

NOTICE OF SUPPORT FOR A CATEGORY A PROJECT

NGHI SON REFINERY PROJECT, VIETNAM

1 PROJECT DESCRIPTION

UK Export Finance has issued a guarantee in respect of a US\$215 million export loan facility for the Nghi Son Refinery Project (NSRP) in Vietnam. The loan will finance export contracts to be placed with UK suppliers relating to the construction of a petrochemicals complex, including all process units and associated utilities, offsite and infrastructure facilities, located within the Nghi Son Economic Zone (NSEZ). The NSEZ is located 200km south of Hanoi in the Tinh Gia District of the Thanh Hoa Province.

The Project includes:

Onshore Installations: main refinery and petrochemical complex, onshore pipeline route from the plant to the jetties, and a marine harbour.

Offshore Installations: main breakwater, access channel, turning basin, intake channel, pipeline and a single point mooring. The project will also include a 30,000 DWT vessels harbour with four berths.

The activities associated with the Project for which supplies will be made from the UK include:

- Project management services;
- EPC contract; and
- Associated supply in relation to the refining and petrochemical process.

2 PROJECT SECTOR

The Project is in the refining and petrochemical sector.

3 PROJECT SPONSORS

Vietnam Oil and Gas Group, Kuwait Petroleum International, Idemitsu Kosan Co., Ltd., and Mitsui Chemicals, Inc have established a joint venture company, Nghi Son Refinery & Petrochemical LLC.

4 UK EXPORTERS

Foster Wheeler Energy Ltd and others.

5 EXPORT CREDIT AGENT BANK

Sumitomo Mitsui Banking Corporation (SMBC).

6. AMOUNT OF ECGD SUPPORT

The principal value of the guaranteed loan is US\$215 million.

7. POTENTIAL ENVIRONMENTAL, SOCIAL AND HUMAN RIGHTS (ESHR) IMPACTS

UK Export Finance categorised the Project as Category A (having high potential ESHR impacts) in accordance with the definition in the OECD Revised Council Recommendation on Common Approaches on the Environment and Officially Supported Export Credit 2007¹ (the OECD Common Approaches).

UK Export Finance publicly disclosed its possible involvement in the Project on its website on 3rd April 2013, which provided a link to the International Financial Corporation (IFC) project website, which hosted the project related environmental and social documentation. UK Export Finance did not receive any comments from any interested parties.

8 ESHR STANDARDS

In undertaking due diligence on the ESHR impacts of the Project, UK Export Finance collaborated with other Export Credit Agencies (COFACE, Euler Hermes, JBIC, Korea Exim, Nexi and SACE). Environmental Resources Management (ERM) was appointed to assist the ECAs. This process was supported by the IFC.

Environmental and Social Management Plans were reviewed for their compliance against the IFC Performance Standards on Social and Environmental Sustainability and the World Bank Group Guidance Notes. The applicable IFC Performance Standards are:

- PS1: Social and Environmental Assessment and Management Systems;
- PS2: Labour and Working Conditions;
- PS3: Pollution Prevention and Abatement;
- PS4: Community Health, Safety and Security;
- PS5: Land Acquisition and Involuntary Resettlement;
- PS6: Biodiversity Conservation and Sustainable Natural Resource Management;
- PS7: Indigenous Peoples;
- PS8: Cultural Heritage.

The applicable IFC EHS Guidelines are:

- IFC EHS Guidelines for Petroleum Refining, 2007;
- IFC EHS Guidelines for Petroleum Based Polymer Manufacturing, 2007;
- IFC EHS Guidelines for Large Volume Petroleum based Organic Chemicals Manufacturing, 2007;
- IFC EHS Guidelines for Crude Oil and Petroleum Product Terminals, 2007;
- IFC EHS Guidelines for Port, Harbours and Terminals, 2007; and
- IFC EHS Guidelines for Thermal Power Plants, 2008.

¹ The 2007 OECD Common Approaches apply as due diligence commenced in 2010.

9 NATURE OF THE ESHR IMPACTS

UK Export Finance assessed the potential ESHR impacts taking account of the following impacts, receptors and issues during the construction and operations phases:

- Resettlement and economic displacement;
- Health and safety (of workers and local communities);
- Emissions to the atmosphere (including land, air and water);
- Wastewater treatment;
- Waste and hazardous materials management;
- Marine habitats;
- Dredging and Dredge spoil management;
- Construction labour camps;
- Influx management;
- Community engagement;
- Grievance mechanisms;
- Emergency Response; and
- Traffic Management.

10 DECISION

UK Export Finance assessed the financial risks arising from its credit exposure on NSRP and determined that they met credit risk standards.

Taking account of the assessment made by Environmental Analysis Unit of UK Export Finance, it was concluded that the Project would meet international ESHR standards. Accordingly, UK Export Finance decided it would provide its guarantee to the Sumitomo Mitsui Banking Corporation (SMBC) with respect to the loan facility to the NSRP to finance the purchase of supplies from UK companies.

A condition of support is that UK Export Finance, or an appointed representative, will monitor the Project to be satisfied the Project meets the relevant international standards throughout the duration of its guarantee. ERM has been appointed to undertake independent monitoring on behalf of the Lender group.

UK Export Finance
March 2014