

BUSINESS CASES

2024 BNP PARIBAS BUSINESS CASES – EQUATOR PRINCIPLES



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As a signatory to the Equator Principles (EP) 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 ESG Analysis & Expertise team) acts as the first line of defense for ESG risks. 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, the ESG experts team is systematically invited to the credit committee for category A projects together with representatives from relevant business lines and other functions (notably RISK) which intends to obtain senior management approval on the type of environmental and social risks associated to such projects.

In 2023, BNP Paribas was involved in 33 project-related transactions covered by the EP and that reached financial close; these included 25 Project Finance, 7 Project Related Corporate Loans deals and 1 Project Finance Advisory mandate.

Project Dexin Phase I Expansion – Steel Plant expansion (Indonesia)

BNP Paribas participated in the financing of the expansion of a steel plant from 3.5 million ton per annum (mtpa) to 6.0 mtpa, located in Indonesia (non-designated country).

Following Principle 1 of the Equator Principles Framework, the project was categorized as a higher B, with its main risk associated to the potential impact of the project on water resources subject to other uses by local communities.

Indonesia is not a water stressed area but is considered a high water risk area due to having a poor score on drinking water services (people have less access to safe drinking water supplies) and low score of sanitation services. There is the potential of the project to compete with local communities on water availability and the water study provided by the client did not include considerations on other water users/communities who may rely on waterbodies for livelihood, agriculture or other daily use.

The Environmental and Social Action Plan (ESAP) include two items related to this risk, one being an ecosystem services assessment and the second the need to set up the baseline monitoring of water consumption during the project activities and to develop a sound program of water conservation. In addition, the ESAP also includes an item for the Project to develop a natural resources efficiency program, such as a water and energy efficiency management plan.

<https://www.asianmetal.com/news/1985286/Indonesia-Dexin-Steel-phase-one-project-put-into-operation/19>

<https://www.mysteel.net/news/5043160-flash-dexin-steel-indonesia-completes-1st-phase-capacity-expansion>

<https://www.bigmint.co/insights/detail/dexin-steel-indonesia-completes-1st-phase-capacity-expansion-477912>

Baltic Power Offshore Wind Farm (Poland)

BNP Paribas was invited to participate in the financing of an 1,140 MW offshore farm wind Project in Poland, a designated country as per the EP.

The Project was reviewed against the Equator Principles IV and IFC Performance Standards, and despite its nature (renewable energy), it was categorized as a higher B. This category is due to significant impacts on endangered species, proximity to legally protected areas and, impacts on cultural heritage.

Although the Project area was considered not attractive for commercial fishing, the Project's activities can result in some degree of economic displacement due to the competitive use of the coastal water by the Project, local fisheries and tourism operators. To properly address the economic displacement of the affected parties, the Project had to prepare a Livelihood Restoration Plan (LRP), in line with Livelihood Restoration Framework (LRF).

Moreover, due to the Project's significant impact on birds, fishery and marine mammals, it was developed a dedicated Biodiversity Management Plan, detailing management measures to be implemented, namely: use of noise reduction systems (OWF) and acoustic deterrent devices, construction with seasonal restrictions, "soft start" of the piling process with the supervision of an ornithologist, periodic avian surveys, embedded system of temporary shutdowns of the wind turbines, etc. The plan ensures ongoing compliance with "No net loss" requirements under the IFC PS6.

With the support of the Independent Environmental & Social Consultant (Ambien), the Project is bound to comply with the ESAP in order to implement the defined corrective actions and close all open gaps. The Project will be continuously monitored to ensure it remains in compliance with all relevant standards.

<https://ceenergynews.com/renewables/ebd-to-finance-baltic-power-offshore-wind-farm-in-poland/>

<https://www.oren.pl/en/about-the-company/media/press-releases/2024/March-2024/polands-first-offshore-wind-farm-service-company-is-established>

<https://www.morningstar.com/news/globe-newswire/9107400/northland-power-releases-2023-sustainability-report-highlighting-esg-achievements>

Sal de Oro Phase 1 – Lithium extraction and processing (Argentina)

BNP Paribas acted as ECA Coordinator and Lender of the Phase 1 of Sal de Oro project, located in Argentina. The project includes the construction of two plants: an upstream facility for lithium extraction and a downstream facility for lithium hydroxide and carbonate production.

The Upstream facility is located in an Important Bird Area (IBA) and Key Biodiversity Area (KBA) called Salar del Hombre Muerto, an international site of conservation importance. The site was considered as a critical habitat because it regularly harbors congregations of the Andean Flamingo and 6 other congregatory species. Moreover, reptiles with restricted range have been recorded, such as *Liolaemus poecilochromus*. A Biodiversity Action Plan was developed in order for the project to be able to achieve no net loss for natural habitats and net gain for biodiversity in critical habitats.

Adding to that, impacts on water resources and cumulative impacts are particularly important to this project given the presence of other operating projects in the Salar del Hombre Muerto area, which could cumulatively affect the whole environment.

The Project was classified with Category A (highest sensitivity level of IFC/EP's risk categorization process). A project is classified as "A" if it has the potential to have significant adverse environmental and/or social impacts, which are diverse, irreversible and/or unprecedented. These impacts may affect an area broader than the sites or facilities subject to physical works. Category A, in principle, includes projects in sensitive sectors or located in or near sensitive areas.

<http://www.poscoargentina.com/en>

<https://www.reuters.com/world/americas/south-koreas-posco-invest-4-bln-lithium-project-argentina-2022-03-21/>

<https://www.electrive.com/2021/12/16/porsco-confirms-plans-for-lithium-plant-in-argentina/>