

Equator Principles 2020 Report



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KDB recognizes the importance of climate change, biodiversity, and human rights, and believes negative impacts on project-affected ecosystems communities, and the climate should be avoided where possible.

KDB adopted the Equator Principles (EPs) in January 2017 and established operational policies and guidelines which set out the Bank’s objectives, standards and procedures for managing the environmental and social (E&S) risks for Project-Related transactions in line with EPs.

What is the purpose and scope of the Equator Principles?

The EPs are a risk management framework, adopted by financial institutions, for determining, assessing, and managing E&S risk in projects. The EPs intend to provide a minimum standard for due diligence and monitoring to support responsible risk decision-making. The Equator Principles Financial Institutions (EPFIs) pledge not to finance projects where the client will not, or is unable to, comply with the ten principles set forth in the EPs.

The EPs apply globally, and to all industry sectors when supporting a new project through the following financial products: (1) Project Finance Advisory Services, (2) Project Finance, (3) Project-Related Corporate Loans, (4) Bridge Loans, (5) Project-Related Refinance and Project-Related Acquisition Finance.

Scope of Application

Financial Product	Relevant Criteria
Project Finance Advisory Services	<ul style="list-style-type: none"> Total project capital costs are US\$10million or more
Project Finance	<ul style="list-style-type: none"> Total project capital costs are US\$10million or more
Project-Related Corporate Loans	<ul style="list-style-type: none"> The majority of the loan is related to a Project over which the client has Effective Operational Control (either direct or indirect) Total aggregate loan amount and EPFI’s individual commitment (before syndication or sell down) are each at least US\$50million The loan tenor is at least two years
Bridge Loans	<ul style="list-style-type: none"> The loan tenor is less than two years The loan is intended to be refinanced by Project Finance or a Project-Related Corporate Loan that is anticipated to meet the above mentioned criteria
Project-Related Refinance and Project-Related Acquisition Finance	<ul style="list-style-type: none"> The underlying Project was financed in accordance with the Equator Principles framework There has been no material change in the scale or scope of the Project Project Completion has not yet occurred at the time of the signing of the facility or loan agreement

EPs in brief

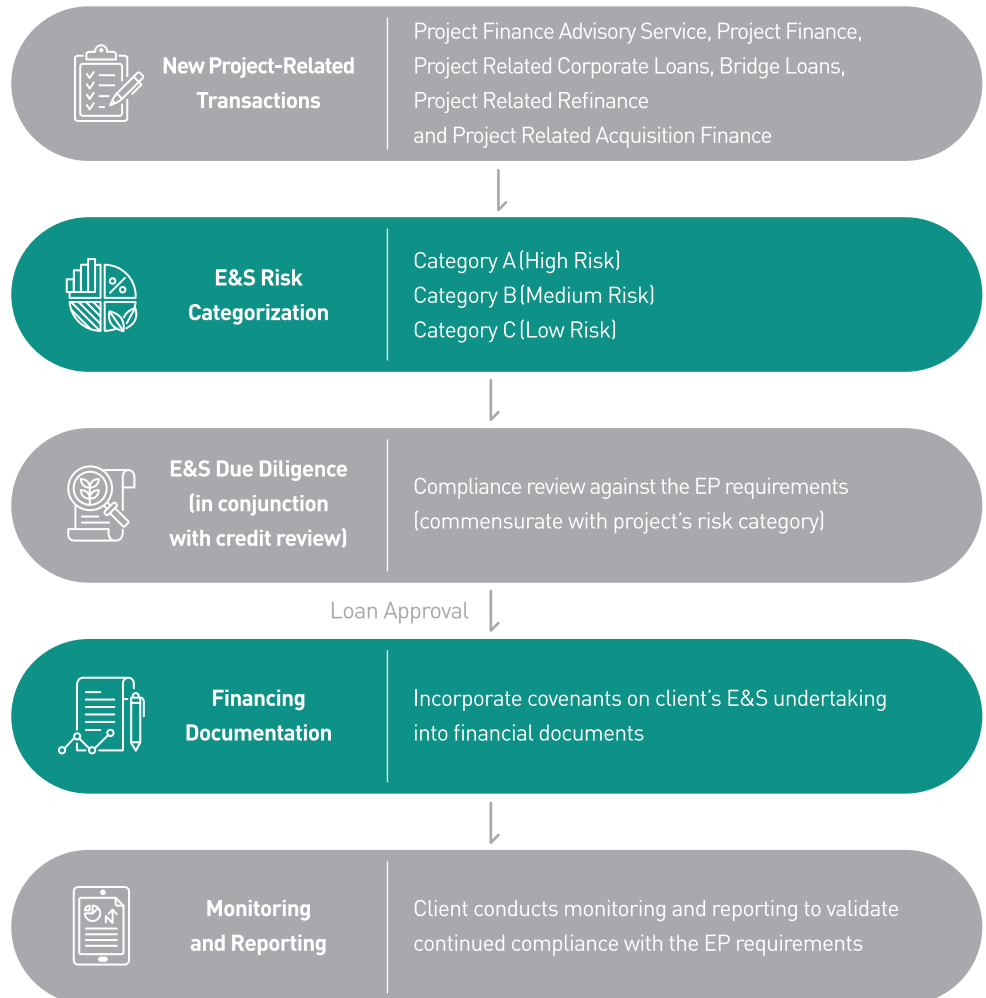
Principle	Requirements
1. Review and Categorization	<ul style="list-style-type: none"> · EPFIs categorize the project based on the magnitude of E&S risks and impacts
2. E&S Assessment	<ul style="list-style-type: none"> · Clients address the relevant E&S risks and impacts of the project and propose measures to minimize, mitigate, and offset adverse impacts
3. Applicable E&S Standards	<ul style="list-style-type: none"> · Clients ensure that the assessment process evaluates compliance with the applicable standards, including relevant host country laws, regulations and permits
4. E&S Management System and EPs Action Plan	<ul style="list-style-type: none"> · Clients develop or maintain an E&S Management System and agree on an EPs Action Plan with EPFIs
5. Stakeholder Engagement	<ul style="list-style-type: none"> · Clients demonstrate effective stakeholder engagement as an ongoing process with the affected communities, and where relevant, other stakeholders
6. Grievance Mechanism	<ul style="list-style-type: none"> · Clients establish a grievance mechanism designed to receive and facilitate resolution of concerns and grievances about the project's E&S performance
7. Independent Review	<ul style="list-style-type: none"> · Independent E&S consultant carries out a review of assessment documentation in order to assist EPFIs' due diligence and assess the project's compliance with the EPs
8. Covenants	<ul style="list-style-type: none"> · Clients incorporate covenants linked to compliance with the EPs
9. Independent Monitoring and Reporting	<ul style="list-style-type: none"> · Independent E&S consultant verifies client's monitoring information and assesses project's compliance with the EPs
10. Reporting and Transparency	<ul style="list-style-type: none"> · Clients disclose a summary of the assessment documentation and publicly report GHG emission levels · EPFIs report at least annually on their EPs implementation process and experience

How does KDB put EPs into practice?

KDB has established operational policies and guidelines which set out the Bank's objectives, standards and procedures for managing the E&S risks for Project-Related transactions in line with the EPs. These internal policies and guidelines are amended from time-to-time based on implementation experience, and in order to reflect ongoing learning and emerging good practice.

A central role lies with the E&S team which takes the lead in categorizing projects and issuing E&S due diligence reports that outline the project's compliance with the EPs. Where necessary, the team communicates and supports the client to prepare remedial actions needed to close the gaps and bring the project into compliance with the EPs. The E&S team also plays a key role in raising staff awareness and capacity building to address E&S risks in Bank financed projects.

KDB's E&S due diligence process



How many transactions were subject to EPs application in the year 2020?

The total number of EP transactions mandated or that have reached financial close during the year 2020 was 26, which is slightly lower than the total for year 2019. More than half of these transactions were for projects based in the Asia-Pacific region, regardless of the type of financial product. The power sector was also found to be dominant, accounting for nearly 40% of the total number of EPs applications.

For information on the names of individual projects, visit the EPs association homepage at: www.equator-principles.com.

Project Finance Advisory Transactions

Number of Transactions	
Total	6
By Sector	
Mining	0
Infrastructure	3
Oil & Gas	0
Power	3
Others	0
By Region	
Americas	0
Europe, Middle East & Africa	2
Asia Pacific	4

Project Finance Transactions

	Number of Transactions		
	Category A	Category B	Category C
Total	2	13	2
By Sector			
Mining	0	0	0
Infrastructure	0	4	0
Oil & Gas	0	0	0
Power	2	3	2
Others	0	6	0
By Region			
Americas	0	2	0
Europe, Middle East & Africa	0	4	0
Asia Pacific	2	7	2
By Country Designation			
Designated Countries	0	12	2
Non-Designated Countries	2	1	0
Independently Reviewed			
Yes	2	6	0
No	0	7	2

Project-Related Corporate Finance Transactions

	Number of Transactions		
	Category A	Category B	Category C
Total	0	2	1
By Sector			
Mining	0	0	0
Infrastructure	0	0	0
Oil & Gas	0	0	0
Power	0	0	0
Others	0	2	1
By Region			
Americas	0	0	0
Europe, Middle East & Africa	0	1	0
Asia Pacific	0	1	1
By Country Designation			
Designated Countries	0	2	1
Non-Designated Countries	0	0	0
Independently Reviewed			
Yes	0	0	0
No	0	2	1





This report constitutes KDB's Equator Principles Data & Implementation Reporting for the year 2020,
in accordance with Principle 10 (Reporting and Transparency)