

EDC PROJECT REVIEW SUMMARY:

Hai Long Offshore Wind Project

Project Description	Construction and operations of three adjacent offshore wind farms and ancillary facilities in the Taiwanese Strait.
Project Sponsors	Northland Power Inc.; Mitsui & Co., Ltd
Country	Taiwan
Project Category	A
Canadian Exporter(s)	Northland Power Inc.
Description of capital goods and/or services	Canadian Direct Investment Abroad (CDIA)
EDC Product	Structured Project Financing
Date of publication on EDC's website (dd/mm/yy)	13/07/2022
Date of Signing (dd/mm/yy)	22/09/2023

Project Categorization

The Project supports the construction and operations of three adjacent offshore wind farms (294 MW, 224 MW, and 504 MW), two offshore substations, one onshore substation, and grid-connection infrastructure (submarine inter-array cables, subsea export cables, and onshore connection cables). Given the size of the Project and its potential for significant adverse environmental and social impacts, the transaction is considered a Category A project. Category definitions can be found [here](#).

Summary of EDC's Review

EDC reviewed the Project in accordance with its Environmental and Social Review Directive (ESRD) and the Equator Principles (EPs). An Independent Environmental and Social Consultant (IESC) was retained by the Lenders group to benchmark the Project against host country standards, the Equator Principles IV (EPIV), and the IFC Performance Standards (IFC PS). In parallel, EDC conducted a similar benchmarking exercise leveraging and contrasting the information produced by the IESC.

Where gaps against international standards were identified, the Project Sponsors committed to address them via time-bound commitments in an Environmental and Social Action Plan (ESAP). A site visit was not conducted due to COVID-19-related travel restrictions in the Project's location. The IESC conducted a site visit on behalf of Lenders and provided a virtual update to EDC. ESG CS is planning on conducting a site visit in parallel with the first site visit to be conducted by the IESC during the project's long-term monitoring phase.

EDC has concluded that given the information provided to date and with the expected completion of the ESAP developed to address the identified gaps, the Project has fulfilled the requirements of the ESRD and the EPs for Category A projects.

Summary of Key Environmental and Social Risks and Mitigants

EDC due diligence determined that the Project Sponsors have demonstrated adequate capacity to manage their environmental and social risks and have suitably avoided and minimized impacts per the mitigation hierarchy. The following table summarizes key risks identified for the Project along with the most pertinent mitigations that were applied for each.

Key Risk	Key Mitigants
<p><u>Biodiversity impacts</u> including bird mortality caused by the collision with wind turbines and fragmentation of the Taiwanese White Dolphin habitat (which includes cumulative impacts with other wind projects in the region).</p>	<ul style="list-style-type: none"> Comprehensive biodiversity action plan (BAP) and enhanced ecosystem management, monitoring, and offsetting.
<p><u>Economic displacement</u> derived from impacts on the income of two local fishery associations due to marine traffic restrictions during construction (minimal) and operation (continuous).</p>	<ul style="list-style-type: none"> Two compensation agreements were executed with the two impacted fisheries (Changhua and Penghu fishery associations) and a livelihood restoration plan was developed.
<p><u>Gaps between Local’s environmental and social (E&S) management framework</u> and Good International Industry Practice including permitting requirements and applicable risk management practices, current lack of a Project’s dedicated Environmental and Social Management System (ESMS), as well as the Project’s local team’s lack of familiarity with international E&S benchmarks.</p>	<ul style="list-style-type: none"> Two independent consultants (ERM and Mott MacDonald) were appointed by the Sponsor to support filling the local Project team’s knowledge gap about E&S management practices. A comprehensive Environmental and Social Action Plan (ESAP) to address any areas of non-compliance identified through the international benchmarking process (including deliverables and deadlines) and ensure full compliance with international E&S standards that were defined by the IESC in Q2 2022, reviewed and enhanced by Lenders, and agreed to by the Project proponent.

Documentation Reviewed:

The following is an illustrative list of key documentation that was reviewed as part of the current confirmation of the ESRD.

1. K2M Environmental and Social Due Diligence Report
2. ESAP Progress Updates Report (Nov 2022, Mar 2023)
3. Non-Technical Summary
4. Northland Power Code of Business Conduct and Ethics
5. Northland Power Supplier Code of Conduct
6. Environmental Policy
7. Health and Safety Policy
8. Emergency Response Plan
9. HSE Requirements for Subcontractors
10. HSE Requirements for Employers
11. HSE Management Plan
12. Biodiversity Action Plan
13. Stakeholder Engagement Plan
14. Climate Change Risk Assessment
15. Human Rights Impact Screening
16. Livelihood Restoration Framework
17. Cumulative Impact Assessment
18. Critical Habitat Assessment
19. CFA & PFA Completed Questionnaires
20. EDC's IBAT and Critical Habitats Screening on Hai Long

Other relevant documentation and sources of information:

1. K2M Site Visit Presentation
2. Due Diligence Question Tracker
3. Extensive weekly Q&A calls with the E&S representatives of NPI, ECAs, IESC, and Hai Long

Applicable International Finance Corporation (IFC) Environmental and Social Standards used by EDC (in addition to host country requirements):

- Performance Standard 1: Social and Environmental and Management Systems
- Performance Standard 2: Labour and Working Conditions
- Performance Standard 3: Pollution Prevention and Abatement
- Performance Standard 4: Community Health, Safety and Security
- Performance Standard 5: Land Acquisition and Involuntary Resettlement
- Performance Standard 6: Biodiversity Conservation and Sustainable Natural Resource Management of Living Natural Resources
- Performance Standard 8: Cultural Heritage

When applicable, EDC also considered the relevant aspects of the World Bank General EHS Guidelines, the EDC Guidelines for Wind Energy, and the EHS Guidelines for Electric Power Transmission and Distribution.