

EDC PROJECT REVIEW SUMMARY:

Baltic Power Offshore Wind Project

Project Description	Construction and operation of a greenfield 1,140 MW offshore wind farm (OWF) and its ancillary infrastructure in the Baltic Sea.
Project Sponsors	Northland Power Inc.; PKN Orlen S.A.
Country	Poland
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)	12/05/2023
Date of Signing (dd/mm/yy)	19/09/2023

Project Categorization

The Project involves the design, construction, operation, and maintenance of a greenfield Offshore Windfarm (OWF) and its ancillary infrastructure in the Polish Exclusive Economic Zone of the Baltic Sea. The Project will be situated 28 km off the northern coast of Poland and have a total installed capacity of 1,140 MW. The Project will include wind turbines, inter-array cable strings, offshore and onshore substations, overhead lines and an operations and maintenance base). Given the size of the Project and its potential for significant adverse environmental and social impacts that are sensitive, diverse, or unprecedented, the transaction is considered a Category A project. Category definitions can be found [here](#).

Summary of EDC's Review

Lenders reviewed the Project in accordance with its Environmental and Social Review Directive (ESRD), the Equator Principles IV (EPIV), the IFC Performance Standards (IFC PS), the EBRD performance Requirements and the EIB Environmental and Social Standards (the "international standards"). A Lenders' Technical Consultant (LTA) was retained by the Lenders group to benchmark the Project against host country and international standards. In parallel, Lenders' E&S specialists conducted a risk-based due diligence assessment leveraging and contrasting the information produced by the LTA.

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 four-day site visit was conducted

by EDC, the LTA, and Lenders’ E&S specialists. The project components, associated facilities and key-Project affected communities were assessed during the site visit.

Summary of Key Environmental and Social Risks and Mitigants

EDC due diligence determined that upon implementation of the ESAP thethe project will have sufficient capacity to manage their environmental and social risks and suitably avoid and minimize impacts per the mitigation hierarchy as required by the aforementioned international environmental and social standards. 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>: Impacts to protected seabirds, migratory birds, forest complexes and peat bogs.</p>	<ul style="list-style-type: none"> • Development of a Biodiversity Management Plan in alignment with international standards. • Implement recommendations of a Marine Mammal Mitigation Review. • Setup of operational bird and bat monitoring systems and use of an Independent Ornithological Expert (IOE).
<p><u>Economic Displacement</u>: Local marine users offshore access restrictions during construction and operations.</p>	<ul style="list-style-type: none"> • Development of a Livelihood Restoration Framework in alignment with international standards that includes: (i) a Livelihood Restoration Plan (LRP); (ii) a socio-economic baseline and displacement impact assessment; (iii) local consultations; (iv) and Sector Deal gap analysis. • Third-party Completion Report to verify LRP implementation.
<p><u>Management Capacity Gaps</u>: The Project team’s lack of familiarity with international standards and the absence of a dedicated ESMS (Environmental and Social Management System) and dedicated ESMPs (Environmental and Social Management Plans).</p>	<ul style="list-style-type: none"> • Development and implementation of an overarching ESMS in alignment with international standards. • Recruitment of an ESG Risk Management Officer to oversee corporate level works. • Recruitment of an LIESC (Lenders’ Independent Environmental and Social Consultant) to monitor project-level works.
<p><u>Cumulative Impacts</u>: Impacts caused by four additional wind projects being added adjacent to the Project.</p>	<ul style="list-style-type: none"> • Development and implementation of ESMPs (Environmental and Social Management Plans). • Cumulative Socio-economic Impact Assessment. • External socio-economic impact assessment consultant for stakeholder related Project-risks oversight.

Documentation Reviewed:

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

Project Environmental and Social Assessment Documentation:

1. Baltic Power Bank Presentation: Project Update (March 2023)
2. Baltic Power Code of Conduct (May 2021)
3. Baltic Power Cooperation: Stakeholder Engagement Materials (May 2023)
4. Baltic Power Environmental Impact Assessment – Offshore Wind Farm (October 2022)
5. Baltic Power Environmental Impact Assessment – Offshore Wind Farm Connection Infrastructure (October 2021)
6. Baltic Power Emergency Communication Lines (June 2021)
7. Baltic Power Environmental Policy Statement (June 2021)
8. Baltic Power ESG Career Profiles (May 2023)
9. Baltic Power Health and Safety Policy Statement (June 2021)
10. Baltic Power HSSE Management Plan - Draft (June 2021)
11. Baltic Power HSSE Requirements for Contractors (October 2022)
12. Baltic Power Memo on Bird Monitoring and Short-term Turbine Shutdown System (June 2023)
13. Baltic Power Non-technical Summary (June 2023)
14. Baltic Power OWF - LTA Expert Session (February 2023)
15. Baltic Power Pile Run Risk Status Update (August 2023)
16. Baltic Power Stakeholder Management Plan (September 2022)
17. EIB Public Data Sheet – Baltic Power (October 2022)
18. IBAT Screening (January 2023)
19. Livelihood Restoration Framework (June 2023)
20. Non-Technical Summary (June 2023)
21. Northland Power Code of Business Conduct and Ethics (December 2020)
22. Northland Power Supplier Code of Conduct (n.d.)
23. Project Schedule – Development Phase (March 2023)
24. Social Plan for Baltic Power (January 2023)

Other Key Sources of Information:

1. K2M/Ambiens Baltic Power Environmental and Social Due Diligence Report (June 2023)
2. K2M Baltic Power Offshore Wind Farm Technical Due Diligence Report (July 2023)
3. Weekly calls with the E&S representatives of EIFO, EBRD, EH, and the EIB
4. Weekly calls with NPI, the LTA and other Lenders
5. Site Visit and Project Sponsor / LTA Workshop

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

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.