

BUSINESS CASES

2021 BNP PARIBAS BUSINESS CASES – EQUATOR PRINCIPLES



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As a signatory to the Equator Principles and as part of its role as financial service provider or adviser, BNP Paribas works with its clients to identify, assess, and manage the environmental and social impacts linked with major industrial and infrastructure projects.

The Group considers that environmental and social due diligence is an integral part of regular due diligence conducted for project-related transactions. Together with relevant business teams, an internal team of ESG experts (CIB CSR Analysis & Advisory team) acts as the first line of defense for ESG concerns. The internal team of ESG experts provides systematic specialized support at different specific stages of a project financing transaction (i.e. project categorization as per the EP). In line with the Equator Principles, BNP Paribas also requires assistance from an independent environmental and social consultant to assess and monitor compliance with the EP regarding the most sensitive projects (all Category A projects and certain Category B projects). Moreover, category A projects are systemically subject to an ad-hoc committee comprised of representatives from relevant business lines, functions and from CIB CSR, and which intends to obtain senior management approval on the type of environmental and social risks associated to such projects.

In 2020, BNP Paribas reviewed 24 projects under the Equator Principles, representing 90% of the total number of deals. Throughout the year, 9 project-related transactions covered by the EP reached financial close; these included 5 Project Finance, 3 Project Related Corporate Loans and 1 Project Finance Advisory deals. On the other hand, one project reviewed under the EP was declined due to the project's Sponsor not being compliant with one of BNP Paribas' public CSR Sector Policies.

Project Qair II – Windfarm development (Poland)

BNP Paribas was invited to participate in a ~75MW Wind Power project being developed in Poland.

Wind farms were located in three different geographical areas across the country, as such potential impacts in each location were considered and a categorization for each wind farm was performed. Taking into consideration the global Covid-19 pandemic, one of the main impacts of the project was related to local community exposure to communicable diseases, such as Covid-19; this would be related to the potential influx of migrant workers in the project. Other environmental impacts of the project included use of hazardous materials during construction phase, impact on modified habitats and proximity of protected and internationally recognized sites.

All the wind farm projects were thus classified with Category B according to Principle 2 of the Equator Principles (EP). Given that the project will be developed in Poland, a designated country as per the EP, the sponsor was requested to ensure the project would be developed in line with applicable laws, regulations and permits in the respective country.

<https://renewablesnow.com/news/qair-obtains-debt-for-200-mw-of-polish-wind-solar-projects-699322/>

BINA ISTRA – Expansion of Motorway (Croatia)

BNP Paribas participated in the financing of the expansion of an existing motorway in Croatia (previously reviewed by the CIB CSR team in 2018) where major tunnel excavations will be taking place.

Even though Croatia is not a member of the OECD it is noted that the government has already presented a formal application for accession and the report considers that the Croatian regulatory framework, consultation process and monitoring procedures meet the EP standards i.e. the IFC Performance Standards and the relevant World Bank EHS Guidelines.

The business team and the CIB CSR team reviewed the environmental and social assessment documents compiled by the project's independent consultant. The project was categorized according to its potential E&S risks. The most notable risks include construction

safety (namely tunnel excavations), noise, potential impacts on cultural heritage sites, government-led land acquisition arrangements and water quality impacts due to the tunnel excavation operations. The project was thus classified with Category B according to Principle 2 of the EP.

<https://www.txfnews.com/Tracker/Details/99c278e7-52ad-4d42-a793-0e7e9c821183/Bina-Istra-highway-refi-and-expansion-financing-closed>

<https://seenews.com/news/eu-commission-approves-197-mln-euro-of-new-investment-in-croatias-istrian-y-motorway-709368>

KEMI Pulp Mill Project (Finland)

The Bank was approached to finance a new wood pulp mill in Finland. The mill will be located in an already industrialized area therefore the scale and significance of the environmental and social impacts of the project was limited. They ranged from minor disturbances on modified, natural habitats, water quality and availability to production of considerable amounts of waste (including hazardous) and safety risks particularly during the construction phase. Information on the potential risks was used to conclude the categorization of the project – Category B – and a gap analysis against the IFC Performance Standards, performed by the Independent Environmental & Social Consultant (IESC), clarified the project would successfully comply with the Equator Principles.

A point of particular concern was the supply chain of the wood used in the project since, to comply with the Bank's commitments on deforestation and biodiversity, it had to be guaranteed it complies with strict parameters as no use of illegally harvested wood (as defined by FAO) and no sourcing from World Heritage sites, Ramsar Wetlands and High Conservation Value Forests. Considering the Environmental and Social Impact Assessment study and the work developed by the IESC, we were able to clarify the company operating the project would follow such criteria and align its operations with the requirements of sector-specific certification schemes like FSC and PEFC.

<https://bioenergyinternational.com/biochemicals-materials/metsa-fibre-going-ahead-with-eur-1-6-billion-kemi-bioprodukt-mill-investment>

<https://www.metsafibre.com/en/about-us/Kemi-bioprodukt-mill/Pages/default.aspx>