

BUSINESS CASES

2022 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 2021, BNP Paribas reviewed 67 projects under the Equator Principles. Throughout the year, 16 project-related transactions covered by the EP reached financial close; these included 6 Project Finance and 10 Project Related Corporate Loans deals.

Ankara-Izmir High Speed Railway

BNP Paribas was invited to act as Mandated Lead Arranger in a high speed railway project designed to ease road traffic congestion and promote socio-economic development of a Non-Designated Country.

Following the application of the Equator Principles, the project has been reviewed internally and categorized according to its Environmental and Social risks. Given that the Project location, it is required to be developed in compliance with the Equator Principles, IFC Performance Standards and the World Bank Environmental, Health & Safety Guidelines, in addition to the relevant host country laws, regulations and permits. The Environmental and Social due diligence carried by an independent consultant was reviewed by BNP Paribas internal CSR team. Considering the large-scale project construction activities, it is understandable that the development carries a significant amount of potential E&S risks. The most sensitive impacts are expected to be on Biodiversity and Physical/Economical Resettlement.

The project crosses areas home to threatened and unique flora species and one bird species was identified to be classified as Endangered as per the IUCN Red List of Threatened Species. Given the irreversible changes on these habitats, this impact is considered to be significant. Regarding the economical/physical resettlement issue, the project required the expropriation of agricultural, farming and residential areas. While the impact in economic activities like agriculture and farming is expected to be minor, physical resettlement will be significant and permanent.

To address the gaps between the available management systems and the applicable standards, an Environmental Social Action Plan was proposed. Examples of action points include: preparation of a Biodiversity Action Plan, guarantee compensation of affected parties as outlined in the Resettlement Action Plan, E&S audits to assess any outstanding grievances, etc. This ESAP was accepted by the sponsor and confirms that the risks can be properly mitigated, during its construction and operation phase.

<https://www.gov.uk/government/publications/category-a-project-supported-ankara-izmir-high-speed-railway-project-turkey/category-a-project-supported-ankara-izmir-high-speed-railway-project-turkey>

<https://www.gtreview.com/news/europe/ukf-stanchart-and-credit-suisse-team-up-on-turkish-rail-project/>

Araguaia Mining project

The Bank was invited to participate in the financing of a new nickel mining project in Brazil, consisting in exploration of nickel deposits and the development of the relevant associated facilities.

In addition to ensuring the project is aligned with the Mining Sectorial Policy, the project was reviewed against the Equator Principles and the IFC Performance Standards (as standard for project located on Non-Designated Countries) and flagged as a Category A under the EPs. The project's most significant risks were determined to be potential impacts on critical habitats and on vulnerable populations.

Given the potential impacts on critical habitats, in addition to the Biodiversity Action Plan required as the IFC PS6, the Bank was informed that the project had already readjusted its planned area to the extent possible to first reduce the scale of potential impacts. Further, at the time of financing, the project was working on a Resettlement Action Plan, and while it was still not finalized, the Lender's Independent Consultant confirmed that relocations of certain vulnerable families would take place during the project development and the client still had time to further refine the plans in line with best standards.

With the support of the Independent E&S consultant the project is bound to comply with and E&S Action Plan, in order to close all open gaps and will be monitored to ensure it is in compliance with all relevant standards.

<https://www.nsenenergybusiness.com/news/horizonte-closes-346m-financing-araguaia/>

<https://globallegalchronicle.com/uk/2022/03/19/horizonte-minerals-development-of-the-araguaia-nickel-project-in-brazil/>

<https://www.mining.com/horizonte-tasks-banks-to-raise-325-million-for-araguaia/>

Panama Metro Line 3

BNP Paribas is acting as Mandated Lead Arranger and Lender for the financing of a metro line in a Non-Designated Country (as per Equator Principles definitions). The main objective of the project is to improve urban mobility within the urban area of the city. Several ESG risks were identified related to labour & working conditions, health & safety of communities, land acquisition, involuntary resettlement, biodiversity and ecosystem services.



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ERM, acting as the Lender's Independent E&S Consultant, identified some gaps against international standards in their Environmental and Social due diligence, but the significance of some impacts were unclear at the time of internal review. Namely, resettlement, impacts on critical habitat and biodiversity. ERM did not expect physical resettlement to be a major issue, but it was unclear exactly which properties and structures would be impacted throughout the path of the metro line. Moreover, besides proximity to an important bird area, there was the risk of potential impact to the a specie classified as endangered by the IUCN.

Thus, ERM included an update of the Critical Habitat Assessment and a Resettlement Action and Livelihood Restoration Plan as part of the projects overall Environmental and Social Action Plan, referenced in the loan documentation. Given the uncertain nature of some impacts, a conservative approach was adopted and the Bank categorized the project as Category A against the Equator Principles. ERM was appointed as independent consultant to monitor and report quarterly on the project during construction and operations. Further, the project sponsor has agreed to implement all recommendations identified by ERM, including the update of the abovementioned documents.

<https://lexlatin.com/noticias/hph-financiamiento-la-linea-3-metro-panama>

<https://www.milbank.com/en/news/milbank-advises-banks-and-ecas-on-dollar2-billion-financing-for-metro-line-3-project-in-panama.html>

<https://www.gtreview.com/magazine/esg-trade-issue-2022/gtr-best-deals-winners/#Panama>