



# CORPORATE SOCIAL RESPONSIBILITY SECTOR POLICY – NUCLEAR POWER PLANT

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## PREAMBLE

As part of its commitment to corporate social responsibility, BNP Paribas has developed a consistent policy regarding its financial services for the civil nuclear power industry. This policy covers the financing of Nuclear Power Plants (NPPs) as well as advisory work in relation to the nuclear sector. This policy is additional to the Equator Principles which BNP Paribas applies to its project finance operations.

### Context of the nuclear energy sector policy

The nuclear power sector is one of the main electricity providers in the world today<sup>1</sup>. According to the IEA<sup>2</sup>, the share of nuclear power in generation will increase with more than 360 GW of new additions over the period between 2008 and 2035 and extended lifetime for several plants. Furthermore, countries that chose to develop their nuclear industry consider that it has positive impacts, especially on economic development, energy security of supply and greenhouse gas emissions reduction.

BNP Paribas, as a financial institution, may provide financial products and services to governmental entities supporting and / or to companies developing civil nuclear power. BNP Paribas considers, as part of its CSR policy, that it is essential - both for the countries under consideration and for the international community as a whole - that any country undertaking a nuclear power program or developing additional nuclear power plants is not only willing but also capable of meeting essential requirements regarding safety, security, non-proliferation, protection of populations and of the environment for future generations. As a consequence, BNP Paribas will refuse to finance any NPP in countries which would not be signatory to the Non Proliferation Treaty (or an equivalent bi-lateral agreement on nuclear energy safety and proliferation).

By the release of this policy, BNP Paribas wishes to ensure that the projects it contributes to finance are in line with the principles of monitoring and mitigating environmental and social impacts in the nuclear power sector.

BNP Paribas has defined in this CSR policy a set of decision criteria that will enable to identify acceptable nuclear power projects and thus to address the above-mentioned issues for the bank activities worldwide.

This policy may evolve over time. BNP Paribas will especially consider and take into account studies and policies regarding best practices for nuclear plants dedicated to electricity generation and may update this document based on new information and parallel initiatives, specifically the Nuclear Power Plant Export Code of Conduct which is to be announced shortly.

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<sup>1</sup> 2010 World Energy Outlook. 2,603 TWh in 2008 were generated through nuclear power, i.e. 13.6% of the total 19,103 TWh generated in the world (US DOE <http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=2&pid=2&aid=12&cid=&syid=2005&eyid=2009&unit=BKWH>)

<sup>2</sup> [http://www.worldenergyoutlook.org/docs/weo2010/WEO2010\\_ES\\_English.pdf](http://www.worldenergyoutlook.org/docs/weo2010/WEO2010_ES_English.pdf)



## SECTOR POLICY

### Objective

This policy defines a set of rules and procedures regarding financing and advisory work provided by BNP Paribas entities. They aim at addressing ethical issues of the nuclear power sector and at establishing guidelines for conducting business in a responsible manner.

### Scope

**Scope of application:** all BNP Paribas Entities.

**Nuclear power plant projects:** construction and operation of a Nuclear Power Plant (NPP). This policy also applies to major critical equipments of NPPs.

**Financial products & services:** this policy applies to the funding of Nuclear Power Plants projects by BNP Paribas as well as advisory work related to NPPs. Other financing activities, such as investment and asset management, are not included in this scope. The policy covers all new clients and new financing agreements. Financing agreements that predate this policy will be reviewed accordingly upon their renewal or as they are due for review.

### Our rules and standards

The nuclear power plant market is highly regulated at both national and international levels. BNP Paribas expects nuclear power plant projects and involved entities to comply with existing local laws as well as with international conventions ratified by their operating countries. In addition to the compliance with these regulations, this policy sets additional criteria so that BNP Paribas is in a position to provide financial products and services to nuclear power plant projects.

These criteria were identified to ensure that NPP projects under review are in line with BNP Paribas' objective to finance responsible NPP projects, which mitigate their environmental and social impacts. These criteria deal with nuclear governance in the host country, capacity of the involved companies and specificities of the NPP project. Additional criteria may be added to this list and looked upon depending on the specifics of each project.

This policy sets mandatory requirements as well as evaluation criteria. Mandatory requirements are to be understood as *sine qua non*: these requirements have to be met without exception before BNP Paribas agrees to finance an NPP project.

In addition to these mandatory requirements, evaluation criteria have been identified to develop the analysis performed by BNP Paribas. These evaluation criteria are used to benchmark the NPP project being considered against the standards of a Reference Nuclear Country. Should a series of evaluation criteria lead to negative conclusions, BNP Paribas may either ask for additional requirements on the NPP project or decline its financing, even if the mandatory requirements are met.

Any external advisor appointed in the course of the due diligence shall be approved by BNP Paribas. Taking into account legal and contractual confidentiality constraints, BNP Paribas will use its best effort to have such report disclosed.



In the particular case of pure financial advisory services provided to a client being a host country public entity, it is understood that some mandatory requirements may not be fully satisfied at the time of mandate signing in case the host country is a new entrant in the nuclear sector. With the objective of supporting a continuous improvement approach, BNP Paribas will use its best efforts within the prerogatives of its mandate to apply all the aspects of this policy and to convince the client that these mandatory requirements are of fundamental importance and need to be implemented. BNP Paribas will terminate its mandate should the client refuse to implement such mandatory requirements.

## Host country

BNP Paribas does not want to provide financial products and services to nuclear power plant projects in countries without adequate governance on the nuclear sector, as defined by the following mandatory requirements.

### **Mandatory requirements**

#### Proper legal framework:

- An official approval by the government and the supervising bodies of the civil nuclear power sector has been obtained for the nuclear power plant project,
- Protection of workers is required in the regulatory framework,
- Existence of a plan for the development of long-term solutions for the management of high and intermediate level nuclear waste,
- Existence of a plan for the dismantling of NPPs.

#### International cooperation:

- Host country is signatory to the Non Proliferation Treaty (or an equivalent bi-lateral agreement on nuclear energy safety and proliferation with a "Reference Nuclear Country"),
- The last available Comprehensive Safeguards Agreements Report by the IAEA does not mention any specific issues or any lack of information that would hinder the monitoring of the nuclear facilities of the host country,
- The NPPs of the host country dedicated to producing electricity are used for peaceful purposes<sup>3</sup>,
- Participation in the IAEA Incident Reporting System (IRS). In the case of a country with no prior nuclear facility, this participation is planned before the commissioning of its first NPP.

#### Nuclear Safety Agency:

- Existence of a Nuclear Safety Agency (NSA) or an equivalent state agency that covers at least the control of Nuclear Power Plants throughout their life cycle,
- The NSA has the statutory power to run inspections that can lead to sanctions.

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<sup>3</sup> This is reflected by ensuring that an IAEA Comprehensive Safeguards Agreement or equivalent is in force and that the latest safeguards conclusion confirms that nuclear material remains in peaceful activities



### Political stability and country security:

- Host country offers a satisfactory level of stability allowing visibility over a safe and long-term operation of the NPP. This level of stability and security is assessed against the following criteria:
- Host country is not subject to sanctions imposed by either the United Nations, France, European Union and the United States.
- Host country is not at war
- Existence of national and/or local prevention and emergency plans adapted to the geographical specifics, including external hazards (such as flooding or earthquake risks).

### **Evaluation criteria**

In addition to the above mandatory requirements, BNP Paribas will consider further evaluation criteria to assess the standards of the host country against those reached by a Reference Nuclear Country. The objective of these criteria is to evaluate how the host country national context effectively enables the monitoring and mitigation of environmental and social impacts.

BNP Paribas recognizes the central role played by the NSA and will further investigate its ability to perform its role, its effective independence, transparency, power of sanction and international cooperation, especially with the IAEA. BNP Paribas will request the access to IAEA reports as they can be helpful in this evaluation process.

BNP Paribas will also evaluate the political context of the host country regarding nuclear acceptance, crisis management capacities and political stability and security.

BNP Paribas will also consider the host country policy, or plan, for radioactive waste management (including its funding), in comparison to that of Reference Nuclear Countries.

BNP Paribas will also take into account additional country risk criteria that apply to any financing transactions it considers and will take into account applicable financial regulations.



## Main industrial parties

The main industrial parties include the leading shareholders of the project, the operating company and the companies in charge of the design, supply or construction of the nuclear island. BNP Paribas does not want to be involved in providing financial products and services to NPP projects undertaken by such parties that do not have sufficient capacity as defined by the mandatory requirements.

### Mandatory requirements

- Operating licenses of the company or entity in charge of the operation of the nuclear power plant are neither suspended in the host country nor in any Reference Nuclear Country.
- The operator has an independent chain of control to monitor the safety of its nuclear operations.

### Evaluation criteria

In addition to the above mandatory requirements, BNP Paribas will consider further evaluation criteria to assess the performance of the main industrial parties against best industry practice. The objective of these criteria is to evaluate the capacity of the main industrial parties of the NPP project to effectively monitor and mitigate environmental and social impacts.

BNP Paribas will therefore evaluate their long-term financial strength as well as their experience (including experience of their top management) and track record regarding safety, security and environment. BNP Paribas will also evaluate the main of their subcontractor selection process as well as their cooperation with international industrial parties from a Reference Nuclear Country.



# Nuclear Power Plant

BNP Paribas does not want to be involved in providing financial products and services to projects with current or planned nuclear activities that do not have adequate technical standards as defined by the mandatory requirements.

## Mandatory requirements

- The technical due diligence (covering also environmental, social and safety aspects) of the project, performed by an external consultant, is comprehensive and leads to satisfactory conclusions
- The proposed reactor of the NPP or a reactor with a similar design is operated in a Reference Nuclear Country or has been validated by the NSA of a Reference Nuclear Country.
- The entity (company, department, team...) in charge of controlling onsite safety is independent from the entity (company, department, team...) in charge of operating the NPP
- Arrangements are in place to ensure radiation monitoring, both on site and around the site.
- Protection of workers is ensured in the nuclear facility. Emergency programs and responses in case of major accident are prepared in the project and adapted to local geographical specifics (including flooding and seismic risks).
- A facility exists, or is planned together with the NPP project, for the temporary storage of nuclear waste produced on the NPP

## Evaluation criteria

In addition to the above mandatory requirements, BNP Paribas will consider further evaluation criteria to assess the NPP against in the standards of a Reference Nuclear Country. The objective of these criteria will be to evaluate safety and security of the proposed NPP project.

BNP Paribas will evaluate the management organization and the experience of key staff at the NPP and will seek to determine suitability of the proposed radioactivity monitoring on site and around the site.

BNP Paribas will seek to obtain the safety, security track record of the proposed NPP project, except for new NPPs for which such data are not available.

BNP Paribas will also evaluate the extent of the operator international cooperation with its peers, in particular with those from a reference Nuclear Country



## Group implementation

Results of the project evaluation according to the present policy will provide BNP Paribas with elements for decision making. An ad hoc senior management committee shall examine these results and, if required, based on this evaluation may request complementary due diligence before concluding on the acceptability of the project.

Operational tools and awareness workshops are rolled out to ensure that Group's staff is able to implement this CSR sector policy.

## Policy disclosure and follow-up

BNP Paribas' stakeholders will be informed of the existence and the content of this policy. Such policy will be posted on BNP Paribas' website. Furthermore a copy will be systematically provided to our clients and potential clients as part of the due diligence process or upon discussion of any financial or advisory services to be provided subsequent to the official release date of this policy.

BNP Paribas will review this policy regularly and in the light of the prevailing circumstances it may update it to make sure it is in continued alliance with national and international regulations and best practices. BNP Paribas welcomes any constructive feedback and comments on this policy.

## Disclaimers

In order to comply with regulations and to implement the principles defined in its internal procedures and sector policies, BNP Paribas does its best to get information, particularly from nuclear power companies, on their sustainability policies and practices. BNP Paribas bases its policy on the information gathered from nuclear power companies and from its partners. However, it is dependent on the quality, accuracy and up-to-datedness of information.



## GLOSSARY

The following definitions apply in this policy:

**Comprehensive Safeguards Agreements:** Safeguards are activities by which the IAEA can verify that a State is living up to its international commitments not to use nuclear programmes for nuclear-weapons purposes.. Comprehensive Safeguards Agreements are set between countries and the IAEA to enable the latter to pursue various such verifications.

**IAEA:** International Atomic Energy Agency. The IAEA is the world's center of cooperation in the nuclear field. It was set up in 1957 and works with its Member States and multiple partners worldwide to promote safe, secure and peaceful nuclear technologies.

**IRS:** Incident Reporting System. IRS is a joint initiative of IAEA and NEA (OCDE Nuclear Energy Agency). This worldwide system collects and analyzes information provided by operators. Its ultimate objective is to enhance the safety of NPPs by reducing the frequency and severity of safety significant unusual events at NPPs worldwide.

**OECD:** Organisation for Economic Cooperation and Development. High income OECD countries are those with a Gross National Income (GNI) per capita of \$12,196 or more, based on the World Bank Atlas method.

**NPP:** Nuclear Power Plant. Power plant based on nuclear fission designed and operated for the production of electricity.

**NPT:** Non-proliferation treaty. The NPT is an international treaty whose objective is to prevent the spread of nuclear weapons and weapons technology, to promote co-operation in the peaceful uses of nuclear energy and to help achieving nuclear disarmament and general and complete disarmament.

**NSA:** Nuclear Safety Agency. The NSA is a generic term for the administrative authority in charge of ensuring nuclear control and safety. It regulates nuclear safety and radiation protection in order to protect workers, patients, the public and the environment. It also contributes to informing the citizens.

**Reference Nuclear Country:** Countries which have demonstrated a high level of safety and reliability in the operation of a large nuclear power plant fleet. BNP Paribas defines Reference Nuclear Countries as high income OECD countries with top tier experience in operating NPPs (measured in reactors-years).

Definitions above are susceptible to changes over time. We will monitor international developments and continue to follow internationally recognized conventions where possible.

