

Equator Principles Policy

Why does ABN AMRO have an Equator Principles Policy?

Project finance, particularly in emerging markets, often has significant environmental and social risks. ABN AMRO played a leading role in the drafting and subsequent adoption of the [Equator Principles](#). Financial Institutions adopting these principles view them as a financial industry benchmark for their environmental and social policies, procedures and practices. Under these principles, ABN AMRO undertakes to review the environmental and social risks of its project finance¹ deals to ensure that its clients meet the bank's Environmental, Social and Ethical (ESE) standards.

To implement the [Equator Principles](#), the bank has adopted its own policy that fosters ABN AMRO's ability to identify the environmental and social impacts and risks associated with projects, and to ensure that these impacts and risks are adequately mitigated by the project sponsor.

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 Equator Principles Policy applies to all ABN AMRO's new project financing with a total project capital costs of US\$10 million or more, across all industry sectors, including all project financing covering expansion or upgrading of an existing facility where changes in scale or scope may create significant environmental and social impacts, or significantly change the nature or degree of an existing impact. In addition, the policy applies to ABN AMRO's project finance advisory activities.

What standards does ABN AMRO apply through the Equator Principles?

By adhering to the [Equator Principles](#), ABN AMRO has committed to requiring the borrowers of project finance transactions to demonstrate in their social and environmental assessments, and in their action plans, the extent to which they have met the applicable [IFC](#)

¹ ABN AMRO considers project finance to be a method of funding in which the lender looks primarily to the revenues generated by a single project, both as the source of repayment and as security for the exposure. Project finance may take the form of financing for the construction of a new capital installation, or refinancing of an existing installation, with or without improvements. In line with the Equator Principles, the common criteria adopted to determine whether the financing of a capital installation is to be considered as a project financing are: (i) the proceeds being used on behalf of the capital installation, and (ii) the capital installation being considered as the main source of repayments.

[EHS Guidelines](#) and [IFC Performance Standards on Social and Environmental Sustainability](#), or to justify deviations from these. This commitment implies the need to accurately analyse the environmental and social assessment performed for each project financing transaction considered by ABN AMRO and to check its alignment with the IFC sustainability framework in order to determine compliance or non-compliance with the Equator Principles.

The [Equator Principles](#) contain several steps that banks need to follow to ensure the adequate review of their project financing.

1. Project categorisation

Project categorisation is mandatory for all project financing transactions considered by ABN AMRO. Financial Institutions adopting the [Equator Principles](#) use a system of environmental and social categorisation, based on IFC's environmental and social screening criteria, to reflect the magnitude of such impacts. The environmental and social categories are:

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

2. Assessment process

The environmental and social assessment is a process that determines the environmental and social impacts and risks of a proposed project in its area of influence. The assessment should also cover the relevant environmental and social issues, and include mitigation and management measures relevant and appropriate to the nature and scale of the proposed project. The project environmental and social assessment needs to meet the requirements of the [IFC Performance Standards](#) and the [IFC EHS Guidelines](#). [IFC Performance Standards](#) define clients' roles and responsibilities for managing their projects, including requirements to disclose information.

3. Project location

The [Equator Principles](#) make a distinction between projects located in and outside high-income OECD countries as defined by the [World Bank Development Indicators Database](#). For projects located in high-income OECD countries, the regulatory, permitting and public comment process requirements in those countries generally meet or exceed the requirements of the [IFC Performance Standards](#) and [IFC EHS Guidelines](#) and can therefore serve as a proxy for the IFC sustainability framework. For projects located outside high-income OECD countries (being non-OECD countries, and OECD countries not designated as high-income), the assessment refers to the relevant [IFC Performance Standards](#) and the [IFC EHS Guidelines](#).

4. Reporting

Under the [Equator Principles](#), ABN AMRO commits to annually disclose its [Equator Principles](#) implementation processes and experience, taking into account appropriate confidentiality considerations. The reporting includes, at a minimum, the number of transactions screened, their location and sector, as well as the categorisation accorded to transactions, and information regarding implementation.

How does ABN AMRO put its standards into practice?

In accordance with the [Equator Principles](#) Policy, ABN AMRO puts its environmental and social standards into practice through the following four steps: categorisation, review, approval, monitoring and reporting.

The first stage in the process of applying the [Equator Principles](#) is to assess a project financing proposal in order to determine its environmental and social risk category. This applies to all projects located in and outside high-income OECD countries.

Secondly, ABN AMRO assesses the available environmental and social documentation and issues an advice to the appropriate approval committee on the expected compliance of the project with the [Equator Principles](#). The advice will reflect the outcome of the review of the project's environmental and social documentation in relation to the applicable IFC Performance Standards and EHS Guidelines and will conclude with a statement regarding its expected compliance or non-compliance with the [Equator Principles](#). In addition to the Equator Principles requirements, ABN AMRO assesses the project sponsor's sustainability performance as well as its commitment to and track record on sustainability.

For a project financing to be approved, all project financing transaction documents submitted for approval will reflect the application of the [Equator Principles](#): they will mention the project category in accordance with the IFC environmental and social screening criteria and they will include either:

- For projects in high-income OECD countries, a confirmation by the originating business unit of the project's compliance with national and local environmental and social laws and regulations, this being equivalent to compliance with the Equator Principles;
- For all other projects, an advice stating the expected compliance or non-compliance of the project with the Equator Principles.

For monitoring and reporting purposes, ABN AMRO keeps records of all the transactions subject to the [Equator Principles](#) application that have been considered by the bank, including those not presented to the Credit Committee for approval, and will compile the details of the files in a report. Each January, the business presents to the Central Sustainability Department a report on ABN AMRO's compliance with the [Equator Principles](#) over the past year. This report will be included in the annual reporting of the Central Sustainability Department to the Credit Committee, and in ABN AMRO's reporting for publication on the [Equator Principles](#) website.