

# equator principles policy 2014

Why does ABN AMRO  
have an Equator  
Principles Policy?

Project finance, particularly in emerging markets, often has significant environmental and social risks. Financial Institutions adopting the Equator Principles view these Principles as a financial industry benchmark for their environmental and social policies, procedures and practices. Under these principles, ABN AMRO undertakes to review the Environmental, Social and Ethical (ESE) risks of its project finance deals, and to ensure its clients meet the bank's sustainability standards.

ABN AMRO is one of the founding members of the Equator Principles, and has adhered to the Principles since their inception in 2003. An update of the Equator Principles (EP III) was adopted in 2013.

To implement the Equator Principles, the bank drafted its own policy that fosters ABN AMRO's ability to manage the ESE issues associated with projects, and that enables the bank to engage more proactively on these issues. This policy is revised in 2014 in order to implement EPIII.

## What is the purpose and scope of the Equator Principles Policy?

The objective of the Equator Principles Policy is to ensure adequate implementation of the Equator Principles through internal guidelines and processes related to project finance. The Policy applies to the following products:

- ▶ Project Finance transactions across all industry sectors with total Project capital costs of US\$10 million or more;
- ▶ Project Finance Advisory Services with total Project capital costs of US\$10 million or more;
- ▶ Project-Related Corporate Loans (including Export Finance in the form of Buyer Credit) where all four of the following criteria are met:
  - a. The majority of the loan is related to a single Project over which the client has effective operational control (either direct or indirect);

- b. The total aggregate loan amount is at least US\$100 million;
  - c. The bank's individual commitment (before syndication or sell down) is at least US\$50 million;
  - d. The loan tenor is at least two years.
- ▶ Bridge Loans with a tenor of less than two years that are intended to be refinanced by Project Finance or a Project-Related Corporate Loan that is anticipated to meet the relevant criteria described above.

## What standards does ABN AMRO apply through the Equator Principles?

By adhering to the Equator Principles, ABN AMRO has committed to ensure that its borrowers in Project Finance and related transactions perform an Environmental and Social (E&S) Assessment. In this E&S Assessment, the borrowers have to demonstrate that they meet national laws and regulations and/or the requirements of two international standards set by the International Finance Corporation (IFC):

1. The IFC Performance Standards on Social and Environmental Sustainability ('Performance Standards').
2. The IFC Industry Specific Environmental, Health and Safety Guidelines ('EHS Guidelines').

If a borrower does not meet the requirements set in these standards, it has to justify deviations from them. In addition, the client has to publicly disclose a summary of their E&S Assessment.

## Project categorisation

Project categorisation is mandatory for all Project Finance-related transactions considered by ABN AMRO. The assigned category determines the level of due diligence and extent of mitigation planning required. Categorisation enables the bank to focus its time and resources on the analysis of higher risk projects, while saving time and resources on lower risk projects.

- ▶ Category A: projects with potential significant adverse social and environmental risks and/or impacts that are diverse, irreversible or unprecedented;
- ▶ Category B: projects with potential limited adverse social and environmental risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures; and
- ▶ Category C: projects with minimal or no social and environmental risk and/or impacts.

## How does ABN AMRO put its standards into practice?

The flowchart below summarises the ten Equator Principles and the related actions required by the borrower and/or the bank when applying the Principles. For Equator Principles 1, 8 and 10 the bank (indicated by the 'B') needs to take action. For Equator Principles 2-10 the client (indicated by the 'C') needs to take action (if applicable). However, in order to comply with the Equator Principles, the bank needs to verify and analyse all actions taken by the client. This means that the bank is involved in all ten Equator Principles.

EP	Subject	Action	Action by
EP1	Review and Categorisation	> Classify projects in Category A, B or C	B
EP2	Social and Environmental Assessment	> Borrower conducts a Social and Environmental Assessment for Category A and B projects	C
EP3	Applicable Social and Environmental Standards	> Non-Designated Countries: Performance Standards and EHS Guidelines. Designated Countries: National Laws & Regulations	C
EP4	Action Plan and Management System	> For all Category A and B projects borrower prepares Action Plan on how it mitigates, monitors and manages impacts and risks	C
EP5	Consultation and Disclosure	> For all Category A and some B projects the borrower consults with project affected communities in a structured and culturally appropriate manner	C
EP6	Grievance Mechanism	> The borrower will establish a grievance mechanism as part of the management system for all Category A and some Category B projects	C
EP7	Independent Review	> For all Category A and some Category B projects an independent social or environmental expert will independently assess EP compliance	C
EP8	Covenants	> For all Category A and B projects the covenants linked to compliance are incorporated in the financial documentation	B, C
EP9	Independent Monitoring and Reporting	> Consult or independent expert for all Category A and some Category B projects to verify monitoring information of borrower	C
EP10	EPFI Reporting	> Report publicly at least annually about its Equator Principles implementation processes and experience	B, C

Compliance with Equator Principles

**B** Action by bank      **C** Action by client

## Monitoring and reporting

The bank should continue to assess the Project's compliance with the Equator Principles after Financial Close. In case of a Category A and, as appropriate, Category B Projects, the bank should require the client to retain qualified and experienced external experts or appoint an independent environmental and/or social expert to verify its monitoring information.

Adhering to the Equator Principles entails requires reporting responsibilities.

### 1. Public reporting by the bank on implementation processes and transactions

The bank commits to report publicly at least annually about its Equator Principles implementation processes and transactions, taking into account appropriate confidentiality considerations.

	Project Finance	Project Finance Advisory Services	Project-Related Corporate Loans	Bridge Loans
Category	X	X	X	
Sector	X	X	X	
Region	X	X	X	
Country Designation	X		X	
Independent Review	X		X	

### 2. Non-public reporting by the bank to the Equator Principles Association Secretariat

The bank should also report on its transactions to the Equator Principles Association Secretariat. For Project Finance transactions the bank should submit to the EP Secretariat the project name, calendar year in which the transaction was closed, the sector and the host country name.

Project name reporting is only applicable to Project Finance transactions that have been closed. In addition, disclosure to the EP Secretariat is subject to client consent, applicable local laws and regulations and only if there is no additional liability for the EPFI as a result of reporting in certain identified jurisdictions.

### 3. Information sharing

Recognising business confidentiality and applicable laws and regulations, the bank will share, when appropriate, relevant environmental and social information with other financial institutions, strictly for the purpose of achieving consistent application of the Equator Principles. Such information sharing shall not relate to any competitively sensitive information.

Reporting on the Equator Principles implementation process includes information on:

- ▶ The roles and responsibilities of involved staff, business lines and senior management;
- ▶ The incorporation of the Equator Principles in credit and risk management policies and procedures.

The bank should also report separately on transaction data. The required information differs per financial product. The table below sets out the different requirements. As can be seen, it is not required to report on transaction data for Bridge Loans.

### 4. Reporting by clients on Impact Assessments and Greenhouse Gas Emission

If not already publicly available, the bank should request clients that have conducted an Environmental and Social Impact Assessment to publish a summary online. Clients that are expected to have more than 100,000 tonnes of CO<sub>2</sub> emissions annually are also requested to report their emission levels online. Clients that are expected have more than 25,000 tonnes of CO<sub>2</sub> emissions annually are encouraged to do so.

