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Xuan Thien Thuan Bac Solar PV Projects

Environmental and Social Due Diligence (ESDD) – Non-Technical Summary

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Background

EDP Renewables (“EDPR”), a global leader in the renewable energy sector and one of the world's largest renewable energy producers, is operating two solar farm projects in Thuan Bac District, Ninh Thuan Province, Viet Nam through EDP Renewables Vietnam Co., Ltd (hereinafter referred to as “EDPR Viet Nam”) and two special purpose vehicle companies. The two projects, namely Xuan Thien Thuan Bac – Phase 1 and Xuan Thien Thuan Bac - Phase 2 (hereinafter referred to as “the Projects”), with total capacity of 200 MW_{AC}, are currently operated by two Project companies, i.e., Xuan Thien Ninh Thuan Joint Stock Company and Xuan Thien Thuan Bac Joint Stock Company (hereinafter referred to as “the Project Owners”), respectively. The Projects have started commercial operation since April 2020. EDPR is currently looking for Lenders for refinancing purpose of the Projects. SMEC Vietnam Joint Stock Company (“SMEC”) was commissioned to conduct an independent Environmental and Social Due Diligence (“ESDD”) of the Projects in August 2023.

Objectives and Scope of ESDD

The objectives of the ESDD study are to:

- Conduct an environmental and social compliance review to evaluate environmental and social performance and compliance status of the Projects against the Reference Framework, including review of all available environmental and social documents; conducting a site visit to the Project site, ancillary and associated facilities, and all sensitive receptors in the area of influence; and engagement with relevant stakeholders; and
- Preparing an ESDD report reflecting environmental and social gaps of the Project against the Reference Framework, including an Environmental and Social Action Plan with proposed corrective actions to address the identified gaps.

In order to gather information for the ESDD of the Projects, SMEC conducted following activities:

- Review of available document and/or information provided by the Project Owners and those publicly available; and
- A site visit conducted by SMEC team from 22 to 23 August 2023, including engagement and interviews with stakeholders (representative of EDPR Viet Nam, key Project personnel, contractors’ staff, local authorities, and affected households).

The ESDD compliance review has been performed against the Reference Framework which covers: (i) Vietnamese related laws and regulations and relevant international treaties, (ii) Asian Infrastructure Investment Bank (AIIB)’s Environmental and Social Policy, and (iii) International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability.

Project Description

The Projects are located in My Nhon Village, Bac Phong Commune, Thuan Bac District, Ninh Thuan Province. The two Projects have a total footprint of 255.51 ha for solar farms and ancillary facilities including substation, administration buildings, warehouse, and the 50 m length of 220 kV transmission line (see Figure 1). There are no associated facilities which are planned and developed for the development of the two Projects.

The two Projects have a total footprint of 255.51 ha for solar farms and ancillary facilities including substation, administration buildings, warehouse, and the 220 kV transmission line, in particular:

- Solar farm Thuan Bac 1: 163.01 ha
- Solar farm Thuan Bac 2: 85.83 ha
- Substation, administration buildings, warehouse: 6.12 ha
- 220 kV transmission line – Tower 60A footprint and its safety corridor: 0.55 ha

Both Projects completed the preparation and construction stage in between 2018 and 2020, and have started commercial operation since April 2020.

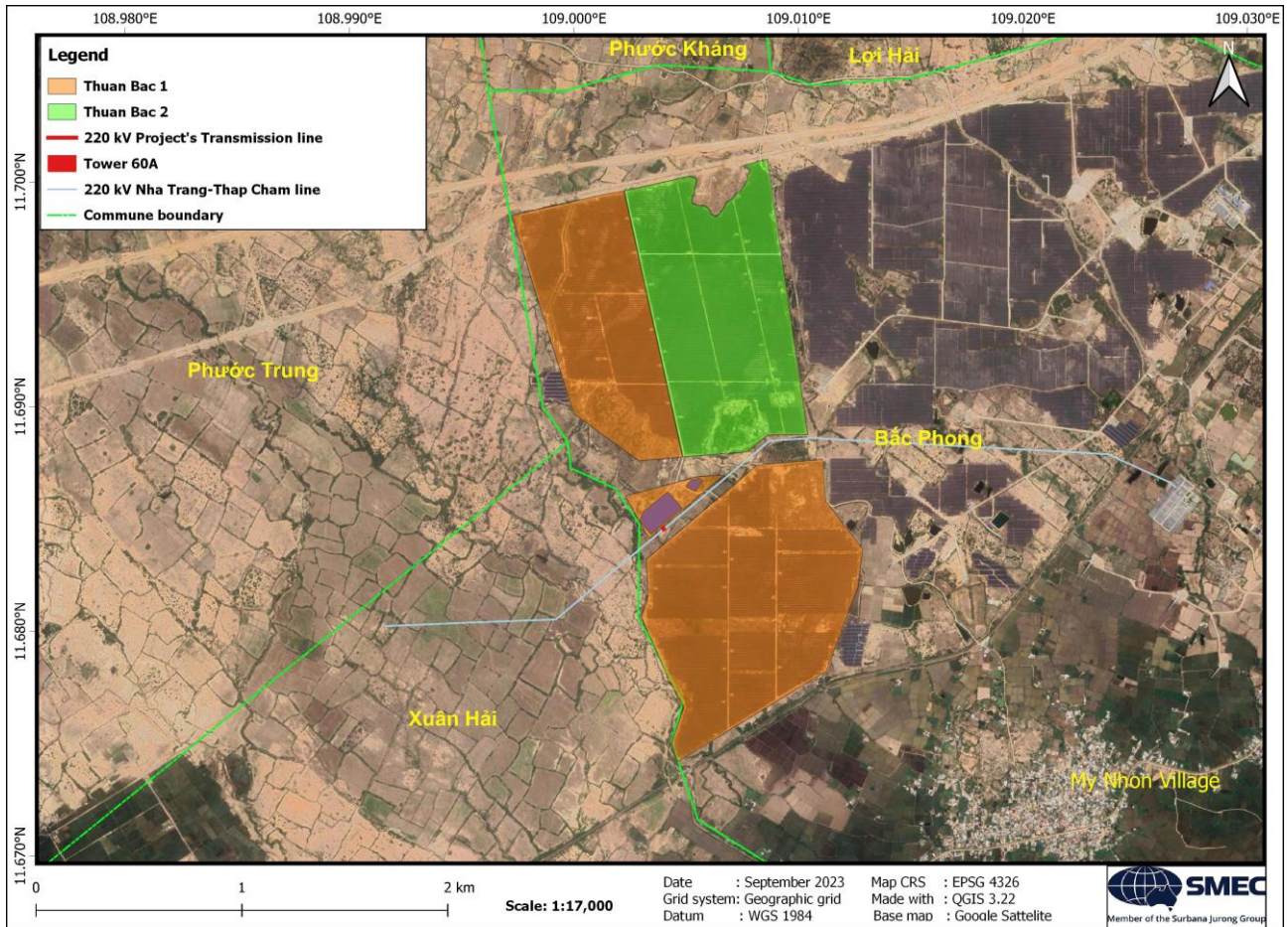


Figure 1: Location of the Projects

Key Environmental and Social Findings

Through the ESDD process, the following medium and high risks or key environmental and social issues were identified:

- Environmental and Social Assessment:** the regulatory local Environmental Impact Assessment (EIA) for Xuan Thien Thuan Bac-Phase 1 was conducted and approved by the Ninh Thuan Provincial People Committee and an Environmental Protection Plan (EPP) for Xuan Thien Thuan Bac-Phase 2 was prepared and registered with Ninh Thuan Provincial Department of Natural Resources and Environment, both in 2018. However, there was no socio-economic baseline survey or biodiversity baseline survey undertaken. The EIA report has not included social impact assessment (e.g., land acquisition, livelihood impacts on affected landowners), appropriate biodiversity impact assessment in line with International Finance Corporation Performance Standard 6, and cumulative impact assessment (e.g., regarding land use). Overall, the approved EIA and EPP did not meet the Reference Framework (e.g., AIIB ESP, IFC PS and WBG EHS Guidelines).
- Environmental and Social Management:** The EDPR and the EDP group have a number of environmental and social policies and a comprehensive environmental and social management system at the corporate level. However, the Projects have not been established with a comprehensive and systematic Environmental and Social Management System (“ESMS”) framework/manual yet. There are no environmental and social policies issued by the Projects to date. The EDPR Viet Nam has several environmental and social management plans (e.g., emergency preparedness and response plan, health, safety and environment plan) at country level but there are no management plans developed for the Projects which should be in place for management of waste, occupational health, safety and environment,

community health and safety, stakeholder engagement, grievance redress mechanism, emergency preparedness and response, supply chain/contractor management and labour management.

- **Supply Chain Management:** The EDP and EDPR have issued policies and procedure on supply chain management (e.g., health, safety and environment in supply chain, sustainability in the supply chain – protocol of procedures, supplier code of conduct); however, there are no supply chain/contract management plan or procedures issued in place for the Projects.
- **Personnel:** EDPR Viet Nam assigned environmental and social management personnel to oversee the environmental and social management of the Projects and the operation and maintenance contractor (i.e., Ingeteam Vietnam) has established a dedicated health, safety and environment team at the site. However, the Projects do not have on-site environmental and social management personnel. In addition, the Projects should delineate organizational structure, responsibilities of each position and reporting lines on environmental and social management. There is no systematic environmental and social training plan available at the project level yet.
- **Pollution Prevention:** The Projects do not have either undertake hazardous waste registration or obtaining environmental license in place, which are required by the national environmental regulatory requirement. In addition, the waste management of the Projects is not well established. There are no waste management plan/procedure issued and no proper hazardous waste storage. Waste management practices at site were not conducted properly.
- **Biodiversity management:** the Projects did not conduct any biodiversity baseline survey prior to construction or undertake biodiversity impact assessment in compliance with international requirements. Given the fact that the Project site is a modified habitat, the Projects should develop a biodiversity management plan to manage and monitor the biodiversity impact caused by the Project.
- **Stakeholder Engagement and Community Grievance:** the Projects have engaged with local authorities to obtain required Projects' licenses and with local communities during the local environmental impact assessment process, land acquisition and support, and through-phone local grievance related to the Project's construction. However, the Projects do not have a Stakeholder Engagement Plan and a Community Grievance Mechanism in place. Community grievances related to the Project have been logged through local authorities or via calls with a Project personnel. The stakeholder engagement process including meaningful consultation, information disclosure and community grievances was not properly documented.
- **Labour Working Conditions:** the Projects do not have a systematic labour management framework, including the human resource policies and procedures in which labour relationship management (e.g., working conditions and employment terms, workers' organization, non-discrimination and equal opportunity, and workers' grievance mechanism) and protecting the workforce (e.g., child labour and forced labour) should be delineated in compliance with AIB's ESP and International Labour Organization's Conventions and Core Labour Standards. There is no formal worker grievance mechanism establish at the Projects yet.
- **Land Acquisition and Involuntary Resettlement:** the Projects have completed the land acquisition from both authorities and communities for its development in 2020. The Projects have resulted economical displacement of 160 households including 40 households of ethnic minority groups (i.e., Cham and Raglai). However, the Projects did not undertake socio-economic baseline surveys of the displaced households during its local environmental impact assessment and the land acquisition and compensation process. There was no social impact assessment undertaken to investigate the impacts of the Projects' land acquisition on local communities, including livelihoods of affected landowners. There was no consideration of vulnerable households, including women and indigenous people, who may be differentially or disproportionately affected by the Projects during its land acquisition process. In addition, the monitoring and evaluation of the compensation, support and resettlement plans and livelihood status of displaced households after land acquisition have not been performed. As a result, to date there are no program in place to restore income and livelihood of affected households and no community development plan to enhance the Project benefits to broader communities.

Key Environmental and Social Actions

The Project Owners have been recommended to conduct an Environmental and Social Action Plan which comprise corrective actions to address gaps with medium or high-risk levels, as identified through the ESDD process, to

meet the requirements of the Reference Framework. The environmental and social action plan is expected to be completed by the Project Owners within 03 to 06 months from the ESDD completion or the financial closure between the Project Owners and Lenders. Key environmental and social actions for the Projects together with tentative timeline are summarised in the following table.

Topics of Concern	Proposed Environmental and Social Actions	Timetable	Responsibility
Environmental and Social Assessment	Conduct a Land Acquisition Audit (LAA) to assess land acquisition impacts and then implement the Corrective Action Plan (CAP) to fill the gaps identified by the LAA.	Within 03-06 months of the financial closure	Xuan Thien Ninh Thuan JSC. and Xuan Thien Thuan Bac JSC.
Environmental and Social Management System	Develop a comprehensive and systematic ESMS framework/manual for the two Projects based on EDPR's ESMS, including its E&S Policies and Guidelines. The ESMS framework should include the following: <ul style="list-style-type: none"> • E&S policies; • Environmental and social management plans on: <ul style="list-style-type: none"> ○ waste management, ○ occupational health, safety and environment, ○ community health and safety, ○ stakeholder engagement, ○ grievance redress mechanism, ○ emergency preparedness and response, ○ supply chain/contractor management and ○ labour management; • E&S organization: establish clear E&S organization structure for the Projects, including: <ul style="list-style-type: none"> ○ Delineating E&S organization structure, responsibilities of each position and reporting lines on environmental and social management; ○ assigning on-site E&S personnel; and ○ establishing a systematic E&S training plan. • Monitoring and review. 	Before the financial closure	Xuan Thien Ninh Thuan JSC. and Xuan Thien Thuan Bac JSC.
Pollution Prevention	<ul style="list-style-type: none"> • Obtain the environmental license for the Projects; • Develop and implement project-level waste management plan/procedure; and • Build proper hazardous waste storage. 	Within 03-06 months of the financial closure;	Xuan Thien Ninh Thuan JSC. and Xuan Thien Thuan Bac JSC.
Biodiversity Management	<ul style="list-style-type: none"> • Develop a Biodiversity Management Plan. 	Within 03-06 months of the financial closure	Xuan Thien Ninh Thuan JSC. and Xuan Thien Thuan Bac JSC.
Stakeholder Engagement	<ul style="list-style-type: none"> • Develop a Stakeholder Engagement Plan at Project-level. • Disclose and implement the SEP, ensuring disclosure and meaningful consultation is conducted continuously and, in a gender-inclusive manner. The link of AIB's Project-affected People's Mechanism (PPM) should be disclosed together with the SEP disclosure. 	Before the financial closure	Xuan Thien Ninh Thuan JSC. and Xuan Thien Thuan Bac JSC.

Topics of Concern	Proposed Environmental and Social Actions	Timetable	Responsibility
	<ul style="list-style-type: none"> Establish and maintain a documentation system for the Project's future information disclosure and consultation activities 		
Community Grievance Mechanism	<ul style="list-style-type: none"> Develop and establish a Community Grievance Mechanism (CGM) for the Projects. The CGM could be included as part of the SEP. Disclose the CGM as an on-going activity to enhance the affected communities' awareness about Project's CGM. Establish and maintain a documentation system for the Project's future grievances. 	Before the financial closure	Xuan Thien Ninh Thuan JSC. and Xuan Thien Thuan Bac JSC.
Labour Working Conditions	<ul style="list-style-type: none"> Develop labour management framework as part of ESMS. The framework should include requirements for the labour management relationships (e.g., working conditions, employment terms, non-discrimination), and protecting the workforce (e.g., no child labour and forced labour) Establish, disclose and implement formal worker grievance mechanisms at the Project-level for all Project staff, including the contractors and subcontractors. 	Before the financial closure	Xuan Thien Ninh Thuan JSC. and Xuan Thien Thuan Bac JSC.
Land Acquisition and Involuntary Resettlement	<ul style="list-style-type: none"> Conduct a Land Acquisition Audit (LAA) that includes a census socio-economic survey of the households affected by land acquisition. The LAA will cover the following: (i) conducting social impact assessment including livelihood impacts by land acquisition; (ii) assessing the livelihood status of displaced household after land acquisition; (iii) identifying any pending issues relating to land acquisition; and (iv) proposing Corrective Action Plan (CAP) to address the gaps identified. Develop and implement a Livelihood Restoration Plan (LRP), if suggested by the LAA, to provide supporting and assistance to displaced households including ethnic minorities households in recovering their livelihood and income. Develop and implement a Community Development Plan (CDP), with consideration of vulnerable households, including women and ethnic minority groups, to enhance the Project benefits to broader communities. 	Within 03-06 months of the financial closure	Xuan Thien Ninh Thuan JSC. and Xuan Thien Thuan Bac JSC.

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