

Luxembourg, 04.11.2024

## Environmental and Social Data Sheet

### Overview

Project Name:	BNPP LATAM GLOBAL GATEWAY CLIMATE RISK SHARING
Project Number:	20240434
Country:	Latin America.
Project Description:	Funded delinked risk sharing in respect of an existing portfolio of Project Finance loans in the renewable energy, transport and infrastructure sectors. With the resources made available by the Bank, new loans will be granted to eligible Global Gateway projects across Latin America with a focus on renewable energy (Solar PV, onshore wind and battery projects) and transmission lines.
EIA required:	This is a Risk Sharing operation. Some of the underlying allocations will require an EIA under the relevant legislation.
Project included in Carbon Footprint Exercise <sup>1</sup> :	no

### Environmental and Social Assessment

The new portfolio of the risk sharing with BNPP acting as a Financial Intermediary (FI) will consist of EIB-eligible Global Gateway projects across Latin America with a focus on renewable energy (Solar PV, onshore wind and battery projects) and transmission lines. The initial pipeline submitted by the FI comprises several large-scale (100-200 MWp) solar photovoltaic projects in Chile, Brazil and Peru.

The operation supports the EU policy objectives and development of the European private sector in sustainable/secure energy and climate action outside Europe. The financing of this operation is in line with the Bank's lending priority objectives and contributes to the climate and energy priority under the Global Gateway, which promotes the green transformation and commitments of the Paris Agreement on climate change. Additionally, in the context of the Nationally Determined Contributions agreed in the COP21, Latin American countries have determined a series of objectives to reduce greenhouse gas emissions, to which the operation will contribute.

#### Environmental Assessment

Due to the nature of this operation, the final allocations and their environmental and social (E&S) impacts are not fully known at this stage. However, due to the nature of the envisaged projects, there could be potential environmental and social (E&S) adverse impacts, including land degradation and soil erosion, vegetation clearance, impacts on biodiversity, on vulnerable communities, on community and occupational health and safety, as well as labour standards in the supply chain. They may involve loss of access to land or property on the land due to the construction works. When such potential E&S risks or impacts exist, the projects shall be subject to an Environmental and Social Impact Assessment (ESIA) process in line with the requirement of EIB's E&S standards. In such cases, the ESIA will also identify the main mitigation and monitoring measures to address these risks/impacts and others and their implementation will be stipulated in the respective Environmental and Social Management Plan (ESMP), if applicable. If the sub-projects under this operation were located within the EU they would likely fall under Annex II of the EIA-Directive 2011/92/EU as amended by Directive 2014/52/EU, requiring the competent authorities to determine whether an EIA is required. High Voltage (HV) lines connecting the

<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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RE plants to the grid may fall under Annex I and would in this case mandatorily require an EIA if located in the EU. Therefore, many of the schemes would likely be subject to an ESIA process.

The Bank will require the FI to take all of the requisite measures, including adequate due diligence procedures, to ensure that the sub-projects receiving financing will comply with the EIB List of Excluded activities, national E&S legislation and the EIB Environmental and Social Standards. The FI will be required to verify that none of the sub-projects has a significant adverse impact on any site of nature conservation importance or areas of high biodiversity value. Schemes with significant E&S risks, including a significant negative impact on areas with high biodiversity value or nature conservation areas, shall not be eligible under this operation.

Prior to authorising the inclusion under the new portfolio obligation, the Bank services will assess ex-ante all schemes under this operation to determine potential environmental and social impacts and alignment with the requirements of EIB's Environmental and Social Standards.

The Bank will assess ESIA's and permitting documentation (including screening decisions) and associated E&S documents when reviewing the allocations. Whenever an ESIA process is required, the impact assessment studies will be provided in copy to the Bank prior to the Bank's approval of the allocation and will also be published.

The operation is expected to be fully aligned to the goals and principles of the Paris Agreement as set out in the Bank's Climate Bank Roadmap and the Energy Lending Policy.

Where the vulnerability to climate change for an allocation has been identified as high, the FI will require the sub-project to carry out a climate risk vulnerability assessment in line with Standard 5 of the EIB E&S Standards.

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

An assessment was carried out on the counterparty's climate-related framework and public disclosures pursuant to the PATH framework. BNPP meets PATH requirements and therefore no contractual obligations will be required.

### **Social Assessment, where applicable**

The envisaged sub-projects may give rise to typical occupational and community health, safety and security risks and impacts. These risks are primarily linked to traffic, dust and noise nuisances, presence of security personnel and the influx of labour force during construction. The assessment of social impacts, including the development of necessary mitigation measures (as applicable), and compliance with national law, ILO Core Labour Standards and best industry practices, will need to be ensured by the FI (through the promoters) at sub-project level in accordance with the EIB's Environmental and Social Standards. The main mitigation and monitoring measures to address these risks/impacts and others will be considered in the respective Environmental and Social Management Plan (ESMP), if applicable.

The schemes to be implemented under this operation may require for the installation of the projects' components lease or easements of land for the installation of their components. The FI (through the promoters) will seek to secure voluntary agreements for the land required for all sub-projects' assets. It is expected that the implementation of the schemes will not lead to involuntary physical displacement. If and where applicable, Livelihood Restoration Plans will be required and reviewed by the Bank during the allocation process in view of the EIB E&S Standards requirements. Sub-projects with physical displacement and/or impact on indigenous people will be excluded from the project scope to be financed by the EIB.



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Recent reports are pointing out the possibility of use of forced labour in the supply chain of solar PV panels. The FI has environmental and social policies in place which includes a Human Rights Policy<sup>2</sup> and a Code of Ethics, rejecting the use of any form of forced or compulsory labour, applicable inter alia to the supply chain of the targeted solar PV projects, in accordance with the applicable provisions of the relevant E&S standards of the Bank (including Standard 8 - Labour - of EIB E&S Standards).

For this purpose, the FI will be required to undertake reasonable efforts to ensure that the sub-projects are screened for any labour issues in the solar PV chain and will endeavour to cascade down similar requirements in its finance contracts. As part of the due diligence of each solar PV project, the FI shall, on a reasonable effort basis, obtain a complete mapping of the supply chain of the PV module manufacturers reaching the level of silicon/polysilicon suppliers and/or obtain through the Promoter the signed declarations by the PV module manufacturers concerning the origin of the components used in the PV modules. The FI shall require that appropriate contractual provisions be cascaded to contractors/suppliers of the sub projects to avoid forced labour.

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

The Bank will verify that disclosure of information and meaningful public consultation have been carried out or are both planned for, in the context of the ESIA process, as well as prior to and during the construction phase. At sub-project level, the FI will ensure that comprehensive grievance mechanisms, both for communities and for the workforce (including EPC contractor and sub-contractors), are in place during the entire life-cycle of sub-projects.

Stakeholder engagement activities will be conducted in compliance with national legislation, with the Promoter's guidelines on Stakeholders' Engagement – which are considered satisfactory by the Bank – and with the Bank's relevant E&S standards (Standard 2).

### **Other Environmental and Social Aspects**

The main ECS risks and impacts of this operation relate to the sub-projects and the main mitigant relates to the ability of the FI to conduct adequate E&S due diligence to identify and manage the ECS risks associated with their investments in line with the EIB's requirements, as well as proper monitoring of the implementation of the mitigating measures.

As an Equator Principles (EP) FI since 2008, BNPP has in place a set of policies and procedures serving as the framework for its environmental and social risk management system. The FI has an Environmental Framework<sup>3</sup> and in 2022 & 2023 deployed its ESG Assessment framework, embedded in its credit process. In 2024, this framework was extended to Project Finance SPVs, to ensure proper ESG due diligence is performed on the Project Finance portfolio. The framework was adapted to reflect the prevalent risks within project finance, while leveraging on existing ESG processes. The ESG assessment covers the environmental (climate and biodiversity), social (health, safety and impact on communities) and governance (business ethics) dimensions. It is supplemented by an analysis of controversies affecting the client. The questionnaires developed in this context are specific to each sector to better integrate the challenges and issues specific to their activities. For projects that are asset-based, BNPP works with its clients to identify, assess, and manage the risks and environmental and social impacts linked with major infrastructure projects in compliance with the Equator Principles and BNPP's activity restriction and exclusion lists (according to the level of ESG risks observed).

The FI at group level has a robust Environmental and Social Policy and Management System, as well as organisational capacity to perform E&S due diligence, climate risk assessment and monitoring, ensuring compliance of the underlying investments with international standards. For sub-projects screened as high risk, a qualified independent consultant hired by the FI in agreement with the EIB, should review the Environmental, Climate & Social aspects of the schemes and submit the outcomes to the Bank, and will support the monitoring activities. The FI's capacity to implement this operation in alignment with the requirements of EIB's Environmental and Social Standards is deemed adequate.

<sup>2</sup> [https://cdn-group.bnpparibas.com/uploads/file/bnp\\_paribas\\_2024\\_modern\\_slavery\\_act\\_statement\\_vdef.pdf](https://cdn-group.bnpparibas.com/uploads/file/bnp_paribas_2024_modern_slavery_act_statement_vdef.pdf)

<sup>3</sup> [https://cdn-group.bnpparibas.com/uploads/file/BNP\\_Paribas\\_environmental\\_framework\\_2024.pdf](https://cdn-group.bnpparibas.com/uploads/file/BNP_Paribas_environmental_framework_2024.pdf)

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## Conclusions and Recommendations

The investments targeted by the operation are not expected to have major residual social and environmental adverse impacts, provided that all mitigation measures assessed by the promoter, the FI and the Bank at sub-project level are implemented. The FI's experience with the implementation of Equator Principles provides comfort and supports the fulfilment of the EIB's standards under this operation. Nevertheless, the social and environmental impacts and mitigation measures for the envisaged sub-projects will be assessed individually by the FI and will be reviewed by the EIB as part of the allocation approval process. The FI will be required to provide all information necessary to the Bank's satisfaction in order to confirm compliance with the EIB's eligibility criteria. All schemes financed under this operation will be required to be compliant with national legislation and with the EIB's environmental and social standards.

The following conditions and undertakings will be included in the legal documentation of the operation. Other/Additional contractual conditions and undertakings may be decided at sub-project level.

- The Financial Intermediary will perform environmental and social due diligence, to ensure that potential risks and appropriate prevention, mitigation and compensation measures are identified through an environmental and social impact screening/assessment.
- The Financial Intermediary shall not include as an allocation in the EIB pipeline, sub-projects that require an ESIA or biodiversity assessment according to EIB E&S standards and/or national law (as applicable) without, prior to inclusion, receiving consent from the competent authority (where applicable), prior approval of the aforementioned documents by the Bank, and having made these documents available to the public.
- The Financial Intermediary shall store and maintain updated the relevant documents (including environmental and social studies, screening decisions, environmental and social consents, ESIA studies, ESMP, Livelihood Restoration Plans and Nature/Biodiversity Assessments or equivalent documents supporting the alignment with the requirements of the EIB E&S Standards) and shall, upon request, promptly deliver such documents to the EIB. In case the EIB requires such documentation, the promoter shall provide all documents requested promptly.
- For subprojects which are subject to an ESIA, the FI shall refer this sub-project to the EIB and retain on file a copy, provide a digital copy of the ESIA study and of the environmental consent to the Bank, and confirm that the sub-project incorporates all mitigating measures recommended as a result of the ESIA.
- For sub-projects that may have an impact on a nature conservation site, the FI through the promoters shall obtain confirmation from the competent nature conservation authority, or an equivalent confirmation satisfactory to the Bank, that the sub-project does not have a significant negative impact on any such site. Such confirmation should be delivered to the Bank before the funds are allocated. Sub-projects with significant negative impacts on areas with high biodiversity value and nature conservation areas shall not be eligible.
- For sub-projects requiring an ESIA, the FI will require the promoters to undertake public consultation. In addition, a separate Stakeholder Engagement Plan (SEP) will be drafted prior to allocation of the scheme. The Promoter will be required to implement the SEP and to establish a grievance mechanism for each scheme, prior to allocation and to the EIB's satisfaction. The FI will require the Promoter to include a section on grievances received in the progress reports to the Bank.
- For sub-projects that involve economic displacement, the FI shall request the promoter to prepare Livelihood Restoration Plans in compliance with the requirements of the EIB E&S Standards.
- For sub-projects that involve involuntary resettlement, the FI through the promoters shall prepare Livelihood Restoration Plans and/or Resettlement Action Plans as applicable and compliant with the requirements of the EIB E&S Standards.
- The FI shall ensure that promoters of individual projects implement, to the satisfaction of the EIB, the environmental and social management plans.



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- Schemes (i) with significant negative environmental and social impacts or (ii) requiring resettlement, which cannot be mitigated to the Bank's satisfaction, shall not be eligible.
- The Financial Intermediary will undertake to monitor and report to the EIB on the alignment with the requirements of EIB E&S Standards, with a periodicity and scope yet to be defined for the individual allocations.
- Sub-projects (i) with significant negative impacts on areas with high biodiversity value or sites of nature conservation importance, or, (ii) with significant, negative environmental and/or social impacts or, (iii) requiring physical resettlement or (iv) with impact on indigenous people, shall not be eligible.
- Where applicable, the FI will undertake through the Promoter to include adherence to the relevant conventions of the International Labour Organisation in the ESMP of the schemes.
- The FI shall verify that the supply chain of the solar PV panels used in any sub-project is aligned with the applicable provisions of the relevant labour standard of the EIB and rejects the use of forced labour if it becomes aware of it. For this purpose, the Financial Intermediary undertakes to make reasonable efforts to carry out mutually agreed due diligence throughout its supply chain, with the aim of avoiding the use of forced labour in the supply chains of the solar PV panels that will be used for the respective electricity generation allocations. The Bank will assess this before the allocation of funds to the solar PV generation plants.

Under these conditions, it is considered that the due diligence procedures carried out for individual schemes will appropriately address environmental and social issues and ensure that the schemes to be financed under this risk sharing operation meet the Bank's requirements.