

BINA ISTRA – ISTRIAN MOTORWAY PHASE 2B1 - CROATIA

Project name: Istrian Motorway PPP (Phase 2B1)

Borrower: Bina Istra d.d.

Main Project Sponsor: Bouygues Construction and Republic of Croatia

Sector: Infrastructure

Country: Croatia

Financial Product: Project Finance

Banca IMI London Branch: Mandated Lead Arranger

Equator Principles category: B

In 1995 Bina Istra d.d. entered into a 32 years Concession Agreement with the Republic of Croatia, for the financing, design, construction and operation of the 145km “Adriatic Highway” – Section Dragonja–Pula and Kanfanar–Pazin-Matulji (the “Motorway”).

The construction of a single carriageway in each direction on the entire Motorway was completed in two phases in 1999 and in 2006 (Phases 1A and 1B). The expansion of the Motorway into a dual carriageway with emergency lanes began with Phase 2A which was completed and opened to traffic in 2012.

Bina Istra Phase 2B1 (the “Project”) consists of the construction and operation of a second carriageway and emergency lanes on a 28km stretch of the Motorway between Rogovići and Vranja.

The Borrower derives its revenues from the collection of tolls and receives an additional contribution from the Grantor, adjusted annually to cover all its costs, including the Debt Service.

The EPC contractor is Bouygues Travaux Publics SAS, a company 100% owned by Bouygues Construction SA and the Operator is Bina Istra Upravljanjel Odrzavanjed.o.o (“BIOM”), a company incorporated in Croatia and a wholly-owned subsidiary of the Borrower.

The banking pool is composed by a group of European commercial banks.

Summary of Key Environmental Impacts and Risks

An Environmental Impact Assessment (EIA) was prepared in 2011, and it was properly disclosed in several websites. The EIA was based on Croatian national standards (harmonized with applicable EU standards) and focused on assessing the risks and impacts on flora and fauna, landscape (including forests), soil and agriculture, archaeological and cultural heritage, soil and water protection, noise and air pollution.

The approval decision by the Ministry of Nature Protection, Spatial Planning and Construction contains a list of prevention, mitigation and monitoring measures for the construction and operations phases that must be implemented by the Concessionaire. The same Ministry, in February 2015, consulted all relevant authorities, in order to verify the compliance of a detailed design with the Location Permit.

Bina Istra is required to develop an Environmental Management and Monitoring Plan (EMMP) as well as an Environmental and Social Action Plan (ESAP). The Lenders' Technical Advisor states that project risks associated with potential environmental and social impacts have been assessed appropriately in a professional and diligent manner, and where risks have been identified, appropriate mitigation measures have been put in place.

Furthermore, it is positive that the measures proposed in the ESAP Phase 2B1 are compliant with the applicable standards, namely the IFC Performance Standards and the Equator Principles.

Positive impact:

The positive socio-economic effects of the project are as follows:

- Tourism is vital to the economy of Istria. The construction of the second carriageway will improve the overall safety level of the highway, facilitating consequently incoming travelers.
- Bouygues Travaux Publics Sas, the Construction Contractor, is a world leader who identified local and regional affordable suppliers with the suitable credentials for the required scope of work; it means job opportunities, but also safe and decent jobs
- Bina Istra has an Environmental and Social Management System (ESMS) which is compliant with ISO 14001 and ISO 18001 and it ensures its compliance through all contractors and subcontractors engaged on the project works.