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### Sustainability and Project Finance

## **BES and BESI adopt the Equator Principles**

Banco Espírito Santo Group (BES Group) is the first Portuguese financial institution to adopt the Equator Principles. The Equator Principles are a set of guidelines voluntarily followed by financial institutions to manage social and environmental issues arising from project finance operations with a capital cost of \$50 million or more.

By adopting the Equator Principles, BES Group undertakes to make public the number of projects financed, and their categorisation by social and environmental risk criteria. **This is yet another responsibility that we take upon ourselves, with the steady determination of an institution that has always known how to be more than a mere bank.**

The Equator Principles had their origin in October 2002 at a meeting of senior executives in London promoted by the International Finance Corporation (IFC), the investment arm of the World Bank, and ABN Amro, a Dutch bank, to discuss investment experiences in projects involving social and environmental issues in emerging markets, which often lack strict legislation on the protection of the environment.



In 2003, 10 of the world's leading project finance banks, altogether responsible for more than 30% of the project loan syndication market globally, launched the norms of the Equator Principles as a framework for their loan granting policy.

These principles are applied based on a social and environmental rating drawn up by the financial institutions, under which projects are categorised as A (high risk), B (medium risk) or C (low risk).

BES Group has always given particular attention to environmental criteria within the scope of its project finance activities, whose development is monitored by specialised consultants within the Group, who verify compliance with applicable legislation. For BES Group, failure to obtain licences or authorisations certifying compliance with environmental legislation has by itself always been sufficient grounds for not providing financing to a project.

#### **ACCOMPLISH MORE: Social Responsibility in BES Group**

The **Accomplish MORE** project brings together all the Group's initiatives linked to social responsibility and corporate citizenship, through which it seeks to reinforce its commitment to help build a society based on sustainable development.

The **Accomplish MORE** concept thus embraces all the initiatives taken by BES Group to advance social wellbeing, namely measures intended to conciliate the professional and family life of its employees, to widen the scope of its environmental policy, and to promote culture.





However, by subscribing to the Equator Principles BES Group is taking an important step further in its Social Responsibility programme, the **Accomplish More** programme - reinforcing its commitment to corporate citizenship towards sustainability and making sure that the projects financed are developed in a socially and environmentally responsible manner.

BES Group occupies a top-ranking position in various business areas, specifically in project finance, having been awarded the 2003 and 2004 prize for Arranger of the Year in the transportation sector by *Infrastructure Journal* magazine. The Group has been involved in project finance activities in various countries, namely in Portugal, Spain, Brazil, Hungary, Bulgaria, the United Kingdom, Poland and Argentina, and in several industry sectors, such as roads, railways, airports, renewable energies, stadiums and health.

BES Group's leading position in project finance gains further strength from its various dedicated teams providing personalised services in several countries; namely, Portugal, the United Kingdom, Spain, Brazil and Angola as well as from its capacity to intervene in the projects in different capacities, as shareholder, lender or financial adviser.





So far the following financial institutions have adopted the Equator Principles:

- ABN AMRO Bank;
- Banco Bradesco;
- Banco do Brasil;
- Banco Itaú;
- Banco Itaú BBA,;
- Bank of America;
- Barclays;
- BBVA;
- Calyon;
- CIBC;
- Citigroup;
- Credit Suisse Group;
- Dexia;
- Crédit Group;
- Dresdner Bank;
- EKF;
- HSBC Group;
- HVB Group;
- ING Group;
- JPMorgan Chase
- KBC;
- MCC;
- Mizuho Corporate Bank;
- Rabobank Group;
- Royal Bank of Canada;





- Scotiabank
- Standard Chartered Bank;
- The Royal Bank Of Scotland
- Unibanco;
- Wellsfargo
- WestLB AG;
- Westpac Banking Corporation.

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## Equator Principles

1. We have categorised the risk of a project in accordance with internal guidelines based upon the environmental and social screening criteria of the IFC.
2. For all Category A and Category B projects, the borrower has completed an Environmental Assessment (EA), the preparation of which is consistent with the outcome of our categorisation process and addresses to our satisfaction key environmental and social issues identified during the categorisation process.
3. In the context of the business of the project, as applicable, the Environmental Assessment report has addressed:
  - a) assessment of the baseline environmental and social conditions;
  - b) requirements under host country laws and regulations, applicable international treaties and agreements;
  - c) sustainable development and use of renewable natural resources;
  - d) protection of human health, cultural properties, and biodiversity, including endangered species and sensitive ecosystems;
  - e) use of dangerous substances;
  - f) major hazards;
  - g) occupational health and safety;
  - h) fire prevention and life safety;
  - i) socioeconomic impacts;
  - j) land acquisition and land use;
  - k) involuntary resettlement;





- l) impacts on indigenous peoples and communities;
- m) cumulative impacts of existing projects, the proposed project, and anticipated future projects;
- n) participation of affected parties in the design, review and implementation of the project;
- o) consideration of feasible environmentally and socially preferable alternatives;
- p) efficient production, delivery and use of energy;
- q) pollution prevention and waste minimization, pollution controls (liquid effluents and air emissions) and solid and chemical waste management.

4. For all Category A projects, and as considered appropriate for Category B projects, the borrower or third party expert has prepared an Environmental Management Plan (EMP) which draws on the conclusions of the EA. The EMP addressed mitigation, action plans, monitoring, management of risk and schedules.

5. For all Category A projects and, as considered appropriate for Category B projects, we are satisfied that the borrower or third party expert has consulted, in a structured and culturally appropriate way, with project affected groups, including indigenous peoples and local NGOs. The EA, or a summary thereof, has been made available to the public for a reasonable minimum period in local language and in a culturally appropriate manner. The EA and the EMP will take account of such consultations, and for Category A Projects, will be subject to independent expert review.





6. The borrower has covenanted to:
  - a) comply with the EMP in the construction and operation of the project;
  - b) provide regular reports, prepared by in-house staff or third party experts, on compliance with the EMP and
  - c) where applicable, decommission the facilities in accordance with an agreed Decommissioning Plan.
7. As necessary, lenders have appointed an independent environmental expert to provide additional monitoring and reporting services.
8. In circumstances where a borrower is not in compliance with its environmental and social covenants, such that any debt financing would be in default, we will engage the borrower in its efforts to seek solutions to bring it back into compliance with its covenants.
9. These principles apply to projects with a total capital cost of \$50 million or more.

