION	TITLE OF DOCUMENT	YEAR	SOURCE
EU	European Parliament legislative resolution of 18 April 2019 on the proposal for a regulation of the European Parliament and of the Council establishing the InvestEU Programme (COM (2018)0439 – C8-0257/2018 – 2018/0229(COD)) TA/2019/0433	2019	https://www.EURparl.EURpa.eu/RegData/seance_pleniere/textes_adoptes/provisoire/2019/04-18/0433/P8_TA-PROV(2019)0433_EN.pdf
	Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the InvestEU Programme COM/2018/439 final - 2018/0229 (COD)	2018	https://eur-lex.EURpa.eu/legal-content/EN/TXT/?uri=COM%3A2018%3A439%3AFIN
	COMMISSION STAFF WORKING DOCUMENT IMPACT ASSESSMENT Accompanying the document Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the InvestEU Programme	2018	https://eur-lex.EURpa.eu/legal-content/EN/ALL/?uri=SWD%3A2018%3A0314%3AFIN
	COMMISSION STAFF WORKING DOCUMENT EVALUATION of the European Fund for Strategic Investments, of the European Investment Advisory Hub, and of the European Investment Project Portal Accompanying the document Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing the InvestEU Programme SWD/2018/316 final	2018	https://eur-lex.EURpa.eu/legal-content/EN/TXT/?uri=SWD%3A2018%3A316%3AFIN
	Consolidated version of the Treaty on European Union	2012	https://eur-lex.EURpa.eu/legal-content/EN/TXT/?uri=celex%3A12012M%2FTXT
	Methodologies for Climate proofing investments and measures under cohesion and regional policy and the common agricultural policy	2012	https://ec.EURpa.eu/clima/sites/clima/files/adaptation/what/docs/climate_proofing_en.pdf
	Methodologies for climate proofing investments and measures under cohesion and regional policy and the common agricultural policy	2013	https://ec.EURpa.eu/clima/sites/clima/files/adaptation/what/docs/sectoral_fiches_en.pdf
	Independent evaluation of the EFSI Regulation	2018	https://ec.EURpa.eu/info/sites/info/files/economy-

			finance/efsi_evaluation_-_final_report.pdf
	Future Brief: Environmental impact investment	2016	https://ec.EURpa.eu/environment/integration/research/newsalert/pdf/precautionary_principle_decision_making_under_uncertainty_FB18_en.pdf
	Financing a sustainable European Economy	2018	https://ec.EURpa.eu/info/sites/info/files/170713-sustainable-finance-report_en.pdf
	European Accessibility Act	2015	https://eur-lex.EURpa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52015PC0615&from=EN
	European Pillar of Social rights	2017	https://ec.EURpa.eu/commission/sites/beta-political/files/social-summit-European-pillar-social-rights-booklet_en.pdf
	Taxonomy Technical Report	2019	https://ec.EURpa.eu/info/sites/info/files/business_economy_EUR/banking_and_finance/documents/190618-sustainable-finance-teg-report-taxonomy_en.pdf
	Better Regulation Guidelines	2017	https://ec.EURpa.eu/info/sites/info/files/better-regulation-guidelines.pdf
EIB	Environmental and Social Standards	2018	https://www.eib.org/en/publications/environmental-and-social-standards
	The Economic Appraisal of Investment Projects	2013	https://www.eib.org/attachments/thematic/economic_appraisal_of_investment_projects_en.pdf
EBRD	Economic Inclusion Strategy	2017	https://www.ebrd.com/what-we-do/projects-and-sectors/economic-inclusion.html
	Strategy for the promotion of gender equality 2016-2020	2016	https://www.ebrd.com/gender-strategy.html
CDP	Consolidated Non-Financial Statement of the CDP Group pursuant to Legislative Decree 254/16	2018	https://www.cdp.it/resources/cms/documents/2019-04-23-DNF-CDP-ENG-.pdf
ADB	Economic analysis of climate-proofing investment projects	2015	https://www.adb.org/sites/default/files/publication/173454/economic-analysis-climate-proofing-projects.pdf
	Guidelines for Climate: Proofing Investment in the Transport Sector: Road infrastructure sector	2011	https://www.adb.org/sites/default/files/institutional-document/32772/files/guidelines-climate-proofing-roads.pdf

	Guidelines for Climate Proofing Investment in Agriculture, Rural Development, and Food Security	2012	https://www.adb.org/sites/default/files/institutional-document/33720/files/guidelines-climate-proofing-investment.pdf
	Guidelines for Climate Proofing Investment in the Energy Sector	2013	https://www.adb.org/sites/default/files/institutional-document/33896/files/guidelines-climate-proofing-investment-energy-sector.pdf
WB	World Bank Environmental and Social Policy for Investment Project Financing	2018	http://pubdocs.worldbank.org/en/360141554756701078/World-Bank-Environmental-and-Social-Policy-for-Investment-Project-Financing.pdf
	Environmental and social directive for Investment Project Financing	2019	https://policies.worldbank.org/sites/ppf3/PPFDocuments/Forms/DispPage.aspx?docid=4299690b-e96c-44a1-9117-8c7bc51dde70&ver=current
	Addressing Risks and Impacts on Disadvantaged or Vulnerable Individuals or Groups	2016	https://policies.worldbank.org/sites/ppf3/PPFDocuments/e5562765a5534ea0b7877e1e775f29d5.pdf
	Environmental and Social Framework (ESF)	2017	http://documents.worldbank.org/curated/en/383011492423734099/pdf/114278-WP-REVISED-PUBLIC-Environmental-and-Social-Framework.pdf
MIGA	Multilateral Investment Guarantee Agency's Policy on Social & Environmental Sustainability	2015	https://www.miga.org/sites/default/files/archive/Documents/performance_standards_social_and_env_sustainability.pdf
IFC	Policy on Environmental and Social Sustainability	2012	https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/publications/publications_policy_sustainability-2012
IDB	IDB Invest's Environmental and Social Review Process		https://idbinvest.org/en/publications/brochure-idb-invests-environmental-and-social-review-process-business-case
GIZ	Climate Proofing for Development	2011	https://www.preventionweb.net/files/globalplatform/entry_bg_paper~giz2011climateproofing.pdf
OECD	Investment governance and the integration of environmental, social and governance factors	2017	https://www.oecd.org/finance/Investment-Governance-Integration-ESG-Factors.pdf
	Social Impact Investment: Building the evidence base	2015	https://read.oecd-ilibrary.org/finance-and-investment/social-impact-

			investment_9789264233430-en#page1
UNDP	Paving the Way for Climate-Resilient Infrastructure: Guidance for Practitioners and Planners	2011	https://www.uncclearn.org/sites/default/files/inventory/undp_paving_the_way.pdf
UN	United Nations Conventions on the Rights of Persons with Disabilities	2006	https://www.un.org/disabilities/documents/convention/convoptprot-e.pdf
	Agenda for Sustainable Development: SDGs	2018	https://sustainabledevelopment.un.org/content/documents/21252030%20Agenda%20for%20Sustainable%20Development%20web.pdf
UNEP	Climate Risk Screening Tools: A Guide to the Guidance	2011	https://orbit.dtu.dk/files/6238714/Climate%20Risk%20Screening%20Tools.pdf
SPTF	The Universal Standards for Social Performance Management	2012	https://sptf.info/images/designed%20usspm%20manual%2010%2015%2012.pdf
GIIN	Roadmap for the Future of Impact Investing: Reshaping Financial Markets	2018	https://thegiin.org/assets/GIIN_Roadmap%20for%20the%20Future%20of%20Impact%20Investing.pdf
	Annual Impact Investor Survey	2019	https://thegiin.org/assets/GIIN_2019%20Annual%20Impact%20Investor%20Survey_webfile.pdf
Social Impact Investment	Measuring Impact: Guidelines for good impact practice	2013	http://www.siiq.com.au/uploads/2/4/8/5/24851283/giin_impact_measurement_guidelines.pdf
Global Steering Group for Impact Investment (GSG)	Measuring impact: Subject Paper of the Impact Measurement Working Group	2014	https://gsgii.org/reports/measuring-impact/
HSBC	Responsible investment for sustainable returns	2018	https://www.hsbc.fr/1/PA_esf-ca-app-content/content/ere/pdf/placements/AMFR_AMCH_150_Responsible_investment_for_sustainable.pdf
UBS	Impact Investing: Doing well by doing good	2016	https://www.ubs.com/global/en/wealth-management/chief-investment-office/investment-opportunities/sustainable-investing/2017/sustainable-impact-investing.html

AFD	The sustainable development analysis: Raising Questions and Integrating Project Sustainable-Development Issues Upstream	2018	https://www.afd.fr/sites/afd/files/2018-10-11-24-38/guide-methodologique-dispositif-analyse-avis-développement-durable.pdf
	The sustainable development analysis: Raising Questions and Integrating Project Sustainable-Development Issues Upstream	2018	https://www.afd.fr/sites/afd/files/2018-10-10-20-23/sustainable-development-analysis.pdf
NORAD	Assessment of Sustainability Elements/Key Risk Factors	2010	https://norad.no/globalassets/import-2162015-80434-am/www.norad.no-ny/filarkiv/vedlegg-til-publikasjoner/assessmentofsustainabilityelementskeyriskfactorspr.pdf
NIB	Sustainability Policy and Guidelines: NIB's Social and Environmental Review.	2012	https://www.nib.int/filebank/56-Sustainability_Policy_Guidelines-2012.pdf
	Mandate Rating Framework	2019	https://www.nib.int/filebank/a/1526627933/4c1b31489c3ca27f8e5fd4eae928cb7c/8481-Mandate_Rating_Framework.pdf
	NIB Environmental Bond Framework	2018	https://www.nib.int/filebank/a/1543996700/079a1634ef3203c6275f3225f1125fe8/9096-NEB_Framework_Dec_2018.pdf
	Impact Reporting	2019	https://www.nib.int/filebank/a/1580366559/28a4c0a04e8d45d2c72b2d7c0f9985ec/10021-NIB_Environmental_Bond_Report_2019.pdf
	Monitoring and Ex-post Mandate Assessment Framework	2016	https://www.nib.int/filebank/a/1574240835/30420fe25f646046c8b778d9fb293696/9848-NIB_Monitoring_and_ex-post_mandate_assessment_framework.pdf
Standard Ethics	Guide sur les bases de la Notation Standard Ethics	2015	http://standardethicsrating.eu/media/com_finances/1._Sustainability_Rating_definitions_Guide_2015_1_FR.pdf
Refinitiv	ESG scores for Refinitiv	2019	https://www.refinitiv.com/content/dam/marketing/en_us/documents/methodology/esg-scores-methodology.pdf
MSCI	ESG ratings methodology	2018	https://www.msci.com/documents/10199/123a2b2b-1395-4aa2-a121-ea14de6d708a
Vigeo Eiris	Methodology and Quality Assurance	2019	http://vigeo-eiris.com/about-us/methodology-quality-assurance/

ELTI	Boosting Investment in Social Infrastructure in Europe, Report of the High-Level Task Force on Investing in Social Infrastructure in Europe, Lieve Fransen, Gino del Bufalo and Edoardo Reviglio, European Long-Term Investors Association (ELTI) and European Commission.	2018	https://www.eltia.eu/images/Boosting_investment_in_Social_Infrastructure_in_Europe.pdf
Morningstar	Sustainability Rating	2018	https://www.morningstar.com/content/dam/marketing/shared/research/methodology/744156_Morningstar_Sustainability_Rating_for_Funds_Methodology.pdf
Bloomberg	A Bloomberg Terminal Offering: Bloomberg for Sustainable Finance Analysis	2017	https://data.bloomberglp.com/professional/sites/10/ESG-Brochure1.pdf
Center for Sustainability Management	The Sustainability Balanced Scoreboard – Theory and Application of a Tool for Value-Based Sustainability Management	2002	https://pdfs.semanticscholar.org/2734/da888c0974fa1508cae5f787b692041d6f08.pdf
GRI	Financial Services Sector Disclosures (FS1, FS2, FS3 and FS5).	2013	https://www.globalreporting.org/Documents/ResourceArchives/GRI-G4-Financial-Services-Sector-Disclosures.pdf

Annex 2 – List of persons interviewed

Over the course of our study, we have interviewed the following persons:

Agence Française de Développement (AFD)
1. Thomas de Vericourt, Sustainable Development Opinion Officer
2. Farid Lamara, Senior Strategic Policy Officer, Human and Societal Development
3. Sarah Lahmani-Saada, Desk Officer, Sustainable Development Analysis and Opinion Mechanism

Austria Wirtschaftsservice Gesellschaft mbH
4. Christoph Schlinke, Head of Strategy and Data Insights
5. Kurt Leutgeb, Guarantee Department
6. Wilhelm Hantsch Linhart, Guarantee Department
7. Agnes Schneider, Risk Management/Special Accounts

Bank Gospodarstwa Krajowego (BGK)
8. Karol Tofil, Representative of the Polish Development Bank in Brussels

Banque des Territoires (CDC)
9. Tatyana Vassilevskaya, sustainable finance, Sustainable Strategy and Evaluation
10. Claire Visentini, Responsable du Pôle Stratégie durable et évaluation
11. Annick Le Gall
12. Veronique Vincent, Directeur de projet
13. Christophe Genter, Directeur du Département Investissements à impact social et territorial

BPI France
14. Victorien Blondeau, EU Policy Officer, International and European Affairs Department
15. Lola Merveille, Permanent Representative to the EU Institutions, International and European Affairs Department
16. Thomas Saleh, Strategic Development Officer, Strategy and Development Department
17. Clotilde Vernes, CSR and Sustainable Development Projects Officer, ESG and Sustainable Development Department

Caisse des dépôts et consignation (CDC)
18. Laurent Zylbergerg, Director of Public, International and European Affairs
19. Laurent Léger, Delegates to the EU Institutions

Caisse des dépôts et consignation (CDC), Belgium Office
20. Mathieu Prengel, Policy Officer

Council of Europe Development Bank (CEB)
21. Sara de Pablos, Technical Advisor
22. Elisa Muzzini, Technical Advisor, Project Economist, Urban and Regional Development, Directorate for Technical Assessment and Monitoring
23. Juliunna Hyjek, Officer for the European Union Programmes, Directorate General for Loans and Social Development
24. MKristina Aslauskaite, Economist, CEB TAM - Technical Assessment & Monitoring Directorate.

Croatian Bank for Reconstruction and Development (HBOR)
25. Karla Obad, Independent Expert Associate, International Cooperation Unit, International and Export Strategy
26. Maja Rajačić Pavlović, Corporate Social Responsibility

27. Šimić Ana, Technical Analysis

European Bank for Reconstruction and Development (EBRD)

28. Mikko Venermo, Lead Adviser, Environment & Sustainability Department
29. Debbie Cousins, Senior Environmental and Social Adviser, Environment & Sustainability Department
30. James Lea-Cox, Associate Director, Senior Environmental Advisor, Environment & Sustainability Department

ECFIN

31. Oana Simene, Policy Officer, European Commission, DG Economic and Financial Affairs

European Association of Long-term Investors (ELTIA)

32. Helmut von Glasenapp, Secretary General

European Investment Bank (EIB)

33. Ewa Kolodziej, Insitutional Strategy Department, Secretariat General
34. Eva Mayerhoffer, Lead Environmental and Biodiversity Specialist
35. Yasmine Pagni, Head of the Social Policy Unit, Environment, Climate and Social Office
36. Andra Migiu, InvestEU Implementation Team, Institutional Mandates Division, Operations Directorate
37. Patricia Fernandez, European Investment Advisory Hub, Advisory Services Department, Secretariat General
38. Olivier Debande, Office of Secretary General, Secretariat General

European Investment Fund (EIF)

39. Uli Grabenwarter, Deputy Director, Equity Investments
40. David Gonzalez Martin, Growth and Educational Mandates, Mandate Management
41. Paola De Baldomero Zazo, Social Impact Programmes, Mandate Management
42. Paula Ruiz Martin, Social Impact Programmes, Mandate Management
43. Julian Hoeding, Product Development, Equity Investment & Guarantees

Fund Manager of Financial Instruments in Bulgaria (FMFIB)

44. Angelina Todorova, Head of Unit, Coordination
45. Dotchka Vassileva, Senior Expert Strategic Investments

German Promotional Bank (KfW)

46. Dominik Bach, Liaison Office to the EU in Brussels
47. Bettina Dorendorf, Vice President, Division of Private and Corporate Clients, Sustainable Finance Manager

HSBC

48. Jerome Pellet, Director, Debt Capital Markets, Global Banking

Instituição Financeira de Desenvolvimento (IFD)

49. Helena Mouta, Head of Risk, Planning and Research

International Finance Corporation (IFC)

50. Andrea Engel, IFC Representative in Brussels
51. Makiko Toyoda, IFC Washington (GTFP)

Network of European Financial Institutions for SMEs (NEFI)

52. Sophie Lombard, Network Coordinator

NRW Bank

53. Jan Gerdts, Strategy and Communication, NRW.BANK

Nordic Investment Bank
54. Luca De Lorenzo, Head of Sustainability
55. Marjo Harri, Head of Financial Institutions & SME

Mirova (Natexis)
56. Manuel Coeslier, Portfolio Manager
57. Ladislas Smia, Co-head of Responsible Investment

RPA Europe
58. Meg Postle, Founding Director
59. Marco Camboni, Director

Société Générale
60. Marie-Aimée Boury, Managing Director, Head of Impact Based Finance

UNEP FI
61. Careen Abb, Positive Impact Finance, Project Lead

United Nations, Global Compact
62. Erik Giercksky, Project Officer

World Bank
63. Ekaterina Grigoryeva, Environmental and Social Development Specialist, Global Lead, Financial Sector

Annex 3 – Guiding questions for interviews

Study contributing to the preparation of guidance on social sustainability proofing of investment and financing operation under the InvestEU Programme 2021-2027

The European Commission, with the support of Implementing Partners, mandated Finance for Impact to undertake a study in order to provide guidance on the design of a reliable and comprehensive mechanism for InvestEU to select investment projects based on the projects' social impacts. The study shall raise awareness and increase transparency, while simultaneously encourage greater inclusion of social factors in the scoping and structuring of such investment projects by their promoters, while not unduly restricting the flow of investments requesting the EU guarantee.

Please find below preliminary list of questions to be asked to key stakeholders and in particular to Multilateral Institutions. Please note that the Consultant will not necessarily follow such grid in a strict manner. Questions will be adapted to the organizational role of the person interviewed and to the type of institution.

These guiding questions shall be useful for the interviewee(s) to prepare for the discussion and offer supporting evidence that can facilitate the discussion, e.g. reports, data, case studies.

Please note that all information and data collected during the meeting will be treated on a strict confidential basis and will only be used for the present assignment.

(a) General questions

- Please provide a general overview of your institution and its core missions. Can you describe the principles used by your institution to crowd-in private sector finance in support of your development objectives?

- Can you define sustainable finance and describe in broad terms the activities of your institution in this respect?

- Could you mention any best-in class market practices in the field of sustainable finance and investment, especially in relation to the screening and proofing of investment projects?

- Can you indicate whether the principles of Additionality and Development Impact/Outcome are being integrated at the early stages of screening and proofing?

- What approach does your institution follow to ensure the sustainability of your financing / investment activity (e.g. minimum number of SDGs achieved, applying PRI / ESG investment criteria, etc.)?

- What are the main trends you currently observing in sustainable financing / investment? Across all dimensions e.g. project eligibility, standards, pricing, etc.

- What are the mechanisms (reasons) preventing sustainable financing which are taking place in the industries or sectors you support? Could you list specific barriers and constraints? Can you provide concrete examples of such mechanisms, particularly in relation to screening and proofing of sustainable investment projects?

- Do you have access to specific screening and proofing methodologies and information at your level? What are the available data and knowledge solutions can you share with us?

(b) Use of specific policies and methods for screening and proofing of investment projects

- What are the current policies and mechanisms in place within your organization today to ensure that finance/investment is sustainable? Can you anticipate any forthcoming changes within your organization to adapt to any particular market trends, in particular the ones involving social and environmental impacts?

- Do you currently apply negative screening in your selection of projects? Can you describe how this works? e.g. sectors, Transaction quantum thresholds, etc.

- Can you describe how the principles of "additionality" and development Impact/Outcome" are featured and measured, at the screening and proofing stages, especially in relation to social issues?

- Can you share some of the main and well-known social risks that you are facing in your investment decisions? In responding to this question, can you please distinguish between infrastructure and non-infrastructure related projects?

- Can you describe, in practical terms, at which steps you currently include social screening and proofing in your project assessment / selection process? Can you also qualify how the inclusion of such social factors (e.g. jobs creation, gender issues, etc.) impacts your institution's overall decision making? (e.g. restrictive, not material, etc.)

- Does your institution have a Sustainability Risk Policy and Social Sustainability subset? Does your Social Sustainability Risk Policy include sector-specific standards and if so, which of the sectors does it address?

- How does your organisation formally evaluate the level of social sustainability for each investment opportunity? In a qualitative or quantitative manner? To which financing products does your sustainability policies/guidelines apply? (e.g. loans, risk sharing instrument, equity, SME financing such as working capital loans…)

- Please indicate all the Sustainability Memberships, Certification Schemes, Frameworks, etc. to which your organization has explicitly adhered to /or to which you have contributed. For instance:
  - Equator Principles - in project finance only, or beyond? Does any threshold apply?
  - Environmental, Social and Governance (ESG) standards
  - Principles for Responsible Investments (PRI)
  - Other, please specify …

- Can you comment on the approach your organization has adopted in terms of designing your own internal screening and proofing frameworks:
  - Do you mainly seek to apply internationally recognized frameworks and implement them as they are?
  - Do you mainly seek to apply such international frameworks and adapt them to our organization by designing our own set of standards?
  - Do you largely create our own standards?
  - There is no preferred Policy and you remain open to either of the approaches?

- What is your rationale underlying the choice of criteria for screening and proofing, identification of weights, thresholds, splitting qualitative from quantitative, etc.?

- Can you please describe any process in place for identifying and implementing mitigation/remedial measures?

- What are the main challenges encountered in applying the screening and proofing processes? In responding to this question, can you please distinguish between infrastructure and non-infrastructure related projects?
- Please describe the monitoring process of your screening and proofing process, and how you consider your level of achievement to date (e.g. against set targets)
- What is the typical breakdown of projects selected and rejected (based on the level of stringency of the proofing method)?
- How does your organization communicate on social sustainability and provides guidance to project promoters and/or partner private sector financial institutions?
- What recommendations and lessons learnt would you like to share with us?

Annex 4 – Benchmark

Agence française de développement (AFD)

General Information			
Name of Institution	Agence française de développement (AFD)		
Title of E&S Standard or Framework	AFD's Sustainable Development Analysis Created in 2013, the Sustainable Development Analysis and Opinion mechanism was updated in 2017 to integrate AFD's new strategic orientations, including the Climate and Development Strategy and the Sustainable Development Goals (SDGs). It is an ongoing process and may be amended to include ADF's future strategic developments.		
Date of publication	July 2018	**Publicly available**	Yes
Brief description of the E&S Standard/Framework	The Sustainable Development Analysis and Opinion mechanism aims at facilitating the cross-cutting inclusion of sustainable development concerns in AFD's financing operations. It comprises: ► a sustainable development analysis prepared by the project team, based on a qualitative assessment of the scope of the expected impacts; ► a sustainable development opinion issued by an independent unit from the Operations Department, to inform decision-making by the AFD's Board The Sustainable Development Analysis and Opinion mechanism promotes dialogue throughout the project development cycle by raising questions regarding the operations' development impact on sustainable development and incorporating the feedback into the project design as early as possible, in collaboration with the counterparties.		
Custodians of E&S	Sustainable Development Analysis and Opinion Unit		
Is the E&S Standard/ Framework aligned to specific international practice?	Aligned on the World Bank E&S Framework		
Is the E&S Standard/ Framework sector specific?	No	**Which sectors?**	N/A
Availability of specific E&S policy for disadvantaged or	Yes, a lot of work is targeted to vulnerabilities, in particular in conflict affected countries.		

vulnerable individuals or groups	See also the Society Responsibility Policy 2018-2022
Availability of specific E&S policy for gender equality issues	Gender Strategy and Reduction of Inequalities between Men and Women (2014)
Is there a dedicated E&S team in your organisation?	Yes
Screening and Proofing Processes	
Describe the overall E&S due diligence process	The different steps in the ESDD are: **Identification** The agency/project team carries a preliminary sustainable development analysis in the PIN. **Identification committee (CID)** An initial discussion between the project team and the SD Opinion team takes place on the basis of the SD analysis. The SD opinion team helps to define the project appraisal mandate, integrating SD issues, but does not issue a formal opinion. **Project appraisal** The project-team pays particular attention to the six SD dimensions during the project appraisal. In light of the actions identified, the team drafts part of the PPN and highlights the SD impacts (maintains or revises the rating). A draft SD opinion is prepared before the CCR (Favorable [F], Favorable with Recommendations [FwR] or Reserved [R]). **Credit committee (CCR)** Discussions are conducted on the basis of the draft SD opinion. A final SD opinion is issued following the CCR. **Granting of funds** The nature of the SD opinion (F, FwR, R) is included on the cover page of the note to the decision-making bodies, with the opinion in the Appendix. The "Methodology guide concerning the Sustainable Development Analysis and Opinion mechanism" can be consulted on AFD's internal and external websites. It provides information on how to use the analysis table and this mechanism as a whole. It sets out the role of the Sustainable Development Analysis and Opinion mechanism throughout the project cycle, the methodology used by the project teams, as well as the principles on which the sustainable development opinion is based. Finally, it presents examples of sustainable development analyses for certain sectors, according to each dimension (application of ratings).

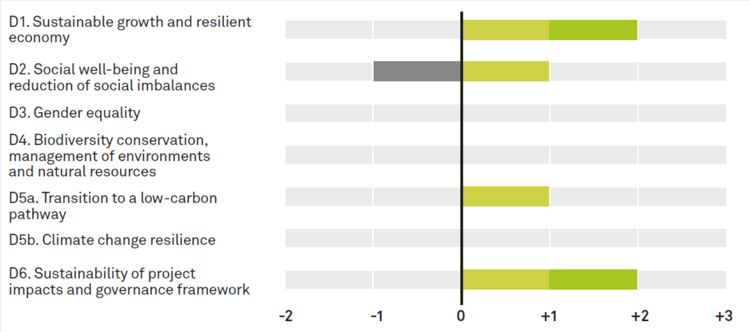
Description of the screening process	The three traditional pillars of sustainable development - social, environmental and economic - as well as the cross-sectoral issue of governance, are broken down into six operational dimensions. The sustainable development analysis consists of a detailed description of the impacts included in section 4.1 of the Project Identification and Project Presentation Notes for each sustainable development dimension, accompanied by a summary chart.		
Description of the proofing process	In the AFD process, there is a possibility of improving the project based on the E&S rating. If a rating identifies weaknesses, the project promoter may remediate to the problems or specific covenants be included in the contract. In addition, AFD performs an ex post assessment to ensure alignment of project implementation with the agreement.		
Availability of exclusion list	Yes		
Institution's specific E&S risk classification or categorization system	See below on the scoring mechanism		
Are all investment projects E&S screened?	Yes	**Threshold**	No
How do you ensure that clients/project promoter are committed and trained on E&S requirements?	A scoring is done against 6 dimensions and specific sub criteria. See below.		
List social criteria used for screening/ proofing of investment projects	6 dimensions are available on the AFD E&S scoreboard: **Dimension 1: Sustainable growth and resilient economy** Macroeconomic resilience, territorial development, inclusive trade, local economy, innovation and green production sectors **Dimension 2: Social wellbeing and reduction of social imbalances (SDG 10)** Effective access to services, development of capabilities, improvement of living conditions and environment, decent employment conditions, inclusion and participation in community life, lifelong income security, reduction of sensitivity to tensions and conflicts **Dimension 3: Gender equality** Access to services, control over resources and income, access to justice, combating violence against women, participation in economic, social and political decision-making bodies, project governance considered with regard to gender **Dimension 4: Biodiversity conservation, management of environments and natural resources**		

	Functionality of ecosystems, use of natural resources, inclusion of communities, improvement and sharing of knowledge and relevant technologies, creation of a favorable environment (economic incentives, regulations, funding) **Dimension 5: Fight against climate change and its impacts (SDG 13)** ***Transition to a low-carbon pathway:*** taking action to drive structural change enabling the counterparties to move towards low-carbon development (technical mitigation measures, involvement of private and financial players, public policies, etc.). ***Climate-change resilience:*** contributing to developing various technical and institutional options related to the vulnerability issues identified (increased risks of floods, water stress, heat waves, coastal erosion, etc.); improving the capacity to prepare for climate uncertainties and enabling those concerned to deal with them (warning systems, land use plan). **Dimension 6: Sustainability of project impacts and governance framework** Information and transparency, consultation and participation, planning, execution and management, rights and justice, economic governance and funding The two qualitative frameworks concerning the "transition to a low carbon pathway" and "climate change resilience" are consistent with the Paris climate agreement. They ensure that projects do not risk locking an area or a sector into a technical "solution" that is not suited to the observed climate change or preventing the use of other less carbon-intensive measures. They are not intended to replace the selectivity grid based on greenhouse gas emissions, which aims to avoid financing projects with high emission levels, but will complement it to ensure that all operations are consistent with the objective of low-carbon and resilient development.

	-2	-1	0	+1	+2	+3
DIMENSION 1 ***Sustainable growth and resilient economy*** Macroeconomic resilience, territorial development, inclusive trade, local economy, innovation and green production sectors	The project may weaken the economy by promoting an unsustainable and non-resilient growth model	The project may weaken the company/entity in charge of the project or promote the continued use of unsustainable production and consumption patterns	The project has no significant impact on the sustainability of growth or the resilience of the economy	The funding helps improve the performance of the economic model (competitiveness/efficient use of resources) AND/OR boosting economic activity	The project contributes to improving the performance of the economic model and its capacities to adapt to future changes/challenges (demography, resource depletion, climate change, etc.)	The project introduces structural economic changes (planning, management, investments, financing, market regulation) thereby promoting sustainable and resilient growth
DIMENSION 2 ***Social well-being and reduction of social imbalances*** Effective access to services, development of capabilities, improvement of living conditions and environment, decent employment conditions, inclusion and participation in community life, lifelong income security, reduction of sensitivity to tensions and conflicts	The project contributes to the deterioration of social well-being	The project contributes to the deterioration of individual well-being	The project has no significant effect on social well-being	The project improves individual well-being	The project has an impact on reducing inequalities or produces collective benefits (living together)	The project leads to a structural change that improves collective social benefit
DIMENSION 3 ***Gender equality*** Access to services, control over resources and income, access to justice, combating violence against women, participation in economic, social and political decision-making bodies, project governance considered with regard to gender	The project may worsen gender inequality	The project provides an opportunity to reduce gender inequality but fails to initiate a dialogue or specific measures, thus maintaining inequality	After analysis, the project does not have any effect on gender equality	The needs and interests of women and men were analyzed and addressed in discussions with the counter-party but this has not led to one or more specific measures	One of the expected effects is to ensure that women have effective access to the opportunities created within the framework of the project (Specific work done to remove barriers)	The empowerment of women and the structural reduction of inequalities between women and men is one of the main or crosscut-ting objectives of the project
DIMENSION 4 ***Biodiversity conservation, management of environments and natural resources*** Functionality of ecosystems, use of natural resources, inclusion of communities, improvement and sharing of knowledge and relevant technologies, creation of a favorable environment (economic incentives, regulations, funding)	The project harms critical habitats	The project has residual impacts on environments and natural resources at local level despite the implementation of offsetting measures	The project has no significant impact on biodiversity and natural resources The project helps minimize or even avoid negative impacts through its design	The project includes measures aimed at improving the quality of environments and using natural resources in a responsible way at local level	The project helps reduce the pressure on sensitive environments and ensure the sustainable management of natural resources	The project makes it possible to significantly improve the state of biodiversity, through conserva-tion and sustainable management actions
DIMENSION 5A ***Transition to a low-carbon pathway*** Technical measures/carbon efficiency, mobilization of financial stakeholders, impacts on public policies (economic, fiscal and budgetary instruments or mechanisms that are voluntary, regulatory, informational or educational, research and development)	The project might have a long term structural lock-in impact that hinder solutions with low carbon emissions or future implementation of a low-carbon pathway	The project is not consistent with the objectives of the country's climate policies or the issues identified within the framework of the analysis of its transition to a low-carbon pathway	The project has no impact on the factors driving change but is consistent with a low-carbon transition pathway	The project is aligned with the country's climate policies and contributes to a low-carbon pathway through its effect on at least one factor driving change, from the following: technical measures, mobilization of financial and private stakeholders, impact on public policies	The project contributes significantly to low-carbon pathway through its effect on at least two factors driving change from the following: technical measures, mobilization of financial and private stakeholders, impact on public policies	The project makes a structural contribution to the low-carbon pathway in the country through its effect on all the factors driving change: technical measures, mobilization of financial and private stakeholders, impact on public policies
DIMENSION 5B ***Climate change resilience*** Techniques used/project planning, material aspects (infrastructures), awareness-raising/information to stakeholders, funding	The project is not consistent with public-policy adaptation objectives and locks the country into a long-term development direction that is not resilient to climate change	The project is not consistent with public-policy adaptation objectives and has a significant likelihood of increasing the vulnerability of the area, OR it exposes itself to significant climate risks, without taking any adaptation measures to deal with these risks	The project has no significant impacts in terms of adaptation but is consistent with the adaptation objectives of the country's national policies	The project provides responses to the issues of climate change vulnerability identified in the project operational area, in line with the national adaptation policies or priorities	The project provides responses to the issues of climate change vulnerability in line with the priorities of the public adaptation policies, AND incorporates an approach for managing uncertainty (robustness and/or flexibility of the technical solution) OR capacity-building actions	The project has a structural impact on the climate resilience of the country's development strategy, in line with the priorities of the public adaptation policies: - it provides responses to the problems of climate change vulnerability; - it incorporates an approach for managing uncertainty; - it includes capacity-building actions; - it guides sectors and/or regions towards development models that are more resilient to climate change
DIMENSION 6 ***Sustainability of project impacts and governance framework*** Information and transparency, consultation and participation, planning, execution and management, rights and justice, economic governance and funding	The project is not consistent with the institutional environment (legislative framework, standards) OR is in contradic-tion with one of the governance sub-criteria promoted by AFD OR the project framework does not take into account the regulatory role of the State	Project owner capacity limitations have not been adequately considered within the framework of the project, thus placing the project sustainability at risk OR despite the measures planned, the context makes it impossible to ensure the sustainability of the project impacts	After analysis, the sustainability of the project impacts cannot be established AND the project has no impact on governance beyond the project scope	The sustainability of the project impacts is guaranteed: the project owner's capabilities, the decision-making processes (consultation, participation, planning) and the funding are adequate	The project will have long-term effects on the institutional framework, through decision-making processes (consultation and participation, information and transparency)	The project will have significant long-term impacts on one or more structural areas of governance (taxation, state of law, human rights, civic participation, commons, etc.)

Availability of a scoring or ranking for investment projects	A summary table describes the different types of impacts for each dimension and each rating. This table uses a qualitative approach to estimate the potential positive and negative impacts for the six sustainable development dimensions, based on a -2 to +3 ranking. It complements the quantitative measurements from the economic analysis, project monitoring indicators and aggregate indicators. Levels 1 to 3 are progressive and cumulative: a higher level can only be reached if the conditions of the level below are fulfilled (no project with a -1 or -2 can be financed). The staff conducting the E&S assessment first identify the project's expected level of impact for each dimension. Then a detailed analysis is performed for each dimension with the sub-criteria, in order to fine-tune the analysis of the impacts, if necessary, to decide between two possible ratings or to identify the actions to be implemented to optimize the project impacts. If the project has positive and negative effects in the same dimension (different effects on populations, territories or resources), both effects must be specified in the chart and analysis report. If two or more sub-criteria are relevant, the analysis should determine which of the impacts will be most significant in the given context. The predominant impact shall be noted. If the operation is not applicable for a given dimension, you may specify NA instead of 0 (neutral effect).

	In order to fine-tune the overall rating, sub-criteria are provided for each dimension in seven detailed sustainable development tables. They can also be used to raise questions about SD issues on a given dimension and to identify actions to move up to the next ranking. One or more subcriteria may be relevant. A summary of the rating is provided on a graph. See below for an example.



Monitoring of social performance	Regular monitoring takes place on projects.

Additionality and the Positive Agenda

Methodology description for measuring or assessing additionality and positive impacts	*Concept of additionality* Impact evaluations conducted
Examples of positive impacts for the social dimension	
Examples of negative social impacts which were remediated during the proofing process	

Recommendations

Recommendations and lessons learnt from implementing E&S screening and proofing	More training needed and creation on online material on E&S assessment Need to create a common language Need to have capacity building for implementing E&S policies with partners and final recipients

Caisse des dépôts et consignation (CDC)

General Information			
Name of Institution	Groupe Caisse des Dépôts Banque des Territoires		
Title of E&S Standard or Framework	"Grilles de Cotation Stratégique et Extra-financière" i.e. Non-Financial Framework		
Date of publication	Experimentation Fall 2019 Formal Launch Jan 2020	**Publicly available**	No
Brief description of the E&S Standard/Framework	The Scoring Framework is an internal tool based on a selection of non-financial criteria and intended to inform the investment commitment process at the stage of decision-making. It is structured from the setting up of a non-financial framework early in the investment lifecycle with the aim of identifying potential impacts generated by the projects entering the portfolio as part of new investment commitments. Along with the financial and the risk-related scoring, the Framework also includes a Policy Check rating from the viewpoint of strategic consistency ("Cotation Stratégique" i.e. compliance with pertinent national and regional programmes, CDC Territorial strategy etc.) and an extra-financial scoring ("Cotation Extra-Financière"). The Scoring Framework is designed to fulfil the financial institution's commitment towards a sustainable and inclusive territorial development and to ensure full transparency and accountability as per its mission of general public interest, whilst integrating the extra-financial components in the decision-making on new investments. Apart from this scoring to be applied during the selection of new projects, a specific methodology called "MESIS" has been developed by CDC together with its partners (BNP Paribas, Inco) to create a new reference Tool to measure and monitor social impact of the dedicated thematic investments via a specialised fund.		
Custodians of E&S	"Pôle Stratégie Durable et Évaluation" i.e. Sustainability Evaluation Unit		
Is the E&S Standard/ Framework aligned to specific international practice?	The Framework is aligned with best market practices. Either with the most advanced ones e.g. AFD or KfW or with more recent ones ie. Cassa Depositi e Prestiti		
	70% is deemed common	**Which sectors?**	Specific criteria apply for: - Real Estate (e.g. HQE buildings)

Is the E&S Standard/ Framework sector specific?	to all sectors		- Infrastructure (impact analysis, CO2 review) - Territorial Dev. / Urban regeneration

Availability of specific E&S policy for disadvantaged or vulnerable individuals or groups	Yes, it is expressed through the "Social and Territorial Cohesion" series of criteria which concerns project's contribution to the territorial social objectives, including measures related to population groups in need of social and professional integration, qualification and training, as well as job creation and partnerships with territorial actors.
Availability of specific E&S policy for gender equality issues	The overall mission of CDC and of the Banque des Territoires aims at supporting the general public interest and, as such, targets all territories and all population groups, whilst addressing the economic, social and territorial divisions and the inequalities.
Is there a dedicated E&S team in your organisation?	Yes "Pôle Stratégie Durable et Évaluation" i.e. Sustainability Evaluation Unit

Screening and Proofing Processes

Describe the overall E&S due diligence process	"Cotation" tool is intended to to give CDC investors a means of taking non-financial aspects into account. This is requested in the project instruction phase prior to submitting the project to the decision-making body
Description of the screening process	"Cotation Stratégique" There are 3 main areas of focus, including: ▶ Coherence with national priority public policies and programmes (Alignment Score) ▶ Coherence with specific regional and territorial priorities i.e. urban/peri-urban areas (Alignment score) ▶ Coherence with strategic priorities of CDC / B. des Territoires (Alignment score) ▶ Innovation or experimentation approach (Bonus) "Cotation Extra-Financière" No details are provided, but in broad terms the framework is characterised as: ▶ ESG based ▶ A mix of quantitative and qualitative indicators in the ESG domains ▶ It includes (1) a common set of indicators across all investment types and (2) a set of indicators tailored to specific asset classes CDC Investment Managers instructing new projects are responsible for filling out the indicator scoring matrix. The project's performance as per a set of predetermined ESG Indicators is rated based on a scoring scale ranging from strong positive impact to negative or un-remediated impact.

Description of the proofing process	***"Cotation Extra-Financière"*** No details are provided, but in broad terms the framework is characterised as: ▶ ESG based ▶ A mix of quantitative and qualitative indicators ▶ It includes (1) a common set of indicators across all investment types and (2) a set of indicators specific to certain asset classes CDC Investment Managers are responsible for fill out the indicator frameworks. The E&S Indicators are rated from A (highest) to E (negative impact or un-remediated)

Availability of exclusion list	Yes, there is a strict group-wide policy.

Institution's specific E&S risk classification or categorization system	The overall risk assessment process and conformity control / due diligence are carried out by a dedicated department across the CDC. Therefore, the extra-financial scoring tool has been designed to complement the already existing and rigorous risk assessment approach by strengthening the sustainability criteria in the decision-making. Thus, the extra-financial scoring is an impact-based approach to aid the decision process, with rating scales enabling to identify and to flag projects with potential strong negative impacts or non-conformities.

Are all investment projects E&S screened?	Yes	**Threshold**	N/A

How do you ensure that clients/project promoter are committed and trained on E&S requirements?	Project

List social criteria used for screening/ proofing of investment projects	N/A A few examples: - Social & Professional inclusion mechanisms - Nb of jobs sustained, territorial partnerships

Availability of a scoring or ranking for investment projects	Yes, a scoring framework is included

Monitoring of social performance	Monitoring is under review at present, particularly a possibility of applying this process throughout the project's lifecycle after the decision-making phase and the operational feasibility of such an approach. A high-level monitoring of projects that are already in the portfolio has recently been introduced in the form of a non-financial dashboard with a number of predetermined non-financial indicators e.g. to follow the investment in specific dedicated areas, such as thermal rehabilitation, renewable energy, sustainable mobility etc.

Additionality and the Positive Agenda

Methodology description for measuring or assessing additionality and positive impacts	The extra-financial ESG scoring contains 3 sub-categories of social indicators (social cohesion, territorial cohesion, and supporting employment creation). Risks being assessed separately by 'Direction des Risques' (legal, operational, reputational, financial) may impose specific caveats and compliance conditions and recommend mitigating actions (points of action required prior to the lifting of restrictions).
Examples of positive impacts for the social dimension	N/A
Examples of negative social impacts which were remediated during the proofing process	There have not been any recent cases
Recommendations	
Recommendations and lessons learnt from implementing E&S screening and proofing	▶ The introduction of a societal approach in a project assessment process requires significant 'educational' / training efforts ▶ There is therefore a need to plan progressive steps, both towards internal stakeholders and towards co-investors externally

Cassa Depositi e Prestiti SpA (CDP)

General Information			
Name of Institution	Cassa Depositi e Prestiti		
Title of E&S Standard or Framework	(i) CDP is currently developing its **E&S framework** (new version) (ii) CDP has a Risk Assessment Framework: **Assessment of the Environmental and Social Impacts of Operations**		
Date of publication	(i) N/A (ii) 2018	**Publicly available**	(i) N/A (ii) Yes
Brief description of the E&S Standard/Framework	► **Description of the future E&S Framework** In process of creation. ► **Description of the Assessment of the Environmental and Social Impacts of Operations:** The CDP Group adopts a prudent approach in monitoring its risks and attributes particular importance to the potential risks associated with ethical, social, environmental and governance aspects associated with investment and shareholding decisions. It does this by carrying out due diligence for reputational purposes, to ensure that its risk management is in line with the standards adopted by similar international organizations. In this regard, as part of the due diligence process for transactions governed by specific internal policies, CDP Group acquires formal documentation, where necessary, to prove that there are no negative environmental and social impacts or the existence of impact mitigation initiatives, which is one of the elements of the overall evaluation of the initiatives themselves.		
Custodians of E&S	The Department of Impact Evaluation		
Is the E&S Standard/ Framework aligned to specific international practice?	Yes, ► The upcoming E&S Framework (new version) and the Risk Assessment (old version) are aligned with IFC's Operating Principles for Impact Management and IFC's Performance Standards. ► The CDP impact scoreboard is inspired from IDB INVEST (the private sector institution of the Inter-American Development Bank) methodology called DELTA (Development Effectiveness Learning, Tracking and Assessment).		

Is the E&S Standard/ Framework sector specific?	No	**Which sectors?**	N/A

Availability of specific E&S policy for disadvantaged or vulnerable individuals or groups	Yes, the new version and the old version include specific policy for disadvantaged or vulnerable individuals or groups. This is ensured via IFC's Performance Standards.
Availability of specific E&S policy for gender equality issues	The due diligence process does not include yet gender equality issues but is expected to be included in the new version.
Is there a dedicated E&S team in your organisation?	Yes, the Impact Evaluation Unit (ex-ante and ex-post assessments)

Screening and Proofing Processes

Describe the overall E&S due diligence process	**The due diligence process can be resumed as follows:** ▶ Analyse the documentation provided by the Implementing Partner/client (for project where full E&S evaluation is needed, the Implementing Partner/client is in charge of the screening process) ▶ Look at the counterpart and ask for more information (if necessary) ▶ Upon the data collected (qualitative and quantitative) and the analysis a score is calculated **During the due diligence process 3 dimensions are assessed:** 1. Quality of the project 2. Quality of the counterpart 3. Additionality

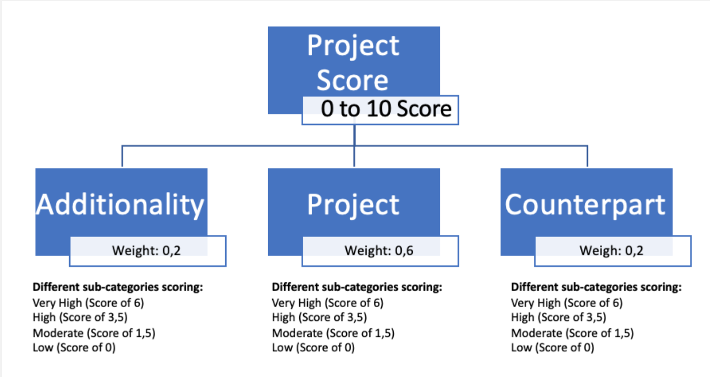
Description of the screening process	► As of today, there is no screening carried out by the CDP. The screening process is conducted by the Implementing Partner and then provided to the Impact Evaluation Unit of CDP. ► For the Risk Assessment Framework (Assessment of the Environmental and Social Impacts of Operations) of CDP's group international business (both development finance and trade finance activities), there is a screening process through the completion of a questionnaire by the applicant for the insurance cover. The questionnaire must be completed for the entire target project. The examination of the screening questionnaire enables an understanding of the nature of the target project, its industrial sector and its geographical location. The questionnaire also enables the assessment of whether the transaction involves a high probability of severe human rights impacts in relation to the target project.
Description of the proofing process	**Proofing process** Based on the data collected and the information provided by the Implementing Partner it is possible to apply CDP due diligence framework. After the information has been processed, a Benchmark for the evaluation is used to compare the projects. Then it is possible to look at the underlying negative and positive aspects of the project. Assessing negative aspects through quantitative techniques to quantify the potential risk categories and assessing positive aspects through a mix of qualitative and quantitative techniques for identifying potential benefits. The proofing process is applicable for each of the dimensions below: 1. Quality of the project 2. Quality of the counterpart 3. Additionality For the CDP's group international business (both development finance and trade finance activities) the full Risk Assessment Framework is also used, complementarily with the standard impact assessment. The transactions classified as most at risk (A and B) require an analysis conducted using internationally recognised instruments. Specifically, for the category A transactions, an Environmental and Social Impact Study (ESIA) is required, prepared in accordance with the guidelines of the World Bank Group; for category B transactions, a special questionnaire, known as the Environmental & Social Review Questionnaire (ESRQ), must be completed. This analysis ends with an assessment of the management of the environmental and social impacts, as well as compliance with the standards, and may include the requirement for mitigation actions and monitoring plans.
Availability of exclusion list	The perimeter of intervention of CDP is defined by specific national laws. For International Cooperation and Development Finance activities, CDP is also compliant with other international standards (i.e. IFC's exclusion list).
Institution's specific E&S risk classification	The risk classification system for the future E&S Framework will be the same as the one used in the current Risk Assessment

or categorization system	Framework. In this latter, the information contained in the screening questionnaire, together with the general information on the transaction contained in the application form, enables the classification of the transactions based on the significance of the environmental and social impacts potentially generated by them. The transactions assessed are classified into three categories: A significant, B moderate, C negligible. The classification assigned to each transaction directs the next step of the due diligence (the analysis).

Are all investment projects E&S screened?	N/A	**Threshold**	No

How do you ensure that clients/project promoter are committed and trained on E&S requirements?	The capacity of modifying the final behavior of the project promoter through the application of CDP's due diligence is adequate especially with regards the CDP's group international business (both development finance and trade finance activities).
List social criteria used for screening/ proofing of investment projects	**There are 4 categories for the social dimension**: 1/ explicit inclusion of people and specific/vulnerable populations 2/ explicit inclusion of territories, regions and cities that are not as developed as the national average 3/ Estimate direct externalities: Final recipients (e.g. Employment) 4/ Estimate indirect externalities: Final recipients (e.g. Cities that benefit from infrastructures) For the due diligence process, it is highly important to comply with specific principles, legislations and regulations in regard to the social and environmental dimensions. For instance, social impacts criteria include working conditions, health and safety of impacted communities and workers, land acquisition, forced displacement of residents, impacts on indigenous peoples, cultural heritage, human rights impacts directly related to projects, such as forced or child labour, or life-threatening workplace health and safety situations.
Availability of a scoring or ranking for investment projects	**Scoring process by dimension** CDP has developed its own scoreboard mechanism, which is fully effective since 2020. The scoring process is based on three dimensions (additionality, project, counterpart) and several sub-domains. The final score is computed with a mix of qualitative and quantitative techniques, taking into account: ▶ Market gaps and failures ▶ Direct, indirect and induced impacts ▶ Econometric techniques (e.g. levels of financial additionality, results of similar initiatives, targets and structures, etc.)

	The final score is used for the internal due diligence. According to the final score obtained by the project, the Impact Evaluation Unit provides also an appraisal ranked as: low, sufficient, good, very good. The Investment Committee uses this analysis as part of its final decision (no pre-determinate lower bound are defined).



Monitoring of social performance	Monitoring procedures are not well put in place but are currently being developed. Monitoring has been integrated in some specific cases and asked for specific counterparts but only for the international projects. As of today, CDP ensures that funding will produce the expected outcomes by looking at: ▶ Financial intermediaries' requirements: define in ex-ante what CDP wants to support. ▶ Ex-post analysis in terms of impacts produced (e.g. evaluation in respect to an initiative).

Additionality and the Positive Agenda

Methodology description for measuring or assessing additionality and positive impacts	N/A The possibility of the project to intervene in sub-optimal level investments and market failures is really important for CDP. In this sense, CDP gives a high importance to the following aspects: ▶ **Market gap/failures:** conducting gap analysis for domestic and international projects (produce a metric scheme for sectors, regions, fields) and perform estimations of projects from previous years to have a quantitative assessment (e.g. additional investments, additional role in adding GDP, etc.). ▶ **Crowding in effects**: looking at the financial structure of the project. Ask the Implementing Partner how the financial structure has been developed (if GDP has been important for attracting other financial resources and investments in order to generate a leverage effect, etc.).
Examples of positive impacts for the social dimension	N/A
Examples of negative social impacts which	N/A

were remediated during the proofing process	

Recommendations

Recommendations and lessons learnt from implementing E&S screening and proofing	In a context of complex organization structures such as CDP and other NPBIs it becomes vital to develop an approach that is flexible and homogeneous in terms of evaluation outcomes. In this regard, the Investment Committee decision must be flexible and coherent with the time and context of the institution in charge of the due diligence process. Furthermore, CDP considers that homogeneity in terms of results should also be taken into account. It could be of great utility to compare the projects and then develop a tool for project discrimination. The comparability and discrimination of projects could eventually facilitate the process of E&S screening and proofing.

Council of Europe Development Bank (CEB)

General Information			
Name of Institution	Council of Europe Development Bank (CEB)		
Title of E&S Standard or Framework	The (Environmental & Social Safeguards Policy and Standards) (ESSP), November 2016. This document supersedes the previous CEB Environmental Policy and includes the social safeguards framework. The ESSP is complemented by two Environmental and Social Standards included in the Handbook for the preparation and implementation of projects		
Date of publication	2016	**Publicly available**	Policy: yes Screening: No
Brief description of the E&S Standard/Framework	The ESSP is applicable to all projects financed by the CEB. The Bank requires that all CEB financed projects in the EU member states, EEAA countries and EU candidates and potential Candidate countries and countries in the EU neighbourhood who have signed association or other forms of agreement with the EU, are in consistency with the EPE principles and the relevant EU substantive environmental legislation, with particular emphasis given to principles, standards and practices related to the environmental impact assessment of projects, and environmental principles, substantive standards and practices foreseen in the EU Directives on industrial emissions, water and waste management, air and soil pollution, OHS, and protection of nature. Regarding social safeguards requirements, the CEB requires that all Projects be designed and implemented in a manner to ensure that they are in line with the relevant principles of the Council of Europe Convention for the Protection of Human rights and Fundamental Freedoms and the European Social charter. The Bank carries out the screening and categorization of each Project at entry to define the nature and level of ESS review and the type of information disclosure applicable. The screening process also serves to determine whether E&S Safeguards standards apply (ESSS) and if so, which. Environmental and social due diligence is undertaken as an integral part of the Banks project appraisal process. It supports the decision making process as to whether the Bank should provide financing and if so, how the Bank expects the Borrower to address E&S risk. The Due Diligence scope reflects the characteristics of the Project and is proportional to the degree of E&S risks and potential adverse impacts associated with the Project. The Handbook of preparation and implementation of Projects includes two ESS Standards as well as general considerations:		

	▶ ESSP1 describes the requirements for environmental and social assessment, public consultation and risk mitigation and management in terms of process and issues to be addressed, including protection of nature and biodiversity, pollution prevention, resource efficiency, climate change, vulnerable groups, gender and discrimination, working conditions and community health and safety. ▶ ESSP2 describes the requirements for addressing issues of economic and physical displacement of persons in connection with project included compulsory land purchase orders.		
Custodians of E&S	The Environmental and Social sustainability Unit within the Technical Assessment and Monitoring Dept. owns the ESS due diligence and screening process.		
Is the E&S Standard/ Framework aligned to specific international practice?	The ESS Framework was developed principally based on MDB practice. It relies on the applicable European legislation, including in the Balkans. The Framework is based on the European Social Charter and the Council of Europe Convention for the Protection of Human rights and Fundamental rights standards Council of Europe Human Rights and makes reference to several international conventions and standards.		
Is the E&S Standard/ Framework sector specific?	No	**Which sectors?**	N/A
Availability of specific E&S policy for disadvantaged or vulnerable individuals or groups	The CEB is the only development bank in Europe with a social mandate. In its new development plan 2020-2022, one of the three main lines of action of the CEB is the support for vulnerable group. The long-term integration of vulnerable people was and will continue to be the determined focus of the CEB's operational activity. The current E&S framework takes into account the protection of vulnerable groups as one of the main principles. Their specific needs have to be taken into account in all situations Notably in involuntary resettlements, stakeholders' consultations, in terms of human rights treatment…		
Availability of specific E&S policy for gender equality issues	All projects that intend to be financed by the Bank have to be screened particularly for gender aspects, as gender equality and non-discrimination are also listed as main principles in the ESSP. CEB prepared an internal Gender assessment guidance note, that is currently being updated. All projects are screened for gender aspects, and rated, to reflect the "Extent to which the project includes design features to promote gender equality in coherence with the gender gaps identified.		
Is there a dedicated E&S team in your organisation?	The E&S Sustainability unit, within the Technical Assessment and Monitoring department.		

Screening and Proofing Processes	
Describe overall E&S due diligence process	All project proposals are screened at inception. In response to a borrower request for loan, CEB undertakes project preparation by the Project team. CEB's internal Project team includes the Lending Dept. (Country Manager), the Technical Advisor in charge and an E&S Sustainability Officer, that wil be in charge or assessing the E&S aspects, the categorisation, as well as the climate change considerations (this is not explained here). The Project team may decide to undertake a technical appraisal mission to appraise the project onsite (around 20 per year out of 45 projects approved yearly in average by CEB). In all other cases, appraisals, including E&S aspects are undertaken through desk review, on the basis of documentation prepared by the borrower and specific questionnaires to be completed by the Borrower and teleconferences to clarify those. In some cases, consultants may also be supporting the E&S due diligence process. E&S aspects are compiled in E&S screening Sheets, categorisation and justification is issued, as well as mitigation measures and potential conditions proposed. These E&S considerations are reflected in the internal documentation related to the Project, including documentation to be submitted to the Administrative Council of the Bank for approval. The Categorisation will result in a project Risk Categorisation A, B, C (A high risk, C low) ,a s well as Public intermediary with low, medium or high risk, and Financial intermediary with Low, medium or high risk. Within current CEB portfolio, 90-80% of all projects are categorized as medium risk, mainly because of construction related risk (Renovations may result in C). Projects categorised as high risk may still take place, based on remediation actions committed by project promoters. ESS due diligence for banks/Micro-Finance institutions consist of an assessment of the bank's own policies. Financial intermediaries may still operate largely as 'black box' but are visited regularly. Evidently, Public institutions are more rigorously tied to local legislation.
Description of the screening process	CEB fulfilling fiduciary responsibility on environmental, social and climate change risks of projects: therefore, a risk screening is systematically undertaken for all projects submitted for financing. This screening is harmonised depending on the type of financial instrument (direct lending, intermediate lending, public financing facility for unknown projects), but the main questions and aspects screened are the same, and are identified in the ESSP and its standards. This screening process is described in question above. In addition to this E&S screening, all proposals for CEB financing have a systematic upfront screening and are rated on other social aspects, in relation to Final recipients, Vulnerable Groups

	targeted and Social Safeguards, notably on the positive and benefits side, as detailed hereafter: ▶ Final recipients: the rating should reflect whether end final recipients are clearly identified, the share they represent over the total population of the region/country as pertinent and the adequacy of project design to reach them. ▶ Vulnerable groups targeted: the rating should reflect whether there is a clearly identified vulnerable group that will benefit from the project and the magnitude they represent out of the total number of final recipients and the adequacy of the project design to reach them. ▶ Social safeguards: extent to which the project is concerned by social safeguard issues (e.g. labour standards, occupational and community health and safety, expropriation/resettlement, stakeholder/ public consultation and participation, vulnerable groups' rights and interests, cultural heritage) and if so, how they are managed by the project implementers. The rating should take into account the adequacy on social management plans/framework and/or the capacity of the project implementers to address and manage such issues if applicable and as required by the ESS Policy.
Description of the proofing process	CEB understands "proofing" as remediation, potential improvements to the project. If some E&S risks are identified through the E&S screening and due diligence procedure, that need further discussion or specific mitigation measures, the project promoter is informed and mitigation measures will have to be implemented during preparation or implementation of the Project, e.g. increase level of public consultation, project level complaint mechanism, etc. In some other cases, the Technical assessment and Monitoring department will also identify potential ways to enhance the positive social benefit of a project during appraisal. In such cases, specific recommendations are proposed to the Borrower to enhance social impact.
Availability of exclusion list	According to the Handbook for the Preparation and implementation of Projects (chapter 3), the following activities defined by the NACE nomenclature of the European Union shall be excluded from the CEB's financing: 1. Industries extractives (NACE B) except division 8 Other mining and quarrying (8.1 Quarrying of stone, sand and clay; 08.91 Mining of chemical and fertiliser minerals and 08.92 Extraction of peat; 08.93 Extraction of salt) 2. Distilling, rectifying and blending of spirits (NACE C11.01) 3. Manufacture of tobacco products (NACE C12) 4. Manufacture of coke and refined petroleum products (NACE C19) 5. Processing of nuclear fuel (NACE C24.46) 6. Manufacture of weapons and ammunition (NACE C25.4) 7. Manufacture of military fighting vehicles (NACE C30.4)

	8. Financial and insurance activities (NACE K64-66) 9. Real Estate Activities (NACE L68) 10. Gambling and betting activities (NACE R92) 11. Activities of membership organisation (NACE S94) 12. Activities of extraterritorial organisations and bodies (NACE U99) Investment projects linked to pornography and to products regarded by the CEB's member states regulations as harmful to the health and the environment shall also be excluded. Further, as a general rule and in accordance with its specific social focus, the CEB shall not finance large-scale industrial operations that have the potential to generate important social and environmental risks and adverse impacts. This limitation particularly concerns investments in the extractive industries sector, including in particular: ► Mining of coal or lignite ► Extraction of crude petroleum and natural gas ► Mining of metal ores For the purpose of supporting job creation and preservation, the CEB may finance productive investment projects in micro, small and medium-sized enterprises (MSMEs). However, these investments shall exclude the activities listed in the Exclusion list presented in the Loan Policy.
Institution's specific E&S risk classification or categorization system	Category A, the Project is likely to cause significant adverse environmental and/or social impacts which may be irreversible, cumulative, diverse or unprecedented. Environmental and Social Impact Assessment (ESIA) is mandatory for such Projects. Category B, the Project is considered to have a limited number of potentially adverse environmental and social impacts, which are generally site-specific, largely reversible, and readily addressed through mitigation measures. Category C, the Project is likely to have minimal adverse environmental and social impacts. Category FI refers to lending operations through financial intermediaries (FIs) which allocate the Bank's loan proceeds to sub-Projects, or to end beneficiaries. To each loan operation categorised as FI, the Bank assigns a risk classification ranging from 1 to 3 (1 being the highest, 3 the lowest) to reflect the estimated degree of environmental and social risk. Category PI refers to programme lending operations administered by a Public Institution (PI) for the financing of sub-Projects within national, regional or municipal investment programmes. Such programmes are generally implemented within the EU policy framework, and are subject to EU environmental and social requirements including Strategic Environmental Assessment. To each loan operation categorised as PI, the Bank assigns a risk classification ranging from 1 to 3

	(1 being the highest, 3 the lowest) to reflect the estimated degree of environmental and social risk.

Are all investment projects E&S screened?	Yes	**Threshold**	In Social areas, no. Well assessed from the outset. "Social issues can always be managed"

How do you ensure that clients/project promoter are committed and trained on E&S requirements?	CEB undertakes due-diligence to ensure that clients have sufficient E&S processes. In specific cases, for certain clients with less experience in these issues, CEB can provide consultancy to help project promoters identify the risks and potential mitigation measures in specific projects, as well as trainings for certain Borrowers. Working hand in hand with Project Manager.
List social criteria used for screening/ proofing of investment projects	CEB's approach in terms of social safeguard review and management draws upon the principles enshrined in the Council of Europe Convention for the Protection of Human Rights and Fundamental Freedoms and the European Social Charter. The principles specifically emphasised in Project operations are those related to: ▶ Conditions and rights of workers ▶ Protection of vulnerable groups ▶ Forced labour and child labour ▶ Gender equality and non-discrimination ▶ Protection of livelihoods and housing ▶ Community health and safety ▶ Stakeholder information and consultation
Availability of a scoring or ranking for investment projects	On the E&S risk side, the categorisation (A, B, C…) is not a scoring nor a ranking mechanism, but a risk determination. In addition to the categorisation, Projects are rated according to the risks and the plan and capacity for their management: The Social safeguards Rating is applied following the grid below: N/A - Not concerned by any significant social safeguard issue 1 - Exposed to major social safeguard issue(s) that is (are) likely to jeopardise social sustainability and/or may cause reputational risk 2 - Minor social safeguard issue(s) was (were) identified which is (are) not adequately addressed by the project implementers 3 - Minor social safeguard issue(s) was (were) identified which (is) are adequately addressed by the project implementers 4 - Includes pro-active design features that go beyond the basic requirements of social safeguards. All CEB projects receive a social scoring (previous Social safeguards scoring is part of this social scoring), which is an internal scoring of projects based on metrics framework. This social scoring takes into account the following aspects, that are also scored from 1 (the lowest) to 4 (in some cases rated NA): ▶ Definition of final beneficiaries and vulnerability, clarity of social outcomes and ways to measure them. ▶ Gender focus (see above). ▶ Urgency of funds (war or ecological or natural catastrophes etc.)

	A minimum social scoring is needed for financing purposes.
Monitoring of social performance	▶ ESS monitoring takes place as decided during the appraisal phase by the Technical team. In direct lending of large operations, monitoring is usually undertaken once a year, during technical monitoring. ▶ Technical monitoring has also to ensure that the project will indeed achieve its social performance, e.g. reach its intended beneficiaries and provide the intended social benefit. ▶ Supplier E&S risk typically not embedded in loan documentation, but included in procurement / tenders in the form of guidelines ▶ E&S reporting is usually undertaken within the progress report (for direct lending operations). Setting / defining the targets and social indicators may be included in the monitoring templates annexed to the loan agreement, part of the Negotiation within the contract
Additionality and the Positive Agenda	
Methodology description for measuring or assessing additionality and positive impacts	Additionality / Positive agenda is appreciated on a case by case basis for each project proposal submitted for financing at appraisal stage. Social benefits have to be clearly identified in each project and included in the project documentation, to be in line with the social mandate of the CEB. Specific indicators measuring the positive social benefits are also usually identified at appraisal stage and included in the monitoring framework of the project (in addition to output and outcome indicators). In addition, the Social scoring (see social scoring question above) has to be positive and more than 3. Grants are being used to fund Technical Assistance when required, in particular to create more social value added.
Examples of positive impacts for the social dimension	In the case of cities: ▶ Improving living conditions territorial dimension ▶ Economic inclusion (macro-finance part) ▶ Social inclusion (cultural heritage, social cohesion) city practice/survey When CEB start a project, Technical advisors identify ex ante the additionality (data sources, target values ...) Developing a framework to measure social impact (categories, identify vulnerable groups, etc.)
Examples of negative social impacts which were remedied during the proofing process	For example, negative social impacts related to involuntary resettlement, particularly for informal settlers (many national legislations do not contemplate rights for compensation of such settlers when expropriating, but other means exist to provide such compensation).

Recommendations	
Recommendations and lessons learnt from implementing E&S screening and proofing	Think of: - Differentiating Infrastructure from Non-infrastructure projects - Cost / additional steps

European Bank for Reconstruction and Development (EBRD)

General Information	
Name of Institution	European Bank for Reconstruction and Development (EBRD)
Title of E&S Standard or Framework	Environmental and Social Policy, April 2019. This document supersedes EBRD Environmental and Social Policy (2014) and the respective Performance Requirements. The Policy is updated every 5 years. As a good practice, it is important to note that a large consultation on E&S policies took place in 2018 before implementing the 2019 Environmental and Social Policy. This consultation with clients, academia, civil society organizations, business association, and international organizations, among others, was to provide to interested parties and to those potentially affected by the Bank's operations the opportunity to participate in and provide input on the development of the 2019 Environmental and Social Policy (ESP).

Date of publication	April 2019	**Publicly available**	Yes

Brief description of the E&S Standard/Framework	All EBRD projects undergo environmental and social appraisal both to help EBRD decide if the project should be financed and, if so, the way in which environmental and social issues should be addressed in its planning, implementation and operation. The appraisal is appropriate to the nature and scale of the project, commensurate with the level of environmental and social risks and impacts. EBRD has adopted a comprehensive set of specific Performance Requirements (PRs) for key areas of environmental and social sustainability that projects are required to meet. Central to the PRs is the application of the mitigation hierarchy and good international practice. The PRs are as follows: ▶ PR 1 Assessment and Management of Environmental and Social Risks and Impacts ▶ PR 2 Labour and Working Conditions ▶ PR 3 Resource Efficiency and Pollution Prevention and Control ▶ PR 4 Health, Safety and Security ▶ PR 5 Land Acquisition, Restrictions on Land Use and Involuntary Resettlement ▶ PR 6 Biodiversity Conservation and Sustainable Management of Living Natural Resources ▶ PR 7 Indigenous Peoples ▶ PR 8 Cultural Heritage ▶ PR 9 Financial Intermediaries ▶ PR 10 Information Disclosure and Stakeholder Engagement

Custodians of E&S	EBRD Environment & Sustainability Department		
Is the E&S Standard/ Framework aligned to specific international practice?	EBRD's Environmental and Social Policy and Performance Requirements contain references to a number of international conventions and standards. The EBRD performance requirements aligned to the IFC ones, with EBRD adjusting some of its performance requirements for its own countries of operations. For the social screening, EBRD standards are very much aligned to the EIB and IFC ones (EBRD policy is more advanced on gender violence and modern slavery).		
Is the E&S Standard/ Framework sector specific?	No	**Which sectors?**	N/A
Availability of specific E&S policy for disadvantaged or vulnerable individuals or groups	EBRD has an "Economic Inclusion Strategy (EIS) 2017-2021". This is the EBRD's first Economic Inclusion Strategy. It reflects the experience and specific lessons learned from the Bank's distinctive private sector focused inclusion approach since 2013 as well as evolving inclusion challenges and best international practices in relevant areas. The EIS is based on the concept of equality of opportunity and focuses on groups that experience disproportionate barriers to economic opportunity due to circumstances outside of their control – such as their gender, place of birth or socio-economic background that influences their transition from education into employment. In this context, the primary target groups of the EIS are women, young labour market entrants and populations in disadvantaged (urban or rural) regions within a country. In addition, the EIS will explore the gradual expansion of its inclusion activities to other groups such as ageing workforce, people with disability, refugees, or others. The identification of any potential other groups will be based on country strategy priorities and where there is a business case for the Bank to address related inclusion gaps through its private sector led approach within the parameters of sound banking and additionality. The EIS target groups are not mutually exclusive, and gender is mainstreamed across all of the Bank's activities.		
Availability of specific E&S policy for gender equality issues	EBRD has a "Strategy for The Promotion Of Gender Equality 2016-2020". The Strategy for the Promotion of Gender Equality seeks to increase women's economic empowerment and equality of opportunities in EBRD's Countries of Operation by focusing on three specific objectives: i) access to finance and business support for women-led businesses, ii) increasing access to employment opportunities and skills for women, and iii) improving access to services. The Strategy also supports the		

	commitment made under the Strategic & Capital Framework 2016-2020 to mainstream gender equality into EBRD operations by 2020.
Is there a dedicated E&S team in your organisation?	Yes, within the Environment & Sustainability Department, which comprises 50 staff, including 35 specialists Key responsibilities during project appraisal are as follows: ▶ The client's responsibility is to ensure that adequate information is provided so that the Bank can undertake an environmental and social appraisal in accordance with the environmental and social policy (ESP) ▶ The Operation Team, led by an Operation Leader ("OL"), has the overall responsibility for the project on behalf of the Bank, including the environmental and social aspects of the project ▶ The Environment and Sustainability Department is responsible for the appraisal of environmental and social impacts, risks and opportunities of each potential project in accordance with the ESP, etc. It also assists the Operation Teams and clients in identifying potential environmental and social impacts and evaluates environmental and social due diligence information provided to the Bank and discussing necessary actions with the Operation Team and the client. ▶ The Operations Committee ("OpsCom") makes decisions throughout the project approval cycle relating to project and its fit with the Bank's mandate, policies and strategies, and sets conditions to its approval as necessary. ▶ The Board of Directors approves projects taking into consideration the overall benefits and risks of the project and their adequacy and compliance with EBRD mandate, policies and strategies.

Screening and Proofing Processes

Describe the overall E&S due diligence (process	All projects are screened for social and environmental impacts. The environmental and social due diligence (ESDD) process appraises (i) the environmental and social impacts, issues, risks and opportunities associated with the project; (ii) the capacity and commitment of the client to implement the project in accordance with the relevant PRs; and (iii) to the extent appropriate, the environmental and social impacts and risks related to facilities and activities that are associated with the project, but are not financed by EBRD. The ESDD starts with identification and a review of available relevant environmental and social information related to the project. Such information is determined by the Operation Team and/or ESD together with the client. Depending on the nature of the project and the information received from the client, the ESD may require a site visit to the project at the initial stage of the due diligence to determine the

detailed scope and content for the ESDD. Specific objectives will be defined for such visits.

The client is responsible for ensuring that the ESDD complies with the PRs and provides the Bank with adequate information to undertake the environmental and social appraisal. The ESD's role is to assist the client with this task and advise on the scope and content of the due diligence studies required to meet the PRs.

The ESDD is expected primarily to be conducted by independent consultants or other third-party experts. In some cases, the project or client may have in-house specialist staff or retained consultants who can conduct the necessary work.

Note that a project summary document (PSD) will be prepared for each project where approval is sought from the Board of Directors. Where there are significant environmental or social issues, PSDs are also prepared for projects approved by EBRD decision making bodies other than the Board of Directors. The ESD will draft and agree with the Operation Team and the client the environmental and social content of the PSD. PSDs will summarise:

- the rationale for categorisation of a project;
- a description of the main environmental and social issues associated with the project;
- key measures agreed to mitigate the risks and impacts;
- results of the greenhouse gas assessment, where required;
- a summary of any disclosure or consultation activities; and
- a link to the ESIA page for Category A projects.

Below is an overview of the indicative environmental and social appraisal and monitoring process:

	APPRAISAL			APPROVAL		MONITORING
	CONCEPT REVIEW	DUE DILIGENCE	STRUCTURE/ FINAL REVIEW	BOARD		MONITORING OF PROJECT IMPLEMENTATION
ESD ACTIONS	• Identification of potential E&S impacts, risks & opportunities • Project categorisation • Identification of relevant requirements • Due diligence scoping • Drafting E&S content for CRM	• Review existing information • Site visit (if required) • Due diligence commissioning • On-going liaison • Action plan definition • Drafting PSD content	• E&S info to SRM (if required) • E&S info to FRM • Define E&S monitoring requirements • Define E&S covenants for legal agreement • Define derogations to the E&S Policy (if any)	• E&S content for Board documents • PSD updates	PROJECT SIGNING	• Addressing issues arising • Management of material changes to Projects • PSD updates • Review of monitoring reports • Site visits/inspections • Compliance verification • Approval of waivers
INPUTS						
Shared Information: Project & EBRD	Preliminary information Initial due diligence questionnaires	Detailed information: EIA, SIA, etc. Additional information: (if required)	Due diligence findings PR compliance data E&S Action Plan SEP / NTS Other reports		LEGAL AGREEMENT	Monitoring Plan Monitoring / incident reports 3rd party /stakeholder communications Annual Environmental & Social Report
Gathered Information: EBRD & 3rd Parties	IESE / Initial Site Visit (if required) →	EBRD/Lender's Consultant review & site visit (Cat. A & B) Baseline PR KPI's				EBRD/Lender's Consultant monitoring reports Latest KPI updates
OUTPUTS						
ESD Internal Process	• E&S content for CRM • ESDD Plan (if required) • IESE Report (if required)	• Due diligence ToR • E&S Assessment Report • PR compliance data • E&S Action Plan • Reviewed SEP / NTS • Outline monitoring plan	• E&S content for SRM (if required) • E&S content for FRM	• ESD content in Board papers		• Remedial action requests • Corrective actions • PR compliance data update • PSD updates • ESD content to Operation Change memos • Publish AESR
Published Information to External Stakeholders by:						
Project		SEP or equivalent ESIA documents	Stakeholder engagement responses (if required)			Public reporting (Category A projects) Interaction with shareholders
EBRD		Project Summary Document ESIA documents		Updated PSD		Updated PSD Annual Sustainability Report

Description of the screening process	EBRD's environmental (including climate) and social appraisal is carried out against EBRD's Environmental and Social Policy and Performance Requirements, which require EBRD financed Projects be assessed against both relevant national law and EBRD Performance Requirements, including EU substantive environmental standards. EU financed projects are required to be structured to meet host country regulations or EU substantive environmental standards, whichever are more stringent. EBRD categorises each directly financed project either as A, B or C to determine the nature and level of environmental and social investigations, information disclosure and stakeholder engagement required (See below explanation on the use of categories). This will be commensurate with the nature, location, sensitivity and scale of the project, and the significance of its potential adverse future environmental and social impacts. The rationale and justification for the assigned category of the project will be documented.

Description of the proofing process	The client is required to take into account the findings of the environmental and social assessment process and the outcomes of stakeholder engagement in order to develop and implement a programme of actions to address the identified environmental and social impacts and issues of the project as well as to determine any performance improvement measures to meet the PRs. Depending on the project, the programme may consist of a combination of documented operational policies, management systems, procedures, plans, practices and capital investments, collectively known as Environmental and Social Management Plans ("ESMP"). Components of such plans or programmes may include, for example, a Biodiversity Action Plan, Emergency Response Plan, Resettlement Action Plan, Livelihood Restoration Framework, Indigenous Peoples' Development Plan, Human Rights Action Plan, Stakeholder Engagement Plan and/or other specific plans. Alternatively, these may be stand-alone documents. Where the project does not meet the PRs from the outset, the client and the Bank will in addition to the ESMP agree on an Environmental and Social Action Plan (ESAP), which will include technically and financially feasible, and cost-effective measures for the project to achieve compliance with the PRs within a time frame acceptable to EBRD. The ESAP is the key tool to structure projects to meet the PRs as well as a key instrument for monitoring of the project's ongoing environmental and social performance by EBRD. The ESAP may also include measures for the client to manage environmental and social risks and/or to improve their practices in line with the PRs in their other operations that are associated with but not part of the project. If no corrective actions have been identified in the environmental and social due diligence, an ESAP would not be required.

	For projects that could have adverse environmental and social impacts, clients are expected to, as an integral part of the assessment process, identify all the project's stakeholders and design a plan for engaging with the stakeholders. Consultation should be meaningful to take the views and concerns of stakeholders into consideration in planning, implementing and operating the project. The client will identify the stakeholders potentially affected by and/or interested in the project, disclose sufficient information about the impacts and issues arising from the project and engage with relevant stakeholders, in proportion to the potential impacts associated with the project and level of concern. For Category A projects, the client and the Bank will make available to the public the ESIA documents. For private sector projects, the ESIA documents shall be available for a minimum of 60 calendar days prior to consideration of the project by the Board of Directors, for public sector projects 120 calendar days prior to Board consideration. The ESIA documents are produced by clients, and the EBRD makes them available without any comment or implied endorsement. However, before disclosure, the ESD must consider the ESIA documents appropriate and fit for purpose for the consultation process.
Availability of exclusion list	EBRD will not knowingly finance, directly, or indirectly through FIs, projects where EBRD proceeds are used for activities relating to the following: ▶ The production of or trade in any product or activity deemed illegal under host country laws or regulations, or international conventions and agreements, or subject to international phase out or bans ▶ Forced evictions ▶ Thermal coal mining or coal-fired electricity generation capacity ▶ Upstream oil exploration ▶ Upstream oil development projects, except in rare and exceptional circumstances where the proceeds of the project exclusively target the reduction of GHG emissions or flaring from existing producing fields ▶ Activities involving force-feeding of ducks and geese. ▶ The keeping of animals for the primary purpose of fur production ▶ The manufacture, placing on the market and use of asbestos fibres ▶ The export of mercury and mercury compounds, and the manufacture, export and import of a large range of mercury added products ▶ Activities prohibited by host country legislation or international conventions relating to the protection of biodiversity resources or cultural heritage ▶ Drift net fishing in the marine environment using nets in excess of 2.5 km. in length ▶ Shipment of oil or other hazardous substances in vessels which do not comply with IMO requirements.

	▶ Trade in goods without required export or import licenses or other evidence of authorization of transit from the relevant countries of export, import and, if applicable, transit
Institution's specific E&S risk classification or categorization system	▶ "A" when it could result in potentially significant adverse future environmental and/or social impacts which, at the time of categorisation, cannot readily be identified or assessed, and which, therefore, require a formalised and participatory environmental and social impact assessment process. In such instance, EBRD looks at everything and the assessment can take up to 1 year. ▶ "B" when its potential adverse future environmental and/or social impacts are typically site-specific, and/or readily identified and addressed through mitigation measures. Environmental and social appraisal requirements may vary depending on the project and will be determined by EBRD on a case-by-case basis (in such instance, the assessment can vary between 1 to 4 months). ▶ "C" when it is likely to have minimal or no potential adverse future environmental and/or social impacts, and can readily be addressed through limited environmental and social appraisal.

Are all investment projects E&S screened?	Yes	**Threshold**	N/A

How do you ensure that clients/project promoter are committed and trained on E&S requirements?	Training is provided by EBRD on a regular basis, through the use of interactions with clients, during assessment periods and through the use of consultants. There are also several other opportunities to share knowledge, for instance through webinars, e.g. EBRD Environmental and Social Policy Development - Best Practice for Financial Institutions
List social criteria used for screening/ proofing of investment projects	For the social dimension, EBRD considers impact on: ☒ Gender equality / Women's empowerment ☒ Economic development of areas and sectors affected by structural challenges ☒ Vulnerable groups ☒People directly and indirectly affected by the financing or investment operations (employers, customers, suppliers, distributors, neighbours, etc.) ☒Other: ▶ Labour and working conditions (e.g. labor conditions for children in the cotton industry) ▶ Occupational and public health, safety and security ▶ Land acquisition, involuntary resettlement and economic displacement ▶ Indigenous peoples ▶ Cultural heritage ▶ Vulnerability: Economic inclusion of young labour market entrants and populations in disadvantaged (urban or

	rural) regions within a country. For instance, EBRD would consider impact of wind farms on local populations or effect or grazing on land use for groups of people and their income
Availability of a scoring or ranking for investment projects	A risk rating is done against specific categories (A, B, C) as described above, but not scoring of projects is performed
Monitoring of social performance	Monitoring of the environmental and social impacts of projects by the Bank is based on the monitoring activities initially determined upon completion of the ESDD. Monitoring is risk driven, with higher risk projects subject to more intensive monitoring. The risk evaluation is subject to ongoing review and amendment according to the project's environmental and social performance during implementation.
Additionality and the Positive Agenda	
Methodology description for measuring or assessing additionality and positive impacts	Assessment of negative impacts is focused on determining measures for avoiding, or where avoidance is not possible, minimising and mitigating and, as the last resort, offsetting the impacts. Assessment of positive impacts focuses on identifying opportunities for delivering significant environmental and social benefits. For example, GHG emissions: • Negative impacts: shadow carbon pricing is applied for investments with a GHG emission impact above a predefined threshold; these projects need to undergo an economic assessment to verify their economic viability. • Positive impacts: o GHG savings are quantified for climate mitigation projects. They can be used to define the level of concessionality as part of specific concessional finance frameworks. o Carbon pricing for avoided GHG emissions Climate Adaptation: consideration of negative (climate risks) and positive impacts climate resilience benefit approach: identification and valorisation of physical climate resilience outcomes and quantification of related financial and non-financial benefits. Also the EBRD has a transition concept that argues that a well-functioning and sustainable market economy should be characterised by six key transition qualities, i.e. it is an economy that is Competitive, Well-governed, Green, Inclusive, Resilient and Integrated. For each investment, EBRD assesses how the project contributes to the Bank's mandate to promote transition. Projects are scored by looking at the two main transition qualities they contribute to, but all are reviewed along the six qualities to make sure there are no elements that could potentially produce negative impact on the other qualities.

Examples of positive impacts for the social dimension	N/A
Examples of negative social impacts which were remediated during the proofing process	N/A

Recommendations

Recommendations and lessons learnt from implementing E&S screening and proofing	N/A

European Investment Bank (EIB)

General Information			
Name of Institution	European Investment Bank		
Title of E&S Standard or Framework	Environmental and Social Framework composed of: ▶ The EIB Statement of Environmental and Social Principles and Standards 2009 (under revision) ▶ The EIB Environmental and Social Standards 2013 (under revision) ▶ E, C & S Procedures: internal manual for due diligence (under revision)		
Date of publication	2013 / Part of the volume of the Standards (Standard 3 in volume I) was updated and the volume on the internal procedures	**Publicly available**	The Statement and the Standards are publicly available. Clients are required to comply with the requirements contained in the 10 E&S Standards DD procedures are explained to clients
Brief description of the E&S Standard/Framework	EIB has implemented its environmental and social policy with the wider context of its global drivers i.e. Human Rights, Climate Change, Biodiversity which are integrated and cut across all EIB activities and practices. The E&S Principles and commitments are spelled out in the EIB Statement and are operationalised in 10 E&S Standards and complement the financial and economic, technical criteria in the due diligence of projects. These principles are aligned with other International Financial Institutions E&S Standards and apply to both public and private sector and to all regions. The Framework principles are based on the following: ▶ "Do no significant harm" ▶ Positive additionality - intended as "social accelerator" ▶ Internalization trade-offs / opportunities		
Custodians of E&S	Environment, Climate and Social Office (ESCO) within the Safeguards and Quality Management Department. Ownership is of the bank.		
Is the E&S Standard/ Framework aligned to specific international practice?	Yes, it is materially consistent to other IFIs.		
Is the E&S Standard/ Framework sector specific?	It is not sector specific	**Which sectors?**	Mandatory key project characteristics – for all projects, all sectors

			Mandatory sector specific indicators (outputs, outcomes) – for all projects in a given sector or sub-sector

Availability of specific E&S policy for disadvantaged or vulnerable individuals or groups	Yes, both: ▶ Involuntary Resettlement ▶ Rights and Interests of Vulnerable population groups taken into account ▶ Stakeholder Engagement ▶ Parts of Standard on Occupational, Public Health, Safety and Security

Screening and Proofing Processes

Describe the overall project E&S due diligence process	EIB assesses the project against its E&S Standards. EIB advises project promoters in developing measures to manage the E&S risks and impact of their project i.e. identifying opportunities to enhance E&S outcomes based on Promoter's information. EIB also assesses the capacity of the promoter to implement the project and E&S requirements as well as takes into account the contextual, policy and country environment (and risks) in which the project is being implemented. The typical questions raised with Project Promoters on Social issues as related to the project are listed below: 1. Population Movements • Is the proposed investment likely to involve any significant involuntary resettlement and/or significant migration in/out of the project area? • Is significant land or another asset acquisition likely? If so, is compensation proposed and on what basis? Is it adequate to restore livelihoods? • Has the promoter, where appropriate, prepared a Resettlement Action Plan and consulted with affected populations? • Where appropriate, has the promoter developed action plans for managing especially the in-migration of official and casual or contract labour? 2. Vulnerable Groups, Minority Rights, Women • Will the proposed investment have particular impacts on vulnerable groups (these include women, minorities resident in the area, and indigenous peoples)? • What form are such impacts, if any, likely to take (e.g. restricted access to resources, discrimination against particular groups by default rather than design, exacerbation of relationships of inequality)? • Is there an appeals procedure in place? • Is there an action plan where impacts are obvious and direct? • Has the promoter worked with local governments and civil society organizations where such issues exist? •Is the project likely to impact gender equality and women's empowerment? 3. Labour Standards

	• Does the promoter have policies that respect adherence to the ILO's Core Labour Standards? • What is the promoter's policy when it comes to labour recruitment and retention? 4. Occupational and Community Health and Safety • Does the promoter have a policy in place for ensuring the health and safety of its workforce? • Are HIV/Aids and other contagious or STDs a significant issue in the project area, and if, so, what measures are in place that seek to address it? • Does the promoter have an 'outreach' programme that seeks to promote the health and well-being of the communities likely to be significantly affected by the project (e.g. are their anti-pollution measures in operation, are there health initiatives to tackle communicable diseases, do surrounding communities have access to the health facilities provided to workers)? • Are there any EHSS risks of public with respect to influx management, accidents… 5. Public Consultation and Participation • Does the promoter have a policy and/or programme of action for engaging local communities and affected civil society organizations? • Are there arrangements in place to ensure regular and comprehensive information flows between local communities and the promoter? • Does the promoter subscribe to international voluntary reporting initiatives, such as the UN's Global Reporting Initiative • Has a grievance mechanism been established? Transboundary issues, supply chain and project boundaries are the subject of further screening questions.

Description of the screening process	The screening process - referred to as ex ante due diligence - consist of a technical, economic and E&S screening of risks and impacts as summarised in the Project Identification Note i.e. the first risk classification done at pre-appraisal stage

Description of the proofing process	The Proofing - understood as impact assessment - follows 3 distinct steps: 1. Negative impacts generated by Project - Respect of EU charter of Fundamental Rights - Compliance with ILO convention and Core Labour Standards - EIB Environment & Social standards - OSH Framework Directive - Remediation actions 2. Risks for / negative impacts on the investment - Assess contextual risks e.g. labour issues, human rights, fragility, conflict, etc. - identify social dimensions that may threaten the project - identify possible mitigants - assess project viability

	3. Positive Impacts generated by the investment - define outcome / impact indicators - define scoring system that consider non-monetized positive impacts

Availability of exclusion list	Yes, at institutional level and separate exclusion list for intermediated operations

Institution's specific E&S risk classification or categorization system

There are 3 risk classifications:

1. The initial E&S risk classification which is done at PIN i.e. pre-appraisal stage
2. Following appraisal, EIB allocates an overall E&S impact rating which takes into account the mitigation measures in place and assesses the residual impacts. Pls see below 2nd classification

E&S Impact Rating	Residual Impacts	Risk Rating	Global Impact*	Comments
A **Acceptable, insignificant residual impacts; low risks, neutral or positive global impacts.**	**Insignificant**	**Low**	**Neutral or positive**	**An operation of this type may require specific environmental and social loan conditions and /or monitoring**
B **Acceptable; medium residual impacts; low to moderate risks, low adverse global impacts.**	**Medium**	**Moderate**	**Low adverse impact**	**An operation of this type will generally attract environmental and social loan conditions; it will also require a high degree of monitoring for environmental and social reasons.**
C **Acceptable; high residual impacts; moderate to high risks; moderate to high adverse global impact.**	**High**	**High**	**Moderate adverse impact**	
D **Not acceptable; very high residual impacts; very high risks; high negative global impact..**	**Very High**	**Very High**	**High adverse impact**	**An operation of this type will usually have been "screened-out" before full appraisal.**

3. The third classification in place is related to the 3PA categorisation and determines the contribution of the project to overall E&S sustainability.

Are all investment projects E&S screened?	Yes	**Threshold**	There is no project thresholds for screening.

How do you ensure that clients/project promoter are	Where a promoter is not compliant with the EIB E&S Standards, the EIB will require that the promoter brings the project to compliance with the requirements through additional

committed and trained on E&S requirements?

assessments, revision of plans, additional remedial measures e.g. community development programmes, resource efficiency programmes, etc.. The EIB will require that all the mitigation, remediation and compensation measures are captured in the environmental and social management plan (ESMP) or equivalent. Furthermore, EIB will assess the capacity and capabilities of the promoter to implement the ESMP and require the promoter to have in place an ESMS.

The EIB will also include conditions and undertaking in the finance contract to ensure compliance of the project with its requirements. In some cases, an Environment and Social Action Plan (ESAP) addressing the gaps and non-compliance identified during appraisal containing specific conditions designed to close all significant gaps. The ESAP will be part of the Finance Contract. However, it has to be noted that certain E&S requirements need to be met pre-Board and cannot be deferred to the Finance Contract or an ESAP.

Throughout the appraisal process, the EIB assists the promoter, where needed, to meet the EIB requirements. It also assists them in understanding the requirements.

The EIB also carries out training sessions for its promoters on the Bank's requirements including its E&S Standards.

List social criteria used for screening/ proofing of investment projects

Social criteria include the following categories (further details above)
1. Population Movements
2. Vulnerable Groups, Minority Rights, Women
3. Labour Standards
4. Occupational and Community Health and Safety
5. Public Consultation and Participation
6. Transboundary issues, supply chain and project boundaries are the subject of further screening questions.

Noteworthy, Investment Loans Indicator weight applied for Sustainability (E&S) under Pillar 2: 15% and for Employment & other benefits: 20%

<u>Weighting of indicators for the assessment of Investment Loans</u>

	Indicator	Overall Indicator Weight	Sub-Indicator	Sub-Indic. Weight	Overall Sub-Indic Weight
Quality and contribution of the project to Sustainable Growth and Employment	Economic interest	50%	Economic justification of the project	100%	50%
	Promoter Capability	15%	Promoter capacity to deliver	100%	15%
	Sustainability	15%	Compliancy with Bank's Environmental and Social Statements	100%	15%
	Employment, technology and other benefits	20%	Employment, Technology or spatial spill-over effect	100%	20%

Availability of a scoring or ranking for investment projects	Yes, rating is applied under the following two classifications: ► Following appraisal, EIB allocates an overall E&S impact rating which takes into account the mitigation measures in place and assesses the residual impacts. Pls see below 2nd classification. ► The third classification in place is related to the 3PA categorisation and determines the contribution of the project to overall E&S sustainability.
Monitoring of social performance	There is continuous project monitoring until completion – EIB receives project progress reports as defined in the finance contract. EIB would typically expect the project promoter to provide the following: ► Reporting on the environmental and social impacts of the project on a regular basis, including any breach of environmental and social legislation, regulation and relevant international standards and frameworks; ► Fulfilling any environmental and social conditions as stipulated in the finance contract; ► Periodically evidencing that the project is being implemented in accordance with the environmental and social management/action plan, including information about the effectiveness of environmental and social management measures. At project completion, a project completion report is prepared along with an Environment and Social Completion Sheet.

Additionality and the Positive Agenda

Methodology for measuring or assessing and positive impacts	The '3 Pillar Assessment' is used for project eligibility and positive additionality / impact. The process requires the preparation of a project summary sheet; this is not truly a project selection tool, but a decision-making support document, critical to the initial project review stage. The 3 pillars consist of the following dimensions and are rated as follows: **- Pillar 1: The project contribution to EU Policy** (4 scale rating: Low to High) Primary COP objective / Mandate objective Is this project eligible for EIB funding? Cross-cutting indicators Cohesion, Climate action, EFSI **- Pillar 2: The quality and soundness of the project** (4 scale rating: Unsatisfactory to Excellent) Growth What is the economic and social interest of the project? Promoter capabilities

	Does the project sponsor have the necessary experience and resources? Sustainability How does this project contribute to environmental and social sustainability? Employment What are the employment impacts of the project? **- Pillar 3: EIB's technical and financial contribution to advancing the project** (4 scale rating: Low to High) Financial contribution Does EIB funding make a difference, to the extent that funds are not available from other sources on reasonable terms*? Financial facilitation Will EIB participation catalyse other financial support? Advice Can EIB make a difference by contributing financial advice & restructuring & technical advice? There is a weighting and scoring done for each project inside each Pillar but there is no aggregation across them. This process is also aligned with EIB's ReM Framework (outside EU) and EFSI integration. Please note that 3 sets of complementary indicators are used in the screening: ❑ Mandatory key project characteristics – for all projects, all sectors ❑ Mandatory sector specific indicators (outputs, outcomes) – for all projects in a given sector or sub-sector ❑ Custom indicators (outputs, outcomes) – project specific When are these indicators measured: ❑ Baseline: value of the indicators before or without the project ❑ Expected value at Project Completion: value of the indicators at the end of the project ❑ Actual value at Project Completion Pillar 4 of the EFSI Scoreboard ❑ Country-specific macroeconomic indicators ❑ Country-specific sector indicators At project completion: ► Monitoring of 3PA and results indicators against expected results ► Are we achieving expected results? How can we improve future projects? ► Ex-post ► 3PA Indicators used for ex-post evaluation ► Reporting on results ► External reporting on aggregates (KPIs) ► (First report on results of EIB operations inside the EU issued in 2014)

Examples of positive impacts for the social dimension	Provided in the 3 case studies

Examples of negative social impacts which were remediated during the proofing process	3 Case Studies provided separately

Recommendations

Recommendations, questions and lessons learnt from implementing E&S screening and proofing	Under the New InvestEU design structure, (more Implementing Partners representing 75% of the budget / 25% calls for interest) there is an assumption that all IPs will have to meet EU criteria / level playing field (EIB contributes to the technical working Group on sustainability proofing with other institutions and advises the EC based on its experience). **1**: Generate (substantial) positive impacts on sustainability objectives → **Instruments**: (i) increase financial support through environment and climate finance targets, based on robust tracking based on taxonomy; (ii) improve the valuation and accounting of sustainability outputs/outcomes/impacts **2**: Addressing potential negative E-C-S impacts generated by any investment supported by InvestEU → **Instruments**: systems to identify, assess, mitigate and manage them throughout the project cycle **3**: Assessing and managing the risks for / impacts on any investment/project due to E-C-S considerations → **Instruments:** systems to enhance the robustness of investment in addressing these risks Questions: - What is sustainability proofing? Are all instruments above part of it? - Can we define sustainability proofing in a way that works for E, C and S issues? - How to adapt the instruments to the type of financing, to the nature of the investment / counterpart and to the potential significance of risks and impacts?

European Investment Fund (EIF)

General Information	
Name of Institution	European Investment Fund
Title of E&S Standard or Framework	EIF Environmental, Social and Corporate Governance (ESG) Principles This document outlines EIF's main environmental, social and corporate governance principles (ESG Principles), including the key parameters of the ESG framework that is applicable to EIF and its operations and, as relevant, to other EIF contractual counterparts.

Date of publication	14 December 2017	**Publicly available**	Yes

Brief description of the E&S Standard/Framework	Following the adoption of its own ESG Principles in 2017, the EIF has since 2018 been in the process of setting up and piloting a general ESG framework for its activities. EIF does not assess projects but delegate the E&S screening to financial intermediaries. In its intermediated model, EIF's approach to sustainability is built on several pillars, which ensure that the EU support benefits from environmental and social safeguards already today: ▶ EIF's ESG framework, in the course of being applied to all the financial intermediaries participating in EU programmes via EIF (The EIF has worked with 1,288 financial intermediaries); ▶ Including legal provisions in the legal agreements with financial intermediaries requiring that the SMEs benefitting from EU support comply with applicable environmental and social laws; ▶ Intrinsic to its intervention model, the eligibility criteria distilled from the mandates' policy objectives are also a tool to ensure the positive socio-economic impact of EIF's operations. ▶ Further to the above, EIF's approach to sustainability proofing via its ESG framework will keep evolving in a manner that all sorts of financial intermediaries (at different stages of development) can participate in it smoothly, while targeting different final recipients and diverse dimensions of the EC's policy interventions. The European Investment Fund's (EIF) mission is to enhance access to finance (both risk capital and debt) for small and medium-sized enterprises (SMEs) as well as small mid-cap companies and to catalyse public resources to crowd-in private capital towards investments that fulfil a number of policy objectives. To this end, we aim at: (i) satisfying existing and future market needs by developing a highly diversified set of financial products (e.g. guarantees, equity, securitization, etc.)

	that, in turn, will ensure support throughout the entire value chain and, (ii) contributing pro-actively to the development of a European-wide ecosystem of intermediaries focusing on a variety of market segments, in line with the policy priorities of the EIF and of EIF's mandators. The EIF is entrusted with mandates mainly from its two key shareholders, the EIB (European Investment Bank) and the EC (European Commission) as well as EU Member States and NPIs (National Promotional Institutions) and private, institutional investors. The EIF is part of the EIB Group (EIBG) as the EIB is the EIF's majority shareholder. Examples of activities carried out by the social enterprises include: ▶ Assistance to enable disadvantaged workers to enter the labour market ▶ Activities to improve the quality of the environment, ▶ Improving solidarity with developing countries ▶ Delivering social assistance and care services ▶ Delivering healthcare and medical services ▶ Providing social housing ▶ Providing workspace for other businesses and/or social enterprises ▶ Producing and/or distributing healthy and /or affordable food ▶ Facilitating access to and delivering education/lifelong learning or training ▶ Nurturing the culture and arts ▶ Providing inclusive and sustainable services and facilities for tourism ▶ Providing public and/or community services ▶ Organising and/or financing community development ▶ Strengthening democracy, civil rights and/or gender equality ▶ Enabling participation in the digital society ▶ Integration of migrants, asylum seekers, refugees

Custodians of E&S	The EIF uses monitoring and an independent risk management function to ensure sustainable and compliant business operations. EIF's Environmental, Social and Governance Principles underline EIF's commitment to responsible and sustainable practices.

Is the E&S Standard/ Framework aligned to specific international practice?	EIF is currently piloting an E&S framework, including ex ante and ex post policy tools (similar to the ones used by EIB)

Is the E&S Standard/ Framework sector specific?	No	**Which sectors?**	Following the adoption of its own ESG Principles in 2017, the EIF has since 2018 been in the process of setting up and piloting a general ESG framework for its activities.

Availability of specific E&S policy for disadvantaged or vulnerable individuals or groups	Among a very diverse portfolio of policies, in certain policy domains EIF is implementing programmes which target vulnerable groups or individuals.

Screening and Proofing Processes

Describe the overall E&S due diligence process	The EIF does not directly finance or assess whether to invest in individual underlying companies: it deploys its mandates and other funds exclusively through financial intermediaries, such as venture capital and private equity funds or banks and microfinance institutions, dividing the EIF's financing activities in Equity Investments (EI) and Guarantees, Securitization & Microfinance (GSM). Thus, EIF operates a delegated model where financial intermediaries, based on pre-defined eligibility criteria, provide targeted financing to eligible final recipients, mainly SMEs (including sole traders, micro and social enterprises) as well as private individuals, within the policy focus of the respective mandate. Therefore, the policy objectives of the mandates grant, by construction, a defined positive impact depending on the priorities of the mandator. Accordingly, the EIF does not directly finance or invest in (and accordingly, assess) underlying companies, rather it assesses financial intermediaries and their ability to select eligible underlying companies. This business model naturally influences the type, depth and level of EIF's assessments including in relation to Environmental, Social and Governance (ESG) factors. The due diligence process can be summarized as follows: **Pre-Investment process** EIF's investment teams use the ESG questionnaire for the due diligence stage and share it with the fund manager alongside the typical commercial due diligence questionnaire. After receipt of the filled-out questionnaire and the assignment of a preliminary score, the physical DD meeting with the team of the fund manager will include follow-up questions and discussions, based on the investment officer's ESG analysis, possibly identifying areas of improvement before investment. The investment teams then include the ESG assessment in their final Due Diligence (DD) reports. The EIF's risk management unit provides an ESG assessment in their risk assessment process. In case the investment receives clearance from EIF's investment committee, the investment proposal is submitted for approval to EIF's internal governance bodies along with the result of the ESG assessment of the fund manager. **Post-investment/monitoring process** Once the investment is approved, the legal team will include in the legal fund documentation specific wording for the fund manager to provide, on an annual basis, ESG related-data to the investment teams, notably the information required in the ESG questionnaire and timely reporting of any ESG incidents that may occur. The negotiations of such inclusions in the side letters shall

	be led and negotiated by the investment teams, who agrees directly with the fund manager what shall be included in the side letter.

Description of the screening process	The EIF adheres to well-defined ESG principles as published on the website. As per the "S factor" of the principles, the EIF focuses on promoting sustainable and inclusive growth and follows ethical considerations in its activities. The respect for and promotion of fundamental human rights as laid out in the EU Charter of Fundamental Rights, the UN Declaration of Universal Human Rights and the European Convention on Human Rights guide the relationship with internal and external stakeholders. Consequently, the EIF may refuse to enter into business with counterparts that disregard or violate the principle of respect for persons or principles, which affirm the dignity of all people, irrespective of ethnicity, gender, age, disability, sexual orientation, education and religion. The EIF operates through a wide variety of financial intermediaries, which are responsible for the selection of eligible underlying companies based on a set of eligibility and other criteria. Following the adoption of its own ESG Principles in 2017, the EIF has since 2018 been in the process of setting up and piloting a general ESG framework for its activities. This framework is being structured in various phases, incorporating different EIF activities gradually, to duly take into account of the wide variety of financial intermediaries, geographies and markets (at various stages of development in which the EIF operates, as well as taking account of the different mandate requirements. Since 2018, EIF's Equity Investments' due diligence process (screening of fund managers before investment) has integrated the ESG perspective. Currently, the EIF has incorporated an ESG assessment procedure , involving a questionnaire and scoring methodology on i) ESG policies and practices of the fund manager, ii) integration in investment decision-making processes and iii) monitoring and reporting to assess the ability of the fund manager to manage and explore ESG risks and opportunities. Following investment into the fund, the EIF monitors the fund manager at least on a yearly basis within this ESG framework: follow-up on specific investments, discussion within the fund's advisory board meetings, screening of potential ESG incidents, among others. This engagement with the fund manager may lead to a regrading of the fund manager's ESG score, based on the updated ESG questionnaire. Currently, the EIF is in the process of mirroring this process to the GSM side and adapting it as necessary to cover the whole spectrum of EIF's activity, i.e. a pilot was launched in January 2020 to implement a due diligence questionnaire for the Guarantee business line. Typically, EIF's operations require the financial intermediaries and, in turn, final recipients of underlying financing to comply

	with all applicable laws, including social and environmental legislation. Furthermore, the EIF applies restrictions to its operations in certain activities ('EIF Restricted Sectors'). Those restrictions generally apply to activities that are considered not to be compatible with the ethical or social standards of the EIF's public mission. In addition, certain mandates specifically impose international standards and recommendations. For example, under the EaSI mandate, the financial intermediaries are obliged to acknowledge the European Code of Good Conduct for Microcredit Provisions. Furthermore, the EIF is proactively contributing to the efforts in the European social impact investment space in international platforms, such as the Global Steering Group for Impact Investing. Finally, the EIF, in its assessment of counterparties, pays significant attention to any possible reputational risks that may arise in connection to operations entered into with financial intermediaries. This is an important dimension of our fiduciary duty vis-à-vis our mandators.
Description of the proofing process	Under the intermediated model, this is done by the financial intermediaries.
Availability of exclusion list	The following economic sectors are together referred to as the "EIF Restricted Sectors". a. Illegal Economic Activities Any production, trade or other activity, which is illegal under the laws or regulations of the home jurisdiction for such production, trade or activity. Human cloning for reproduction purposes is considered an Illegal Economic Activity in the context of these Guidelines. b. Tobacco and Distilled Alcoholic Beverages The production of and trade in tobacco and distilled alcoholic beverages and related products. c. Production of and Trade in Weapons and Ammunition The financing of the production of and trade in weapons and ammunition of any kind. This restriction does not apply to the extent such activities are part of or accessory to explicit European Union policies. d. Casinos Casinos and equivalent enterprises. e. IT Sector Restrictions Research, development or technical applications relating to electronic data programs or solutions, which (i) aim specifically at: (a) supporting any activity included in the EIF Restricted Sectors referred to under 2. a to d above;

	(b) internet gambling and online casinos; or (c) pornography, or which (ii) are intended to enable to illegally (a) enter into electronic data networks; or (b) download electronic data. f. Life Science Sector Restrictions When providing support to the financing of the research, development or technical applications relating to: (i) human cloning for research or therapeutic purposes; or (ii) Genetically Modified Organisms ("GMOs"). EIF will require from the EIF counterpart appropriate specific assurance on the control of legal, regulatory and ethical issues linked to such human cloning for research or therapeutic purposes and/or Genetically Modified Organisms.

Institution's specific E&S risk classification or categorization system	None under the delegated approach (Financial intermediaries are responsible for screening and proofing).

Are all investment projects E&S screened?	Yes, through FIs	**Threshold**	The assessment is made by financial intermediaries (FI). But EIF would ensure that intermediaries, e.g. fund managers, have a policy in place and targets. FI must pass on requirements to final recipients, thus ensuring compliance with local laws.

How do you ensure that clients/project promoter are committed and trained on E&S requirements?	EIF appraise projects through a delegated process. In doing so, knowledge sharing takes place. Also EIF assesses financial intermediaries and can mobilize technical assistance as needed.

List social criteria used for screening/ proofing of investment projects	EIF is aligned to EIB on social aspects. Overall, employment, job support and job creation is a social impact aspect assessed and considered more systematically in the EIF, under a larger number of mandates. In addition, certain mandates specifically / exclusively target financing to social enterprises, or for social purposes. The EIF sets eligibility criteria in the financing agreements with the financial intermediaries (that are derived from each specific mandate); the financial intermediaries may only finance companies fitting with those criteria. The financial intermediaries report (typically quarterly) to the EIF on each underlying company financed, and contractual obligations and rights are established as regards monitoring of the data reported and onsite and/or desk monitoring of individual companies. The information reported by the financial intermediary forms part of EIF's very large database of information on the (primarily) SME

	financing it has catalysed over the years, in each case, in line with the reporting requirements applicable under the relevant mandate.
Availability of a scoring or ranking for investment projects	Yes, rating applied. EIF looks at investment score. Decision is a risk-based approach (but EIF does not define a minimum scoring). EIF can send questionnaires to FI every year to monitor how score is moving. Constant pressure is placed on fund manager to improve ESG. Also physical DD mission with suggestion on how to mitigate some points before getting EIF money. They have an obligation to report any ESG problems.
Monitoring of social performance	During the monitoring period, the investment teams, while carrying out ESG monitoring, should flag any material ESG issues to EIF's compliance unit. The latter operates as a second line of defence and carries out its own independent analysis. Compliance's assessment and the investment teams' monitoring shall be at the source of the assessment of the need for an action plan and recurrent reporting on any material ESG issues that may have been identified. Such action plan and reporting shall be proposed by the investment team and should then be submitted to the relevant EIF's internal committees for deliberation (if necessary and applicable) and to other governing bodies for information or decision. "Material" ESG issues shall be those considered as having or being susceptible of originating a direct substantial negative impact on EIF's ability to create or preserve economic, and/or social and/or environmental value in its portfolio, as well as any substantial reputational risks to the EIF and/or its investors.
Additionality and the Positive Agenda	
Methodology for measuring or assessing and positive impacts	As regards positive impacts, it should be considered that these are generally addressed via the specificities of EIF's business model: the mandates it deploys incorporate eligibility criteria that determine whether the final recipients supported fall within a policy focus, and therefore contribute positively to achieving its objectives. When considering EIF's activities in general, positive impact is embedded into EIF's mission in several ways: (1) through certain mandates specifically targeting the achievement of social impact; (2) overall EIF's activity in support of SMEs has an intrinsic impact in job creation as SMEs currently account for 99% of EU jobs;

	(3) the overall activity of EIF in supporting access to finance across Europe aims to reduce inequality and promotes sustainable growth.
Examples of positive impacts for the social dimension	N/A
Examples of negative social impacts which were remediated during the proofing process	N/A

Recommendations

Recommendations, questions and lessons learnt from implementing E&S screening and proofing	N/A

Croatian Bank for Reconstruction and Development (HBOR)

<table>
<tr><th colspan="4">General Information</th></tr>
<tr><td>Name of Institution</td><td colspan="3">Hrvatska banka za obnovu i razvitak (Croatian Bank for Reconstruction and Development)</td></tr>
<tr><td>Title of E&S Standard or Framework</td><td colspan="3">N/A</td></tr>
<tr><td>Date of publication</td><td>N/A</td><td>Publicly available</td><td>N/A</td></tr>
<tr><td>Brief description of the E&S Standard/Framework</td><td colspan="3">Internal framework, not formalized.

Loan application management procedure: when loans are implemented by HBOR directly, an internal environmental assessment is required.

When submitting loan application, a potential borrower is obliged to enclose the filled in Environmental Protection Questionnaire that includes the following information:
► Profile of the applicant and its environmental management policies, quality management policy or health protection and safety at work policy,
► Profile of the location, history of location and existing activities on the location, all from the aspect of environmental protection,
► Condition of the environment – air and dangerous waste emissions, water consumption, waste water release and waste generation and management.</td></tr>
<tr><td>Custodians of E&S</td><td colspan="3">Environmental owned by Technical Analysis and Environmental Protection Department

Ownership over social shared between Product Development/Reporting, Credit dept., Export insurance dept.</td></tr>
<tr><td>Is the E&S Standard/ Framework aligned to specific international practice?</td><td colspan="3">Yes, internal processes designed according to World Bank and EIB standards/practices</td></tr>
<tr><td>Is the E&S Standard/ Framework sector specific?</td><td>NO</td><td>Which sectors?</td><td>N/A</td></tr>
<tr><td>Availability of specific E&S policy for disadvantaged or vulnerable individuals or groups</td><td colspan="3">NO</td></tr>
</table>

Availability of specific E&S policy for gender equality issues	No specific policies, Internal Gender equality plan adopted in accordance with national policies and as required by Law on Gender Equality. HBOR recognised the issue of inequality and gender discrimination and, in 2018, the 2018-2021 Action Plan for the Promotion of Gender Equality was adopted. This document envisages the implementation of various activities to promote and improve gender equality with two main objectives: ► Ensure efficient implementation of measures and tasks contained in the 2014-2020 Action Plan for the Implementation of Female Entrepreneurship Development Strategy and the National Gender Equality Policy; ► Promote gender equality within the framework of HBOR's regular business activities and ensure continuity in incorporating gender equality principles in HBOR's management processes.
Is there a dedicated E&S team in your organisation?	No dedicated team, responsibilities shared between Technical Analysis and Environmental Protection Department, Product Development, Credit Dept, Reporting Unit etc.…

Screening and Proofing Processes

Describe the overall E&S due diligence process	1. RISK SCREENING (low, medium, high risks and environmental laws compliance check) 2. ENVIRONMENTAL ASSESSMENT The filled in Environmental Protection Questionnaire is analysed and assessed by an expert team that gives its assessment of the project and investment environmental protection issues. The assessment is made on the basis of information and documentation attached to the questionnaire. The purpose of the assessment is to evaluate the risks of the investment sustainability and safety for the environment. Considering that the adverse effects on the environment would certainly have financial consequences, the viability of the investment itself could be questioned, i.e. the ability to repay the loan would be questionable. If needed, corrective measures are recommended in order to establish the condition of controlled environmental impact of the project, improve the condition of the environment, or minimise the possible environmental impact. In the cases of export finance, the OECD recommendations are taken into account.
Description of the screening process	Each investment project that is subject to environmental assessment is classified into different risk category, depending on its potential negative environmental impact. Risk categories are A, B and C (large, medium, low). Risk category A is

	considered to pose significant environmental impact, while category C is considered to have insignificant impact. Above categories are classified according to list of risky activities and level of environmental impact assessment required under the national law (*Regulation on Environmental Impact Assessment*).

Description of the proofing process	Compliance check (national laws) In the process of technical & technology analysis and environmental assessment obligatory measures to minimise environmental risks may be introduced as well as future project monitoring. These measures are usually introduced into loan contract wording.

Availability of exclusion list	YES, partially-Exclusion lists for specific products (loan programmes) only, General Eligibility Criteria define the general characteristics, restrictions and special features that apply to lending for projects/clients under the loan programmes: Youth, Female and Start-Up Entrepreneurship; Private Sector Investment; Public Sector Investment; EU Projects; Working Capital; Pre-Export Finance; Financial Restructuring. Activities and purposes that are not eligible for finance: a) **Casinos, gambling premises and similar activities;** b) Manufacture (except for primary agriculture), processing and distribution of **tobacco and tobacco products;** c) Activities involving **animals for experimental and scientific** purposes; d) **Activities which have adverse environmental impacts that are not largely mitigated or compensated**; e) Activities constituting pure financial activities (e.g. purchase of shares, granting of loans to buyers or other legal entities or natural persons) or projects in the sector of real estate performed as financial investment activity; f) Investments or parts of investments that serve for personal purposes; g) Purchase of immovable or movable property from related entities; h) Investment in immovable property not owned by the borrower; i) Capital investment in trade activities of large entrepreneurs;

	j) Investment in apartments or rooms to let; k) Notarial activity; l) Publishing of newspapers or other periodicals, production and broadcasting of radio and television programmes, news agency activities, advertising and public relations agency activities; m) Refinancing of existing loans in case of capital investments; and n) All bans and restrictions pursuant to the contracts between HBOR and relevant financial institutions if such contracts apply in the respective cases.		
Institution's specific E&S risk classification or categorization system	N/A		
Are all investment projects E&S screened?	No	**Threshold**	All direct loans screened, also some loans via commercial banks (infrastructure, larger projects, upon request from credit dept.).
How do you ensure that clients/project promoter are committed and trained on E&S requirements?	Occasional technical aid available for certain loan programmes (usual MDB's practice)		
List social criteria used for screening/ proofing of investment projects	▶ Employees, new employees as a result of investment ▶ Access to finance ▶ Special state concern areas ▶ Vulnerable groups (women, young, start-ups)		
Availability of a scoring or ranking for investment projects	Methodology for appraisal of investment projects set in place, consisting of quantitative (CF and sensitivity analysis; IRR; NPV etc) and qualitative factors (financing structure; market analysis; management etc). The score part is defined as a quantitative measure in a form of a financial grade of a project which reflects to appropriate rank and it is solely based on quantitative data with certain knockout factors on the qualitative side. No scoring or ranking for social/environmental/climate factors established yet.		
Monitoring of social performance	Monitoring through reporting/ site visits, additional data collection…		

Additionality and the Positive Agenda

	No methodology adopted yet. However, in the process of Sustainability Report 2018 data collection, following SDGs were

Methodology description for measuring or assessing additionality and positive impacts	identified as those that HBOR contributes or could contribute even more: ▶ 5 GENDER EQUALITY ▶ 6 CLEAN WATER AND SANITATION ▶ 7 AFFORDABLE AND CLEAN ENERGY ▶ 8 DECENT WORK AND ECONOMIC GROWTH ▶ 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE ▶ 11 SUSTAINABLE CITIES AND COMMUNITIES ▶ 14 LIFE BELOW WATER ▶ 16 PEACE, JUSTICE AND STRONG INSTITUTIONS
Examples of positive impacts for the social dimension	**Financing – support for entrepreneurship and development** Support for the establishment of new legal entities and creation of new jobs, promotion of young entrepreneurs and female entrepreneurship, development of social entrepreneurship and new products and values. **Financing – support for climate and environment protection** Support for construction of sustainable infrastructure, improving the energy efficiency, financing of projects aimed at using green technology, developing of new products and services aimed at mitigating the consequences of climate change, particularly in tourism and agriculture sectors.
Examples of negative social impacts which were remediated during the proofing process	

Recommendations

Recommendations and lessons learnt from implementing E&S screening and proofing	Additional data collection/selection imposes additional administrative burden on clients/internal system Stakeholder demands re E&S Standards assimilated partially

International Finance Corporation (IFC)

General Information			
Name of Institution	International Finance Corporation		
Title of E&S Standard or Framework	Environmental and Social Review Procedures (ESRP) Manual 2016 Performance Standards on Environmental and Social Sustainability 2012 + Guidance Note		
Date of publication	2016	**Publicly available**	Yes
Brief description of the E&S Standard/Framework	IFC's Environmental and Social Performance Standards define IFC clients' responsibilities for managing their environmental and social risks. The 2012 edition of IFC's Sustainability Framework, which includes the Performance Standards, applies to all investment and advisory clients whose projects go through IFC's initial credit review process after January 1, 2012. Specific Interpretation Notes have been released: ▶ Interpretation Note on Environmental and Social Categorization ▶ Interpretation Note on Financial Intermediaries ▶ Interpretation Note on Small and Medium Enterprises and Environmental and Social Risk Management		
Custodians of E&S	Environment, Social and Governance Department		
Is the E&S Standard/ Framework aligned to specific international practice?	IFC has created the standard itself, which is now followed by many other DFIs, e.g. FMO, Proparco, BMO.		
Is the E&S Standard/ Framework sector specific?	No	**Which sectors?**	N/A
Availability of specific E&S policy for disadvantaged or vulnerable individuals or groups	In cases where the business activity to be financed is likely to generate potential significant adverse impacts on communities or is likely to generate potential adverse impacts on Indigenous Peoples, IFC expects clients to engage in a process of Informed Consultation and Participation.		
Availability of specific E&S policy for gender equality issues	IFC believes that women have a crucial role in achieving sound economic growth and poverty reduction. They are an essential part of private sector development. IFC expects its clients to minimize gender-related risks from business activities and unintended gender differentiated impacts. Recognizing that women are often prevented from realizing their economic potential because of gender inequity, IFC is committed to		

	creating opportunities for women through its investment and advisory activities. See also the World Bank Group Gender Strategy (FY 2016 - 2023)

Is there a dedicated E&S team in your organisation?	*Yes*

Screening and Proofing Processes

Describe the overall E&S due diligence process	IFC's environmental and social due diligence is integrated into IFC's overall due diligence of the business activity under consideration, including the review of financial and reputational risks. IFC weighs the costs and benefits of proposed business activities and articulates its rationale and specific conditions for the proposed activity. These are provided to IFC's Board of Directors when the investment activity is presented for approval. IFC expects clients to manage E&S risks and impacts of their projects. This entails client assessment of these risks and impacts, and implementation of management systems and management plans to meet the requirements of the PSs. An important component of the client's E&S performance is its engagement with the affected communities through the life of the project. The ESRP Manual provides work instructions to guide consideration and documentation of key issues and decisions that are to be made during the investment cycle. Individual procedures applicable to appraisal and supervision of Direct Investments activities are addressed in ESRP 2: E&S Team Assignment, Early Review, and Concept Review Meeting; ESRP 3: Appraisal; ESRP 4: Disclosure and Commitment; and, ESRP 6: Supervision (see Rules and Tools – Sustainability Framework). Individual procedures applicable to appraisal and supervision of FI investment activities are addressed in ESRP 7: Early Review and Appraisal; ESRP 8: IFC Disclosure and Commitment; and ESRP 9: Supervision (see Rules and Tools – Sustainability Framework). Role of Regional Team Leaders (RTL) and Sector Leads (SL): RTL and SL have an outstanding role on the quality and consistency of the project processing and on providing guidance on technical issues and operational performance. There is some desirable level of overlap between the two functions (as it provides robustness to our E&S products), but most often SL have a leading role during the appraisal of projects while RTL have the main role during the project supervision phase.

Description of the screening process	The screening process follows specific requirements which are appropriate to the nature and scale of the activity and commensurate with the level of environmental and social risks and/or impacts.

	Environmental and social screening typically includes the following key components: (i) reviewing all available information, records, and documentation related to the environmental and social risks and impacts of the business activity; (ii) conducting site inspections and interviews of client personnel and relevant stakeholders, where appropriate; (iii) analyzing the business activity's environmental and social performance in relation to the requirements of the Performance Standards and provisions of the World Bank Group Environmental, Health and Safety Guidelines or other internationally recognized sources, as appropriate; and (iv) identifying any gaps therewith, and corresponding additional measures and actions beyond those identified by the client's in-place management practices. To ensure the business activity meets the Performance Standards, IFC makes these supplemental actions (Environmental and Social Action Plan) necessary conditions of IFC's investment. While managing environmental and social risks and impacts in a manner consistent with the Performance Standards is the responsibility of the client, IFC seeks to ensure, through its due diligence, monitoring, and supervision efforts, that the business activities it finances are implemented in accordance with the requirements of the Performance Standards. For indirect financing through financial intermediaries, IFC requires FIs to carry out individual transaction appraisal and monitoring as well as overall portfolio management in accordance with the environmental and social risk profile of its activities and that of individual transactions.
Description of the proofing process	Central to the IFC requirements is the application of a mitigation hierarchy to anticipate and avoid adverse impacts on workers, communities, and the environment, or where avoidance is not possible, to minimize, and where residual impacts remain, compensate/offset for the risks and impacts, as appropriate. IFC believes that the Performance Standards provide a solid base on which clients may increase the overall sustainability of their operations, identify new opportunities to grow their business, and build their competitive advantage in the marketplace.
Availability of exclusion list	Yes – See also World Bank Group exclusion list.
Institution's specific E&S risk classification or categorization system	As part of the review of environmental and social risks and impacts of a proposed investment, IFC uses a process of environmental and social categorization to reflect the magnitude of risks and impacts. The categories are: ► Category A: Business activities with potential significant adverse environmental or social risks and/or impacts that are diverse, irreversible, or unprecedented.

	▶ Category B: Business activities with potential limited adverse environmental or social risks and/or impacts that are few in number, generally site-specific, largely reversible, and readily addressed through mitigation measures. ▶ Category C: Business activities with minimal or no adverse environmental or social risks and/or impacts. ▶ Category FI: Business activities involving investments in FIs or through delivery mechanisms involving financial intermediation.		
Are all investment projects E&S screened?	Yes	**Threshold**	Environmental and social due diligence applies to all IFC investment activities.
How do you ensure that clients/project promoter are committed and trained on E&S requirements?	IFC plays an active role in building capacity of its clients. For instance, for financial intermediaries, IFC supports the capacity development of the banking and financial sector to manage environmental and social risks. This is achieved in part through the development and implementation of an ESMS, and by enhancing FIs' in-house capacity for the day-to-day management of portfolio risks, including environmental and social risk. Environmental and social risk management is part of the responsibilities that FIs assume.		
List social criteria used for screening/ proofing of investment projects	IFC will only finance investment activities that are expected to meet the requirements of the Performance Standards within a reasonable period of time. The eight Performance Standards establish standards that the client is to meet throughout the life of an investment by IFC: ▶ Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts ▶ Performance Standard 2: Labor and Working Conditions ▶ Performance Standard 3: Resource Efficiency and Pollution Prevention ▶ Performance Standard 4: Community Health, Safety, and Security ▶ Performance Standard 5: Land Acquisition and Involuntary Resettlement ▶ Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources ▶ Performance Standard 7: Indigenous Peoples ▶ Performance Standard 8: Cultural Heritage		
Availability of a scoring or ranking for investment projects	No		

Monitoring of social performance	IFC carries out the following actions to monitor its investments and advisory activities as part of its portfolio supervision program: *Direct Investments* ▶ Implement a regular program of supervision for business activities with environmental and social risks and/or impacts in accordance with the requirements of IFC's Environmental and Social Review Procedures. ▶ Review implementation performance, as reported in the client's Annual Monitoring Report and updates on the Environmental and Social Action Plan, against the environmental and social conditions for investment and the client's commitments. Where relevant, identify and review opportunities for further improving client performance on the sustainability front. ▶ If changed business activity circumstances might result in altered or adverse environmental or social impacts, IFC will work with the client to address them. ▶ If the client fails to comply with its environmental and social commitments, as expressed in the environmental and social conditions for investment, IFC will work with the client to bring it back into compliance to the extent feasible, and if the client fails to reestablish compliance, IFC will exercise remedies as appropriate. *Investments Through Financial Intermediaries* ▶ Implement a regular program of supervision of FI investments with environmental and social risks and/or impacts in accordance with the requirements of IFC's Environmental and Social Review Procedures. ▶ To determine the effectiveness of an FI's ESMS, IFC will periodically review the process and the results of the environmental and social due diligence conducted by the FI for its investments.

Additionality and the Positive Agenda

Methodology description for measuring or assessing additionality and positive impacts	IFC's project assessment tool elevates the focus on development impact to a new level. The Anticipated Impact Measurement and Monitoring (AIMM) system enables IFC to estimate the expected development impact of our investments—allowing us to set ambitious yet achievable targets, and select projects with the greatest potential for financial sustainability and development impact. The AIMM system evaluates a project's development impact along two dimensions:

	▶ PROJECT OUTCOMES These refer to a project's direct effects on stakeholders (including employees, customers, suppliers, government, and the community); the direct, indirect, and induced effects on the economy and society overall; and the effects on the environment. ▶ MARKET OUTCOMES These refer to a project's ability to catalyse systemic changes that go beyond those effects brought about by the project itself, e.g. on competitiveness or inclusiveness. An AIMM is produced for projects. In the case of a low AIMM score, it is likely that the project will not happen. Underpinning the AIMM system will be a set of frameworks for analysis by sector. Each framework will outline the relevant set of project outcomes and market-creating benchmarks, as well as IFC's detailed rating methodology for each sector. IFC is currently developing and will roll out 25 unique sector frameworks.
Examples of positive impacts for the social dimension	The AIMM system allows IFC to examine the systemic effects on the overall market. It looks at how a project affects stakeholders and examines the broader effects on the economy and society, including how projects promote objectives that underpin our efforts to create markets—by promoting competitiveness, resilience, integration within and across markets, inclusiveness, and sustainability.
Examples of negative social impacts which were remediated during the proofing process	N/A

Recommendations

Recommendations and lessons learnt from implementing E&S screening and proofing	Ability to measure negative and positive impacts.

MIROVA

General Information			
Name of Institution	Mirova (Asset management firm dedicated to Sustainable investments - part of Natixis)		
Title of E&S Standard or Framework	CSR Policy / ESG		
Date of publication	Over 20 Years Developed within Natixis	**Publicly available**	Yes
Brief description of the E&S Standard/Framework	Mirova undertakes a CSR Analysis and Policy which involves extra-financial research and the integration of ESG criteria in its portfolio management. Mirova's approach aims at identifying projects that will help meet the SDGs. Mirova applies both Negative Screening and Positive Impact assessment in its investment decisions towards Infrastructure Projects (note: no direct private Equity investment is done by Mirova to date). In order to assess the social value of its investments, Mirova undertakes the following: 1/ estimate the social value in consideration of the nature of a project 2/ analyse the life cycle of the project and its wider impacts 3/ perform project scoring – not with an overall/aggregated score, instead, rating individual ESG categories Mirova applies major international standards for social aspects, and pays a particular attention to the following: **1/ Fundamental Freedoms** This includes the protection of all vulnerable groups (including ethnic or religious minorities, women, children, people with disabilities, and indigenous groups), child labour and all forms of discrimination therefore violate fundamental rights; the freedom of association and the right to collective bargaining and the freedom of opinion and expression. The role of business in respecting fundamental freedoms, including working conditions, particularly in the supply chain, the right to health and the obligations on business (Health & Safety, the development of products to address health issues and the protection of local populations). **2/ The Right to development** This relates to improving quality of life and access to education, an area where business has a particular responsibility notably		

	in relation to remuneration policies and proactive initiatives to allow easier access to basic products, knowledge and culture.
Custodians of E&S	The Research Department contributes to the development of criteria applied in the selection of investment, with a Sector specific approach
Is the E&S Standard/ Framework aligned to specific international practice?	Yes, it is fully aligned. And it goes further in establishing specific criteria applicable by sector.

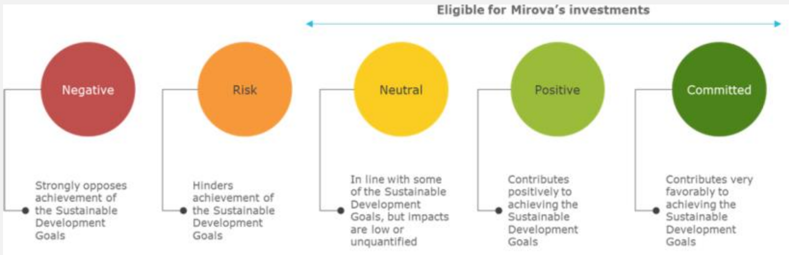
Is the E&S Standard/ Framework sector specific?	Yes, in a significant way.	**Which sectors?**	► Energy (Electric and Gas Utilities, Fossil Fuel, Industrial Equipment) ► Mobility (Vehicle Manufacturers and Suppliers) ► Building ((Infrastructure and Construction) ► Resources (Water & Waste, Chemicals, Metals & Mining) ► Consumer (Retails, Apparel and Household, Food & Beverages, Home & Personal Care) ► Health (Medical Services, Pharmaceuticals & Medical Products) ► Technologies (Software, Media and Telecom) ► Finance

Availability of specific E&S policy for disadvantaged or vulnerable individuals or groups	Yes. Vulnerable population policy is integrated across investment solutions.
Availability of specific E&S policy for gender equality issues	Yes, MIROVA has integrated the issue of gender equality into its line of investment solutions. It also led an investor coalition to support the Women's Empowerment Principles and achieve Gender Equality. This statement, co-signed by 66 investors received the support of UN Women and the UN Global Compact.
Is there a dedicated E&S team in your organisation?	Yes, a dedicated team organized by sector and covers all E&S dimensions, independent of the investment managers. MIROVA's Responsible Investment Research is responsible for environmental and social analysis. Comprising ten people, the Research team is in constant interaction and collaboration with the management teams. Their analyses are mainly based on documents published by issuers and conversations with companies or project developers. To complete its work, MIROVA also relies on ESG rating agencies, proxy voting, sell-side financial analysts, news databases, and more.

Screening and Proofing Processes

Describe the overall E&S due diligence process	Analysis is performed under the direction of the Investment Manager and refers to all sector-specific guidelines, which include for example: ▶ In the Mobility/Automotive sector: assessing the transparency of companies regarding their social practices. In particular, Mirova will verify whether companies are to manage restructuring in a responsible manner. ▶ In the Construction sector: key indicators will include working conditions and Social audit, as well as Training: dedicated costs, number of people involved, training areas Also related to the Social dimension and across several sectors, Mirova will also analyse Governance aspects and for example, verify that companies involved in invested projects have a Director or a board committee dedicated to CSR issues and that extra-financial criteria are included in the executives' variable remuneration
Description of the screening process	Essentially screening is performed against the criteria placed on the sector-based exclusion list.
Description of the proofing process	Proofing investments for Mirova means measuring their impact which is both necessary and a challenge given that the Fund is committed to compiling relevant reports on the various environmental and social impacts. Mirova has developed both qualitative and quantitative indicators: ▶ Qualitative in relation to contribution to the various SDGs, ▶ Quantitative or physical impact indicators for several key areas, which are being gradually enriched based on new data Impact measurement translates into a rating of positive benefits across a rating scale going from 1 to 4
Availability of exclusion list	Yes Strict and measurable exclusions apply to investments in the following sectors: Energy (in relation to Fossil Fuels, Nuclear Power), Food and Agriculture (Palm Oil, Genetic Engineering, Agrochemicals), Health and Addiction (Tobacco, Alcohol, Cannabis, Sugar-Sweetened Beverages, Gambling) and Fundamental Rights (Weapons, Adult Entertainment) Companies registered, incorporated or headquartered in a tax haven are also excluded. This is based on the blacklist of tax havens as maintained by the European Commission. Lastly, companies in serious breach of UN Global Compact's principles and/or OECD guidelines for international companies are excluded on the grounds of problematic practices around

<table>
<tr><td></td><td colspan="3">human rights, labour rights, environment, business ethics and corruption issues.</td></tr>
<tr><td>Institution’s specific E&S risk classification or categorization system</td><td colspan="3">Mirova categorizes risks across its impact measurement scale. Based on criteria specific to each sector, Risks are assessed on a high/medium/low scale.</td></tr>
<tr><td>Are all investment projects E&S screened?</td><td>Yes</td><td>Threshold</td><td>No</td></tr>
<tr><td>How do you ensure that clients/project promoter are committed and trained on E&S requirements?</td><td colspan="3">Mitigation actions are discussed with the Investee representatives and built into the final decision.</td></tr>
<tr><td>List social criteria used for screening/ proofing of investment projects</td><td colspan="3">These will vary across sectors, but the list includes notably:
▶ Health & Safety
▶ Policy around Responsible workforce restructuring
▶ Mechanisms to attract and retain workers / talents
▶ Governance and corporate social responsibility
▶ Training, presence in industry groups for the improvement of safety standards
▶ Presence of a formal human rights policy that applies to both the company and its contractors
▶ Transparency around community outreach, grievances, use of force, etc.</td></tr>
<tr><td>Availability of a scoring or ranking for investment projects</td><td colspan="3">As indicated earlier, MIROVA ensures that E&S analyses are summarized through an overall qualitative opinion with five levels.



This scale is based on the SDGs. As a result, opinions are not assigned based on a predefined distribution; MIROVA is not grading on a curve overall or by sector. The risk assessment of projects is done based on the grid of indicators relevant for the sector, categorizing the criteria on a qualitative basis across a 3-level scale of “Positive”, “Neutral” or “Risk”. To be eligible for Mirova’s investments, an asset must be rated at least “Neutral”, but we prioritize assets with better opinions (“Positive” and “Committed”). For example, companies involved in fossil fuel extraction are considered “Risk” at best, rendering them ineligible for Mirova’s funds. On the contrary, renewable energy companies are generally well rated and thus present in our investments.</td></tr>
</table>

Monitoring of social performance	Done by a dedicated team and based on risk level. Mirova has an excellent reporting policy with publicly available information on Mirova's approaches, analyses, portfolio's ratings… Mirova is also producing a yearly impact report.

Additionality and the Positive Agenda

Methodology description for measuring or assessing additionality and positive impacts	MIROVA's evaluation methodology seeks to capture the extent to which each asset contributes to the SDGs. This allows to address both materiality (how the current transitions are likely to affect the economic models of the assets financed, whether positively or negatively) and impact (how investors can play a role in the emergence of a more sustainable economy).
Examples of positive impacts for the social dimension	N/A
Examples of negative social impacts which were remediated during the proofing process	N/A

Recommendations

Recommendations and lessons learnt from implementing E&S screening and proofing	Mirova would be keen to see that InvestEU Sustainability Proofing highlights positive impact. Mirova would also recommend that a sector-driven approach is made, with sector-related indicators grid for project screening/proofing.

Nordic Investment Bank (NIB)

General Information			
Name of Institution	Nordic Investment Bank (NIB)		
Title of E&S Standard or Framework	(i) Sustainability Policy and Guidelines (ii) Mandate Rating Framework (iii) NIB Environmental Bond Framework (iv) Impact Reporting (v) Monitoring and Ex-post Mandate Assessment Framework		
Date of publication	(i) 2012 (ii) 2019 (iii) 2019 (iv) 2019 (v) 2016	**Publicly available**	Yes
Brief description of the E&S Standard/Framework	Through its activities NIB aims to achieve improved sustainability in all areas where we are active. This is achieved through promoting projects with direct or indirect environmental benefits and by financing projects with a high environmental performance. The Bank assesses the environmental and social impacts of all loan applications for consistency with the Bank's Sustainability Policy and Guidelines.		
Custodians of E&S	Sustainability and Mandate Unit		
Is the E&S Standard/ Framework aligned to specific international practice?	NIB has a long history of caring for sustainability. NIB staff has participated to many initiatives and work groups operated by IFIs, including EBRD, IFC, World Bank and so on. In doing so, NIB was able to develop its own processes for E&S screening and proofing, in line with other IFIs practices. ▶ The project/client must adhere to International Finance Corporation's (IFC) Environmental, Health and Safety (EHS) guidelines. ▶ Pollution prevention and abatement are required according to World Bank Group policies and guidelines (primarily) and must comply with IFC Industry Guidelines when applicable. ▶ Biodiversity conservation and sustainable management of living natural resources are to be appropriately addressed in accordance with World Bank Group requirements. ▶ Respect for workers' rights and their freedom of association and collective bargaining in accordance with ILO Declaration on Fundamental Principles and Rights at Work. ▶ Respect for human rights; NIB does not accept discrimination based on gender, race, nationality, language, ethnic origin, religion, disability, age, sexual orientation or political or other opinion. ▶ Community issues and affected Indigenous Peoples, such as involuntary resettlement, land acquisition, restriction on access, cultural heritage, etc. must be addressed in line with World Bank Group safeguard standards including the use of Free, Prior and Informed Consent (FPIC).		

	▶ Greenhouse gas emission reductions should be calculated using the International Financial Institution Framework for a Harmonized Approach to Greenhouse Gas Accounting. Other international standards, policies and guidelines used by NIB include: ▶ European Principles for the Environment (EPE) ▶ United Nation Principles for Responsible Investment ▶ Green Bond Principles

Is the E&S Standard/ Framework sector specific?	Yes	**Which sectors?**	▶ Energy efficiency ▶ Renewable energy generation ▶ Transmission, distribution and storage systems ▶ Clean transport solutions ▶ Water management and protection ▶ Resources and waste management systems ▶ Green buildings

Availability of specific E&S policy for disadvantaged or vulnerable individuals or groups	One of our drivers on the productivity and social pillars is "equal opportunities". Under this driver we recognise the importance of minorities and/or other disadvantaged groups.
Availability of specific E&S policy for gender equality issues	Gender equality is part of our "equal opportunities" driver, as mentioned above. Given the region where we operate, the Nordic and Baltic states primarily, this is an area of great importance and value.
Is there a dedicated E&S team in your organisation?	The Sustainability & Mandate Unit is composed of a team of 8 analysts (5 for environmental aspects and 3 for productivity aspects) and is in charge of applying the Mandate Rating Framework and perform the sustainability review for all investments. Consultants can also be involved for specific assignments and studies (typically commissioned by clients).

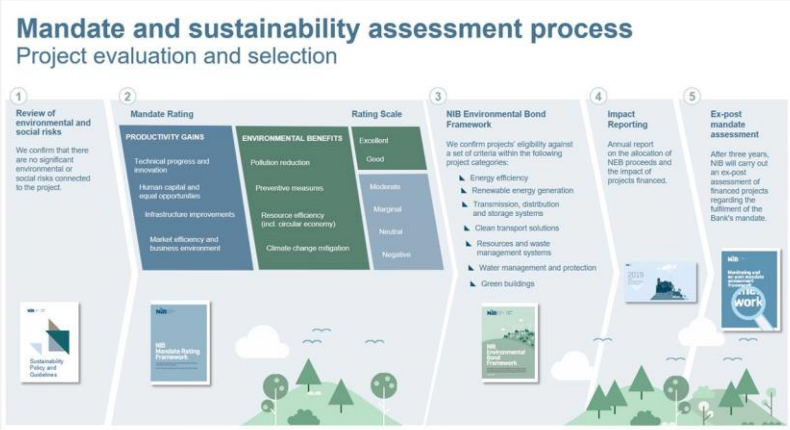
Screening and Proofing Processes

Describe the overall E&S due diligence process	All projects considered for NIB's financing are evaluated for their potential risks, impacts and economic quality. **Sustainability review** In accordance with NIB's Sustainability Policy and Guidelines, NIB reviews the potential impact as well as the environmental and social risks of a project. NIB also analyses the borrower's commitment and capacity to manage those. The Bank's environmental analysts review the relevant information provided by borrowers, such as an environmental impact assessment and applicable permits and licenses. The quality of information is assured through site visits and interviews with project staff. We benchmark projects' social and environmental performance against acceptable standards to

	ensure compliance and assess their resilience e.g. towards the effects of climate change. The scope of the review depends on the scale and extent of a project's potential negative impacts. Projects with potential significant adverse environmental or social impacts are categorised as Category A projects. Information on Category A projects is made publicly available on NIB's website for commenting by all interested stakeholder groups before the Bank makes a decision on financing. NIB's Sustainability Policy and Guidelines provide more information about the project categories and the type of projects belonging to different categories. If NIB concludes that the project is estimated to provide significant environmental benefits and has low environmental and social risks and a high likelihood of succeeding, it is eligible for funding with the proceeds from NIB Environmental Bonds. **Mandate Analysis and Rating** Besides the sustainability aspects, NIB analyses the projects' technical and economic quality. An analysis includes quantitative and a qualitative assessment, own estimates and projections, sensitivity checks and peer-group comparisons. It also includes an assessment of non-quantifiable elements, such as industry characteristics, market position, management, institutional conditions, regulatory framework and corporate governance. When required, we also conduct a project risk assessment. **Ex-post assessment** The implementation of NIB-financed projects is monitored on an ongoing basis. When a project has reached operating maturity (which is normally three years after project completion), it receives an ex-post evaluation to assess if NIB's mandate criteria have been fulfilled. Ex-post evaluation is based on impact indicators that are determined during the ex-ante assessment of a project prior to loan approval and aims to identify lessons learnt and aspects that can serve as recommendations for improvement.

Description of the screening process	**Project evaluation and selection** NIB has a separate Sustainability & Mandate unit, which assesses the mandate fulfilment of new projects. The assessment focuses on evaluating the extent to which a project considered for financing contributes to strengthening the member countries' productivity and benefitting the environment. The mandate unit performs a qualitative sector assessment and a project-specific quantitative analysis to reach an overall environmental rating using the ***NIB Mandate Rating Framework***. In addition to the mandate assessment, all projects also undergo a review of the environmental and social risks as well as resilience towards the effects of climate change in accordance with NIB's ***Sustainability Policy and Guidelines***. NIB's environmental and social review includes the following key components:

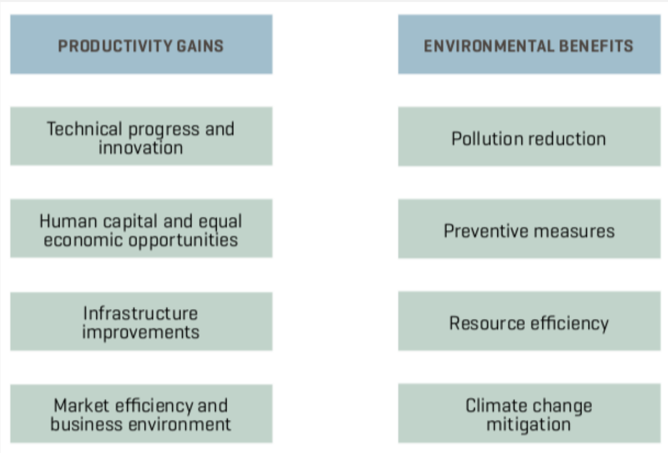
- Categorisation; based on assessment of potential negative impacts of the project
- Definition of risks and impacts of the project and of planned mitigating measures
- Benchmark of the project's environmental and social performance with relevant standards
- Assessment of the commitment and capacity of the client to manage these potential impacts
- Verification that the costs resulting from the environmental and social risks and impacts are factored into the project.



Description of the proofing process

Proofing Process

NIB finances projects that promote **productivity gains** and **environmental benefits** for the Nordic and Baltic countries in order to support a prosperous and sustainable Member Region. NIB's mandate rating framework is a policy the bank uses to assess whether the projects considered for financing support the vision of the bank. The framework contains guidelines and tools that are used to assess how the projects provide productivity gains and environmental benefits for the Nordic and Baltic countries.



(i) Assessing productivity gains

	Increasing productivity has been the main factor driving growth and income levels, which are closely linked to welfare and prosperity. Productivity measures the economy's overall efficiency in the use of its factors of production (for instance, capital and labour). Investments may have different productivity impacts in different environments, depending on the stage development of the country, markets and business environment. A number of indicators describe the drivers of economic growth. The most common is *labour productivity*, measured as gross domestic product (GDP) per hour worked. GDP per capita grows through increases in labour inputs and efficient use of it. While demographic factors and the efficiency of labour markets determine labour supply, investments in tangible and intangible capital shape labour productivity. In particular, investments bringing improvements in human capital, infrastructure, education, health and well-functioning markets where individuals have equal opportunities to prosper economically, are the main drivers for productivity growth. The framework categorises a relevant set of impacts according to the following four drivers of productivity growth: 1. Technical progress and innovation, 2. Human Capital and Equal Economic Opportunities, 3. Infrastructure Improvements, 4. Improvements in market efficiency and business environment. *(ii) Assessing environmental benefits* The framework categorises a relevant set of impacts according to the following four drivers of environmental benefits: 1. Pollution reduction, 2. Preventive Measures, 3. Resource Efficiency, 4. Climate Change Mitigation. **Mitigation measures** A mitigation plan should be presented which proposes feasible and cost-effective measures to avoid or to reduce adverse environmental and social impacts to acceptable levels on a sustainable basis. It should also address other environmental issues such as the need for worker health and safety improvements, inter-agency coordination, community involvement etc., as well as outline measures which would enhance environmental aspects within the area affected by the project. The mitigation action plan should provide details of work programmes and schedules, capital and recurrent cost estimates, as well as institutional and training requirements which are in phase with all stages of the project's implementation. **Ensuring Compliance** Evaluation of the compliance of the projects with the criteria before disbursement is of great importance, not least in order to reduce reputational risks. Therefore, NIB will request insight into available reporting from authorities and will only consider projects that have acceptable follow-up reporting on the performance with regard to above criteria.

	Yes, NIB will not finance, directly or indirectly, projects involving the following:

Availability of exclusion list	1. Activities deemed illegal under host country (i.e. national) laws or regulations, or international conventions and agreements or subject to international phase-out bans, such as trade in products containing PCBs, production of or trade in pharmaceuticals, pesticides/herbicides, hazardous substances subject to international phase-outs or bans, production of or trade in ozone-depleting substances subject to international phase-out, trade in wildlife or wildlife products regulated under CITES, transboundary movement of waste prohibited under international law, biodiversity resources or cultural heritage, production or trade in or use of unbonded asbestos fibers or asbestos- containing products, shipment of oil or other hazardous substances in tankers which do not comply with IMO requirements. 2. Drift-net fishing in the marine environment. 3. Production of ammunition and weapons, and weapons carriers. 4. Ethically controversial projets including sex trade and related infrastructure and services, gambling and related equipment, tobacco (production, processing and distribution). 5. Production of or trade in radioactive materials. This does not apply to medical equipment, quality control (measurement) equipment and any equipment where the radioactive source is trivial and/or adequately shielded. 6. New base load power plants with an installed capacity above 50 MW(e + th) mainly fuelled with coal or fuels with a similar fossil carbon dioxide intensity.

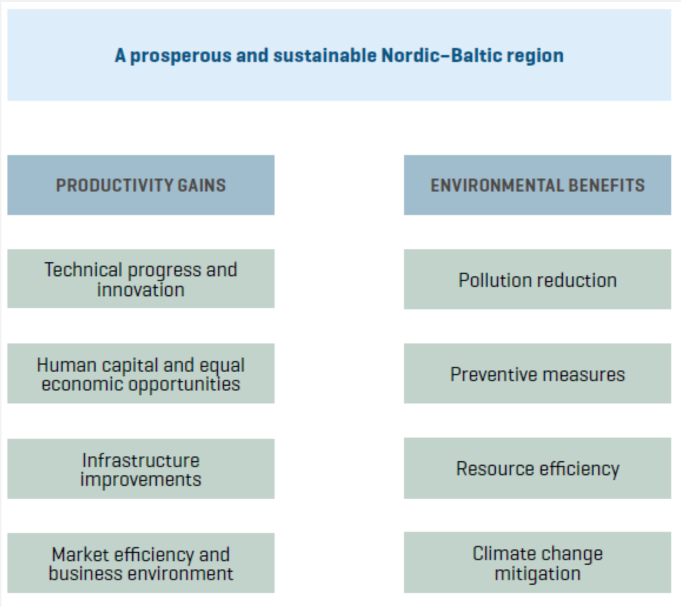
Institution's specific E&S risk classification or categorization system	The first step in the review process consists of defining the assessment requirements. For this reason, all projects are categorised according to their potential negative environmental impact. The categories are: ▶ Category A Projects: Projects with potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented ▶ Category B Projects: Projects with potential limited adverse environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures ▶ Category C Projects: Projects with minimal or no negative environmental potential impact.

Are all investment projects E&S screened?	Yes	**Threshold**	N/A

How do you ensure that clients/project promoter are committed and trained on E&S requirements?	NIB engages with clients on E&S matters in 2 ways. The first is to request and review all client's relevant internal documents/policies that relate to E&S. We try to assess if the policies and ability to live up to those policies is adequate in the client's organization. The second is to engage during client meetings throughout the project and have a dialogue on E&S requirements as they arise.

<table>
<tr><td></td><td>If and when issues emerge, we discuss possible remediation actions from the project/client perspective.</td></tr>
<tr><td>List social criteria used for screening/ proofing of investment projects</td><td>See mandate rating framework and sustainability policy and guidelines.

NIB’s mandate specifies the E&S criteria under which it will operate: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<tr><td>Availability of a scoring or ranking for investment projects</td><td>NIB’s E&S mandate is assessed using a rating framework that includes various qualitative and quantitative factors as inputs in a scoring tool.

Rating process for the productivity impacts

The rating principles for productivity impacts is illustrated below.</td></tr>
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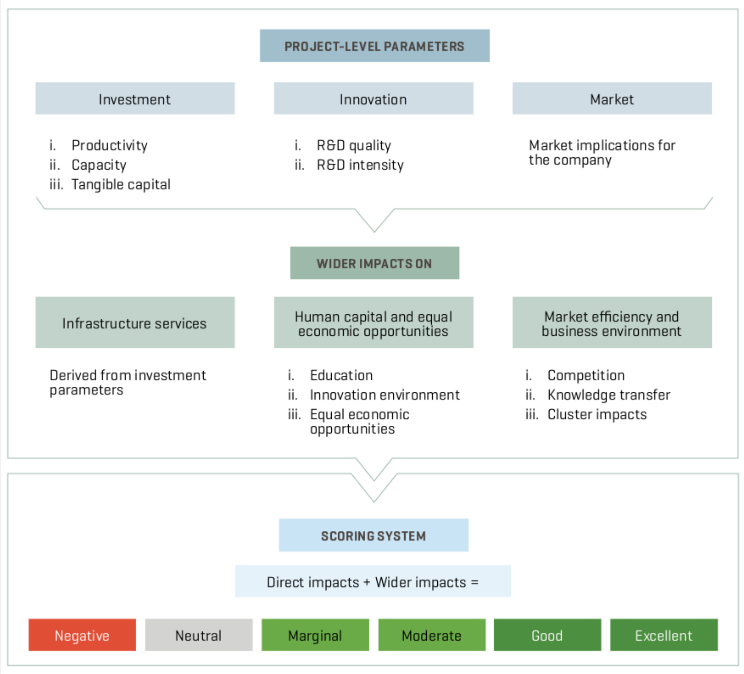
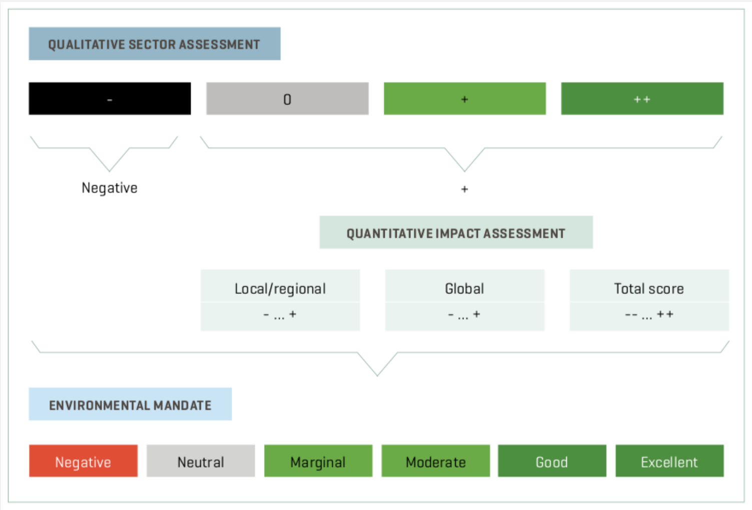


Rating process for the environmental impacts

The rating process for the environmental impacts includes a qualitative sector assessment, a quantitative impact assessment and an aggregated qualitative/quantitative assessment. The overview of the rating system for environmental impacts is illustrated below.

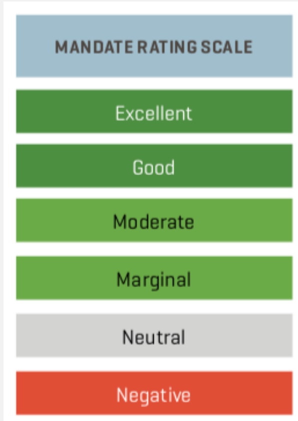


Both the qualitative sector and the quantitative impact part of the assessment can generate the same amount of scores, i.e. they are equally weighted in the assessment. This means that a project within a sector that is generally considered to contribute to NIB's environmental mission, may receive a positive environmental mandate score without achieving measurable positive absolute

<table>
<tr><td></td><td>impact. Likewise, a project within a sector that as such is not considered to directly contribute to any of the set national or international policy targets may achieve a positive environmental mandate score by showing a significant positive absolute impact on the environment.

Overall rating

The rating of both mandate components is expressed separately. Moreover, the mandate assessment involves a risk assessment that describes the reasons and the likelihood that the predicted productivity or environmental impacts the completed project will not fully materialize.


</td></tr>
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<table>
<tr><td>Monitoring of social performance</td><td>Monitoring
The need for monitoring specific environmental or social issues is assessed as part of NIB's sustainability review. The Bank expects clients to be in compliance with the Sustainability Policy and Guidelines throughout the project and provisions entitling the NIB to monitor pro- jects are incorporated into the loan agreement. The projects are assessed ex-ante during the mandate rating process (MRF), where environmental benefits are estimated, and monitoring indicators set for follow-up with the client.

After NIB's financing is agreed and disbursed, the Bank monitors projects with significant environmental and social risks and impacts. This is done in accordance with the environmental review or when deemed necessary by NIB due to unexpected events.

Upon completion of financed projects, NIB follows up on the realisation of the estimated environmental benefits and performs an ex-post assessment (internal document: ex-post mandate assessment framework). If during this assessment, the Sustainability & Mandate Unit observes that a loan has not fulfilled the NEB eligibility criteria and the anticipated environmental impact has deviated substantially from the ex-ante assessment, the unit will bring this to the attention of the</td></tr>
</table>

	Bank's Credit Committee. The Credit Committee's responsibility is to approve any recommendations, including removing a specific loan from the NEB Fund Pool. The monitoring and ex-post mandate assessment consist of the following elements: 4. Monitoring of project implementation 5. Impact assessment (mandate fulfilment in both productivity and environment) 6. Sustainability assessment (environmental and social impact) when relevant The final impact will be assessed using an evaluation standard in line with the one used in ex-ante assessments. If the sustainability review process carried out during the normal credit process concludes that assessment of environmental and social aspects is needed, this will form part of the monitoring of implementation of the project.

Additionality and the Positive Agenda

Methodology description for measuring or assessing additionality and positive impacts	The mandate rating framework allows for both negative and positive impact assessment. So effectively by applying the MRF, NBI is able to identify and possibly quantify positive impacts. It uses a set of indicators, depending on the project, either environmental or social or both, that allow us to assess the impact.
Examples of positive impacts for the social dimension	Positive impact on the social dimension includes investments in education and healthcare, which have specific indicators (e.g. # of students affected or # of patients treated) that can be used as a proxy for the positive social impacts in terms of human capital and labour productivity. NIB also looks at the wider impacts of projects that initially could be less obvious in terms of the social dimension. For example, increased competition in a regional market (due to better infrastructure, logistics etc) can bring lower prices of goods, which can be seen as a benefit to society (i.e. consumers). Digitalization of services and offering can also, if maintaining the quality of service, be seen as positive with reduced time and costs for the users, therefore providing an overall positive impact to society. Large R&D programmes could also have significant spill-over effects if collaborating with local universities and public research centres.
Examples of negative social impacts which were remediated during the proofing process	Automatization and increased efficiency in manufacturing can bring to reduced jobs of certain skillset. Remediation is around reskilling of current workforce or redeployment in alternative jobs.

Recommendations

Recommendations and lessons learnt from implementing E&S screening and proofing	Have clear standards and references to which to relate to when assessing E&S risks and opportunities. Do not stop at the immediate project boundaries, but try to look beyond in wider impacts, supply chains, product use. That is typically where some E&S issues lie, as today most projects/organization will take care of the most immediate E&S factors. Be specific to the sector the project or client operates in. Every sector/industry has material E&S factors it should consider - those are the ones that are of critical importance and show the “attitude” of the client towards these topics. When it comes to remediation actions, make sure to assess if the client has sufficient capacity and competence to act on the remediation actions agreed. If not they are useless.

World Bank

General Information	
Name of Institution	World Bank
Title of E&S Standard or Framework	Environmental and Social Framework
Date of publication	1 October 2018 — **Publicly available**: Yes
Brief description of the E&S Standard/Framework	The Environmental and Social Framework (ESF) enables the World Bank and Borrowers to better manage environmental and social risks of projects and to improve development outcomes. It was launched on October 1, 2018. The ESF offers broad and systematic coverage of environmental and social risks. It makes important advances in areas such as transparency, non-discrimination, public participation, and accountability—including expanded roles for grievance mechanisms. It brings the World Bank's environmental and social protections into closer harmony with those of other development institutions. The ESF consists of: ► the World Bank's Vision for Sustainable Development ► the World Bank's Environmental and Social Policy for Investment Project Financing (IPF), which sets out the requirements that apply to the Bank ► the 10 Environmental and Social Standards (ESS), which set out the requirements that apply to Borrowers ► Bank Directive: Environmental and Social Directive for Investment Project Financing ► Bank Directive on Addressing Risks and Impacts on Disadvantaged or Vulnerable Individuals or Groups The ESF consolidates and modernizes many of the requirements under the Safeguard Policies adopted two decades ago. This effort is one of several key initiatives, including procurement reform, and the climate and gender strategies, recently undertaken by the World Bank to improve development outcomes. The ESF offers a broader and more systematic coverage of environmental and social risks. The ESF also requires attention to environmental and social issues throughout the preparation and implementation of a project, with increased focus on stakeholder engagement and monitoring. It clarifies roles and responsibilities between the World Bank and its Borrowers. The ESF sets out a risk management approach tailored to risks and impacts of projects.
Custodians of E&S	World Bank Policy Unit
Is the E&S Standard/ Framework aligned to	Yes.

specific international practice?	For instance, the World Bank's environmental and social requirements have been expanded to include a specific standard (ESS2) on labor and working conditions. This includes provisions on terms and conditions of work, non-discrimination, workers organizations, child and forced labor, and occupational health and safety (building on what is already contained in the World Bank Group's Environmental, Health and Safety Guidelines). ESS2 is informed by ILO's core labor standards and has benefited from extensive discussions with the ILO, international and local trade unions and other labor experts. ESS2 does not refer to international labor conventions because it is a stand-alone Bank standard that is independent of any other treaties. However, as most counties are members of the ILO and have ratified some, if not all, of the core labor standards, many Borrowers will find that the provisions of ESS2 are already reflected in national law.

Is the E&S Standard/ Framework sector specific?	No	**Which sectors?**	N/A

Availability of specific E&S policy for disadvantaged or vulnerable individuals or groups	Yes, ESF includes non-discrimination provisions to protect disadvantaged or vulnerable individuals or groups, and to allow them to access the benefits of the project. In addition, a separate new mandatory World Bank Directive, which includes some examples of these groups, requires staff to assist borrower governments to consider, mitigate, and manage potential impacts on such individuals and groups.
Availability of specific E&S policy for gender equality issues	Yes. Gender is a key element of the ESF. In 2019, the World Bank has released a Good Practice Note on Gender. To ensure priority is given to this important agenda, the Bank has also: ▶ Appointed a Disability Advisor to ensure that Bank policies, programs and projects take people with disabilities into consideration. ▶ Hired a Sexual Orientation and Gender Identity Advisor who will provide intellectual leadership and technical guidance to Bank teams and enhance coordination with CSOs, UN Agencies, and other partners and stakeholders. ▶ Established Global Gender-Based Violence (GGBV) Task Force to strengthen the institution's response through its projects to issues involving sexual exploitation and abuse.
Is there a dedicated E&S team in your organisation?	Yes. Different teams/departments implement the ESF: 1/ Policy: Define and approve the ESF (they "own" the design and revision process) 2/ Specialists from different departments get involved, e.g. Environment & Natural Resources, Social, Urban, Rural, Resilience. Overall, about 400 staff are involved in ESG.

Screening and Proofing Processes

	The World Bank will conduct environmental and social due diligence of all projects proposed for support. The purpose of the environmental and social due diligence is to assist the Bank in

Describe the overall E&S due diligence process	deciding whether to provide support for the proposed project and, if so, the way in which environmental and social risks and impacts will be addressed in the assessment, development and implementation of the project. The environmental and social due diligence will be appropriate to the nature and scale of the project, and proportionate to the level of environmental and social risks and impacts, with due regard to the mitigation hierarchy. The due diligence responsibilities will include, as appropriate: (a) reviewing the information provided by the Borrower relating to the environmental and social risks and impacts of the project, and requesting additional and relevant information where there are gaps that prevent the Bank from completing its due diligence; and (b) providing guidance to assist the Borrower in developing appropriate measures consistent with the mitigation hierarchy to address environmental and social risks and impacts in accordance with the ESSs. Strengthening national systems in borrowing countries is recognized as a central development goal by the World Bank and its shareholders. In line with this goal, the ESF enables a Borrower to propose using relevant parts of its Environmental and Social Framework for the assessment, development and implementation of a project when this is likely to address the risks and impacts of the project, and enable the project to achieve objectives materially consistent with the Environmental and Social Standards. In such a case, the World Bank will evaluate those aspects of the Borrower's policy, level and institutional framework that are relevant to the project including the Borrower's: ► National, subnational or sectoral implementing institutions ► Applicable laws, regulations, rules and procedures ► Implementation capacity and track record If the evaluation identified gaps in the Borrower's Environmental and Social Framework, the Borrower will work with the Bank to identify measures and actions to address such gaps. Such measures and actions will be set out in the ESCP together with the timeframes for their completion, and may be implemented during project preparation or project implementation.

Description of the screening process	The World Bank refers to ten Environmental and Social Standards (ESS) that the Borrower and the project will meet through the project life cycle, as follows: 1) Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts; 2) Environmental and Social Standard 2: Labor and Working Conditions; 3) Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management;

	4) Environmental and Social Standard 4: Community Health and Safety; 5) Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement; 6) Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources; 7) Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities; 8) Environmental and Social Standard 8: Cultural Heritage; 9) Environmental and Social Standard 9: Financial Intermediaries; and 10) Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure. These Standards establish objectives and requirements to avoid, minimize, reduce and mitigate risks and impacts, and where significant residual impacts remain, to compensate for or offset such impacts.
Description of the proofing process	The ESF also calls for proportionality – which means that all risks should not be treated equal and that more resources should be allocated to projects with greater risks. The ESF calls for adaptive management of environmental and social risks and impacts – which means having the flexibility to adjust to changes on the ground, to new information, to new risks. This is widely recognized as sound development practice and will allow Borrowers to respond to issues as the project develops and progresses. A rigorous upfront scoping will be required to determine the scope and significance of environmental and social impacts. During the monitoring phase, where the Bank has identified and agreed with the Borrower and, as relevant, other agencies, on corrective or preventive measures and actions, all material measures and actions will be included in the Environmental and Social Commitment Plan (ESCP). Such measures and actions will be addressed in accordance with the timeframe set out in the ESCP or, if they are not included in the ESCP, in a reasonable timeframe, in the opinion of the Bank. The Bank will have the right to apply the Bank's remedies if the Borrower fails to implement such measures and actions in the timeframes specified.
Availability of exclusion list	Yes
Institution's specific E&S risk classification or categorization system	The Bank will classify all projects (including projects involving Financial Intermediaries (FIs)) into one of four classifications: ► High Risk, ► Substantial Risk, ► Moderate Risk, or ► Low Risk.

	In determining the appropriate risk classification, the World Bank will take into account relevant issues, such as the type, location, sensitivity, and scale of the project; the nature and magnitude of the potential environmental and social risks and impacts; and the capacity and commitment of the Borrower (including any other entity responsible for the implementation of the project) to manage the environmental and social risks and impacts in a manner consistent with the ESSs. Other areas of risk may also be relevant to the delivery of environmental and social mitigation measures and outcomes, depending on the specific project and the context in which it is being developed. These could include legal and institutional considerations; the nature of the mitigation and technology being proposed; governance structures and legislation; and considerations relating to stability, conflict or security. The Bank will disclose the project's classification and the basis for that classification on the Bank's website and in project documents. The Bank will review the risk classification assigned to the project on a regular basis, including during implementation, and will change the classification where necessary, to ensure that it continues to be appropriate. Any change to the classification will be disclosed on the Bank's website.

Are all investment projects E&S screened?	Yes	**Threshold**	The ESF and the ESSs apply to all projects supported by the Bank through Investment Project Financing.

How do you ensure that clients/project promoter are committed and trained on E&S requirements?	First, the World Bank has conducted large consultations in past years, providing an opportunity to raise awareness on E&S issues. The 2018 ESF is the result of the most extensive consultations ever conducted by the World Bank, with nearly four years of analysis and engagement around the world with governments, development experts, and civil society groups, reaching nearly 8,000 stakeholders in 63 countries. Also, the ESF places greater emphasis on the use of Borrower frameworks, with the goal of building sustainable Borrower institutions and increasing efficiency. Under the ESF, all or part of a Borrower environmental and social framework may be used for a project when it is determined that using the Borrower framework will address the risks and impacts of the project and will lead to outcomes consistent with the objectives of the ESF. In addition, the World Bank offers an online course entitled "ESF Fundamentals" aimed at environmental and social practitioners who are interested in an in-depth knowledge of the ESF. The course is free. Moreover, to guide clients and World Bank staff in their use of the Environmental and Social Framework (ESF), the World Bank has developed resources, including Good Practice Notes, Templates and Checklists (all available online). They are not World Bank policy and their use is not mandatory.

List social criteria used for screening/ proofing of investment projects	Under the new ESF, the scope of social issues explicitly addressed has been broadened and now includes specific reference to occupational health and safety, labour and working

	conditions, and community health and safety. The ESF enhances requirements for transparency and stakeholder engagement. These requirements can now be found throughout the ESF. The ESF also includes non-discrimination provisions against disadvantaged or vulnerable individuals or groups. In addition, a separate new mandatory World Bank Directive, which sets out examples of these groups, requires staff to assist Borrowers to consider, mitigate, and manage potential discrimination issues. Issues related to children are addressed more explicitly in the Framework through the provisions relating to protecting individuals or groups that are disadvantaged or vulnerable, and therefore more likely to be adversely affected by the project and less able to take advantage of project benefits. The Framework incorporates key human rights principles, including transparency, accountability, consultation, participation, non-discrimination, and social inclusion.
Availability of a scoring or ranking for investment projects	
Monitoring of social performance	The Bank will monitor the environmental and social performance of the project in accordance with the requirements of the legal agreement, including the ESCP, and will review any revision of the ESCP including changes resulting from changes in the design of a project or project circumstances. The extent and mode of Bank monitoring with respect to environmental and social performance will be proportionate to the potential environmental and social risks and impacts of the project. The Bank will monitor projects on an ongoing basis as required by OP 10.00.39. A project will not be considered complete until the measures and actions set out in the legal agreement (including the ESCP) have been implemented.

Additionality and the Positive Agenda

Methodology description for measuring or assessing additionality and positive impacts	
Examples of positive impacts for the social dimension	
Examples of negative social impacts which were remediated during the proofing process	

Recommendations

Recommendations and lessons learnt from implementing E&S screening and proofing	

Annex 5 – Case studies

Case 1: CEB, Health Infrastructure in non-EU country

1. General overview:

General information	
Project Name	New greenfield Hospital – Case anonymised
Project scope	The project aims to finance the construction of a new (greenfield) healthcare facility
Sponsor Bank/ Implementing Partner	❑ EIB ❑ EIF ☑ Other, specify: Council of Europe Development Bank (CEB)
Direct Investment vs. Intermediated Finance	❑ Direct investment ☑ Intermediated finance. Please, specify: Loan
Financing instrument(s)	☑ Loan: 54 million ❑ Co-financing - Please, specify with whom: ❑ Equity ❑ Guarantee product ❑ Public Private Partnership - Please, specify with whom: ❑ Grant ❑ Blended finance. Please, specify: ❑ Other, specify:
Project Promoter	Undisclosed
Geographic location	Undisclosed
Sector	Health infrastructure
Project size	Present cost estimate of Eur75m
Project duration	Long Term
Stakeholders involved (public and private)	Undisclosed
Screening and proofing	Proofing conducted by Technical Department

2. Project description:

Please, provide a description of the project:
The project aims to build a new (greenfield) facility of the existing healthcare facility in a non-EU country since the current pre-World War II facility is outdated, overcrowded, and not up to modern standards of quality and safety. The new Hospital Facility should provide the population with a high quality and safe acute tertiary level hospital services comparable with the best in Europe, containing modern organizational models of care delivery and the latest diagnostic and therapeutic technologies. The project initially envisaged the construction of a separate new facility connected to the existing building, which would recover its initial external shape. Yet, the pre-feasibility study underlined several legal, regulatory, technical and organizational constraints related to the land selected for the construction of the new facility, that was occupied by operational structures. Consequently, after a thorough exploration, the national and municipal authorities selected a new location, with better access in terms of transportation and next to another large healthcare facility, thus offering many synergies between the two. The selected land plot for the construction is a building complex owned by another Ministry. The premises serve as administrative centre of their catering services, as office space and are also used as temporary accommodation for over a hundred of Ministry employees, even though they lack appropriate sanitation and room structure, and were never intended to be a permanent living solution. All current inhabitants are in the lengthy process of acquiring permanent accommodation provided by the public authorities, which will not be completed before the construction process starts. To solve this situation, the government decided to provide alternative temporary accommodation in two Ministry owned hotels to be rehabilitated for that purpose. The national authorities have already secured the funds to finance these renovation works and provided a schedule to ensure a timely relocation.

3. Environmental and social standards:

Please, indicate which environmental and social policies, procedures, framework and/or standards have been used for the project:
CEB's E&S consultants were sent to discuss with the Project Implementation Unit the requirements of the Environmental and Social Safeguards Policy (ESSP) of the CEB, and clarify their obligations particularly concerning the resettlement processes. Need for EIA. Depending on the results of environmental and/or social screening and assessments, specific environmental and/or social issues may have been identified and mitigation measures proposed. If this is the case, they need to be summarised and the responsibilities for implementing these measures must be outlined.

4. Project appraisal process

Please, describe the process followed for appraisal of the project and indicate when social screening and proofing is conducted in the project appraisal cycle. *(Indicate what are the initial submission form and related documents, management of proceeds, reporting processes, sequencing, auditing etc.)*

Application of environmental and social safeguard standards The Bank applies a set of two environmental and social safeguard standards (ESSS) which the borrower must follow if triggered by the Bank's screening process. The ESSS are based upon safeguards in use by other international financial institutions such as Asian Infrastructure Investment Bank and the World Bank and adapted to the specific mandate and geographic focus of the CEB. The two environmental and social safeguard standards' scope and coverage are as follows: - ESSS1 describes the requirements for environmental and social assessment, public consultation and risk mitigation and management in terms of process and issues to be addressed. This includes the protection of nature and biodiversity, pollution prevention, resource efficiency, climate change, vulnerable groups, gender and discrimination, working conditions and community health and safety. - ESS2 describes the requirements for addressing issues of economic and physical displacement of persons in connection with project-induced compulsory land purchase orders. - ESSS 1 applies when the Bank has determined, in consultation with the borrower that assessment of the project's environmental and social risks and adverse impacts is needed. The borrower should thus undertake such assessment in line with the requirements of the safeguard standard. - ESSS 2 applies if the project would involve land acquisition, economic displacement or involuntary resettlement. In that case the Bank requires the borrower to address these aspects following the requirements of the safeguard standard.

5. Screening, identification of social and environmental risks

• Please, describe the procedures and policies related to the identification (screening) of social and environmental risks for the project, and who conducted such tasks. Note, if the screening is done more than once, please explain. • Which specific social and environmental risks were identified for the project? • How was the project promoter involved in the screening?
The Bank's ESS diligence – which categorized the transaction as B - made it clear that social issues need to be addressed, including the relocation of about 120 inhabitants who currently have temporary accommodation at the foreseen site for the future hospital. The Technical Appraisal Report states clearly that modalities and timing of the relocation process should be further monitored to ensure that social risks are mitigated and that the site is made available for construction in accordance with the proposed implementation schedule. This is to be assessed by external consultants.

6. Social criteria used in the appraisal process

Social criteria: Please, describe the specific social criteria used in the screening of the project. *(Provide the full list + a short description for each criterion. Also indicate what are the specific thresholds used for screening the project)*
- Definition of final beneficiaries and vulnerability; clarity of social outcomes and ways to measure them

- Addressing the aftermath of war or ecological or natural catastrophes etc., or other interventions in line with the CEB historical mandate
- Responsiveness to policies and priorities linked to gender equality
- Potential social safeguards risks and adequacy of (environmental and) social management plan/framework and/or the capacity of the implementer to prepare and implement such plan or framework

7. Scoring, categorization and tiering

Scoring/ranking: Do you have a specific process for scoring/ranking investment projects? If yes, please describe the specific scoring/ranking and weighting process used for the project *(and indicate what is the score/rank obtained for the project).*

Yes, across the following categories:
- Beneficiaries
- Vulnerable groups targeted
- Gender focus

Extent to which the project includes design features to promote gender equality in coherence with the gender gaps identified (e.g. increasing acces to finance, employment, education & services)
- Social safeguards

Extent to which the project is concerned by social safeguard risks (e.g. labour standards, occupational and community health and safety, expropriation/resettlement, stakeholder/ public consultation and participation, vulnerable groups' rights and interests, cultural heritage etc.). The rating should take into account the adequacy on (environmental) and social management plans/framework and/or the capacity of the project implementers to address and manage such issues if applicable and as required by the ESSP.

Categorization and tiering:

Does your approach allow for a specific categorization or tiering of the investment projects, e.g. investment project with potential significant versus minimum adverse environmental or social risk, and/or impacts that are diverse, irreversible, or unprecedented? If "YES", please explain how the project was categorized:

Yes

Rating S	Criteria
N/A	Not concerned by any significant social safeguard issue
1	Exposed to major social safeguard issue(s) that is (are) likely to jeopardise social sustainability and/or may cause reputatior
2	Minor social safeguard issue(s) was (were) identified which is (are) not adequately addressed by the project implementers
3	Minor social safeguard issue(s) was (were) identified which (is) are adequately addressed by the project implementers
4	Includes pro-active design features that go beyond the basic requirements of social safeguards

8. Proofing and remediation process

Please, indicate what are the mitigation/remediation measures used for the project, if any.

In doing so, provide indicative information about: a) the time required to prepare the project, from initial proposal to approval of the financing operation, including the time required for proofing b) the time scope of the investment operation and c) the time-horizon of the project itself.

Terms of reference used for the Technical Assistance to be performed by the external consultant (cf. extract below) provide a convincing evidence of the work to be undertaken to ensure that the Bank's social standards are met. It also highlights the availability of the Bank's internal ESS Technical expert to accompany the process throughout, thus ensuring that recommended actions are well framed before the transaction is submitted further up the Bank's approval chain.

9. Reporting, disclosure and on-going monitoring

• Please indicate how reporting is made internally and externally on the E&S issues related to the investment project. • Disclose how the project promoters has engaged with relevant stakeholders and the general public, both to communicate the good results expected from the project and to hear and react to any concerns that may be raised about the project. • Indicate how E&S issues are monitored throughout the life of the projects.
Reporting is made via Technical Advisory Report

10. Development impacts and additionality

Please, indicate how development impacts and additionality are measured for the project, and disclose any constraints in doing so:
The Bank considers it important that all borrowers have a systematic approach to the management of environmental and social risks and adverse impacts related to the projects receiving CEB financing. The application of appropriate project management mechanisms is essential for ensuring the project's environmental and social sustainability and contributes to minimising the risk for adverse effects on project implementation, including budget overruns, litigation as well as reputational risk. The Bank requires the borrower to adopt an integrated approach to the assessment of environmental and social risks and adverse impacts where feasible, as these safeguard issues are interrelated and need appropriate coordination during project planning and implementation. The objectives of Environmental and Social Safeguard Standard (ESSS) 1 are to: - Identify and assess environmental and social risks and adverse impacts associated with the project; - Propose and adopt measures to avoid or where avoidance is not possible, minimise, mitigate, or offset/compensate for adverse impacts on project-affected persons, workers and the environment; - Support the integration of environmental and social safeguard considerations into the project decision-making process and implementation; - Ensure that the project's design foresees compliance with appropriate environmental and social safeguard standards during its operation.

11. Constraints

Please, indicate what are the main challenges encountered in applying the sustainability screening and proofing processes.

• To obtain sufficient information on the relocation strategy and its status of implementation. Clarify the processes and systems to manage social safeguards risks; in particular, assess the physical displacement of the tenants in line with CEB's ESSP. • To ensure that the proposed timeline for completing the relocation is realistic

12. Recommendations, lessons learnt and other documents to be reviewed

Please, mention any recommendations that you may have, based on this project (e.g. better training on E&G needed for the promoter, regulatory changes needed…). *Please indicate if further information is available on the project (published articles, books, notes…)*
This case illustrates clearly the importance of an early involvement of the sponsoring bank, as well as its ability to arrange in-depth advisory work, in order to identify the relevant social issues which may have otherwise been discarded

Case 2: EBRD, Industrial Facility Financing in Romania

1. General overview:

General information	
Project Name	TeraPlast Group
Project scope	The EBRD has provided senior loans of up to EUR 16 million to two companies within TeraPlast Group (the "Group"), to support the expansion of the Group steel segment business in Romania and the CEE region
Sponsor Bank/ Implementing Partner	❑ EIB ❑ EIF ☑ Other, specify: European Bank for Reconstruction and Development (EBRD)
Direct Investment vs. Intermediated Finance	❑ Direct investment ☑ Intermediated finance. Please, specify: Senior Loan
Financing instrument(s)	☑ Loan ❑ Co-financing - Please, specify with whom: ❑ Equity ❑ Guarantee product ❑ Public Private Partnership - Please, specify with whom: ❑ Grant ❑ Blended finance. Please, specify: ☑ Other, specify: **2-tranche Loans:** ▶ Wetterbest SRL: EUR5m for financing a new roof systems production and storage facility in Romania ▶ TeraSteel: EUR11m for the refinancing of the costs with setting-up the operations in Serbia for metallic sandwich panels production and developing the CEE presence of the company
Project Promoter	TeraPlast Group (SME) is a manufacturer of materials for construction and installation markets in Romania
Geographic location	The Company is based in Romania, with production sites in two countries, Romania and Serbia
Sector	Manufacturing and Services
Project size	EBRD Loan Summary:

	Wetterbest SRL: Eur5m TeraSteel CEE: Eur11m Total Project Cost: Wetterbest SRL: Eur 9,2m TeraSteel CEE: Eur 19,4m
Project duration	Medium-Term lending facilities
Stakeholders involved	TeraPlast Group Management
Screening and proofing	Screening and proofing conducted by the Bank’s E&S Dept.

2. Project description:

Please, provide a description of the project:
TeraPlast Group is one of the leading manufacturers of materials for construction and installation markets in Romania, listed on the Bucharest stock exchange. The production of the Group is structured around two main business lines: plastic division and steel division (which include metallic sandwich panel and metallic roofing activities). The two companies were seeking finance to support the expansion of the Group steel segment business in Romania and the CEE region as follows: (i) Wetterbest SRL (former Depaco SRL): Eur 5m for financing a new roof systems production and storage facility in Romania (Total project cost: Eur 9.2m) (ii) TeraSteel: EUR 11m for the refinancing of the costs of setting-up operations in Serbia for metallic sandwich panels production and developing the CEE presence of the company (Total project cost: Eur 19.4m)

3. Environmental and social standards:

Please, indicate which environmental and social policies, procedures, framework and/or standards have been used for the project:
The environmental and social due diligence (ESDD) process appraises (i) the environmental and social impacts, issues, risks and opportunities associated with the project; (ii) the capacity and commitment of the client to implement the project in accordance with the relevant Performance Requirements; and (iii) to the extent appropriate, the environmental and social impacts and risks related to facilities and activities that are associated with the project, but are not financed by EBRD. The ESDD starts with identification and a review of available relevant environmental and social information related to the project. Such information is determined by the Operation Team and/or ESD together with the client. Depending on the nature of the project and the information received from the client, the ESD may require a site visit to the project at the initial stage of the due diligence to determine the detailed scope and content for the ESDD. Specific objectives will be defined for such visits.

The client is responsible for ensuring that the ESDD complies with the PRs and provides the Bank with adequate information to undertake the environmental and social appraisal. The ESD's role is to assist the client with this task and advise on the scope and content of the due diligence studies required to meet the PRs. The ESDD is expected primarily to be conducted by independent consultants or other third party experts. In some cases the project or client may have in-house specialist staff or retained consultants who can conduct the necessary work. The environmental and social issues associated with balance sheet refinancing and provision of capex addressing the expansion of TeraPlast Group's steel segment business in Romania and the CEE area can be readily identified and managed. Due diligence, carried out by ESD, focused on TeraPlast Group's existing management systems, current facilities and operations. An ESAP has been developed and agreed with the Company to ensure the project complies with the Bank's Performance Requirements.

4. Project appraisal process

Please, describe the process followed for appraisal of the project and indicate when social screening and proofing is conducted in the project appraisal cycle. *(Indicate what are the initial submission form and related documents, management of proceeds, reporting processes, sequencing, auditing etc.)*
The ES Due Diligence included a review of the E&S Questionnaire, the Company's policies and procedures, a site visit to the production facilities in Saratel and Bistrita and interviews with relevant management staff. Identified issues that need to be addressed include a lack of formal corporate grievance mechanism; inadequate on-site traffic and pedestrian management, and exceedance of permitted noise and dust limits in the Romanian industrial park; and outstanding environmental and other permits for the new facility, and it's inclusion in the existing IMS system of the Company

5. Screening, identification of social and environmental risks

• Please, describe the procedures and policies related to the identification (screening) of social and environmental risks for the project, and who conducted such tasks. Note, if the screening is done more than once, please explain. • Which specific social and environmental risks were identified for the project? • How was the project promoter involved in the screening?
The project was categorised as B (under EBRD's 2014 ESP). The environmental and social issues associated with balance sheet refinancing and provision of capex addressing the expansion of TeraPlast Group's steel segment business in Romania and the CEE area were readily identified and managed. Due diligence carried out by the Bank's Environment & Sustainability Dept. focused on TeraPlast Group's existing management systems, current facilities and operations. The ESAP was developed and agreed jointly with the Company to address these issues. The specific measures included the inclusion of a new facility into the existing IMS; obtaining the required permits and development of a Construction Environmental and Social Management Plan for the new facility prior to construction; development of a Traffic Management Plan for the Romanian industrial park;

bringing and maintaining the microclimate working conditions within permissible levels in all the Company's facilities; and the development of a formal corporate grievance mechanism.

6. Social criteria used in the appraisal process

Social criteria: Please, describe the specific social criteria used in the screening of the project. *(Provide the full list + a short description for each criterion. Also indicate what are the specific thresholds used for screening the project)*
Projects are expected to meet performance requirements related to environmental and social sustainability, as per the list below: PR 1 - Assessment and Management of Environmental and Social Impacts and Issues PR 2 - Labour and Working Conditions PR 3 - Resource Efficiency, Pollution Prevention and Control PR 4 - Health and Safety PR 5 - Land Acquisition, Involuntary Resettlement and Economic Displacement PR 6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources PR 7 - Indigenous Peoples PR 8 - Cultural Heritage PR 9 - Financial Intermediaries PR 10 - Information Disclosure and Stakeholder Engagement

7. Scoring, categorization and tiering

Scoring/ranking: Do you have a specific process for scoring/ranking investment projects? If yes, please describe the specific scoring/ranking and weighting process used for the project *(and indicate what is the score/rank obtained for the project).*
Yes. EBRD categorises each project directly financed either as A, B or C to determine the nature and level of environmental and social investigations, information disclosure and stakeholder engagement required (See below explanation on the use of categories). This will be commensurate with the nature, location, sensitivity and scale of the project, and the significance of its potential adverse future environmental and social impacts. The rationale and justification for the assigned category of the project will be documented. The project was categorised as B (under EBRD's 2014 ESP)
Categorization and tiering: Does your approach allow for a specific categorization or tiering of the investment projects, e.g. investment project with potential significant versus minimum adverse environmental or social risk, and/or impacts that are diverse, irreversible, or unprecedented? If "YES", please explain how the project was categorized:
For projects that have adverse social impacts, clients are expected to, as an integral part of the assessment process, identify all the project's stakeholders and design a plan for engaging with the stakeholders.

The client will identify the stakeholders potentially affected by and/or interested in the project, disclose sufficient information about the impacts and issues arising from the project and engage with relevant stakeholders, in proportion to the potential impacts associated with the project and level of concern. For private sector projects, the ESIA documents shall be available for a minimum of 60 calendar days prior to consideration of the project by the Board of Directors, for public sector projects 120 calendar days prior to Board consideration. The ESIA documents are produced by clients, and the EBRD makes them available without any comment or implied endorsement. However, before disclosure, the ESD must consider the ESIA documents appropriate and fit for purpose for the consultation process.

8. Proofing and remediation process

Please, indicate what are the mitigation/remediation measures used for the project, if any. In doing so, provide indicative information about: a) the time required to prepare the project, from initial proposal to approval of the financing operation, including the time required for proofing b) the time scope of the investment operation and c) the time-horizon of the project itself.
Where the project does not meet some of the Performance Requirements from the outset, the client and the Bank will agree on an ESAP, which will include technically and financially feasible, and cost-effective measures for the project to achieve compliance with the PRs within a time frame acceptable to EBRD. The ESAP is the key tool to structure projects to meet the PRs as well as a key instrument for monitoring of the project's ongoing environmental and social performance by EBRD. The ESAP may also include measures for the client to manage environmental and social risks and/or to improve their practices in line with the PRs in their other operations that are associated with but not part of the project.

9. Reporting, disclosure and on-going monitoring

• Please indicate how reporting is made internally and externally on the E&S issues related to the investment project. • Disclose how the project promoters has engaged with relevant stakeholders and the general public, both to communicate the good results expected from the project and to hear and react to any concerns that may be raised about the project. • Indicate how E&S issues are monitored throughout the life of the projects.
EBRD reviews the environmental and social performance of projects and the compliance with the environmental and social commitments as agreed in the legal documentation. The extent of monitoring will be commensurate with the environmental and social impacts and issues associated with the project, including both direct investment and FI projects. As a minimum, monitoring requirements and commitments will include reviewing Annual Environmental and Social Reports on projects prepared by clients. EBRD may also periodically verify the monitoring information prepared by clients through site visits to projects by the Bank's environmental and social specialists and/or independent experts. If the client fails to comply with its social and environmental commitments as set out in the legal agreements, the EBRD may agree with the client remedial measures to be taken by the client to

achieve compliance. If the client fails to comply with the agreed remedial measures, the Bank may take such action and/or exercise such remedies contained in the financing agreements that it deems appropriate. The EBRD will also review with the client any performance improvement opportunities related to projects.

10. Development impacts and additionality

Please, indicate how development impacts and additionality are measured for the project, and disclose any constraints in doing so:
The 3 key principles governing EBRD operations – as set out in Article I of the "Agreement establishing the EBRD - are: sound banking, transition impact (TI) and additionality. Article I of the Agreement Establishing the Bank states that "the purpose of the EBRD shall be to foster the transition towards open market-oriented economies and to promote private and entrepreneurial initiative". The Concept of Transition was first defined in 1997 and laid down a framework for the systematic assessment of projects in light of the Bank's mandate. Initially, the focus was on how projects contribute to promoting "Economic interactions on a market basis and private initiative." The EBRD's new transition concept argues that a well-functioning and sustainable market economy should be characterised by six key transition qualities, i.e. it is an economy that is Competitive, Well-governed, Green, Inclusive, Resilient and Integrated. This concept has been operationalised throughout the Bank's Results Framework, which covers the Bank's country strategies as well as policy dialogue and project activities. At the project level, we developed a methodology to assess the expected transition impact project (TOMS) and measure its actual delivery (TIMS). The Sector Economics Pillar (SEP) in the Economics, Policy and Governance (EPG) department of EBRD, in conjunction with project teams, assesses and monitors the Transition Impact of EBRD projects in line with the TOMS and TIMS methodologies. Transition impact analysis For each EBRD investment, the SEP team assesses how the project contributes to the Bank's mandate to promote transition. Projects are scored by looking at the two main transition qualities they contribute to, but all are reviewed along the six qualities to make sure there are no elements that could potentially produce negative impact on the other qualities. Monitoring and the corresponding attribution of a portfolio score is also structured along the six qualities and is based on set of standardised TI monitoring indicators. Over the past years, EPG developed a tool known as TOMS to streamline and automatise the TI assessment at origination, and increase the transparency and predictability of TI ratings. The following section describes the core features of the application. The project received a Transition Impact ETI score of 80 Project will make a significant contribution to additional technological skills transfer via enhance its training offer in close collaboration with established local training providers to offer accredited dual learning and other work-based learning opportunities to local youth. The company also engaged to improve its Corporate Governance by implementing various measures directed at improving company's procedures, internal regulations and transparency

11. Constraints

Please, indicate what are the main challenges encountered in applying the sustainability screening and proofing processes.
The main issues related to agreeing the measures for inclusion into the existing IMS. e.g. obtaining the required permits and development of a Construction Environmental and Social Management Plan for the new facility prior to construction; developing a Traffic Management Plan for the Romanian industrial park; bringing and maintaining the microclimate working conditions within permissible levels in all the Company's facilities; and developing of a formal corporate grievance mechanism.

12. Recommendations, lessons learnt and other documents to be reviewed

Please, mention any recommendations that you may have, based on this project (e.g. better training on E&G needed for the promoter, regulatory changes needed…). *Please indicate if further information is available on the project (published articles, books, notes…)*
The involvement of EBRD helped to create the necessary framework for a variety of social aspects to be taken into account for review and remediation within the company's own processes (e.g. IMS). Additionality has come from the role played by EBRD in further strengthening Environmental & Social practices to accompany the firm moving to its next phase of growth.

Case 3: EBRD, Urban Regeneration in Greece

1. General overview:

General information	
Project Name	*LAMDA Development (Hellinikon Development)*
Project scope	EUR 22.7 million participation in a EUR 650 million share capital increase by Lamda Development, the private sponsor of the Hellinikon Urban Regeneration Development. The capital increase was raised through a domestic secondary public offering with the new shares listed and traded on the Athens Stock Exchange.
Sponsor Bank/ Implementing Partner	❑ EIB ❑ EIF ☑ Other, specify: European Bank for Reconstruction and Development (EBRD)
Direct Investment vs. Intermediated Finance	☑ Direct investment ❑ Intermediated finance. Please, specify:
Financing instrument(s)	❑ Loan ❑ Co-financing - Please, specify with whom: ☑ Equity: Subscription to Project Promoter's capital increase ❑ Guarantee product ❑ Public Private Partnership - Please, specify with whom: ❑ Grant ❑ Blended finance. Please, specify: ❑ Other, specify:
Project Promoter	LAMDA DEVELOPMENT SA A Greek real estate developer and investor specialised in the development, investment and management of real estate assets. Listed on the Athens Stock Exchange with a Eur 1.4bn market cap as of 18 Dec. 2019, Lamda operates mainly in Greece and in in South Eastern Europe.
Geographic location	Athens, Greece
Sector	Property and Tourism Project contributes to the urban regeneration of the greater Athens agglomeration. One of the biggest regeneration projects in Greece and one of the largest projects in Europe
Project size	Eur 650m. The project's total investment cost is estimated at Eur 8Bn

Project duration	Project duration: 25 years.
Stakeholders involved (public and private)	Lamda Development SA Hellinikon Urban Regeneration Development
Screening and proofing	Screening and proofing conducted by the Bank's E&S Dept.

2. Project description:

Please, provide a description of the project:
EUR 22.7 million participation in a EUR 650 million share capital increase (the "Project") by Lamda Development ("Lamda" or the "Company"), the private sponsor of the Hellinikon Urban Regeneration Development (the "Hellinikon Development"). The capital increase was raised through a domestic secondary public offering with the new shares listed and traded on the Athens Stock Exchange.

3. Environmental and social standards:

Please, indicate which environmental and social policies, procedures, framework and/or standards have been used for the project:
The environmental and social due diligence (ESDD) process appraises (i) the environmental and social impacts, issues, risks and opportunities associated with the project; (ii) the capacity and commitment of the client to implement the project in accordance with the relevant Performance Requirements; and (iii) to the extent appropriate, the environmental and social impacts and risks related to facilities and activities that are associated with the project, but are not financed by EBRD. *The ESDD starts with identification and a review of available relevant environmental and social information related to the project. Such information is determined by the Operation Team and/or ESD together with the client. Depending on the nature of the project and the information received from the client, the ESD may require a site visit to the project at the initial stage of the due diligence to determine the detailed scope and content for the ESDD. Specific objectives will be defined for such visits.* *The client is responsible for ensuring that the ESDD complies with the PRs and provides the Bank with adequate information to undertake the environmental and social appraisal. The ESD's role is to assist the client with this task and advise on the scope and content of the due diligence studies required to meet the PRs. The ESDD is expected primarily to be conducted by independent consultants or other third party experts. In some cases the project or client may have in-house specialist staff or retained consultants who can conduct the necessary work.* This equity transaction covers the project masterplan for which a Strategic Environmental Impact Assessment (SEIA) was conducted and site preparation and infrastructure work for which an Environmental Impact Assessment (EIA) was prepared. Both studies demonstrated E&S impacts to be

site-specific, and/or readily identified and addressed through effective mitigation measures. Environmental & Social Due Diligence (ESDD) was carried out by EBRD with the support of a consultant and included a site visit, discussion with the Client, review of the completed corporate ESDD Questionnaire, the SEIA and EIA. The project will implement an Environmental and Social Action Plan (ESAP).

4. Project appraisal process

Please, describe the process followed for appraisal of the project and indicate when social screening and proofing is conducted in the project appraisal cycle.

(Indicate what are the initial submission form and related documents, management of proceeds, reporting processes, sequencing, auditing etc.)

The SEIA for this development was prepared in accordance with Greek law and the provisions of European Directive 2001/42/EC and approved in 2017 by Presidential Decree. In addition, an EIA was developed covering demolition of existing buildings, site infrastructure and parks and approved in Q2 2019. These studies assessed impacts and included mitigation measures related to human health, flora, fauna, biodiversity, soil, water, air, climate and cultural heritage. They also covered spatial plans that define land use and recommend mitigation measures. Specific sub-projects may require additional Environmental and Social Assessment under national law. Public consultations were led by the Greek authorities as part of the EIA including a public meeting in each of the 3 municipalities and public comments period. The Client is presently preparing a number of engagement mechanisms including an online stakeholder engagement platform and have committed to developing and disclosing a Stakeholder Engagement Plan (SEP) inclusive of a grievance mechanism.

5. Screening, identification of social and environmental risks

- Please, describe the procedures and policies related to the identification (screening) of social and environmental risks for the project, and who conducted such tasks.
  Note, if the screening is done more than once, please explain.
- Which specific social and environmental risks were identified for the project?
- How was the project promoter involved in the screening?

The Project is categorised as "B" under the Bank's 2014 ESP. This equity transaction covers the project masterplan for which both a Strategic Environmental Impact Assessment (SEIA) and an Environmental Impact Assessment (EIA) were conducted.

Environmental & Social Due Diligence (ESDD) was carried out by EBRD with the support of a consultant and included a site visit, discussion with the Client, review of the completed corporate ESDD Questionnaire, the SEIA and EIA. The EIA covered demolition of existing buildings, site infrastructure and parks. These studies assessed a wide spectrum of impacts and included mitigation measures related to human health, flora, fauna, biodiversity, soil, water, air, climate and cultural heritage.

Public consultations were also carried out as part of the EIA including public meetings in each of the 3 municipalities and a public comments period. The Client is in fact preparing a number of engagement mechanisms including an online stakeholder engagement platform and have committed to developing and disclosing a Stakeholder Engagement Plan (SEP) inclusive of a grievance mechanism.

6. Social criteria used in the appraisal process

Social criteria: Please, describe the specific social criteria used in the screening of the project. *(Provide the full list + a short description for each criterion. Also indicate what are the specific thresholds used for screening the project)*
Projects are expected to meet performance requirements related to environmental and social sustainability, as per the list below: PR 1 - Assessment and Management of Environmental and Social Impacts and Issues PR 2 - Labour and Working Conditions PR 3 - Resource Efficiency, Pollution Prevention and Control PR 4 - Health and Safety PR 5 - Land Acquisition, Involuntary Resettlement and Economic Displacement PR 6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources PR 7 - Indigenous Peoples PR 8 - Cultural Heritage PR 9 - Financial Intermediaries PR 10 - Information Disclosure and Stakeholder Engagement

7. Scoring, categorization and tiering

Scoring/ranking: Do you have a specific process for scoring/ranking investment projects? If yes, please describe the specific scoring/ranking and weighting process used for the project *(and indicate what is the score/rank obtained for the project).*
Yes. EBRD categorises each project directly financed either as A, B or C to determine the nature and level of environmental and social investigations, information disclosure and stakeholder engagement required (See below explanation on the use of categories). This will be commensurate with the nature, location, sensitivity and scale of the project, and the significance of its potential adverse future environmental and social impacts. The rationale and justification for the assigned category of the project will be documented. The project was categorised as B (under EBRD's 2014 ESP)
Categorization and tiering: Does your approach allow for a specific categorization or tiering of the investment projects, e.g. investment project with potential significant versus minimum adverse environmental or social risk, and/or impacts that are diverse, irreversible, or unprecedented? If "YES", please explain how the project was categorized:
For projects that have adverse social impacts, clients are expected to, as an integral part of the assessment process, identify all the project's stakeholders and design a plan for engaging with the stakeholders. The client will identify the stakeholders potentially affected by and/or interested in the project, disclose sufficient information about the impacts and issues arising from the project and engage with relevant stakeholders, in proportion to the potential impacts associated with the project and level of concern.

For private sector projects, the ESIA documents shall be available for a minimum of 60 calendar days prior to consideration of the project by the Board of Directors, for public sector projects 120 calendar days prior to Board consideration. The ESIA documents are produced by clients, and the EBRD makes them available without any comment or implied endorsement. However, before disclosure, the ESD must consider the ESIA documents appropriate and fit for purpose for the consultation process.

8. Proofing and remediation process

Please, indicate what are the mitigation/remediation measures used for the project, if any.

In doing so, provide indicative information about: a) the time required to prepare the project, from initial proposal to approval of the financing operation, including the time required for proofing b) the time scope of the investment operation and c) the time-horizon of the project itself.

While the Client's Environmental Health, Safety & Security (EHSS) systems are sufficient to manage their current operations, further effort will be needed to manage EHSS issues on this project. As such, they are presently hiring a number of EHSS staff and developing policies and systems. These include a corporate ISO 45001 certification for health and safety management and Project-specific Environmental and Social Management System (ESMS) to comply with permitting requirements, national law and EBRD PRs. As construction works for specific sub-projects will be carried out by third parties, contractor management will therefore be essential as well as oversight of environmental, health, safety and labour issues.

Legacy contamination associated with the former airport and demolishment of the existing facilities were not identified as critical issues in the SEIA or EIA. Potential site contamination will be studied for each individual sub-project and mitigation measure implemented to address any issues identified. Construction-related noise, dust, vibration, construction waste, hazardous substances and traffic impacts need to be addressed in each sub-project's ESDD as well as in each Project-specific ESMS. On-site air, water and noise monitoring during the construction is planned in the project's ESAP. There is no ecologically sensitive area in the site and impacts on biodiversity are limited.

For life and fire safety of the public buildings, the Client and each sub-project developer need to ensure that the concerned buildings meet national life and fire safety law and are in line with EU standards. In addition, road construction inside the Development must meet national law and in line with good EU practice.

The land will be transferred to the Client free of any liability for prior land acquisition. No recourse to expropriation was required. As such PR5 does not apply on this project. Special arrangements have been made specifically for certain entities to continue operating on site and the Client have committed to building alternate facilities for these entities prior to their relocation. The site was used as a temporary centre to house refugees; however these were moved to alternate facilities in coordination with the UNHCR in 2017.

Three churches, an archaeological site and several listed buildings are found within the boundaries of the Development site. Rehabilitation and protection of these is included in the development master plan. Greece's Archaeological Authority will oversee construction on site and the client and contractors will be required to develop a chance finds procedure as part of the project ESAP.

The ESAP focuses on conducting appropriate E&S assessment of sub-projects as well as developing and implementing appropriate policies, plans, systems and capacities in order to manage project EHSS aspects. The client will also be required to comply with EBRD PRs as well as submit an annual environmental & social report. The Bank will monitor the project by reviewing Annual Environmental and Social Reports prepared by the client as well as through site visits.

9. Reporting, disclosure and on-going monitoring

- Please indicate how reporting is made internally and externally on the E&S issues related to the investment project.
- Disclose how the project promoters has engaged with relevant stakeholders and the general public, both to communicate the good results expected from the project and to hear and react to any concerns that may be raised about the project.
- Indicate how E&S issues are monitored throughout the life of the projects.

As regards project monitoring, the client will also be required to comply with EBRD Performance Requirements as well as submit an annual environmental & social report. The Bank will monitor the project by reviewing Annual Environmental and Social Reports prepared by the client as well as through site visits.

10. Development impacts and additionality

Please, indicate how development impacts and additionality are measured for the project, and disclose any constraints in doing so:

The 3 key principles governing EBRD operations – as set out in Article I of the "Agreement establishing the EBRD - are: sound banking, transition impact (TI) and additionality.

Article I of the Agreement Establishing the Bank states that "the purpose of the EBRD shall be to foster the transition towards open market-oriented economies and to promote private and entrepreneurial initiative".

The Concept of Transition was first defined in 1997 and laid down a framework for the systematic assessment of projects in light of the Bank's mandate. Initially, the focus was on how projects contribute to promoting "Economic interactions on a market basis and private initiative." The EBRD's new transition concept argues that a well-functioning and sustainable market economy should be characterised by six key transition qualities, i.e. it is an economy that is Competitive, Well-governed, Green, Inclusive, Resilient and Integrated.

This concept has been operationalised throughout the Bank's Results Framework, which covers the Bank's country strategies as well as policy dialogue and project activities. At the project level, we developed a methodology to assess the expected transition impact project (TOMS) and measure its actual delivery (TIMS).

The Sector Economics Pillar (SEP) in the Economics, Policy and Governance (EPG) department of EBRD, in conjunction with project teams, assesses and monitors the Transition Impact of EBRD projects in line with the TOMS and TIMS methodologies.

Transition impact analysis
For each EBRD investment, the SEP team assesses how the project contributes to the Bank's mandate to promote transition. Projects are scored by looking at the two main transition qualities they contribute

to, but all are reviewed along the six qualities to make sure there are no elements that could potentially produce negative impact on the other qualities.

Monitoring and the corresponding attribution of a portfolio score is also structured along the six qualities and is based on set of standardised TI monitoring indicators.

Over the past years, EPG developed a tool known as TOMS to streamline and automate the TI assessment at origination and increase the transparency and predictability of TI ratings. The following section describes the core features of the application.

11. Constraints

Please, indicate what are the main challenges encountered in applying the sustainability screening and proofing processes.
Further efforts were identified to manage Environmental Health, Safety & Security systems (EHSS) issues, resulting in the hiring of a number of EHSS staff to develop policies and systems. These include a corporate ISO 45001 certification for health and safety management and Project-specific Environmental and Social Management System (ESMS) to comply with permitting requirements, national law and EBRD Performance Requirements.

12. Recommendations, lessons learnt and other documents to be reviewed

Please, mention any recommendations that you may have, based on this project (e.g. better training on E&G needed for the promoter, regulatory changes needed…). *Please indicate if further information is available on the project (published articles, books, notes…)*
Whether in relation to the conditions for building demolition and construction (bringing together environmental design and cultural heritage preservation), or in relation to public community engagement (confronting views on green space versus private sector activities), Environmental and Social risk assessment studies which stand behind financing are intrinsically linked. EBRD is creating additionality by bringing its expert advisory practice, enabling stakeholder engagement and driving a comprehensive approach to E&S issues, and importantly, contributing to the project compliance with EU standards across the board. This is the direct result of the Bank's performance requirements which are brought in from the start of the Bank's involvement, even if the share of EBRD's financial contribution is quite small in comparison with the project size. A noteworthy point is the inclusion in all the Assessment and Project Documents of Lamda, as main Client, but also, of all its associated contractors. This is a point of vigilance highlighted in such large project, to ensure that compliance with standards is applied and monitored across the entire supply chain

Case 4: EIB, Urban Infrastructure project in Bulgaria

1. General overview:

General information	
Project Name	Urban Infrastructure project in Bulgaria
Project scope	The project consists of a multi-annual municipal investment programme of a Municipality in Bulgaria. The EIB investment loan will support the modernisation of mobility, education and social infrastructure.
Sponsor Bank/ Implementing Partner	☑ EIB ❑ EIF ❑ Other, specify:
Direct Investment vs. Intermediated Finance	☑ Direct investment ❑ Intermediated finance. Please, specify:
Financing instrument(s)	☑ Loan ❑ Co-financing - Please, specify with whom: ❑ Equity ❑ Guarantee product ❑ Public Private Partnership - Please, specify with whom: ❑ Grant ❑ Blended finance. Please, specify: ❑ Other, specify:
Project Promoter	Municipality in Bulgaria
Geographic location	Bulgaria
Sector	Multi-sector
Project size	22.80 mm EUR
Project duration	22 years
Stakeholders involved (public and private)	Municipality
Screening and proofing	❑ Screening. Please, specify ❑ Proofing. Please, specify

2. Project description:

Please, provide a description of the project:
The proposed EIB loan will support the urban investment programme of a Municipality, located in the North-East of Bulgaria, one of the most remote regions from the Country's capital. At the same time, the Municipality is located in the most populous region in Bulgaria, after the capital. This operation will encompass 7 schemes focusing on tram tracks modernisation, new trams acquisition and public transport management system, construction and modernisation of schools and kindergartens and construction of a multifunction centre.

All schemes are part of the multi-annual investment programme of the Municipality for the period 2019-2023 identified in the Integrated Urban Development Strategy (SIDU 2015-2030) and the Sustainable Urban Mobility Plan (SUMP 2016-2030). The Integrated Urban Development Strategy is the strategic planning document guiding the response to the main economic, environmental, climate, demographic and social challenges of the Municipality whilst the SUMP is the main planning document for urban mobility. The EIB would provide long term financing to the Municipality that is not available on the market, improving the sustainability of the project and the promoter's financial situation.

3. Environmental and social standards:

Please, indicate which environmental and social policies, procedures, framework and/or standards have been used for the project:
All EIB projects must comply with EIB environmental and social policies and principles, reflecting the evolving consensus of the EU and other international institutions. These standards are developed and overseen by the Bank's Environment, Climate & Social Office, and cover: • Human rights – the EIB is bound by the Charter of Fundamental Rights of the EU, including the commitment to upholding human rights; this is achieved by excluding specific types of projects or activities, and by a comprehensive due diligence process. • Gender – in line with the Bank's Gender Action Plan, the Bank is mainstreaming gender equality and women's empowerment in its lending portfolio, both through standards-based due diligence and lending impact. • Conflict sensitivity– the EIB approach focuses on flagging and mitigating conflict-related risks to avoid aggravating conflicts and, whenever possible, contribute indirectly to conflict prevention, recovery and peace-building through its operations. • Biodiversity – the EIB is committed to tracking and reporting biodiversity-related lending and is working with other development banks on a common methodology. • Climate change – The EIB's climate standards require its financing as a whole to be aligned with EU climate policy. This is done not only by promoting climate change mitigation and adaptation projects, but also, for example, by mainstreaming climate risk considerations and assessing the Bank's carbon footprint across the portfolio. In addition, project promoters must also take into account the EIB Group Gender Strategy, which embeds gender equality and women's economic empowerment in the Group's activities inside and outside the European Union.

4. Project appraisal process

Please, describe the process followed for appraisal of the project and indicate when social screening and proofing is conducted in the project appraisal cycle. *(Indicate what are the initial submission form and related documents, management of proceeds, reporting processes, sequencing, auditing etc.)*
The EIB is committed to high environmental and social standards in our due diligence process. Screening investments from a sustainability angle is an integral part of our overall project analysis. A preliminary risk assessment (screening) is conducted at PIN (Preliminary Information Note) stage. To ensure that the money we lend is well spent, we carry out a thorough sustainability check before financing any projects. During this assessment, we look at the project holistically and require counterparts to comply with environmental and social standards to ensure that each project brings

additional value to both the people affected and the environment. In addition to applying our in-house standards, we also perform an economic appraisal to gauge a project's overall effect on society. At appraisal stage, due diligence is carried out to identify risks and opportunities (proofing).

Elements of analysis		Social
Sustainability proofing → **Identify-assess-manage-value…**	**Negative impacts generated BY the investment**	• Respect for EU Charter of Fundamental Rights • Compliance with ILO Core Conventions • Compliance with EIB Social standards • Compliance with the OSH Framework Directive • Inclusion in the project costs of mitigating and remedial actions
	Risks for / negative impacts ON the investment	• Assess contextual risks to the project linked e.g. with labour issues, human rights, conflict/fragility) • Identify other social dimensions that may threaten project • Identify possible mitigants • Assess viability of project (likely non-quantitative)
	Positive impacts generated BY the investment	• Define outcome/impact indicators • Define scoring system that considers non-monetized positive impacts
Increase finance for projects that aim to deliver positive impacts – not part of "sustainability proofing"		• Track expenditure, though a taxonomy is not yet foreseen– eg Gender "tags"

5. Screening, identification of social and environmental risks

- Please, describe the procedures and policies related to the identification (screening) of social and environmental risks for the project, and who conducted such tasks.
  Note, if the screening is done more than once, please explain.
- Which specific social and environmental risks were identified for the project?
- How was the project promoter involved in the screening?

Social issues identified

During the site visits performed in February and April 2019 to some of the sites under construction, the EIB team witnessed that the contractors were not adequately implementing health and safety standards on the visited construction sites. This may be the case on other sites and could lead to injuries and reputational risks.

The promoter attended the site visits.

6. Social criteria used in the appraisal process

Social criteria: Please, describe the specific social criteria used in the screening of the project.

(Provide the full list + a short description for each criterion. Also indicate what are the specific thresholds used for screening the project)
Screening for Social Issues In order to identify the extent and complexity of the potential social impacts and risks, the Team should screen the project as early as possible. A key objective of the EIB, in the EU MS, is to enhance social cohesion and support investments that promote social inclusion in the interests of enhancing equity and equitable access to goods and services. Outside of the EU, the EIB operations contribute to the EU development goal of poverty alleviation and sustainable development. The EIB will also verify that operations are aligned with international conventions on human rights and that they do not result in human rights abuses. This is particularly relevant in situations where the legal and administrative environment may be weak and in potential conflict zones. Project-related social issues are primarily examined in the assessment of projects outside the EU-28. The extent and complexity of social issues varies from project to project. Projects may have negative as well as positive social impacts. The EIB will ensure that the adverse social impacts of projects are mitigated, and their positive social impacts are encouraged. Where the EIB is one of a number of financing partners, it may be possible to utilise their respective existing social safeguard policy frameworks, although the EIB may need to carry out its own due diligence for those standards that may not explicitly covered by the co-financiers . The Team should take into account additional potential factors influencing social impacts and risks pertaining to the context of the project. These may include risks associated with operations in weak and conflict prone regions; in areas where the protection of biodiversity and ecosystem services may impact on livelihoods or health, a lack of rule of law, transparency and accountability; inequitable distributional outcomes; extreme poverty; complex social dynamics. For this project, Standard 9 (Occupational and public health, safety and security) was particularly relevant.

7. Scoring, categorization and tiering

Scoring/ranking: Do you have a specific process for scoring/ranking investment projects? If yes, please describe the specific scoring/ranking and weighting process used for the project *(and indicate what is the score/rank obtained for the project).*
The project has been rated as follows: - Contribution to EU policy : **Moderate** **Primary objectives** Sustainable Transport - Urban and Inter-urban 53.80% Integrated territorial development 46.20% **Cross-cutting objectives** EIB Cohesion Priority Regions / Economic and Social Cohesion 100.00% Climate Action 53.60% (Transport – transversal) - Quality and soundness of the project : **Good** 1. **Growth** Acceptable 2. **Promoter capabilities** Acceptable 3. **Sustainability** Good (see table below for scoring details) 4. **Employment** Excellent

Sustainability - Does the project meet the requirements of the Bank's Environmental and Social Statement? (5)	D - Not acceptable for Environmental and/or Social reasons - not suitable for EIB financing	C - Acceptable, with major negative impacts	1	B - Acceptable, with minor negative impacts	15	A - Acceptable, with positive or neutral impacts	30
Employment (Full Time Equivalent FTE) (6)	N/A	FTE during construction <3.51 per EUR million investment cost	1	FTE during construction 3.51-7.00 per EUR million investment cost	20	FTE during construction >7.00 per EUR million investment cost	40
	N/A	FTE during operation <0.50 per EUR million investment cost		FTE during operation 0.51-1.00 per EUR million investment cost		FTE during operation >1.00 per EUR million investment cost	
Technology or spatial spill-over effect etc. (6)	N/A	No / very limited linkages and spill over effects		Minor linkages and spill over effects		Major linkages and spill over effects	

Categorization and tiering:

Does your approach allow for a specific categorization or tiering of the investment projects, e.g. investment project with potential significant versus minimum adverse environmental or social risk, and/or impacts that are diverse, irreversible, or unprecedented? If "YES", please explain how the project was categorized:

The Environmental and Social Impact Rating for the project should be determined as A, B, C, or D. This rating may be downgraded should there be a major concern, for instance, concerning the environmental or social risk or promoter capability.

Table I: Criteria for Assessing the Overall Environmental and Social Impact Rating

E&S Impact Rating	Residual Impacts	Risk Rating	Global Impact*	Comments
A Acceptable, insignificant residual impacts; low risks, neutral or positive global impacts.	Insignificant	Low	Neutral or positive	An operation of this type may require specific environmental and social loan conditions and /or monitoring
B Acceptable; medium residual impacts; low to moderate risks, low adverse global impacts.	Medium	Moderate	Low adverse impact	An operation of this type will generally attract environmental and social loan conditions; it will also require a high degree of monitoring for environmental and social reasons.
C Acceptable; high residual impacts; moderate to high risks; moderate to high adverse global impact.	High	High	Moderate adverse impact	
D Not acceptable; very high residual impacts; very high risks; high negative global impact..	Very High	Very High	High adverse impact	An operation of this type will usually have been "screened-out" before full appraisal.

8. Proofing and remediation process

Please, indicate what are the mitigation/remediation measures used for the project, if any. In doing so, provide indicative information about: a) the time required to prepare the project, from initial proposal to approval of the financing operation, including the time required for proofing b) the time scope of the investment operation and c) the time-horizon of the project itself.
Mitigants: The Bank will require health and safety standards to be followed through provisions in the Finance Contract. The Promoter will be requested to provide their Health and Safety policy and procedures and to submit regular reports on the Health and Safety provisions and implementation from contractors. The Bank will require reports on accidents, near misses and fatalities on the sites associated with the investment programme as part of a regular monitoring report. Any fatalities will need to be reported immediately. The Bank may request an external labour inspection/audit summarizing the results and the mitigation measures to be put in place, with relevant reporting requirements to ensure that the mitigation measures are adequately followed. Finance Contract Undertakings: ► The promoter shall provide its Health and Safety policy and procedures. The promoter is expected to submit annual reports on the Health and Safety provisions and implementation from contractors, including accidents, near misses and fatalities. The Promoter shall immediately notify the EIB of any fatalities or serious accident related to the implementation of the project. ► The Bank will request an external labour inspection/audit on the active sites summarizing the results on the promoter's and contractors' adherence to health and safety obligations and the mitigation measures to be put in place in case of any findings including relevant follow-up reporting requirements to ensure that the mitigation measures are adequately implemented. The audit may be annually repeated if the report suggests that health and safety provisions are not adequately addressed and will become part of the annual monitoring obligations of the Promoter.

9. Reporting, disclosure and on-going monitoring

• Please indicate how reporting is made internally and externally on the E&S issues related to the investment project. • Disclose how the project promoters has engaged with relevant stakeholders and the general public, both to communicate the good results expected from the project and to hear and react to any concerns that may be raised about the project. Indicate how E&S issues are monitored throughout the life of the projects.
The Bank will request an external labour inspection/audit on the active sites summarizing the results on the promoter's and contractors' adherence to health and safety obligations and the mitigation measures to be put in place in case of any findings including relevant follow-up reporting requirements to ensure that the mitigation measures are adequately implemented. The audit may be annually repeated if the report suggests that health and safety provisions are not adequately addressed and will become part of the annual monitoring obligations of the Promoter. All promoters are requested to provide regular monitoring throughout the life of the project as per Financial Contract.

10. Development impacts and additionality

Please, indicate how development impacts and additionality are measured for the project, and disclose any constraints in doing so:

The project will generate positive externalities through an improved provision of facilities, amenities and services, which will result in positive economic and social externalities, in the form of a higher quality of enabling services for businesses and economic activities as well as improvement of the quality of life of residents. The project will contribute to improved urban mobility (tramways, electrical buses), new social housing, rehabilitated public buildings, improvements to public educational facilities (schools, crèches), and sports facilities. Improvements to urban public mobility and connectivity will contribute to reducing congestion, noise and air pollution. Also, investments in urban development and renewal will improve the quality of public infrastructures and the overall public realm. Modern education, social/sport facilities, together with improved quality of surrounded public spaces are considered as means to achieve the municipality’s strategic goals.

This investment loan further has elements that support climate action through investments in public transport and mobility solutions targeting soft mobility modes (pedestrian and bicycle lanes).

Outputs

	Baseline	**Expected at PCR**	**Comment**
Length of bus and tram lanes, metro track etc constructed or upgraded	2.50 km	10.60 km	2.5 km double track (tram rehabilitation)
Rolling stock purchased or rehabilitated	0.00	4.00	4 trams (new vehicles)
New urban transport project	No	Yes	e-ticketing system including 920 validating units, 249 on-board computers and 498 connecting equipment and associated software and communication equipment
Number of social or affordable housing units built or renovated	0.00	216.00	
Parks	12,741.00 m2	12,741.00 m2	
Users benefitted	0.00 person/day	2,183.00 person/day	childrens in kindergartens, pupils in schools
Number of culture, recreation and sports facilities built or renovated	0	1	1 multi-functional (incl. sport) centres
Number of social facilities built or renovated	3	4	1 new kindergarten, 3 rehabilitation and upgrade of schools and kindergartens

Outcomes

	Baseline	Expected at PCR	Comment
Population benefitting from upgraded or new urban infrastructure and services through multi-sector municipal framework loans	0.00	376,000.00	Population of the municipality
Beneficiaries (passengers per year)	172,000,000.00	172,000,000.00	
Population covered by improved health services	450,000	450,000	Metropolitan area of the municipality

11. Constraints

Please, indicate what are the main challenges encountered in applying the sustainability screening and proofing processes
Difficulties with obtaining the right documents from the promoter.

12. Recommendations, lessons learnt and other documents to be reviewed

Please, mention any recommendations that you may have, based on this project (e.g. better training on E&G needed for the promoter, regulatory changes needed…). *Please indicate if further information is available on the project (published articles, books, notes…)*
- Improved procurement practices - Higher H&S standards This project has been anonymized for confidentiality reasons.

Case 5: EIB, an Energy Efficiency & Gender Social Housing Company

1. General overview:

General information	
Project Name	Client (Anonymised)
Project scope	Construction and refurbishment of social and affordable housing units for rent with gender specifications and low energy consumption.
Sponsor Bank/ Implementing Partner	☑ EIB ❑ EIF ❑ Other, specify:
Direct Investment vs. Intermediated Finance	☑ Direct investment ❑ PPP ❑ Intermediated finance. Please, specify:
Financing instrument(s)	☑ Loan ❑ Co-financing - Please, specify with whom: ❑ Equity ❑ Guarantee product ❑ Public Private Partnership - Please, specify with whom: ❑ Grant ❑ Blended finance. Please, specify: ❑ Other, specify:
Project Promoter	The Project Promoter is an agency of the City which carries out urban studies, rehabilitation and project management.
Geographic location	Valencia, Spain
Sector	Social Housing
Project size	25mm EUR
Project duration	25 years
Stakeholders involved (public and private)	An agency of the City which carries out urban studies, rehabilitation and project management.
Screening and proofing	❑ Screening. Please, specify ❑ Proofing. Please, specify

2. Project description:

Please, provide a description of the project:
The investment loan will finance the construction and refurbishment of social and affordable housing units for rent with gender specifications and low energy consumption. The project comprises the

construction of approximately 320 social and affordable housing units around 230 of which will follow gender specifications and around 60 of which will be NZEB (nearly zero-energy buildings) and the refurbishment of four existing social and affordable housing units for rent in the city of Valencia.

3. Environmental and social standards:

Please, indicate which environmental and social policies, procedures, framework and/or standards have been used for the project:
All EIB projects must comply with EIB environmental and social policies and principles, reflecting the evolving consensus of the EU and other international institutions. These standards are developed and overseen by the Bank's Environment, Climate & Social Office, and cover: - Human rights – the EIB is bound by the Charter of Fundamental Rights of the EU, including the commitment to upholding human rights; this is achieved by excluding specific types of projects or activities, and by a comprehensive due diligence process. - Gender – in line with the Bank's Gender Action Plan, the Bank is mainstreaming gender equality and women's empowerment in its lending portfolio, both through standards-based due diligence and lending impact. - Conflict sensitivity– the EIB approach focuses on flagging and mitigating conflict-related risks to avoid aggravating conflicts and, whenever possible, contribute indirectly to conflict prevention, recovery and peacebuilding through its operations. - Biodiversity – the EIB is committed to tracking and reporting biodiversity-related lending and is working with other development banks on a common methodology. - Climate change – The EIB's climate standards require its financing as a whole to be aligned with EU climate policy. This is done not only by promoting climate change mitigation and adaptation projects, but also, for example, by mainstreaming climate risk considerations and assessing the Bank's carbon footprint across the portfolio. In addition, project promoters must also take into account the EIB Group Gender Strategy, which embeds gender equality and women's economic empowerment in the Group's activities inside and outside the European Union.

4. Project appraisal process

Please, describe the process followed for appraisal of the project and indicate when social screening and proofing is conducted in the project appraisal cycle. *(Indicate what are the initial submission form and related documents, management of proceeds, reporting processes, sequencing, auditing etc.)*
The EIB is committed to high environmental and social standards in our due diligence process. Screening investments from a sustainability angle is an integral part of our overall project analysis. A preliminary risk assessment (screening) is conducted at PIN (Preliminary Information Note) stage. To ensure that the money we lend is well spent, we carry out a thorough sustainability check before financing any projects. During this assessment, we look at the project holistically and require counterparts to comply with environmental and social standards to ensure that each project brings additional value to both the people affected and the environment. In addition to applying our in-house standards, we also perform an economic appraisal to gauge a project's overall effect on society. At appraisal stage, due diligence is carried out to identify risks and opportunities (proofing).

Elements of analysis	**Social**

Sustainability proofing → **Identify-assess-manage-value…**	**Negative impacts generated BY the investment**	• Respect for EU Charter of Fundamental Rights • Compliance with ILO Core Conventions • Compliance with EIB Social standards • Compliance with the OSH Framework Directive • Inclusion in the project costs of mitigating and remedial actions
	Risks for / negative impacts ON the investment	• Assess contextual risks to the project linked e.g. with labour issues, human rights, conflict/fragility) • Identify other social dimensions that may threaten project • Identify possible mitigants • Assess viability of project (likely non-quantitative)
	Positive impacts generated BY the investment	• Define outcome/impact indicators • Define scoring system that considers non-monetized positive impacts
Increase finance for projects that aim to deliver positive impacts – not part of "sustainability proofing"		• Track expenditure, though a taxonomy is not yet foreseen– eg Gender "tags"

5. Screening, identification of social and environmental risks

• Please, describe the procedures and policies related to the identification (screening) of social and environmental risks for the project, and who conducted such tasks. Note, if the screening is done more than once, please explain. • Which specific social and environmental risks were identified for the project? • How was the project promoter involved in the screening?
Environment Some of the expected negative effects include traffic and dust during construction. Additional elements reviewed include the energy efficiency aspect of buildings. **Social** There is a need to increase the market flexibility to respond to social and affordable housing needs, particularly from those groups in lower than average income brackets.The promoter's experience in social housing was limited therefore, during the due diligence, the EIB made sure that promoter has a good track record on social and affordable housing project management.

6. Social criteria used in the appraisal process

Social criteria: Please, describe the specific social criteria used in the screening of the project. *(Provide the full list + a short description for each criterion. Also indicate what are the specific thresholds used for screening the project)*
Screening for Social Issues

In order to identify the extent and complexity of the potential social impacts and risks, the Team should screen the project as early as possible. A key objective of the EIB, in the EU MS, is to enhance social cohesion and support investments that promote social inclusion in the interests of enhancing equity and equitable access to goods and services. Outside of the EU, the EIB operations contribute to the EU development goal of poverty alleviation and sustainable development. The EIB will also verify that operations are aligned with international conventions on human rights and that they do not result in human rights abuses. This is particularly relevant in situations where the legal and administrative environment may be weak and in potential conflict zones.

Project-related social issues are primarily examined in the assessment of projects outside the EU-28. The extent and complexity of social issues varies from project to project. Projects may have negative as well as positive social impacts. The EIB will ensure that the adverse social impacts of projects are mitigated, and their positive social impacts are encouraged. Where the EIB is one of a number of financing partners, it may be possible to utilise their respective existing social safeguard policy frameworks, although the EIB may need to carry out its own due diligence for those standards that may not explicitly covered by the co-financiers.

The Team should take into account additional potential factors influencing social impacts and risks pertaining to the context of the project. These may include risks associated with operations in weak and conflict prone regions; in areas where the protection of biodiversity and ecosystem services may impact on livelihoods or health, a lack of rule of law, transparency and accountability; inequitable distributional outcomes; extreme poverty; complex social dynamics.

For this project, Standard 7 (Rights and Interest of Vulnerable Groups) was particularly relevant.

7. Scoring, categorization and tiering

Scoring/ranking: Do you have a specific process for scoring/ranking investment projects? If yes, please describe the specific scoring/ranking and weighting process used for the project *(and indicate what is the score/rank obtained for the project).*

Alignment to EU policies: Good
Through its strong focus on social Inclusion, planning led approach and incorporation of a gender perspective throughout the entire project cycle (design-implementation-operation), the Project is in line with the provisions of the 2016 EU Urban Agenda, the EU 2020 strategy and the EIB Urban Lending Review (CA/496/16).

EIB Climate Action share for the investment programme: 20%
taking into consideration that 63 of the new social and affordable housing units will comply with the EIB eligibility criteria for energy efficiency for new building. These housing units will be built following Nearly Zero Energy Building (NZEB) standards as defined in the Spanish Regulation.

Quality and Soundness of the Project: Good

EIB Technical Contribution and Advice: High
due to the EIB's positive impact on the technical and economic quality of the investment particularly with regard to NZEB standards and advisory support for the implementation of the promoter's Gender Strategy, particularly in relation to design specifications incorporating gender principles, monitoring of project implementation following gender considerations, and evaluation of impacts and results focused on gender mainstreaming.

- **Growth** Good
- **Promoter capabilities** Good
- **Sustainability** Good (see table below for scoring details)
- **Employment** Excellent

Sustainability - Does the project meet the requirements of the Bank's Environmental and Social Statement? (5)	D - Not acceptable for Environmental and/or Social reasons - not suitable for EIB financing		C - Acceptable, with major negative impacts	1	B - Acceptable, with minor negative impacts	15	A - Acceptable, with positive or neutral impacts	30
Employment (Full Time Equivalent FTE) (6)	N/A		FTE during construction <3.51 per EUR million investment cost	1	FTE during construction 3.51-7.00 per EUR million investment cost	20	FTE during construction >7.00 per EUR million investment cost	40
	N/A		FTE during operation <0.50 per EUR million investment cost		FTE during operation 0.51-1.00 per EUR million investment cost		FTE during operation >1.00 per EUR million investment cost	
Technology or spatial spill-over effect etc. (6)	N/A		No / very limited linkages and spill over effects		Minor linkages and spill over effects		Major linkages and spill over effects	

Categorization and tiering:

Does your approach allow for a specific categorization or tiering of the investment projects, e.g. investment project with potential significant versus minimum adverse environmental or social risk, and/or impacts that are diverse, irreversible, or unprecedented? If "YES", please explain how the project was categorized:

The Environmental and Social Impact Rating for the project should be determined as A, B, C, or D. This rating may be downgraded should there be a major concern, for instance, concerning the environmental or social risk or promoter capability.

This project was categorized A.

Table I: Criteria for Assessing the Overall Environmental and Social Impact Rating

E&S Impact Rating	Residual Impacts	Risk Rating	Global Impact*	Comments
A Acceptable, insignificant residual impacts; low risks, neutral or positive global impacts.	Insignificant	Low	Neutral or positive	An operation of this type may require specific environmental and social loan conditions and /or monitoring
B Acceptable; medium residual impacts; low to moderate risks, low adverse global impacts.	Medium	Moderate	Low adverse impact	An operation of this type will generally attract environmental and social loan conditions; it will also require a high degree of monitoring for environmental and social reasons.
C Acceptable; high residual impacts; moderate to high risks; moderate to high adverse global impact.	High	High	Moderate adverse impact	
D Not acceptable; very high residual impacts; very high risks; high negative global impact..	Very High	Very High	High adverse impact	An operation of this type will usually have been "screened-out" before full appraisal.

8. Proofing and remediation process

Please, indicate what are the mitigation/remediation measures used for the project, if any. In doing so, provide indicative information about: a) the time required to prepare the project, from initial proposal to approval of the financing operation, including the time required for proofing b) the time scope of the investment operation and c) the time-horizon of the project itself.
Environment After completion of works, new buildings and refurbished buildings will contribute to reduce the energy consumption and pollutant emissions compared to the business-as-usual scenario (in compliance with the current regulation). After completion of works, new buildings and refurbished buildings will contribute to reduce the energy consumption and pollutant emissions compared to the business-as-usual scenario (in compliance with the current regulation). Traffic and dust during construction will be alleviated by appropriate site organisation and construction management. The construction of the new social and affordable housing units will meet good environmental standards and will contribute to maintain and improve the quality of the built environment. **Social** The promoter had further adopted a strategy to incorporate a gender perspective to its investment plan. The public consultation process was embedded in the planning process, therefore the creation of new social and affordable housing components of this operation were subject to stakeholder engagement.

9. Reporting, disclosure and on-going monitoring

• Please indicate how reporting is made internally and externally on the E&S issues related to the investment project. • Disclose how the project promoters has engaged with relevant stakeholders and the general public, both to communicate the good results expected from the project and to hear and react to any concerns that may be raised about the project. • Indicate how E&S issues are monitored throughout the life of the projects.
The Promoter has committed to submit to the Bank the technical specifications for the construction of new social and affordable housing units incorporating a gender perspective. The Promoter will submit to the Bank a revised and updated procedure for the allocation of social and affordable housing units incorporating a gender perspective. All promoters are requested to provide regular monitoring throughout the life of the project as per Financial Contract.

10. Development impacts and additionality

Please, indicate how development impacts and additionality are measured for the project, and disclose any constraints in doing so:

With the provision of 323 housing units, the project will increase the offer of public housing for rent, contributing to the overall reduction of housing rental prices in the city of Valencia, which have suffered an unprecedented escalation in recent years (+40% since 2015). With this project and the advice of EIB's services, AUMSA will be, for the first time, promoting NZEB buildings which will become the norm in the EU by 2021. Therefore, the project is a pilot for the rolling-out of this standard in social and affordable housing in Valencia before it becomes mandatory. The project is the first in its sector with a gender strategy, to be implemented transversally throughout the full project cycle, also with the advice of the EIB. The Operation aims to contribute to the provision of newly built social and affordable housing for rent in the City of Valencia with gender specifications and low energy consumption and the refurbishment of some existing social and affordable housing units. Thereby, improving the flexibility and functioning of the housing market, and offering households greater housing options for the lowest-income groups. The provision of social and affordable housing for rent will improve the quality of life of the most vulnerable groups of society and will promote greater social inclusion. The project is expected to reflect the Gender Strategy recently adopted by the Promoter, with the assistance of the EIB. The strategy outlines some general criteria for gender mainstreaming in architecture and urban planning; it provides a gender perspective linked the sustainability of housing developments; and makes specific recommendations to incorporate a gender perspective to design parameters at city and neighbourhood levels, and more relevant for this operation, it makes recommendations for the design of buildings and housing units. The strategy also explores how to incorporate a gender perspective in the promoter's allocation of social and affordable housing, and how gender can have an impact on direct and indirect employment, in the promoter's technical team involved in project design and in the sub-contractors involved in the construction, maintenance and operation phases. The strategy then develops a number of monitoring indicators, which have been integrated as part of the future monitoring of the current operation. This project incorporates a gender perspective as a transversal issue throughout the entire project cycle from design phase through to implementation and operation. The implementation of gender mainstreaming in urban development is based on equality and equal opportunities for women and men in all activities and areas of life. This implies a user centred approach that considers a variety of activity patterns and captures the different needs of users. The objective lies in meeting current demands for space by individual groups, creating flexible and adaptable spaces to satisfy different needs. This supports an urban planning culture informed by everyday needs and takes into account the different everyday needs of women and men in relation to life phases and cultural and social backgrounds. Issues such as the different needs of women and men with regards to the services and amenities offered by the city, in public spaces and in the household, as well as other differences related to age, social and cultural background, physical or psychological abilities are all taken into account. Concrete examples from the promoter's Gender Strategy that will be implemented through the Project include: parking spaces for prams and strollers; access ways and staircases will be well lit and visible (without non-visible corners where an individual can hide); and playgrounds will be visible from the housing units.

11. Constraints

Please, indicate what are the main challenges encountered in applying the sustainability screening and proofing processes.
Limited knowledge of gender strategies on the promoter's side.

12. Recommendations, lessons learnt and other documents to be reviewed

Please, mention any recommendations that you may have, based on this project (e.g. better training on E&G needed for the promoter, regulatory changes needed…). *Please indicate if further information is available on the project (published articles, books, notes…)*
Limited knowledge of gender strategies on the promoter’s side.

Case 6: EIB, National Children Hospital, Dublin

1. General overview:

General information	
Project Name	National Children Hospital - Dublin
Project scope	The project involves the construction of the National Children Hospital and two Paediatric Outpatient and Urgent Care Centres in Dublin leading to modernisation and consolidation of the paediatric tertiary hospital care in Ireland.
Sponsor Bank/ Implementing Partner	☑ EIB ❑ EIF ❑ Other, specify:
Direct Investment vs. Intermediated Finance	☑ Direct investment ❑ PPP ❑ Intermediated finance. Please, specify:
Financing instrument(s)	☑ Loan ❑ Co-financing - Please, specify with whom: ❑ Equity ❑ Guarantee product ❑ Public Private Partnership - Please, specify with whom: ❑ Grant ❑ Blended finance. Please, specify: ❑ Other, specify:
Project Promoter	Irish Department of Health
Geographic location	Dublin, Ireland
Sector	Health
Project size	490,000,000.00 EUR
Project duration	25
Stakeholders involved (public and private)	Republic of Ireland, National Treasury Management Agency
Screening and proofing	❑ Screening. Please, specify ❑ Proofing. Please, specify

2. Project description:

Please, provide a description of the project:
The National Children Hospital in Dublin (NCH) will be Ireland's largest and leading research-intensive hospital with 39 clinical specialties under one roof. It will serve as a paediatric hospital for the population of Dublin and is intended to serve as a top referral hospital for the population of the Republic as well as Northern Ireland (more than 1,2 million children and youth). The project involves the construction of the National Children Hospital and two Paediatric Outpatients and Urgent Care Centres in Dublin to enable the relocation of three existing but outdated facilities to this new site, leading to modernisation and consolidation of the paediatric tertiary hospital care in Ireland. The new hospital will be located at the St. James campus, co-locating with two other university hospitals (the Coombe Women and Infants University Hospital and the St. James Hospital), which will lead to potential operational synergies. The new hospital will provide a wide range of services in the areas of paediatrics, obstetrics and gynaecology. The National Children Hospital will deliver general paediatric hospital services for the greater Dublin area and tertiary care for the Republic as well as for Northern Ireland. It is also intended that the hospital becomes a research-intensive medical institution that values world-class science, education and innovation, which in turn will drive excellence in clinical care.

3. Environmental and social standards:

Please, indicate which environmental and social policies, procedures, framework and/or standards have been used for the project:
All EIB projects must comply with EIB environmental and social policies and principles, reflecting the evolving consensus of the EU and other international institutions. These standards are developed and overseen by the Bank's Environment, Climate & Social Office, and cover: • Human rights – the EIB is bound by the Charter of Fundamental Rights of the EU, including the commitment to upholding human rights; this is achieved by excluding specific types of projects or activities, and by a comprehensive due diligence process. • Gender – in line with the Bank's Gender Action Plan, the Bank is mainstreaming gender equality and women's empowerment in its lending portfolio, both through standards-based due diligence and lending impact. • Conflict sensitivity– the EIB approach focuses on flagging and mitigating conflict-related risks to avoid aggravating conflicts and, whenever possible, contribute indirectly to conflict prevention, recovery and peace-building through its operations. • Biodiversity – the EIB is committed to tracking and reporting biodiversity-related lending and is working with other development banks on a common methodology. • Climate change – The EIB's climate standards require its financing as a whole to be aligned with EU climate policy. This is done not only by promoting climate change mitigation and adaptation projects, but also, for example, by mainstreaming climate risk considerations and assessing the Bank's carbon footprint across the portfolio. In addition, project promoters must also take into account the EIB Group Gender Strategy, which embeds gender equality and women's economic empowerment in the Group's activities inside and outside the European Union.

4. Project appraisal process

Please, describe the process followed for appraisal of the project and indicate when social screening and proofing is conducted in the project appraisal cycle. *(Indicate what are the initial submission form and related documents, management of proceeds, reporting processes, sequencing, auditing etc.)*
The EIB is committed to high environmental and social standards in our due diligence process. Screening investments from a sustainability angle is an integral part of our overall project analysis. A preliminary risk assessment (screening) is conducted at PIN (Preliminary Information Note) stage. To ensure that the money we lend is well spent, we carry out a thorough sustainability check before financing any projects. During this assessment, we look at the project holistically and require counterparts to comply with environmental and social standards to ensure that each project brings additional value to both the people affected and the environment. In addition to applying our in-house standards, we also perform an economic appraisal to gauge a project's overall effect on society. At appraisal stage, due diligence is carried out to identify risks and opportunities (proofing).

Elements of analysis		**Social**
Sustainability proofing → **Identify-assess-manage-value…**	**Negative impacts generated BY the investment**	• Respect for EU Charter of Fundamental Rights • Compliance with ILO Core Conventions • Compliance with EIB Social standards • Compliance with the OSH Framework Directive • Inclusion in the project costs of mitigating and remedial actions
	Risks for / negative impacts ON the investment	• Assess contextual risks to the project linked e.g. with labour issues, human rights, conflict/fragility) • Identify other social dimensions that may threaten project • Identify possible mitigants • Assess viability of project (likely non-quantitative)
	Positive impacts generated BY the investment	• Define outcome/impact indicators • Define scoring system that considers non-monetized positive impacts
Increase finance for projects that aim to deliver positive impacts – not part of "sustainability proofing"		• Track expenditure, though a taxonomy is not yet foreseen– eg Gender "tags"

5. Screening, identification of social and environmental risks

• Please, describe the procedures and policies related to the identification (screening) of social and environmental risks for the project, and who conducted such tasks. Note, if the screening is done more than once, please explain. • Which specific social and environmental risks were identified for the project? • How was the project promoter involved in the screening?
An EIA was carried out by the competent authority as part of the approval process under the Planning and Development Act. The relevant planning & building permits have been issued within this process.

As the project covers works within an existing hospital campus, no significant impact is expected on the environment. The project will be verified by an independent external certifier and the promoter is aiming for high environmental standards during construction and operation.

There were a number of concerns raised by stakeholders affected by the project including noise, vibration and risk of spreading diseases.

6. Social criteria used in the appraisal process

Social criteria: Please, describe the specific social criteria used in the screening of the project. *(Provide the full list + a short description for each criterion. Also indicate what are the specific thresholds used for screening the project)*

Screening for Social Issues

In order to identify the extent and complexity of the potential social impacts and risks, the Team should screen the project as early as possible. A key objective of the EIB, in the EU MS, is to enhance social cohesion and support investments that promote social inclusion in the interests of enhancing equity and equitable access to goods and services. Outside of the EU, the EIB operations contribute to the EU development goal of poverty alleviation and sustainable development. The EIB will also verify that operations are aligned with international conventions on human rights and that they do not result in human rights abuses. This is particularly relevant in situations where the legal and administrative environment may be weak and in potential conflict zones.

Project-related social issues are primarily examined in the assessment of projects outside the EU-28. The extent and complexity of social issues varies from project to project. Projects may have negative as well as positive social impacts. The EIB will ensure that the adverse social impacts of projects are mitigated and their positive social impacts are encouraged. Where the EIB is one of a number of financing partners, it may be possible to utilise their respective existing social safeguard policy frameworks, although the EIB may need to carry out its own due diligence for those standards that may not explicitly covered by the co-financiers.

The Team should take into account additional potential factors influencing social impacts and risks pertaining to the context of the project. These may include risks associated with operations in weak and conflict prone regions; in areas where the protection of biodiversity and ecosystem services may impact on livelihoods or health, a lack of rule of law, transparency and accountability; inequitable distributional outcomes; extreme poverty; complex social dynamics.

For this project, Standard 10 (Stakeholder Engagement) was particularly relevant.

7. Scoring, categorization and tiering

Scoring/ranking: Do you have a specific process for scoring/ranking investment projects? If yes, please describe the specific scoring/ranking and weighting process used for the project *(and indicate what is the score/rank obtained for the project).*

The project has been rated as follows:

- Contribution to EU policy : **Eligible**

Primary objectives
Integrated territorial development – 100%

- Quality and soundness of the project: **Good**

1. **Growth** Good
2. **Promoter capabilities** Good
3. **Sustainability** Good (see table below for scoring details)
4. **Employment** Good

Sustainability - Does the project meet the requirements of the Bank's Environmental and Social Statement? (5)	D - Not acceptable for Environmental and/or Social reasons - not suitable for EIB financing		C - Acceptable, with major negative impacts	1	B - Acceptable, with minor negative impacts	15	A - Acceptable, with positive or neutral impacts	30
Employment (Full Time Equivalent FTE) (6)	N/A		FTE during construction <3.51 per EUR million investment cost	1	FTE during construction 3.51-7.00 per EUR million investment cost	20	FTE during construction >7.00 per EUR million investment cost	40
	N/A		FTE during operation <0.50 per EUR million investment cost		FTE during operation 0.51-1.00 per EUR million investment cost		FTE during operation >1.00 per EUR million investment cost	
Technology or spatial spill-over effect etc. (6)	N/A		No / very limited linkages and spill over effects		Minor linkages and spill over effects		Major linkages and spill over effects	

Categorization and tiering:

Does your approach allow for a specific categorization or tiering of the investment projects, e.g. investment project with potential significant versus minimum adverse environmental or social risk, and/or impacts that are diverse, irreversible, or unprecedented? If "YES", please explain how the project was categorized:

The Environmental and Social Impact Rating for the should be determined as A, B, C, or D. This rating may be downgraded should there be a major concern, for instance, concerning the environmental or social risk or promoter capability.

Table I: Criteria for Assessing the Overall Environmental and Social Impact Rating

E&S Impact Rating	Residual Impacts	Risk Rating	Global Impact*	Comments
A Acceptable, insignificant residual impacts; low risks, neutral or positive global impacts.	Insignificant	Low	Neutral or positive	An operation of this type may require specific environmental and social loan conditions and /or monitoring
B Acceptable; medium residual impacts; low to moderate risks, low adverse global impacts.	Medium	Moderate	Low adverse impact	An operation of this type will generally attract environmental and social loan conditions; it will also require a high degree of monitoring for environmental and social reasons.
C Acceptable; high residual impacts; moderate to high risks; moderate to high adverse global impact.	High	High	Moderate adverse impact	
D Not acceptable; very high residual impacts; very high risks; high negative global impact..	Very High	Very High	High adverse impact	An operation of this type will usually have been "screened-out" before full appraisal.

8. Proofing and remediation process

Please, indicate what are the mitigation/remediation measures used for the project, if any. In doing so, provide indicative information about: a) the time required to prepare the project, from initial proposal to approval of the financing operation, including the time required for proofing b) the time scope of the investment operation and c) the time-horizon of the project itself.
The EIB looked at various issues relating to the project including whether the stakeholder engagement requirements had been met. The appraisal team verified that the process has been concluded satisfactorily. The team specifically checked whether: • reports and project-information had been disclosed, • information about the stakeholder engagement process had been disseminated, • a grievance mechanism had been set up and a third-party monitoring had been planned.

9. Reporting, disclosure and on-going monitoring

- Please indicate how reporting is made internally and externally on the E&S issues related to the investment project.

- Disclose how the project promoters has engaged with relevant stakeholders and the general public, both to communicate the good results expected from the project and to hear and react to any concerns that may be raised about the project.

- Indicate how E&S issues are monitored throughout the life of the projects.

Regular engagement with stakeholders to be conducted throughout the life of the project.

All promoters are requested to provide regular monitoring throughout the life of the project as per Financial Contract.

Complaints

O'Reilly Avenue Residents Legal Action: In July 2017 a number of residents at O'Reilly Avenue lodged High Court proceedings against the NPHDB and our contractors BAM alleging structural damage to their houses. An Agreement was reached between the plaintiffs and the NPHFB on 28th July 2017, the legal action was adjourned with leave to re-enter. Engineers acting on behalf of the NPHDB have carried out surveys and ground investigation to propose and agree a technical solution to strengthen or rebuild the alleged damaged properties.

10. Development impacts and additionality

Please, indicate how development impacts and additionality are measured for the project, and disclose any constraints in doing so:

The new hospital will both consolidate and modernise paediatric health care for the Greater Dublin Area and transform tertiary care for children and young people for the whole country. Once open in 2022 the new children's hospital will provide 380 individual inpatient rooms, each with a parent bed, 93 day care beds, 22 operating theatres and a 53-unit family accommodation facility, as well as 4 acres of outdoor gardens and courtyards.

Hundreds of jobs will be created during construction, and once open, care will be provided in 39 different specialties. When the hospital opens, it will employ 3,700 people bringing even more employment and expenditure into the area

Overall the replacement or modernisation of the outdated buildings will improve hygiene and safety conditions and will allow the promoter to apply better and more stringent statutory and technical conditions. Further positive impact will be expected through the use of more efficient technical installations and materials whose environmental acceptance has been tested and verified.

Outputs

	Baseline	**Expected at PCR**	**Comment**
New or rehabilitated health facilities	0.00	3.00	
Number of beds in health facilities	336.00	380.00	
Equipment and ICT supplied to health facilities	0.00 MEUR	71.60 MEUR	equipment for the hospital: EUR 68.10 m; equipment for the centres: EUR 3.5 m
Construction floor area in health facilities	0.00 m2	163,454.00 m2	Hospital (128,261 m2) and parking (35,193).

Full Time Equivalent health care professionals	3,077.00	3,663.00	

Outcomes

	Baseline	**Expected at PCR**	**Comment**
Bed occupancy rate	0.9%	0.75%	
Volume of patients treated	26,857.00	30,006.00	inpatients
Average length of stay	3.80 d	4.20 d	
Population covered by improved health services	1,250,000	1,300,000	The population of the whole island under 18 years old

11. Constraints

Please, indicate what are the main challenges encountered in applying the sustainability screening and proofing processes.
Difficulties to get details about the stakeholder engagement process.

12. Recommendations, lessons learnt and other documents to be reviewed

Please, mention any recommendations that you may have, based on this project (e.g. better training on E&G needed for the promoter, regulatory changes needed…). *Please indicate if further information is available on the project (published articles, books, notes…)*
Stakeholder engagement process did not occur in a timely manner. The process needs to be conducted <u>at a very early stage</u> of the project.

Case 7: NIB, Central Hospital in Finland

1. General overview:

General information	
Project Name	Expansion of central hospital in Finnish Lapland
Project scope	The project consists of renovation of the existing hospital and construction of two new buildings.
Sponsor Bank/ Implementing Partner	❑ EIB ❑ EIF ☑ Other, specify: Nordic Investment Bank
Direct Investment vs. Intermediated Finance	❑ Direct investment ❑ PPP ☑ Intermediated finance. Please, specify: Loan
Financing instrument(s)	☑ Loan ❑ Co-financing - Please, specify with whom: ❑ Equity ❑ Guarantee product ❑ Public Private Partnership - Please, specify with whom: ❑ Grant ❑ Blended finance. Please, specify: ❑ Other, specify:
Project Promoter	*N/A*
Geographic location	*Finland, Rovaniemi*
Sector	*Healthcare*
Project size	*The total cost of the project is budgeted at EUR 138 million*
Project duration	a) The construction work will start in 2019 and is scheduled to be completed in 2023. b) 25.5 year maturity of the loan c) 2019-2023 (the construction phase; NIB will carry-out the ex-post assessment in 2026);
Stakeholders involved (public and private)	N/A
Screening and proofing	❑ Screening: Ville Mälkönen, Senior Economist; Lena Korkea-Aho, Environmental analyst ❑ Proofing. Lena Korkea-Aho, Environmental analyst

2. Project description:

Please, provide a description of the project:
The project: Lapin sairaanhoitopiirin kuntayhtymä (the Lapland Hospital District) is a joint municipal authority owned by the City of Rovaniemi and 14 surrounding municipalities. It is responsible for providing specialized health care services for 118 000 inhabitants in the region. The Hospital District is carrying out a central hospital expansion project. Due to the development of specialized health care services and changes in the operating processes, the existing hospital facilities are no longer capable of serving today´s needs and resources are in inefficient use. The project consists of renovation of the existing hospital (2,800 m2) and construction of two new buildings. The new buildings consist of buildings for general hospital functions (21,700 m2) and a psychiatric hospital (2,800 m2). The cost estimate is for the renovation and extension of the general hospital is EUR 96 million and that of the psychiatric hospital is EUR 14 million. Construction work will start in 2019 and it is scheduled to be completed in 2023.

3. Environmental and social standards:

Please, indicate which environmental and social policies, procedures, framework and/or standards have been used for the project:
Mandate Rating Framework and Sustainability Policy and Guidelines of NIB have been used. The project is not assessed to have significant negative environmental or social impacts. Construction works take place within the existing hospital area and no changes in zoning are required. The main contractor, YIT, has certified management systems for quality (ISO9001), environment (ISO14001) and occupational health and safety (ISO18001).

4. Project appraisal process

Please, describe the process followed for appraisal of the project and indicate when social screening and proofing is conducted in the project appraisal cycle. *(Indicate what are the initial submission form and related documents, management of proceeds, reporting processes, sequencing, auditing etc.)*
The mandate fulfilment analysis and the sustainability analysis has been carried out according to principles set in Mandate Rating Framework and Sustainability Policy and Guidelines of NIB. NIB finances projects that promote productivity gains and environmental benefits for the Nordic and Baltic countries in order to support a prosperous and sustainable Member Region. NIB’s mandate rating framework is a policy the bank uses to assess whether the projects considered for financing support the vision of the bank. The framework contains guidelines and tools that are used to assess how the projects provide productivity gains and environmental benefits for the Nordic and Baltic countries. The appraisal process of the project was done according to the standard process of NIB: https://www.nib.int/what_we_offer/how_it_works * Loan initiative and mandate assessment

* Credit and sustainability analysis
* Project approval by the Board of Directors or NIB's President
* Loan negotiation and agreement
* Loan disbursement
* Relationship and loan management
* Project monitoring and follow-up (ex-post assessment process)

5. Screening, identification of social and environmental risks

Please, describe the procedures and policies related to the identification (screening) of social and environmental risks for the project, and who conducted such tasks.
Note, if the screening is done more than once, please explain.

Which specific social and environmental risks were identified for the project?

How was the project promoter involved in the screening?

Environmental analysts and economists respectively conduct the screening of risks regarding the expected environmental and socioeconomic impacts of the project.

The rating of potential socioeconomic impacts builds on the experiences gained from other similar hospital projects in Finland. The information regarding the impacts from previous projects identify significant benefits from upgrades and expansion of hospitals in terms treatment outcomes and cost effectiveness.
The hospital in Rovaniemi is among the least efficient hospitals in Finland in terms of costs per DRG (diagnose related group) episodes and treatment outcomes. This is partly due to aging population, distance between general hospital services and psychiatric department. Long distances between patients and treatment facilities in the region is also a contributing factor. The hospital has not analysed how the implementation of the project will affect the treatment outcomes and cost effectiveness in quantitative terms. These studies will be available in 2020. The assessment of the positive impacts, thus, relies on experiences from other similar projects. The lack of project specific information elevates the risk that these impact fail materializes to the extent expected in the appraisal.

6. Social criteria used in the appraisal process

Social criteria: Please, describe the specific social criteria used in the screening of the project.
(Provide the full list + a short description for each criterion. Also indicate what are the specific thresholds used for screening the project)

In NIB, social criteria are embedded in two elements of the screening process:
* Some social elements are included in the Bank's Sustainability Policy and accordingly NIB's environmental and social review of the projects. *"NIB believes in good human resources management. Respect for workers' rights and their freedom of association is part of good business. The Bank does not accept discrimination based on gender, race, nationality, ethnic origin, religion, disability, age or sexual orientation. Further, NIB requires the client to comply with international standards for the employment of minors. Use of forced labour is not accepted by NIB. Sound management of workers' and communities' safety and health is essential for the productivity and efficiency of the business as is the respect for their livelihood."*
* NIB's Mandate Rating Framework specifies several impact categories. In investments in healthcare infrastructure, the relevant impact category is *"Human capital and equal economic opportunities"*. The

appraisal process focuses especially on healthcare service needs of the affected population and effectiveness of healthcare services before and after the implementation of the project.

The key criteria in the appraisal of this project were
- *Current and estimated growth of demand* (treatment episodes across specialty areas and patient groups) for healthcare services in the hospital district. This allows for identification of targeted socioeconomic and demographic groups.
- *Current waiting times in public healthcare services and cost structure of the hospital* in relation to its peers across specialty areas. This helps us understand the bottlenecks of the hospital district and opportunities for improvements.
- *Estimated impacts on productivity* in terms of operational cost per DRG point. As personnel costs account for majority of the hospitals' expenditures, this approach provides us with rough estimate of the hospitals' capacity to meet the increasing demand for treatment services and/or reduce the waiting times for treatment.
- *Estimated impacts to treatment outcomes* are mainly qualitative descriptions of health/treatment implications from the project.

7. Scoring, categorization and tiering

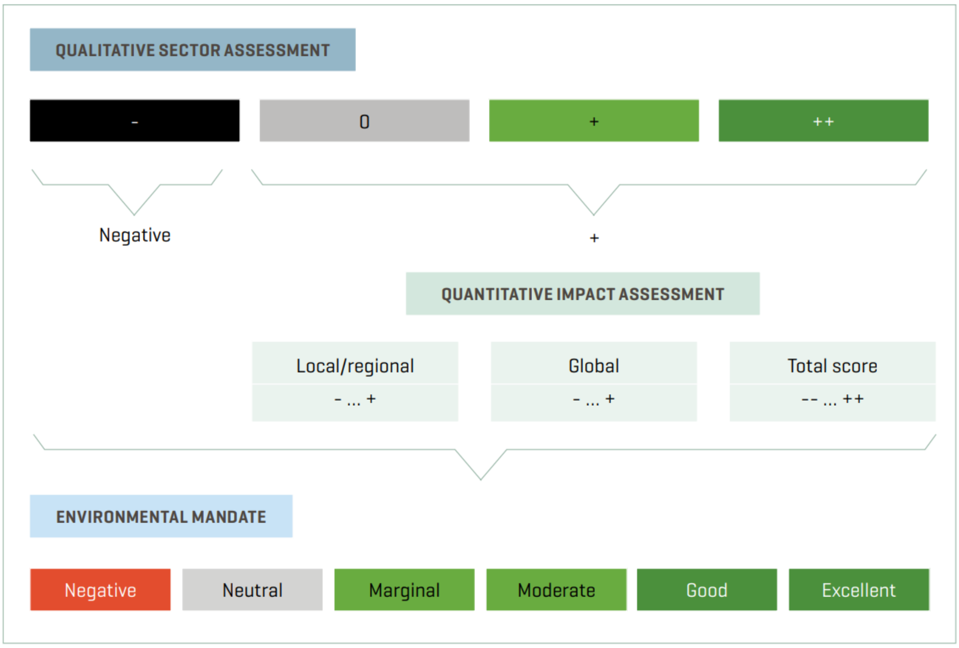
Scoring/ranking: Do you have a specific process for scoring/ranking investment projects? If yes, please describe the specific scoring/ranking and weighting process used for the project *(and indicate what is the score/rank obtained for the project).*

There are separate scoring systems for the both mandates of NIB.

Environmental mandate scoring system is built around qualitative sector assessment and quantitative impact assessment. NIB has established a list of relevant sectors, where each sector has been pre-rated, mainly based on its potential to contribute to the achievement of international and national targets for pollution reduction, preventive measures, resource efficiency and climate change mitigation. The sectors are rated in a four-grade scale consisting of dark green, light green, grey and black, indicating their declining potential to contribute to the environmental mandate fulfilment.

Meanwhile the quantitative impact assessment uses selected impact indicators to describe direct and indirect changes in e.g. use of energy, water or raw materials or in emissions of pollutants, due to the implementation of a project considered for NIB's financing.

FIGURE 3. OVERVIEW OF THE RATING SYSTEM FOR ENVIRONMENTAL IMPACTS



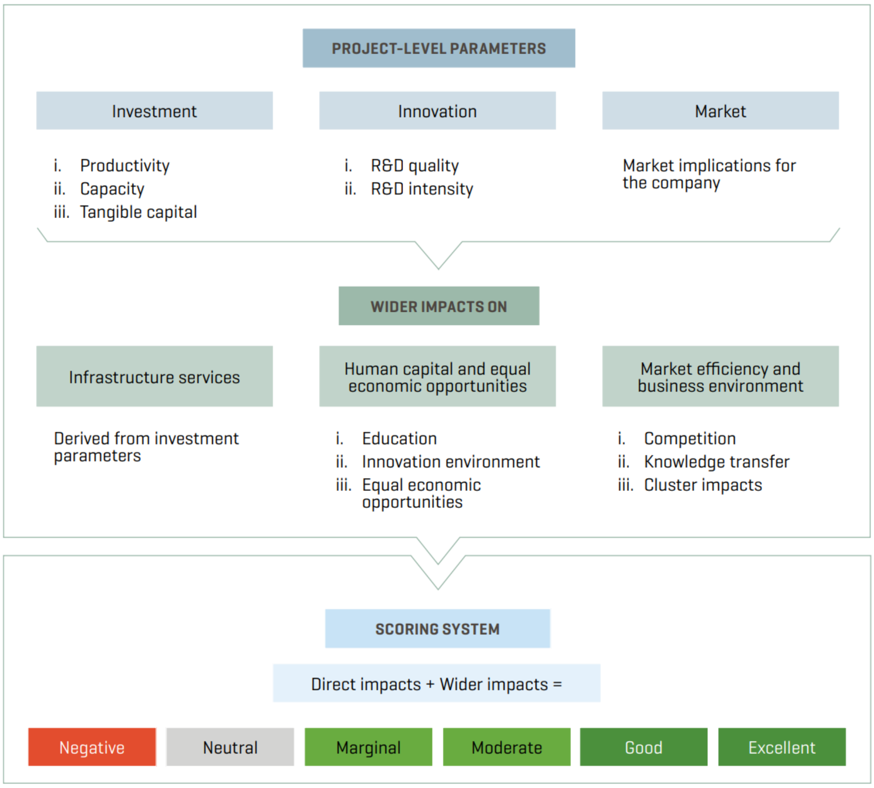
The following summarizes the impacts that lifted the productivity rating of the project to level Good.
Environmental mandate (quantitative impacts):
The new hospital premises (29,432 m2) are designed to be certified according to the national green building standard RTS, with the aim to reach the certification level of 3 stars (highest level is 5 stars). This certification level for public buildings gives a quantitative score of 12 points. According to the client, reaching a higher certification level is not feasible to reach due to the additional investments required. The estimated energy values for the new buildings are 263-274 kWh/m2/yr, which is 14-18% below the national building code for new hospital buildings and corresponds to the energy class B. Measures to improve energy efficiency include installation of heat recovery equipment and waste heat utilization. The psychiatric clinic will have geothermal wells installed with the capacity to provide 1,180 MWh/yr of heating and 270 MWh/yr of cooling. Overall, the hospital extension will increase the area utilized by the hospital operations by 4,232 m2 compared to the current situation. Although the new and renovated premises will be more energy-efficient, the client expects the overall energy use to increase due to the increased space. Centralization of the hospital operations will result in reduced transports within the healthcare services. The extension project also includes a new centralized waste management centre, which is anticipated to enable more efficient waste recycling within the hospital premises.

The assessment of the productivity gains mandate relies on an internally developed *impact scoring tool*. The tool uses a scoring system with impact factors. Each impact factor receives a numerical factor value. The value is based on project level information from clients and external sources describing the contribution of the factor in relation to other benefits from the project. The overall score is an aggregation of the factor values and provides NIB with a tool for ranking projects.
The tool assesses the productivity gains in line with the Mandate Rating Framework. It recognises the 4 main drivers of productivity growth: technical progress and innovation, infrastructure improvements, human capital development and improvements in market efficiency and business environment. The tool assesses impacts of the drivers across two dimensions:

1. Direct impacts - direct impacts measure the benefits that accrue from the project to the project owner. The key factors affecting direct impacts describe how the investment affects technical progress, innovation and the market conditions from the client's viewpoint.

2. Wider impacts - the second dimension is the indirect and induced impacts resulting from the investment. These describe the impacts the investment may bring through developments in infrastructure, human capital and equality and market efficiency and business environment.

FIGURE 2. RATING PRINCIPLES FOR PRODUCTIVITY IMPACTS



For more information on various aspects of scoring the projects please see the Mandate Rating Framework.

The following is the summary of impacts that lifted the productivity rating of the project to level Good.

Direct impacts:
The upgrade of the hospital campus centralizes and modernizes the processes of the hospital. Lapin Sairaanhoitopiiri expects that the improvements will help the health care district reach significant cost savings from reductions in beds and inpatient treatment days as well as from centralization of psychiatric ward to the main campus. The quality of the treatment will also increase, as the new infrastructure will allow for installations of modern healthcare equipment, which currently is impossible, for instance, in surgery rooms where the ceilings are too low for modern equipment. A new hospital pharmacy will centralize the production of pharmaceutical products in one place. Moreover, the current pharmacy is incompliant with the current regulatory standards.

Wider impacts:
The project will improve health outcomes and reduce health care costs, which is one of the main challenges for public finances of Finland in the coming years. Being the central hospital in a region where the share of older population is increasing the project will alleviate the pressures on the healthcare service quality and costs.

Categorization and tiering:

Does your approach allow for a specific categorization or tiering of the investment projects, e.g. investment project with potential significant versus minimum adverse environmental or social risk, and/or impacts that are diverse, irreversible, or unprecedented? If "YES", please explain how the project was categorized:
The rating of both mandates is expressed separately. According to the score (the scoring systems are different for both mandates) that the projects obtain, project impact potential is categorized according to scale: * Negative * Neutral * Marginal * Moderate * Good * Excellent 90% of all projects financed by NIB must be rated "good" or "excellent" at least on one of the two mandates.

8. Proofing and remediation process

Please, indicate what are the mitigation/remediation measures used for the project, if any. In doing so, provide indicative information about: a) the time required to prepare the project, from initial proposal to approval of the financing operation, including the time required for proofing b) the time scope of the investment operation and c) the time-horizon of the project itself.
After the initial contact, the transaction team studied the available material; prepared further questions and had a meeting with the client. Roughly 3 months after starting the preparatory works and drafting of the materials, the project was ready for approval in the credit committee. The loan agreement between NIB and Lapin Sairaanhoitopiiri took place one year after NIB's internal approval of the project. Construction work started in 2019 and it is scheduled to be completed in 2023. The planning of the project started officially after the investment decision in Q1 2018.

9. Reporting, disclosure and on-going monitoring

Please indicate how reporting is made internally and externally on the E&S issues related to the investment project. Disclose how the project promoters has engaged with relevant stakeholders and the general public, both to communicate the good results expected from the project and to hear and react to any concerns that may be raised about the project. Indicate how E&S issues are monitored throughout the life of the projects.
* A mandate rating summary is communicated to various decision-making bodies of NIB (two-level credit committees, Board of Directors). * Both environmental and productivity impact indicators (quantifiable) are recorded into an impact database. * After signing of a loan with the counterparty, a previously agreed press release and a loan ledger are published on the NIB's website.

* Ex-post assessment of the project is done 3 years after the completion of the project (a follow up on ex-post indicators, that were agreed in the initially analysis stage, is done).

10. Development impacts and additionality

Please, indicate how development impacts and additionality are measured for the project, and disclose any constraints in doing so:

11. Constraints

Please, indicate what are the main challenges encountered in applying the sustainability screening and proofing processes.
Data availability for objective assessments before and after the implementation of the project.

12. Recommendations, lessons learnt and other documents to be reviewed

Please, mention any recommendations that you may have, based on this project (e.g. better training on E&G needed for the promoter, regulatory changes needed…). *Please indicate if further information is available on the project (published articles, books, notes…)*

Case 8: EIF's intermediated model for supporting SMEs

Background on EIF

The European Investment Fund's (EIF) mission is to enhance access to finance (both risk capital and debt) for small and medium-sized enterprises (SMEs) as well as small mid-cap companies and to catalyse public resources to crowd-in private capital towards investments that fulfil a number of policy objectives. To this end, EIF aims at: (i) satisfying existing and future market needs by developing a highly diversified set of financial products (e.g. guarantees, equity, securitization, etc.) that, in turn, will ensure support throughout the entire value chain and, (ii) contributing pro-actively to the development of a European-wide ecosystem of intermediaries focusing on a variety of market segments, in line with the policy priorities of the EIF and of EIF's mandators.

The EIF is entrusted with mandates mainly from its two key shareholders, the EIB (European Investment Bank) and the EC (European Commission) as well as EU Member States and NPIs (National Promotional Institutions) and private, institutional investors. The EIF is part of the EIB Group (EIBG) as the EIB is the EIF's majority shareholder.

Noteworthy, EIF is increasingly active towards the social infrastructure sector. Examples of activities carried out by the social enterprises supported by EIF include:

- Assistance to enable disadvantaged workers to enter the labour market
- Activities to improve the quality of the environment,
- Improving solidarity with developing countries
- Delivering social assistance and care services
- Delivering healthcare and medical services
- Providing social housing
- Providing workspace for other businesses and/or social enterprises
- Producing and/or distributing healthy and /or affordable food
- Facilitating access to and delivering education/lifelong learning or training
- Nurturing the culture and arts
- Providing inclusive and sustainable services and facilities for tourism
- Providing public and/or community services
- Organising and/or financing community development
- Strengthening democracy, civil rights and/or gender equality
- Enabling participation in the digital society
- Integration of migrants, asylum seekers, refugees

EIF's intermediated model of supporting SMEs

The EIF does not directly finance or assess whether to invest in individual underlying companies: it deploys its mandates and other funds exclusively through financial intermediaries, such as venture capital and private equity funds or banks and microfinance institutions, dividing the EIF's financing activities in Equity Investments (EI) and Guarantees, Securitization & Microfinance (GSM). Thus, EIF operates a delegated model where financial intermediaries, based on pre-defined eligibility criteria, provide targeted financing to eligible final recipients, mainly SMEs (including sole traders, micro and social enterprises) as well as private individuals, within the policy focus of the respective mandate. Therefore, the policy objectives of the mandates grant, by construction, a defined positive impact depending on the priorities of the mandator. Accordingly, the EIF does not directly finance or invest in (and accordingly, assess) underlying companies, rather it assesses financial intermediaries and their ability to select eligible underlying companies. This business model naturally influences the type, depth and level of EIF's assessments including in relation to Environmental, Social and Governance (ESG) factors.

The EIF uses monitoring and an independent risk management function to ensure sustainable and compliant business operations. EIF's Environmental, Social and Governance Principles underline EIF's commitment to responsible and sustainable practices.

EIF's approach to sustainability proofing: ESG Assessment of Financial Intermediary

The EIF adheres to well-defined ESG principles as published on the website. As per the "S factor" of the principles, the EIF focuses on promoting sustainable and inclusive growth and follows ethical considerations in its activities. The respect for and promotion of fundamental human rights as laid out in the EU Charter of Fundamental Rights, the UN Declaration of Universal Human Rights and the European Convention on Human Rights guide the relationship with internal and external stakeholders. Consequently, the EIF may refuse to enter into business with counterparts that disregard or violate the principle of respect for persons or principles, which affirm the dignity of all people, irrespective of ethnicity, gender, age, disability, sexual orientation, education and religion.

As described above, the EIF operates through a wide variety of financial intermediaries, which are responsible for the selection of eligible underlying companies based on a set of eligibility and other criteria. Following the adoption of its own ESG Principles in 2017, the EIF has since 2018 been in the process of setting up and piloting a general ESG framework for its activities.

This framework is being structured in various phases, incorporating different EIF activities gradually, to duly take into account of the wide variety of financial intermediaries, geographies and markets (at various stages of development in which the EIF operates), as well as taking account of the different mandate requirements.

Since 2018, EIF's Equity Investments' due diligence process (screening of fund managers before investment) has integrated the ESG perspective. Currently, the EIF has incorporated an ESG assessment procedure, involving a questionnaire and scoring methodology on i) ESG policies and practices of the fund manager, ii) integration in investment decision-making processes and iii) monitoring and reporting to assess the ability of the fund manager to manage and explore ESG risks and opportunities. Following investment into the fund, the EIF monitors the fund manager at least on a yearly basis within this ESG framework: follow-up on specific investments, discussion within the fund's advisory board meetings, screening of potential ESG incidents, among others. This engagement with the fund manager may lead to a regrading of the fund manager's ESG score, based on the updated ESG questionnaire (See the questionnaire model in the Annex of this section, with 2 concrete examples of how it is completed for specific projects).

Currently, the EIF is in the process of mirroring this process to the Guarantees, Securitization & Micro-finance side and adapting it as necessary to cover the whole spectrum of EIF's activity, i.e. a pilot was launched in January 2020 to implement a due diligence questionnaire for the Guarantee business line.

Typically, EIF's operations require the financial intermediaries and, in turn, final recipients of underlying financing to comply with all applicable laws, including social and environmental legislation.

Furthermore, the EIF applies restrictions to its operations in certain activities ('EIF Restricted Sectors'). Those restrictions generally apply to activities that are considered not to be compatible with the ethical or social standards of the EIF's public mission.

In addition, certain mandates specifically impose international standards and recommendations. For example, under the EaSI mandate, the financial intermediaries are obliged to acknowledge the European Code of Good Conduct for Microcredit Provisions[59]. Furthermore, the EIF is proactively contributing to the efforts in the European social impact investment space in international platforms, such as the Global Steering Group for Impact Investing.

Finally, the EIF, in its assessment of counterparties, pays significant attention to any possible reputational risks that may arise in connection to operations entered into with financial intermediaries. This is an important dimension of our fiduciary duty vis-à-vis our mandators.

ESG process

Pre-Investment process
EIF's investment teams use the ESG questionnaire for the due diligence stage and share it with the fund manager alongside the typical commercial due diligence questionnaire. After receipt of the filled-out questionnaire and the assignment of a preliminary score, the physical DD meeting with the team of the fund manager will include follow-up questions and discussions, based on the investment officer's ESG analysis, possibly identifying areas of improvement before investment. The investment teams then include the ESG assessment in their final Due Diligence (DD) reports. The EIF's risk management unit provides an ESG assessment in their risk assessment process.

In case the investment receives clearance from EIF's investment committee, the investment proposal is submitted for approval to EIF's internal governance bodies along with the result of the ESG assessment of the fund manager.

Post-investment/monitoring process
Once the investment is approved, the legal team will include in the legal fund documentation specific wording for the fund manager to provide, on an annual basis, ESG related-data to the investment teams, notably the information required in the ESG questionnaire and timely reporting of any ESG incidents that may occur. The negotiations of such inclusions in the side letters shall be led and negotiated by the investment teams, who agrees directly with the fund manager what shall be included in the side letter.

During the monitoring period, the investment teams, while carrying out ESG monitoring, should flag any material ESG issues to EIF's compliance unit. The latter operates as a second line of defence and carries out its own independent analysis. Compliance's assessment and the investment teams' monitoring shall be at the source of the assessment of the need for an action plan and recurrent reporting on any material ESG issues that may have been identified. Such action plan and reporting shall be proposed by the investment team and should then be submitted to the relevant EIF's internal committees for deliberation (if necessary and applicable) and to other governing bodies for information or decision.

"Material" ESG issues shall be those considered as having or being susceptible of originating a direct substantial negative impact on EIF's ability to create or preserve economic, and/or social and/or environmental value in its portfolio, as well as any substantial reputational risks to the EIF and/or its investors.

EIF's approach to Positive impact and additionality
As regards positive impacts, it should be considered that these are generally addressed via the specificities of EIF's business model: the mandates it deploys incorporate eligibility criteria that determine whether the final recipients supported fall within a policy focus, and therefore contribute positively to achieving its objectives.

[59] The European Code of Good Conduct for Microcredit Provision provides a set of standards in terms of management, governance, risk management, reporting, and consumer and investor relations that are common to the microcredit sector in the European Union
https://ec.EURpa.eu/regional_policy/sources/thefunds/doc/code_bonne_conduite_en.pdf

When considering EIF's activities in general, positive impact is embedded into EIF's mission in several ways:

(1) through certain mandates specifically targeting the achievement of social impact;

(2) overall EIF's activity in support of SMEs has an intrinsic impact in job creation as SMEs currently account for 99% of EU jobs;

(3) the overall activity of EIF in supporting access to finance across Europe aims to reduce inequality and promotes sustainable growth.

Overall, employment, job support and job creation is a social impact aspect assessed and considered more systematically in the EIF, under a larger number of mandates. In addition, certain mandates specifically / exclusively target financing to social enterprises[60], or for social purposes.

The EIF sets eligibility criteria in the financing agreements with the financial intermediaries (that are derived from each specific mandate); the financial intermediaries may only finance companies fitting with those criteria. The financial intermediaries report (typically quarterly) to the EIF on each underlying company financed, and contractual obligations and rights are established as regards monitoring of the data reported and onsite and/or desk monitoring of individual companies. The information reported by the financial intermediary forms part of EIF's very large database of information on the (primarily) SME financing it has catalysed over the years, in each case, in line with the reporting requirements applicable under the relevant mandate.

Conclusions

In its intermediated model, EIF's approach to sustainability is built on several pillars, which ensure that the EU support benefits from environmental and social safeguards already today:

- EIF's ESG framework, in the course of being applied to all the financial intermediaries participating in EU programmes via EIF;
- Including legal provisions in the legal agreements with financial intermediaries requiring that the SMEs benefitting from EU support comply with applicable environmental and social laws;
- Intrinsic to its intervention model, the eligibility criteria distilled from the mandates' policy objectives are also a tool to ensure the positive socio-economic impact of EIF's operations.

Further to the above, EIF's approach to sustainability proofing via its ESG framework will keep evolving in a manner that all sorts of financial intermediaries (at different stages of development) can participate in it smoothly, while targeting different final recipients and diverse dimensions of the EC's policy interventions.

ANNEX A: EIF'S ESG QUESTIONNAIRE

Section 1. ESG Policies and processes in place

1. Do you commit to any international standards, industry (association) guidelines, reporting frameworks that promote responsible investment practices?

Which (please, list):

2. Do you have a policy that describes your approach to identify and manage ESG factors in the investment decision and portfolio management processes? If so, please provide a copy/link of your ESG policy.

Comment box:

2.1. If so, do you apply it systematically?

Comment box:

2.2. If not, please indicate whether you would consider adopting an ESG/responsible investment policy in the coming 12 months.

Comment box:

3. Is there a person/committee/unit dedicated to ESG oversight in your organisation?

Comment box:

4. Have you put in place in your organisation any of the policies below?

Environmental aspects (carbon footprint, waste management, etc.)	
Labour & working conditions	
Health and safety	
Diversity and inclusion	
Code of ethics	

Corporate governance	

Others (please, list):

5. Of the following initiatives, which ones have been implemented in your organisation?

Monitor and reduce carbon emissions	
Lower consumption of resources (water, electricity, fuel…)	
Reuse waste and/or to reduce waste generation	

Others (please, list):

Section 2. ESG Integration in investment decision

6. Do you make formal commitments on ESG integration in Fund's legal documentation (LPA/side letter)?

Comment box:

7. Do you incorporate ESG factors (risks/opportunities) in the investment recommendation to your investment committee?

Comment box:

8. To what extent are the following ESG factors relevant in your investment decision?

Environmental aspects (carbon footprint, waste management, etc.)	
Labour & working conditions	
Health and safety	
Diversity and inclusion	
Code of ethics	
Corporate governance	

Others (please, list):

9. Do you exclude investments based on the following ESG factors?

Environmental aspects (carbon footprint, waste management, etc.)	

Labour & working conditions	
Health and safety	
Diversity and inclusion	
Code of Ethics	
Corporate governance	

Others (please, list):

10. Upon investing in a company, would you review its existing compliance, sustainability or ethical business guidelines, or introduce new guidelines, if necessary?

Comment box:

Section 3. ESG monitoring and reporting

11. Do you monitor material ESG risks and opportunities in your portfolio companies?

Comment box:

12. Do you use any Key Performance Indicators (KPIs) to monitor ESG integration of portfolio companies?

12.1. If so, please detail below your KPIs.

13. Are ESG aspects somehow integrated in your value creation process?

Comment box:

14. Do you report on ESG matters to your relevant governing bodies and to investors?

Comment box:

15. Have you or any of your portfolio companies faced any major ESG incident or litigation case?

15.1. If so, please identify at fund and/or portfolio company level the major ESG incident or litigation case, how you dealt with it (e.g. adjustments you have made), and if there was public coverage.

16. Do you publish an ESG report regularly?

16.1. If so, please mention below the frequency of reporting.

ANNEX B: Use of the ESG questionnaire - Example 1 (Venture capital)

Date of completion of Questionnaire:	20/03/2020	
Name of Fund Manager:	Anonymous	
Name of Fund:	Anonymous	
Fund Number:	Anonymous	*To be filled in by EIF*

ESG Policies and processes in place

1. Do you commit to any international standards, industry (association) guidelines, reporting frameworks that promote responsible investment practices?

In progress/considering

Which (please, list):

We are currently working on a policy based on the UN "Principles for Responsible Investment" in tangent with our newly appointed group-wide CSR committee headed up by ___________, a Managing Partner and founder of ___________. By 2021 we are committed to have a framework to give appropriate consideration to ESG issues and impact on the UN Sustainable Development Goals. We believe that applying these principles and goals should not only lead to a better long-term financial return but also a closer alignment between objectives of institutional investors and society.

2. Do you have a policy that describes your approach to identify and manage ESG factors in the investment decision and portfolio management processes? If so, please provide a copy/link of your ESG policy.

In preparation/adoption

Comment box:

We currently do not have a formal policy describing our approach, but we are creating one which will be fully completed by 2021. The basic pillars of this policy will be: Environmental, Social, Employment practices, Equality, Regulatory and Political Risk.

2.1. If so, do you apply it systematically?

No

Comment box:

2.2. If not, please indicate whether you would consider adopting an ESG/responsible investment policy in the coming 12 months.

Yes

Comment box:

___________ as a firm is improving its formal commitment to ESG in two ways: *1) ESG advisory board implementation* *2) ESG/CSR 2020 Project: We have formally introduced a CSR team to monitor our carbon footprint and evaluate additional options in local offices to reduce or minimise our footprint in our offices and our portfolio companies. We will intend to utilise the services of ___________ and encourage our portfolio companies to apply for a CSR rating through them.*

3. Is there a person[1]/committee/unit dedicated to ESG oversight in your organisation?

[1]*please indicate the percentage of time dedicated to ESG oversight in the comment box below*

No

Comment box:

The CSR group headed by ___________, a Managing Partner at ___________ and supported by the HR and legal teams will be overseeing the successful integration into our organisation.

4. Have you put in place in your organisation any of the policies below?

Environmental aspects (carbon footprint, waste management, etc.)	Yes
Labour & working conditions	Yes
Health and safety	Yes
Diversity and inclusion	Yes
Code of ethics	Yes
Corporate governance	Yes

Other policies, please list and detail below:

As a firm, and through our events and network, we are proud to support local and international initiatives that support global social responsibility such as: ___________, ___________, ___________ and ___________. ___________ is also an active donor to Human Rights Watch, an international non-governmental organisation conducting advocacy and research on human rights. We have given ___________, Executive Director of the organisation, full access to our expansive global marketing platform including internal and external events to build awareness of the vital work Human Rights Watch does. We are fully commited to promote and assist technology's ability to help with the global battle for human rights.

5. Of the following initiatives, which ones have been implemented in your organisation?

Monitor and reduce carbon emissions	Yes
Lower consumption of resources (water, electricity, fuel…)	Yes
Reuse waste and/or to reduce waste generation	Yes

Others (please, list):

We have gone plastic bottle free throughout the whole organisation and we also offer our employees free yoga and mindfulness classes.

ESG Integration in investment decision

6. Do you make formal commitments on ESG integration in Fund's legal documentation (LPA/side letter)?

Yes

Comment box:

Yes, we have certain ESG related commitments in our LPA.
3.4 The Partnership shall not invest, guarantee or otherwise provide financial or other support, directly or indirectly, to companies or other entities whose business activity consists of:
(a) an illegal economic activity (i.e. any production, trade or other activity, which is illegal under the laws or regulations applicable to the Partnership or the relevant Portfolio Company, including without limitation, human cloning for reproduction purposes);
(b) the production of or trade in tobacco or distilled alcoholic beverages and related products;
(c) the production of and trade in weapons or ammunition of any kind;
(d) casinos or equivalent enterprises;
(e) the research, development or technical applications relating to electronic data programs or solutions, which:
(i) aim specifically at:
(A) supporting any activity referred to under (a) to (d) above;
(B) internet gambling and online casinos; or
(C) pornography, or which
(ii) are intended to enable to illegally:
(A) enter into electronic data networks; or
(B) download electronic data.
3.5 In addition, when providing support to the financing of the research, development or technical applications relating to (i) human cloning for research or therapeutic purposes, or (ii) genetically modified organisms (GMOs), the Partnership shall ensure the appropriate control of legal, regulatory and ethical issues linked to such human cloning for research or therapeutic purposes and/or GMOs.

7. Do you incorporate ESG factors (risks/opportunities) in the investment recommendation to your investment committee?

Yes

Comment box:

We currently use a Harvey Ball system to rate potential portfolio companies on their ESG impact. We rate them based on the following criteria: Environmental, Social, Employment practices, Equality, Regulatory and Political Risk. The Harvey Ball score for ESG is then included alongside Harvey Ball ratings for other crucial investment factors such as KPIs, total addressable market and team for the investment committee to make a judgement.

8. To what extent are the following ESG factors relevant in your investment decision?

Environmental aspects (carbon footprint, waste management, etc.)	Very relevant
Labour & working conditions	Very relevant
Health and safety	Very relevant
Diversity and inclusion	Very relevant
Code of ethics	Very relevant
Corporate governance	Very relevant

Others (please, list):

9. Do you exclude investments based on the following ESG factors?

Environmental aspects (carbon footprint, waste management, etc.)	No I engage and aim to improve
Labour & working conditions	Yes I exclude
Health and safety	Yes I exclude
Diversity and inclusion	No I engage and aim to improve
Code of Ethics	Yes I exclude
Corporate governance	No I engage and aim to improve

Others (please, list):

10. Upon investing in a company, would you review its existing compliance, sustainability or ethical business guidelines, or introduce new guidelines, if necessary?

Yes

Comment box:

Although we only take minority positions we would seek to improve our portfolio companies ESG practices. Not only do we maintain board seats on 50% of the companies that we invest in, we also like to work closely with our companies and ensure their culture is similar to ours. As a firm we follow intent and mission to use our position as a tech investor for the good and firmly belives that in the power of technology to be a big part of the solution for the world's current environment and social problems. As an investor, we aim to work closely with our portfolio companies to pursue these goals.

ESG monitoring and reporting

11. Do you monitor material ESG risks and opportunities in your portfolio companies?

In progress of implementation

Comment box:

We are in the process of implementing two tools to monitor ESG; ___________ which is the leading software in the market for sustainability ratings and ___________, one of our portfolio companies that we will use on a periodic basis. We would use ___________'s data platform to analyse sentiment around our portfolio companies and also identify any negatively related ESG headlines. ___________ is a market leading resource that mines __,000 different data sources across the internet to create tailored and structured data feeds. Across these two tools, we will be able to monitor our portfolio companies supply chains, current ESG practices, market sentiment and headlines surrounding them.

12. Do you use any Key Performance Indicators (KPIs) to monitor ESG integration of portfolio companies?

In progress of implementation

12.1. If so, please detail below your KPIs.

Using ___________ and ___________, we will be able to monitor our portfolio companies supply chains, current ESG practices, market sentiment and headlines surrounding them. Where we felt a portfolio company was underperforming in a particular area of ESG, we would then consider establishing a set of KPI's for that company. We would then utilise the services of ___________, ___________ and our own informal monitoring to establish if the portfolio company is reaching the required KPI.

13. Are ESG aspects somehow integrated in your value creation process?

Yes but ad-hoc

Comment box:

We are fully aware that ESG factors play a material role in determining risk and return of an investment and we follow this belief when assessing an investment. As responsible investors, we want our companies to have long-term commitments to ESG policies and for this reason we will commit and work together with our portfolio companies to enhance the effectiveness and implementation of their ESG practices.

14. Do you report on ESG matters to your relevant governing bodies and to investors?

Only to governing bodies

Comment box:

At the moment ___________ reports on ESG on an adhoc basis however as mentioned we are in the process of creating a responsible investment policy and will be updating due dilligence and reporting questionnairs on ESG, with the aim to have an annual ESG report on ___________'s fund's and portfolio companies for LP's and stakeholders by 2021.

15. Have you or any of your portfolio companies faced any material[2] ESG incident or litigation case?

No

15.1. If so, please identify at fund and/or portfolio company level the major ESG incident or litigation case, how you dealt with it (e.g. adjustments you have made), and if there was public coverage.

16. Do you publish an ESG report regularly?

No

16.1. If so, please mention below the frequency of reporting.

[2] "Material" ESG issues shall be those considered as having or being susceptible of originating a direct substantial negative impact on funds' ability to create or preserve economic, and/or social/environmental value in its portfolio, as well as any substantial reputational risks to EIF and/or its investors. Some examples (non-exhaustive list), please see below:

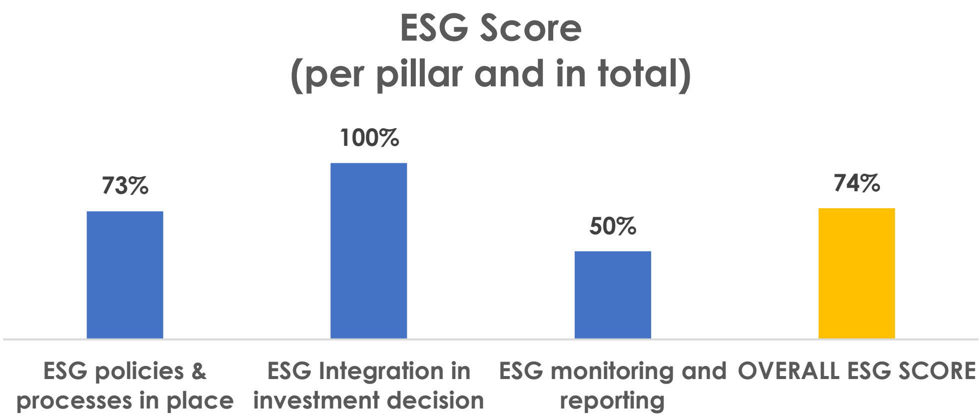
- Health and safety incidents resulting in multiple injuries/fatalities
- Product safety incidents resulting in harm to consumers or produce recalls
- Environmental pollution resulting in harm to human Health or the environment
- Employee relations breakdown or trade union action resulting in a severe impact on production/trading
- Fraud, bribery or corruption at Fund Manager level or in portfolio company
- a cyber/IT incident leading to significant loss of personal data or IP

SCORING

Question ID	Reply	UniqueID	Score	Pillar
1	In progress/considering	1In progress/considering	1	A
2	In preparation/adoption	2In preparation/adoption	1	A
2.1	No	2.1No	0	A
2.2	Yes	2.2Yes	1	A
3	No	3No	0	A
4.1	Yes	4.1Yes	0	A
4.2	Yes	4.2Yes	0	A
4.3	Yes	4.3Yes	0	A
4.4	Yes	4.4Yes	0	A
4.5	Yes	4.5Yes	0	A
4.6	Yes	4.6Yes	0	A
4.7	0		0	A
5.1	Yes	5.1Yes	1	A
5.2	Yes	5.2Yes	1	A
5.3	Yes	5.3Yes	1	A
5.4	0		0	A
6	Yes	6Yes	2	B
7	Yes	7Yes	2	B
8.1	Very relevant	8.1Very relevant	0	B
8.2	Very relevant	8.2Very relevant	0	B
8.3	Very relevant	8.3Very relevant	0	B
8.4	Very relevant	8.4Very relevant	0	B
8.5	Very relevant	8.5Very relevant	0	B
8.6	Very relevant	8.6Very relevant	0	B
8.7	0		0	B
9.1	No I engage and aim to improve	9.1No I engage and aim to improve	0	B
9.2	Yes I exclude	9.2Yes I exclude	0	B
9.3	Yes I exclude	9.3Yes I exclude	0	B
9.4	No I engage and aim to improve	9.4No I engage and aim to improve	0	B
9.5	Yes I exclude	9.5Yes I exclude	0	B

9.6	No I engage and aim to improve	9.6No I engage and aim to improve	**0**	B
9.7	0		**0**	B
10	Yes	10Yes	**2**	B
11	In progress of implementation	11In progress of implementation	**1**	C
12	In progress of implementation	12In progress of implementation	**1**	C
13	Yes but ad-hoc	13Yes but ad-hoc	**1**	C
14	Only to governing bodies	14Only to governing bodies	**1**	C
15	No	15No	**2**	C
16	No	16No	**0**	C

	Pillar	MAX score	Weight	Total	%	weighted %
A	ESG policies & processes in place	**11**	**0.333333**	**8.0**	**73%**	**24**
B	ESG Integration in investment decision	**10**	**0.333333**	**10.0**	**100%**	**33**
C	ESG monitoring and reporting	**12**	**0.333333**	**6.0**	**50%**	**17**
	OVERALL ESG SCORE			**Tot %**	**74%**	



ANNEX C: Use of the ESG questionnaire - Example 2 (Private equity)

Date of completion of Questionnaire:	23/01/2020	
Name of Fund Manager:	Anonymous	
Name of Fund:	Anonymous	
Fund Number:	Anonymous	*To be filled in by EIF*

ESG Policies and processes in place

1. Do you commit to any international standards, industry (association) guidelines, reporting frameworks that promote responsible investment practices?

Yes

Which (please, list):

___________ has been committed to Sustainable Development in Private Equity since 200_ and was one of the first ___________ signatories of the UNPRI (United Nations Principles for Responsible Investment) in 201_.
___________, together with other management companies, co-founded in 200_ the ___________ Sustainable Development Working Group. It is also a co-author of and a major contributor to the ___________ Sustainable Development White Paper for ___________ Private Equity which was published in ___________ 201_.
___________ signed the UNPRI's Principles for Responsible Investment in 201_ and committed to adopt and implement the Principles both as a company and as an active shareholder/investor.
___________ also signed the ___________, a ___________ Private Equity Working Group previously known as ___________, in 201_ in order to make its contribution to the COP21 objective of limiting global warming to two degrees Celsius.
In 201_, ___________ became a signatory to the United Nations Global Compact. Global Compact provides a simple, universal and voluntary framework for engagement, based on 10 principles relating to respect for human rights, international labour standards, the environment and the fight against corruption.

2. Do you have a policy that describes your approach to identify and manage ESG factors in the investment decision and portfolio management processes? If so, please provide a copy/link of your ESG policy.

Yes

Comment box:

The file attached "___________'s cycle of ESG in the investment process" describes our approach to identify and manage ESG factors in the investment decision and portfolio management process.

2.1. If so, do you apply it systematically?

Yes

Comment box:

___________ employees are aware of ESG matters and convinced of its usefulness. A yearly dedicated ESG training is carried out for the whole team.
We systematically try to implement best ESG practices in each portfolio company together with the management. So far, each portfolio company has had an ESG due diligence and roadmaps have been drafted.

2.2. If not, please indicate whether you would consider adopting an ESG/responsible investment policy in the coming 12 months.

Comment box:

3. Is there a person[1]/committee/unit dedicated to ESG oversight in your organisation?

[1]please indicate the percentage of time dedicated to ESG oversight in the comment box below

Yes

Comment box:

All employees of the management company are involved in the ESG strategy. ___________ (Managing Partner) oversees ESG since 201_ and, together with ___________ (Chief Financial Officer), they are responsible for the oversight. ___________ (ESG Associate) is responsible for the ESG implementation into the portfolio companies, in collaboration with ___________ and ___________ (Directors).

4. Have you put in place in your organisation any of the policies below?

Environmental aspects (carbon footprint, waste management, etc.)	Yes
Labour & working conditions	Yes
Health and safety	Yes
Diversity and inclusion	Yes
Code of ethics	Yes
Corporate governance	Yes

Other policies, please list and detail below:

Our sustainable development charter summarizes the commitments took by ___________ and its employees to foster sustainable practices in four areas: environment impact, management of human resources, governance and support development of corporate and social responsibility. Our charter is available on our website: https://www.___________.pdf

5. Of the following initiatives, which ones have been implemented in your organisation?

Monitor and reduce carbon emissions	Yes
Lower consumption of resources (water, electricity, fuel…)	Yes
Reuse waste and/or to reduce waste generation	Yes

Others (please, list):

ESG Integration in investment decision

6. Do you make formal commitments on ESG integration in Fund's legal documentation (LPA/side letter)?

Yes

Comment box:

Our investment policy integrates restrictive sectors as formal commitments and when requested by investors, ___________ can sign specific side letters on ESG issues.
Concerning the restrictive sectors, Article __ of the Fund's By-Laws specifies that the Fund will not invest, guarantee or otherwise provide financial or other support, directly or indirectly, to Portfolio Companies whose business activity consists of :
(a) An illegal economic activity (i.e. any production, trade or other activity, which is illegal under the laws or regulations applicable to the Fund, including without limitation, human cloning for reproduction purposes);
(b) The production of and trade in tobacco and related products;
(c) The production of and trade in distilled alcoholic beverages and related products;
(d) The financing of the production of and trade in weapons and ammunition of any kind, it being understood that this restriction does not apply to the extent such activities are part of or accessory to explicit European Union policies;
(e) Casinos and equivalent enterprises; and
(f) The research, development or technical applications relating to electronic data programs or solutions, which (i) aim specifically at : (A) supporting any activity referred to above; (B) internet gambling and online casinos; or (C) Pornography, or which (ii) are intended to enable to illegal : entry into electronic data networks; or downloading of electronic data.
In addition, when providing support to the financing of the research, development or technical applications relating to (i) human cloning for research or therapeutic purposes or (ii) genetically modified organisms ("GMOs"), the Fund shall ensure the appropriate control of legal, regulatory and ethical issues linked to such human cloning for research or therapeutic purposes and/or GMOs.

7. Do you incorporate ESG factors (risks/opportunities) in the investment recommendation to your investment committee?

Yes

Comment box:

The ESG Associate makes an internal review of ESG risks and opportunities which is shared during the investment process. The conclusions are provided with the investment note for the Investment Committee before submitting an indicative offer. If the risks or the opportunities are material, deeper analysis is made to specify the scope. The conclusions may affect investment decision and have an impact on the strategy and the action plan established for the company, after closing.

8. To what extent are the following ESG factors relevant in your investment decision?

Environmental aspects (carbon footprint, waste management, etc.)	Relevant
Labour & working conditions	Very relevant
Health and safety	Very relevant
Diversity and inclusion	Relevant
Code of ethics	Relevant
Corporate governance	Relevant

Others (please, list):

All the ESG factors listed are relevant in our investment decision, especilly labour & working conditions and health & safety. Compared to other factors, these two are easier to review thanks to the availability of data and information before the investment. Therefore, they have a greater impact on our final decision.

9. Do you exclude investments based on the following ESG factors?

Environmental aspects (carbon footprint, waste management, etc.)	No I engage and aim to improve
Labour & working conditions	No I engage and aim to improve
Health and safety	No I engage and aim to improve
Diversity and inclusion	No I engage and aim to improve
Code of Ethics	No I engage and aim to improve
Corporate governance	No I engage and aim to improve

Others (please, list):

If major issues are spotted, the ESG Associate will list them in its note to the investment committee.

10. Upon investing in a company, would you review its existing compliance, sustainability or ethical business guidelines, or introduce new guidelines, if necessary?

Yes

Comment box:

___________ makes two kind of due diligences before investing:
- the preliminary one is made in-house and led by the ESG Associate before closing;
- the second one is made by a specialized consulting firm after closing.
The consulting firm relies on our preliminary due diligence including all the red flags raised, all data room documents and interviews with the management to carry out its own due diligence.
ESG risks and opportunities will be assessed regarding how improvement or deterioration of those ESG factors can have a concrete and rapid impact on the key aspects of the business. All those actions enable ___________ and the management to review all the existing guidelines together and try to improve them when necessary.

ESG monitoring and reporting

11. Do you monitor material ESG risks and opportunities in your portfolio companies?

Yes

Comment box:

Materiality of ESG factors is defined by several aspects of the company such as its industry and its workforce. Sustainability Accounting Standards Board is one tool that is helpful to grab the main supposedly most material ESG factors. Often, ESG factors will be considered as the ones that represent risks more than opportunities to the core business and will be sought as such. After closing, an ESG due diligence is carried out with an advisor to take stock of the situation and draw an action plan with the management. During the investment period, ESG factors are discussed quarterly at the board. Regular phone calls are held between the ESG Associate and executives of the companies (HR manager, CFO or any person relevant) when necessary. So far, each portfolio company makes an ESG due diligence and an action plan is implemented. Those measures enable ___________ to monitor material ESG risks and opportunities of our portfolio companies.

12. Do you use any Key Performance Indicators (KPIs) to monitor ESG integration of portfolio companies?

Yes

12.1. If so, please detail below your KPIs.

KPI's used to monitor ESG integration of portfolio companies can be divided into two types: qualitative and quantitative. Qualitative KPIs refer to progress of projects that are part of the structuring of the companies : presence or not of sustainable policy for example. Quantitative KPIs focus mainly on social aspects such as absenteeism, accidents or employment. Regarding the profile of the companies, some specific KPIs can be looked at. For example, we will be more concerned by accident rates for our industrial-type companies because employees are more at risk and any negative change could be the result of not having appropriate personal protective equipment or poor safety management. Also, for the first time, we asked our portfolio companies to measure their greenhouse gas emissions thanks to a tool developed through the ___________ for scopes 1 & 2. Portfolio companies aim to reduce their carbon footprint but there is no specific strategy.

13. Are ESG aspects somehow integrated in your value creation process?

Yes across our portfolio

Comment box:

Our portfolio companies are experiencing for the first time LBO and need to be structured. Therefore, we help them to improve financial management and other support functions which consider ESG factors. For example, those support functions contribute to improve human resources management or environmental management which are key ESG aspects. Also, in the case of ___________ exit, the vendor due diligence highlighted all the progress made during ___________ investment period on ESG aspects: better human resources management, strengthening supplier controls and improvement of brand image for example. Therefore, we believe that ESG is at the core of our value creation process.

14. Do you report on ESG matters to your relevant governing bodies and to investors?

Yes to both

Comment box:

ESG topics are discussed on the board agenda of each portfolio company and our ESG strategy is shared with the limited partners at each Annual General Meeting.
Each quarter, ___________ produces a report on portfolio companies with an update on ESG matters and annualy, ___________ produces and shares with its LPs an ESG report (please see question 16.1).

15. Have you or any of your portfolio companies faced any material[2] ESG incident or litigation case?

No

15.1. If so, please identify at fund and/or portfolio company level the major ESG incident or litigation case, how you dealt with it (e.g. adjustments you have made), and if there was public coverage.

16. Do you publish an ESG report regularly?

Yes

16.1. If so, please mention below the frequency of reporting.

Since 201_, ___________ publishes an ESG report that gathers main information about our policies and achievements that occurred during the year. This report is available on our website both in ___________ and English: https://www.___________

[2] "Material" ESG issues shall be those considered as having or being susceptible of originating a direct substantial negative impact on funds' ability to create or preserve economic, and/or social/environmental value in its portfolio, as well as any substantial reputational risks to EIF and/or its investors. Some examples (non-exhaustive list), please see below:

- Health and safety incidents resulting in multiple injuries/fatalities
- Product safety incidents resulting in harm to consumers or produce recalls
- Environmental pollution resulting in harm to human Health or the environment
- Employee relations breakdown or trade union action resulting in a severe impact on production/trading

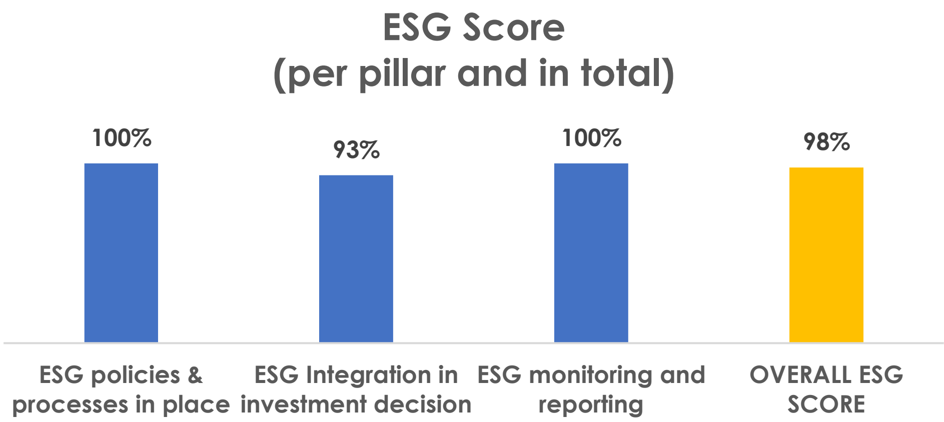
- Fraud, bribery or corruption at Fund Manager level or in portfolio company
- a cyber/IT incident leading to significant loss of personal data or IP

SCORING

Question ID	Reply	UniqueID	Score	Pillar
1	Yes	1Yes	2	A
2	Yes	2Yes	1	A
2.1	Yes	2.1Yes	1	A
2.2	0		0	A
3	Yes	3Yes	2	A
4.1	Yes	4.1Yes	0	A
4.2	Yes	4.2Yes	0	A
4.3	Yes	4.3Yes	0	A
4.4	Yes	4.4Yes	0	A
4.5	Yes	4.5Yes	0	A
4.6	Yes	4.6Yes	0	A
4.7	0		0	A
5.1	Yes	5.1Yes	1	A
5.2	Yes	5.2Yes	1	A
5.3	Yes	5.3Yes	1	A

5.4	0		**0**	A
6	Yes	6Yes	**2**	B
7	Yes	7Yes	**2**	B
8.1	Relevant	8.1Relevant	**0**	B
8.2	Very relevant	8.2Very relevant	**0**	B
8.3	Very relevant	8.3Very relevant	**0**	B
8.4	Relevant	8.4Relevant	**0**	B
8.5	Relevant	8.5Relevant	**0**	B
8.6	Relevant	8.6Relevant	**0**	B
8.7	0		**0**	B
9.1	No I engage and aim to improve	9.1No I engage and aim to improve	**0**	B
9.2	No I engage and aim to improve	9.2No I engage and aim to improve	**0**	B
9.3	No I engage and aim to improve	9.3No I engage and aim to improve	**0**	B
9.4	No I engage and aim to improve	9.4No I engage and aim to improve	**0**	B
9.5	No I engage and aim to improve	9.5No I engage and aim to improve	**0**	B
9.6	No I engage and aim to improve	9.6No I engage and aim to improve	**0**	B
9.7	0		**0**	B
10	Yes	10Yes	**2**	B
11	Yes	11Yes	**2**	C
12	Yes	12Yes	**2**	C
13	Yes across our portfolio	13Yes across our portfolio	**2**	C
14	Yes to both	14Yes to both	**2**	C
15	No	15No	**2**	C
16	Yes	16Yes	**2**	C

	Pillar	MAX score	Weight	Total	%	weighted %
A	ESG policies & processes in place	**11**	**0.333333**	**11.0**	**100%**	**33**
B	ESG Integration in investment decision	**10**	**0.333333**	**9.3**	**93%**	**31**
C	ESG monitoring and reporting	**12**	**0.333333**	**12.0**	**100%**	**33**
	OVERALL ESG SCORE			**Tot %**	**98%**	



Annex 6 – Selection matrix of relevant case studies

Project Information	Lender	Size of project (MEUR)	Size of funding Small<25MEUR Large>100MEUR	Direct investment/ Intermediated finance	Level of social content (Low, Medium, Strong)	Information availability	Dimensions treated	Selected for the Cases Studies
(i) Cases of infrastructure/construction projects								
Name: Urban Infrastructure in Bulgaria (mobility & Transport) **Location:** Bulgaria **Year:** N/A **Reference:** N/A	EIB	**Proposed EIB finance:** EUR 22.8 million **Total cost:** N/A	Large	Direct investment	Strong	High	Social & Environmental	X Case Study n° 4
Name: LANA RIVER FRONT - URBAN REDEVELOPMENT **Location:** Albania **Year:** 2018 **Reference:** 20161020	EIB	**Proposed EIB finance:** EUR 10 million **Total cost:** EUR 24 million	Small	Direct investment	Medium	Medium	Social & Environmental	
Name: DFF - Lamda Development **Location:** Greece **Year:** 2019 **Reference:** 51534	EBRD	**Proposed EBRD finance:** EUR 22.7 million **Total cost:** EUR 800 million	Large	Direct investment	Strong	High	Social & Environmental	X Case Study n° 3
Name: SWIFT Buzau sub-project **Location:** Romania **Year:** 2019 **Reference:** 50738	EBRD	**Proposed EBRD finance:** EUR 20 million **Total cost:** EUR 287.8 million	Large	Direct investment	Medium	Medium	Social & Environmental	
Name: Sarajevo Urban Roads **Location:** Bosnia and Herzegovin **Year:** 2020 **Reference:** 49840	EBRD	**Proposed EBRD finance:** EUR 30 million **Total cost:** EUR 46.4 million	Medium	Intermediated	Medium	Medium	Social & Environmental	

Name: NRW.Bank Good School 2020 **Location:** Germany **Year:** 2018 **Reference:** N/A	CEB	**Proposed CEB finance:** EUR 200 million	Large	Intermediated	Medium	Low	Social	
Name: City of Katowice **Location:** Poland **Year:** 2011 **Reference:** N/A	CEB	**Proposed CEB finance:** EUR 25 million	Small	Direct investment	Medium	Low	Social	
Name: HBOR VIII **Location:** Croatia **Year:** 2019 **Reference:** N/A	CEB	**Proposed CEB finance:** EUR 200 million	Large	Intermediated	Medium	Low	Social	
Name: Swedavia AB **Location:** Sweden **Year:** 2017 **Reference:** N/A	NIB	**Proposed NIB finance:** EUR 200.43 million	Large	Direct investment	Medium	Low	Social & Environmental	
Name: Ryfast AS **Location:** Norway **Year:** 2017 **Reference:** N/A	NIB	**Proposed NIB finance:** EUR 101.31 million	Large	Direct investment	Medium	Low	Social & Environmental	
Name: City of Vilnius **Location:** Lithuania **Year:** 2012 **Reference:** N/A	NIB	**Proposed NIB finance:** EUR 8.5 million	Small	Intermediated	Medium	Low	Environmental	
(ii) Cases of non-infrastructure/social infrastructure projects								

Name: Sevilla Social Housing **Location**: Spain **Year**: 2019 **Reference**: 20180901	EIB	**Proposed EIB finance:** EUR 40 million **Total cost:** EUR 81 million	Medium	Direct investment	Medium	Medium	Social & Environmental Scoreboard Available	
Name: An Energy Efficiency Social Housing Compnay **Location**: Spain **Year**: 2019 **Reference**: N/A	EIB	**Proposed EIB finance:** EUR 25 million **Total cost:** N/A	Large	Direct Investment	Strong	High	Social & Environmental	X Case Study n° 5
Name: NATIONAL CHILDREN'S HOSPITAL - DUBLIN **Location**: Dublin **Year**: 2017 **Reference**: 20140107	EIB	**Proposed EIB finance:** EUR 490 million **Total cost:** EUR 1000 million	Large	Direct investment	Strong	High	Social & Environmental	X Case Study n° 6
Name: Reseau Canopee Logement Social **Location:** France **Year:** 2018 **Reference:** 20180398	EIB	**Proposed EIB finance:** EUR 107 million **Total cost:** EUR 326 million	Large	Direct investment	Medium	Medium	Social & Environmental	
Name: Hfa Social & Affordable Housing Programme **Location:** Ireland **Year:** 2019 **Reference:** 20190221	EIB	**Proposed EIB finance:** EUR 200 million **Total cost:** EUR 400 million	Large	Direct investment	Medium	Medium	Social & Environmental	
Name: BDB INTERMEDIATED LOAN FOR SMES AND MIDCAPS **Location:** Bulgaria **Year:** 2016 **Reference:** 20160229	EIB	**Proposed EIB finance:** EUR 150 million	Large	Intermediated	Low	Medium	Environmental	

Name: GLASS MANUFACTURING LEBANON - INTERMEDIATED LOAN **Location:** Lebanon **Year:** 2019 **Reference:** 20180804	EIB	**Proposed EIB finance:** USD 24 million (EUR 22 million) **Total cost:** USD 48 million (EUR 44 million)	Medium	Intermediated	Low	Medium	Environmental	
Name: YOUTH EMPLOYMENT & EDUCATION INTERMEDIATED LOAN **Location:** Spain **Year:** 2013 **Reference:** 20130119	EIB	**Proposed EIB finance:** EUR 200 million	Large	Intermediated	Medium	Medium	Environmental	
Name: EDUCATION INFRASTRUCTURE (HU) II **Location:** Hungary **Year:** 2019 **Reference:** 20190532	EIB	**Proposed EIB finance:** HUF 50000 million (EUR 152 million) **Total cost:** HUF 105449 million (EUR 321 million)	Large	Direct investment	Medium	Medium	Social & Environmental	
Name: Izmir Hospital PPP **Location:** Turkey **Year:** 2016 **Reference:** 47399	EBRD	**Proposed EBRD finance:** EUR 315 million A/B loan **Total cost:** EUR 765.2 million	Large	PPP	Medium	Medium	Social & Environmental	
Name: GrCF-Energy Efficient Refurbishment of Zenica Hospital **Location:** Bosnia and Herzegovina **Year:** 2018 **Reference:** 49431	EBRD	**Proposed EBRD finance:** EUR 10 million **Total cost:** EUR 11 million	Small	Intermediated	Medium	Medium	Social & Environmental	

Name: Quality Schools International **Location:** Regional **Year:** 2015 **Reference:** 45565	EBRD	**Proposed EBRD finance:** EUR 5 million **Total cost:** EUR 19 million	Small	Direct investment	Medium	Medium	Social & Environmental	
Name: DFF - Teraplast 1 **Location:** Romania **Year:** 2019 **Reference:** 49305	EBRD	**Proposed EBRD finance:** EUR 16 million **Total cost:** EUR 28.6 million	Medium	Intermediated	Strong	High	Social & Environmental	X Case Study n° 2
Name: Raiffeisen Croatia MSME **Location:** Croatia **Year:** 2015 **Reference:** 47909	EBRD	**Proposed EBRD finance:** EUR 20 million **Total cost:** EUR 20 million	Small	Intermediated	Medium	Medium	Social & Environmental	
Name: GUCB Serbia - SME Credit Line **Location:** Serbia **Year:** 2014 **Reference:** 46318	EBRD	**Proposed EBRD finance:** EUR 40 million **Total cost:** EUR 40 million	Medium	Intermediated	Medium	Medium	Social & Environmental	
Name: Rented Social Housing and Social Infrastructure in Brandenburg **Location:** Germany **Year:** 2019 **Reference:** N/A	CEB	**Proposed CEB finance:** EUR 150 million	Large	Direct investment	Medium	Low	Social	
Name: City of Vantaa municipal investment **Location:** Finland **Year:** 2018 **Reference:** N/A	CEB	**Proposed CEB finance:** EUR 60 million (to a total amount of EUR 120 million)	Large	Direct investment	Medium	Low	Social	
Name: Social housing in Ireland **Location:** Finland **Year:** 2018 **Reference:** N/A	CEB	**Proposed CEB finance:** EUR 150 million	Large	Direct investment	Medium	Low	Social	

Name: Health Infrastructure Project **Location:** N/A **Year:** 2018 **Reference:** N/A	CEB	**Proposed CEB finance:** EUR 54 million loan **Total cost:** EUR 75 million	Medium	Intermediated	Strong	High	Social & Environmental	X Case Study n° 1
Name: Bank Republic **Location:** Georgia **Year:** 2013 **Reference:** N/A	CEB	**Proposed CEB finance:** EU 7.9 million	Small	Intermediated	Medium	Low	Social	
Name: Supporting exporting SMEs in Hungary **Location:** Hungary **Year:** 2020 **Reference:** N/A	CEB	**Proposed CEB finance:** EUR 50 million	Medium	Intermediated	Medium	Low	Social	
Name: Central Hospital in Finland **Location:** Finland **Year:** 2018 **Reference:** N/A	NIB	**Proposed NIB finance:** EUR 69 million	Medium	Intermediated	Strong	High	Social & Environmental	X Case Study n° 7
Name: Swedish Hospital Partners AB **Location:** Sweden **Year:** 2010 **Reference:** N/A	NIB	**Proposed NIB finance:** EUR 157.5 million	Large	PPP	Medium	Low	N/A	
Name: Municipality of Knivsta **Location:** Sweden **Year:** 2017 **Reference:** N/A	NIB	**Proposed NIB finance:** EUR 36.73 million	Medium	Direct investment	Medium	Low	N/A	
Name: Kommunfastigheter i Laholm AB **Location:** Sweden **Year:** 2019 **Reference:** N/A	NIB	**Proposed NIB finance:** EUR 13.2 million	Small	Intermediated	Medium	Low	N/A	

Name: Sparbanken Skåne **Location:** Sweden **Year:** 2019 **Reference:** N/A	NIB	**Proposed NIB finance:** EUR 51.8 million	Medium	Intermediated	Medium	Low	Social & Environmental	

Source: Finance for Impact, EBRD, EIB-EIF, NIB

Annex 7 – Eligible areas and excluded activities for financing and investment operations

The sectors eligible for financing and investment operations are presented in the Table 1 below (more in detail in Annex II of the InvestEU Regulation[61]):

Eligible areas for financing and investment operations

Eligible areas

The financing and investment operations may fall under one or more of the following areas:

1.Development of the energy sector in accordance with the Energy Union priorities, including security of energy supply, and the commitments taken under the Agenda 2030 and the Paris Agreement, in particular through:

(a)expansion of the generation, supply or use of clean and sustainable renewable energy;
(b)energy efficiency and energy savings (with a focus on reducing demand through demand side management and the refurbishment of buildings);
(c)development, smartening and modernisation of sustainable energy infrastructure (transmission and distribution level, storage technologies);
(d)production and supply of synthetic fuels from renewable/carbon-neutral sources; alternative fuels;
(e)carbon-capture and -storage infrastructure.

2.Development of sustainable transport infrastructures, and equipment and innovative technologies in accordance with Union transport priorities and the commitments taken under the Paris Agreement, in particular through:

(a)projects supporting development of the TEN-T infrastructure, including its urban nodes, maritime and inland ports, multimodal terminals and their connection to the main networks;
(b)smart and sustainable urban mobility projects (targeting low-emission urban transport modes, accessibility, air pollution and noise, energy consumption and accidents);
(c)supporting the renewal and retrofitting of transport mobile assets with the view of deploying low-emission mobility solutions;
(d)railway infrastructure, other rail projects, and maritime ports;
(e)alternative fuels infrastructure, including electric charging infrastructure.

3.Environment and resources, in particular through:
(a)water, including supply and sanitation, and coastal infrastructure and other water-related green infrastructure;
(b)waste management infrastructure; projects and enterprises in the fields of environmental resource management and clean technologies;
(d)enhancement and restoration of ecosystems and their services;
(e)sustainable urban, rural and coastal development;
(f)climate change actions, including natural hazard disaster risk reduction;
(g)projects and enterprises that implement circular economy by integrating resource efficiency aspects in the production and product lifecycle, including the sustainable supply of primary and secondary raw materials;
(h)decarbonization of and substantial reduction of emissions of energy-intensive industries, including large-scale demonstration of innovative low-emission technologies and their deployment.

4.Development of digital connectivity infrastructure, in particular through projects supporting deployment of very high capacity digital networks.

5.Research, development and innovation, in particular through:

[61] See European Parliament legislative resolution of 18 April 2019 on the proposal for a regulation of the European Parliament and of the Council establishing the InvestEU Programme, http://www.EURparl.EURpa.eu/doceo/document/TA-8-2019-0433_EN.html#title2

(a)research, including research infrastructure and support to academia, and innovation projects contributing to the objectives of [Horizon Europe];
(b)corporate projects;
(c)demonstration projects and programmes as well as deployment of related infrastructures, technologies and processes;
(d)collaboration projects between academia and industry;
(e)knowledge and technology transfer;
(f)new effective healthcare products, including pharmaceuticals, medical devices and advanced therapy medicinal products.

6.Development and deployment of digital technologies and services, in particular through:
(a)artificial intelligence;
(b)cybersecurity and network protection infrastructures;
(c)internet of things;
(d)blockchain and other distributed ledger technologies;
(e)advanced digital skills;
(f)other advanced digital technologies and services contributing to the digitization of the Union industry.

7.Financial support to entities employing up to 3 000 employees, with a particular focus on SMEs and small midcap companies, in particular through:
(a)provision of working capital and investment;
(b)provision of risk financing from seed to expansion stages to ensure technological leadership in innovative and sustainable sectors.

8.Cultural and creative sectors; media, audio-visual sector and journalism.

9.Tourism.

10.Sustainable agriculture, forestry, fishery, aquaculture and other elements of the wider sustainable bioeconomy.

11.Social investments, including those supporting the implementation of the European Pillar of Social Rights, in particular through:
(a)microfinance, social enterprise finance and social economy;
(b)demand for and supply of skills;
(c)education, training and related services;
(d)social infrastructure, in particular
(i) education and training, including early childhood education and care, educational facilities, student housing and digital equipment;
(ii) social housing;
(iii) health and long-term care, including clinics, hospitals, primary care, home services and community-based care;
(e)social innovation, including innovative social solutions and schemes aiming at promoting social impacts and outcomes in the areas referred to in this point;
(f)cultural activities with a social goal;
(g)integration of vulnerable people, including third country nationals;
(h)innovative health solutions, including health services and new care models;
(i)inclusion of and accessibility for persons with disabilities.

12.Development of the defense industry, thereby enhancing the Union's strategic autonomy, in particular through support for:
(a)the Union’s defense industry supply chain, in particular through financial support to SMEs and mid-caps;
(b)companies participating in disruptive innovation projects in the defense sector and closely related dual-use technologies;

(c)the defense sector supply chain when participating in collaborative defense research and development projects, including those supported by the European Defense Fund;
(d)defense research and training infrastructure.

13.Space, in particular through the development of the space sector in line with Space Strategy objectives:
(a)to maximize the benefits for the Union society and economy;
(b)to foster the competitiveness of space systems and technologies, addressing in particular vulnerability of supply chains;
(c)to underpin space entrepreneurship;
(d)to foster Union's autonomy for safe and secure access to space, including dual use aspects.

Source: European Parliament

The activities excluded for financing and investment operations are presented in the Table 2 below (provided in Annex V of the InvestEU Regulation[62]):

Excluded activities from financing and investment operations

<u>Excluded activities</u>

The InvestEU Programme shall not support:

(1) activities which limit people’s individual rights and freedom or violate human rights;

(2) in the area of defense activities, the use, development, or production of products and technologies that are prohibited by applicable international law;

(3) tobacco related products and activities (production, distribution, processing, and trade);

(4) activities excluded in Article [X] of the [Horizon Europe] Regulation: research on human cloning for reproductive purposes; activities intended to modify the genetic heritage of human beings which could make such changes heritable, activities to create human embryos solely for the purpose of research or for the purpose of stem cell procurement, including by means of somatic cell nuclear transfer;

(5) gambling (production, construction, distribution, processing, trade or software related activities);

(6) sex trade and related infrastructure, services and media;

(7) activities involving live animals for experimental and scientific purposes insofar as compliance with the “Council of Europe’s Convention for the Protection of Vertebrate Animals used for Experimental and other Scientific Purposes” cannot be guaranteed;

(8) Real estate development activity, i.e.an activity with a sole purpose of renovating and re-leasing or re-selling existing buildings as well as building new projects; however, activities in the real-estate sector that are related to the specific objectives of the InvestEU as specified in Article 3(2) of this Regulation and/or to the eligible areas for financing and investment operations under Annex II to this Regulation, such as investments in energy efficiency projects or social housing, shall be eligible;

[62] See European Parliament legislative resolution of 18 April 2019 on the proposal for a regulation of the European Parliament and of the Council establishing the InvestEU Programme, http://www.EURparl.EURpa.eu/doceo/document/TA-8-2019-0433_EN.html#title2

(9) financial activities such as purchasing or trading in financial instruments. In particular, interventions targeting buy-out intended for asset stripping or replacement capital intended for asset stripping shall be excluded.

(10) activities forbidden by applicable national legislation;

(11) the decommissioning, the operation, the adaptation or the construction of nuclear power stations;

(12) Investments related to mining / extraction, processing, distribution, storage or combustion of solid fossil fuels and oil as well as investments related to extraction of gas. This exclusion does not apply to:

a. projects where there is no viable alternative technology;
b. projects related to pollution prevention and control;
c. projects equipped with Carbon Capture, Storage or Utilization installations; industrial or research projects that lead to substantial reductions of greenhouse gas emissions compared to the applicable Emission Trading Scheme benchmark(s).

(13) Investments in facilities for the disposal of waste in landfill. This exclusion does not apply to investments in:

a. On-site landfill facilities that are an ancillary element of an industrial or mining investment project and where it has been demonstrated that landfilling is the only viable option to treat the industrial or mining wastes produced by the concerned activity itself;
b. Existing landfill facilities to ensure the utilization of landfill gas and to promote landfill mining and the reprocessing of mining wastes.

(14) Investments in Mechanical Biological Treatment (MBT) plants. This exclusion does not apply to investments to retrofit existing MBT plants for waste-to-energy purposes or recycling operations of separated waste such as composting and anaerobic digestion.

(15) Investments in incinerators for the treatment of waste. This exclusion does not apply to investments in:

a. Plants exclusively dedicated to treating non-recyclable hazardous waste;
b. Existing plants in order to increase energy efficiency, capture exhaust gases for storage or use or recover materials from incineration ashes provided such investments do not result in an increase of the plant waste processing capacity.

The Implementing Partners shall remain responsible for ensuring compliance at signature and monitoring the compliance of the financing and investment operations with exclusion criteria during the implementation of the project and undertaking appropriate remedial actions where relevant.

Source: European Parliament

Annex 8 – The SDGs

Following the Millennium Development Goals created in 2000, the United Nations set out a new framework for sustainable development in 2015. It contains 17 Sustainable Development Goals (SDGs), broken down into 169 targets designed to address the main social and environmental issues between 2015 and 2030.

The SDGs represent a comprehensive environmental and social framework applicable to all economies, regardless of development level. Some, like reducing hunger (SDG 1) and ensuring access to water for all (SDG 6), are particularly relevant for low- and middle-income countries. Others, like climate change mitigation (SDG 13) and creating safer, more resilient, and sustainable cities (SDG 11) are applicable to all.

Moreover, the SDGs can be considered as a frame of reference for sustainable development issues for a variety of actors, from governments to companies and investors. The private sphere is increasingly considering environmental and social issues, illustrating new forms of governance where subjects of "general interest" are no longer solely the prerogative of the public sphere. Considering the SDGs can help companies to reflect on how they create economic, environmental, and social value.

Finally, the SDGs help investors to question the long-term resilience of their assets and portfolios. Then, investors can go even further by looking at their exposure to new solutions and economic models that will respond to long-term economic transformations. The targets associated with the SDGs to significantly increase the share of renewable energy and to double energy efficiency by 2030, for example, imply a profound transformation within the energy sector.

Source: MIROVA

Annex 9 – Social criteria in the EU Pillar of Social Rights

Main criteria	Sub-criteria	Description	Options
Equal opportunities and access to the labour market	**Education, training and life-long learning**	Everyone has the right to quality and inclusive education, training and life-long learning in order to maintain and acquire skills that enable them to participate fully in society and manage successfully transitions in the labour market.	Access to all Access to a majority Limited access Very Little access
	Gender equality	Equality of treatment and opportunities between women and men must be ensured and fostered in all areas, including regarding participation in the labour market, terms and conditions of employment and career progression. Women and men have the right to equal pay for work of equal value.	Yes, in place and implemented Yes, in place partially implemented Not in place but management efforts towards equality Not in place and no actions
	Equal opportunities	Regardless of gender, racial or ethnic origin, religion or belief, disability, age or sexual orientation, everyone has the right to equal treatment and opportunities regarding employment, social protection, education, and access to goods and services available to the public. Equal opportunities of under-represented groups shall be fostered.	Yes, in place and implemented Yes, in place partially implemented Not in place but management efforts towards equality Not in place and no actions
	Active support to employment	Everyone has the right to timely and tailor-made assistance to improve employment or self-employment prospects. This includes the right to receive support for job search, training and re-qualification. Everyone has the right to transfer social protection and training entitlements during professional transitions. Young people have the right to continued education, apprenticeship, traineeship or a job offer of good standing within 4 months of becoming unemployed or leaving education. People unemployed have the right to personalised, continuous and consistent support. The long-term unemployed have the right to an in-depth individual assessment at the latest at 18 months of unemployment.	Active support to all Active support to a majority Limited support Very Little Support
Fair working conditions	**Secure and adaptable employment**	Regardless of the type and duration of the employment relationship, workers have the right to fair and equal treatment regarding working conditions, access to social protection and training. The transition towards open-ended forms of employment shall be fostered. In accordance with legislation and collective agreements, the necessary flexibility for	Fair and equal treatment regarding working conditions (employee) Transition to full-times jobs encouraged Innovative forms of work encouraged

	employers to adapt swiftly to changes in the economic context shall be ensured. Innovative forms of work that ensure quality working conditions shall be fostered. Entrepreneurship and self-employment shall be encouraged. Occupational mobility shall be facilitated. Employment relationships that lead to precarious working conditions shall be prevented, including by prohibiting abuse of atypical contracts. Any probation period should be of reasonable duration.	Entrepreneurship and self-employment encouraged Occupational mobility facilitated Precarious/abusive working conditions
Wages	Workers have the right to fair wages that provide for a decent standard of living. Adequate minimum wages shall be ensured, in a way that provide for the satisfaction of the needs of the worker and his / her family in the light of national economic and social conditions, whilst safeguarding access to employment and incentives to seek work. In-work poverty shall be prevented. All wages shall be set in a transparent and predictable way according to national practices and respecting the autonomy of the social partners.	
Information about employment conditions and protection in case of dismissals	Workers have the right to be informed in writing at the start of employment about their rights and obligations resulting from the employment relationship, including on probation period. Prior to any dismissal, workers have the right to be informed of the reasons and be granted a reasonable period of notice. They have the right to access to effective and impartial dispute resolution and, in case of unjustified dismissal, a right to redress, including adequate compensation.	
Social dialogue and involvement of workers	The social partners shall be consulted on the design and implementation of economic, employment and social policies according to national practices. They shall be encouraged to negotiate and conclude collective agreements in matters relevant to them, while respecting their autonomy and the right to collective action. Where appropriate, agreements concluded between the social partners shall be implemented at the level of the Union and its Member States. Workers or their representatives have the right to be informed and consulted in good time on matters relevant to them, in particular on the transfer, restructuring and merger of undertakings and on collective redundancies. Support for increased	

		capacity of social partners to promote social dialogue shall be encouraged.	
	Work-life balance	Parents and people with caring responsibilities have the right to suitable leave, flexible working arrangements and access to care services. Women and men shall have equal access to special leaves of absence in order to fulfil their caring responsibilities and be encouraged to use them in a balanced way.	
	Healthy, safe and well-adapted work environment and data protection	Workers have the right to a high level of protection of their health and safety at work. Workers have the right to a working environment adapted to their professional needs and which enables them to prolong their participation in the labour market. Workers have the right to have their personal data protected in the employment context.	
Social protection and inclusion	**Childcare and support to children**	Children have the right to affordable early childhood education and care of good quality. Children have the right to protection from poverty. Children from disadvantaged backgrounds have the right to specific measures to enhance equal opportunities.	
	Social protection	Regardless of the type and duration of their employment relationship, workers, and, under comparable conditions, the self-employed, have the right to adequate social protection.	
	Unemployment benefits	The unemployed have the right to adequate activation support from public employment services to (re)integrate in the labour market and adequate unemployment benefits of reasonable duration, in line with their contributions and national eligibility rules. Such benefits shall not constitute a disincentive for a quick return to employment.	
	Minimum income	Everyone lacking sufficient resources has the right to adequate minimum income benefits ensuring a life in dignity at all stages of life, and effective access to enabling goods and services. For those who can work, minimum income benefits	

		should be combined with incentives to (re)integrate into the labour market.	
	Old age income and pensions	Workers and the self-employed in retirement have the right to a pension commensurate to their contributions and ensuring an adequate income. Women and men shall have equal opportunities to acquire pension rights. Everyone in old age has the right to resources that ensure living in dignity.	
	Health care	Everyone has the right to timely access to affordable, preventive and curative health care of good quality.	
	Inclusion of people with disabilities	People with disabilities have the right to income support that ensures living in dignity, services that enable them to participate in the labour market and in society, and a work environment adapted to their needs.	
	Long-term care	Everyone has the right to affordable long-term care services of good quality, in particular homecare and community-based services.	
	Housing and assistance for the homeless	Access to social housing or housing assistance of good quality shall be provided for those in need. Vulnerable people have the right to appropriate assistance and protection against forced eviction. Adequate shelter and services shall be provided to the homeless in order to promote their social inclusion.	
	Access to essential services	Everyone has the right to access essential services of good quality, including water, sanitation, energy, transport, financial services and digital communications. Support for access to such services shall be available for those in need.	

Source: European Commission

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