Proposed International Finance Corporation (IFC) Investment in BILT Paper B.V.

(World Region)

August 28, 2014

The United States is concerned by the weak articulation of development impacts for this $250 million Category A investment. The project document itself provided scant treatment of development impacts, requiring the reader to try to fill analytical gaps, and making it difficult to weigh the potential development gains against various risks, including, in this case, wide-ranging environmental and social ("E&S") risks. Going forward, the United States would like to see better articulation of development impacts in the project documents, especially when the Board is asked to consider a sizable investment with serious E&S risks.

The United States thanks staff for the explanations and additional clarifications they provided when the United States engaged with them on specific shortcomings in the project document; however, the United States remains unconvinced that the likely development impacts justify the E&S risks in this investment. The United States appreciates that the resources that IFC will provide will allow the Company to sustain its current operations, improve its operational efficiencies, and position itself more attractively to other investors. But the United States notes that, according to IFC staff, the investment involves no capacity expansion and no increase in overall employment. Sustaining the Company's purchases from local suppliers and the local supply chain was highlighted as a direct development impact from this investment, yet, according to IFC staff, this impact will not be monitored as part of the metrics framework because it is not possible to establish targets for these local inputs. Moreover, while the project document claims in various places that equity capital and long-term debt are not readily available to the Company; no explanation was provided as to why the Sponsor group and/or other existing shareholders of the Company are insufficient or unavailable sources of funds. This leaves the United States wondering *what*, exactly, are the expected development gains from this $250 million investment, *how* these gains will be measured and monitored, and *why* IFC and the funds that it administers are the right source of financing.

The United States does appreciate that, among other objectives, this investment is expected to raise the E&S performance of the Company by sharing knowledge and requiring compliance with global E&S standards. The United States notes the Company's commitments with respect to the protection of biodiversity and critical habitats; sound forestry management; indigenous community rights, including cultural properties and traditional livelihood activities; migrant workers; and broad-based consultations with stakeholders. And the United States commends IFC for requiring the Company and its subsidiaries to not undertake any industrial-scale logging or extraction in primary forests. The United States hopes that this investment will be closely monitored with due regard for potential E&S concerns.

That said, the United States notes that the E&S impact assessment for this Category A investment was not made public at least 120 days in advance of Board discussion. These assessments are critical to determine the adequacy of the Company's commitments and to anticipate and mitigate negative impacts.

For these reasons, the United States wishes to be recorded as ***abstaining*** on this proposed investment.