

Luxembourg, 16 October 2024

## Environmental and Social Data Sheet

### Overview

Project Name: Cardano Sanitation and Water Impact Fund

Country: Africa and Asia

Project Description: Equity investment in an investment vehicle that aims to improve access to affordable WASH (Water, Sanitation and Hygiene) services by providing senior debt to Financial Inclusion Institution (FIIs) in Asia and Sub-Saharan Africa. The FIIs will on-lend to MSMEs to buy, install and improve sanitation and water facilities.

EIA required: no

Project included in Carbon Footprint Exercise<sup>1</sup>: no

(details for projects included are provided in section: “EIB Carbon Footprint Exercise”)

### Environmental and Social Assessment

The operation concerns the Cardano’s Sanitation and Water Impact Fund (SWIF), The Fund aims to improve access to affordable Water Sanitation and hygiene (WASH) financial products for low-income households and micro, small and medium enterprises (MSMEs), to encourage the building and usage of safely managed sanitation and water facilities and systems. The Fund will provide senior debt to Financial Inclusion Institutions (FIIS) that will on lend to their end beneficiaries (households and MSMEs). The Fund aims to have a highly diversified portfolio in terms of geographic exposure in the African and Asian continents.

#### Environmental Assessment

The Fund Manager, Cardano, is committed to responsible investments, meaning to develop, construct, and operate all its investments in accordance with the highest international environmental and social standards. This responsibility framework has been developed based on Cardano’s commitment of “do no harm”. In order to achieve these commitments, SWIF is committed to comply with all legislation and applicable environmental and social requirements for all investments. Good international industry practices and standards will be referred to in the responsibility framework.

A comprehensive assessment of all impacts and risks will be conducted, operated, and maintained in a manner consistent with applicable environmental and social requirements. If at the time of making an investment decision, a prospective Financial Institution poses a potential reputational risk for the Fund or its investors due to unacceptable social and environmental management practices, the investment will be rejected. Investment opportunities that promote environmental and social impact benefits will be promoted.

The Fund requires that all portfolio companies have adequate staffing, good governance, management plans resources needed to implement all environmental and social requirements.

<sup>1</sup> Only projects that meet the scope of the Carbon Footprint Exercise, as defined in the EIB Carbon Footprint Methodologies, are included, provided estimated emissions exceed the methodology thresholds: 20,000 tonnes CO<sub>2</sub>e/year absolute (gross) or 20,000 tonnes CO<sub>2</sub>e/year relative (net) – both increases and savings.



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Cardano has developed an assessment process to ensure that the investment made are following their commitment. This process has 4 steps: 1) Exclusion based on controversial activities defined in an exclusion list which is aligned with the Exclusion lists of the EDFI11 and the IFC; 2) Initial screening to ensure that the portfolio companies that will receive funds are aligned with the Fund Theory of Change and contributes to the sustainability objectives of the Fund; 3) Impact due diligence; 4) Environmental, Social and Governance (ESG) due diligence that focuses on assessing the ESG risk exposure of the prospective investee and how these risks are managed and mitigated. SWIF applies the Universal Standards for Social and Environmental Performance Management (USSEPM) and the Client Protection Pathway. The Fund also considers sustainability risks, principle adverse impact (PAI) indicators and minimum safeguards as defined by the EU SFDR regulation.

Given the impact and investment strategy of the Fund and the ESG risk mapping and monitoring tools, the Fund will generate substantial social benefits, such as improved public health, affordable drinking water, increased wellbeing and job opportunities thanks to time saved to fetch water and improved sanitation infrastructures. All Fund investments are expected to have limited negative social or environmental impacts.

The fund manager will be required to verify that none of the schemes have a negative impact on any site of nature conservation importance, including sites protected under national legislation and international agreements. If in the reasonable view of the fund manager an investment has the potential to significantly affect sites of nature conservation importance, it shall ensure that an appropriate assessment in line with EIB standards and national regulations is carried out for the potentially affected sites and obtain written confirmation from the competent authority that the investment does not have a significant negative impact on any protected site. If an underlying investment is subject to an Environmental and Social Impact Assessment (ESIA) or biodiversity assessment, the fund manager will be required to publish the Environmental and Social Impact Study (or a link) on its website for access by stakeholders.

The proposed investment is expected to have a Significant Impact on Gender Equality. The Fund Manager is committed to gender-lens investing with a view to increase women's financial inclusion and promote women and girls' access to safe sanitation and water facilities and thereby contribute to time savings, increased security and dignity. Furthermore, as the Fund will target microfinance institutions (MFIs), it is likely that at least 30% of the MFIs the Fund invests in, will be compliant with the 2X Challenge criteria a global standard for gender lens investing, i.e., serve at least 50% female borrowers. Cardano is also committed to diversity and inclusion and aim to achieve gender balance in its senior management team and broader workforce through various initiatives.

The legal documentation to be concluded between the Fund and the EIB will include an obligation on the Fund to ensure that all projects are in compliance with national legislation, international conventions and agreements ratified by the host country as well as the EIB's Environmental and Social standards and requirements. The Fund is not allowed to invest in activities marked as 'Not Supported' in the EIB Climate Bank Roadmap 2021-2025.

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

CARDANO is a fund manager and therefore in scope of the PATH framework. The fund is managing more than EUR 500m of asset and therefore is screened in of the PATH framework. They already meet the PATH framework requirements as they report in line with the TCFD (Task Force on Climate-related Financial Disclosures) recommendations.

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

For investments subject to an Environmental and Social Impact Assessment (ESIA) and/or biodiversity assessment as per the EIB E&S Standards, the FM shall ensure that the



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Environmental and Social Impact Assessment and/or the biodiversity assessment is carried out and that public consultation is undertaken in accordance with national legislation and in line with the EIB Standard 2 – Stakeholder Engagement. The FM has a Grievance Policy for clients and external parties already in place and it will be applicable for this operation.

### **Conclusions and Recommendations**

During appraisal it has been verified that the fund manager has fully understood the EIB's Environmental and social standards and will be willing and capable to fully implement them. The fund manager has set up an ESG screening and monitoring system to implement these requirements and has a dedicated team who will oversee all the environmental and social activities aspects. In order to strengthen the coordination and accountability aspects the Fund will undertake to:

1. Mobilize all the necessary means throughout the investment period in order to ensure that their Environmental and Social Management System is applied to all the investments.

In view of the above findings and conditions, the operation is deemed satisfactory from an environmental and social compliance perspective.