



# Equator Principles – Past & Present

First Group Workshop for the  
UNEP FI Biodiversity & Ecosystem Services Workstream

April 5, 2007

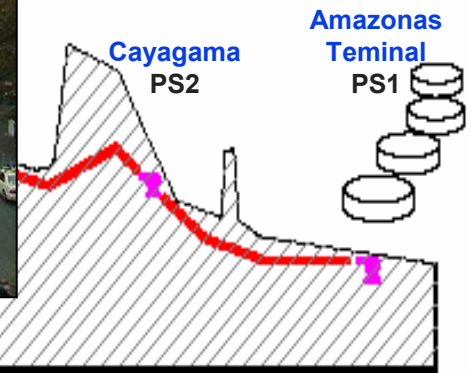
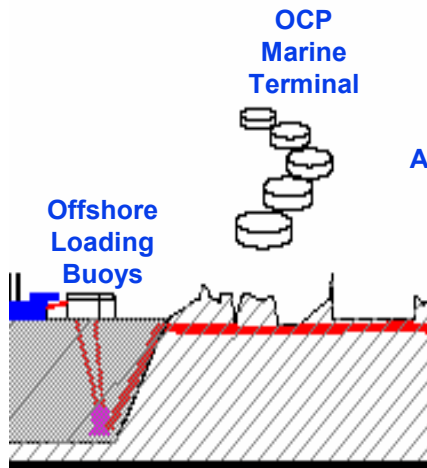
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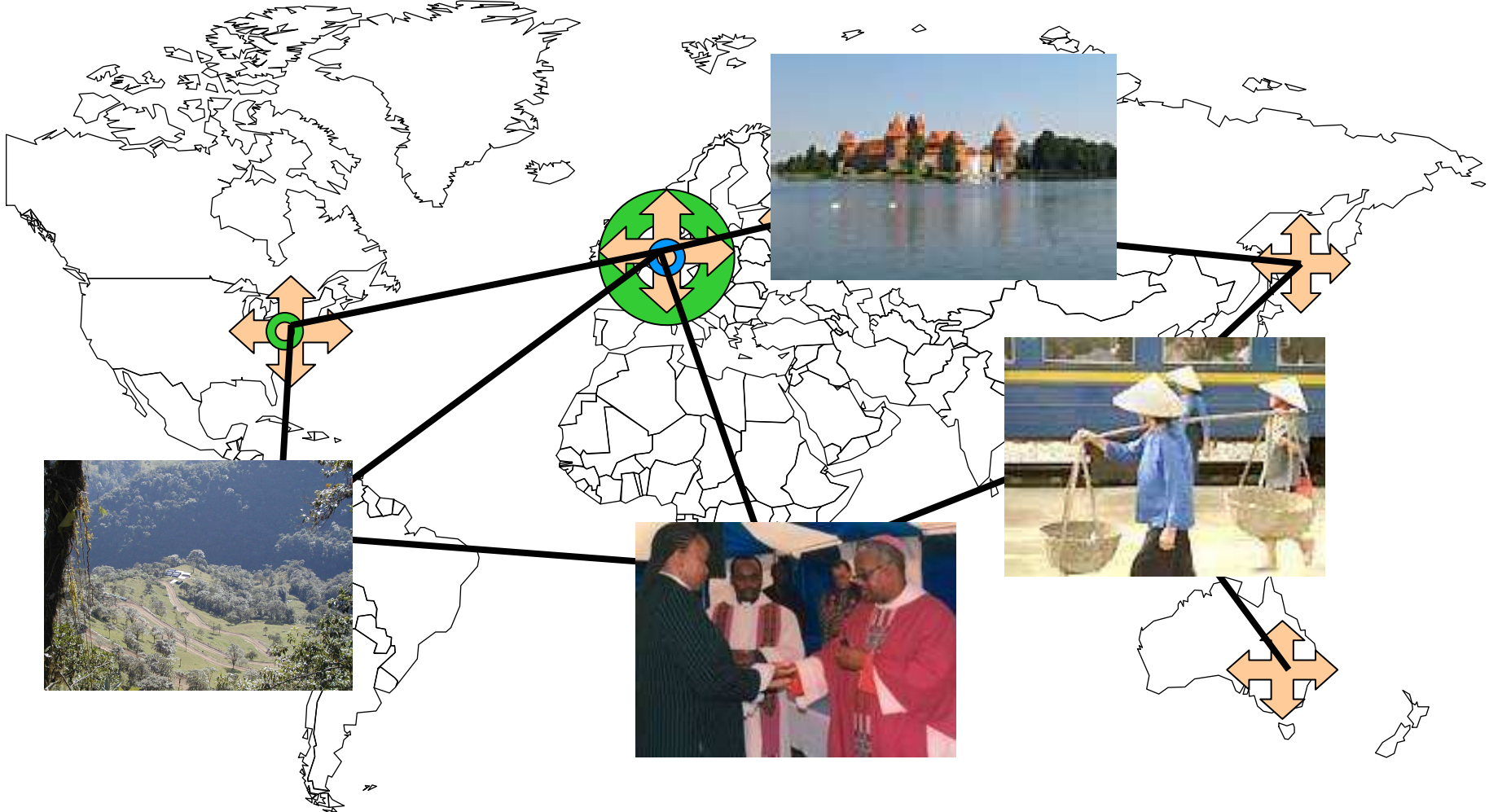
# Project Finance at WestLB in 2001

- Sustainability Management Department did not exist
- No sustainability global communications strategy
- Equator Principles had not yet been established
- No support network with IFC and the other leading Equator Banks
- No affiliation with United Nations Environment Programme FI (UNEP FI)
- No contact with the International NGOs
- No track record for environmental and social risk management

# Eye Openers for WestLB – OCP



# The Death of Distance





# The Death of Distance

- Before – Government as regulator
- Now – New regulators and stakeholders
  - Ministry of the Environment
  - Ministry of Energy & Mines
  - Ministry of Health
  - Local Communities
  - NGOs and Media
  - Insurers
  - Customers
  - Employees
  - ...



# Eye Openers for WestLB – BTC





# Eye Openers for WestLB – André Maggi Group



“For environmentalists the soy farmer is like a red flag ...”

Nur für die Organisationen ist der Sojafarmer im Gouverneurspalast ein rotes Tuch: „Er ist wie eine Krankheit, die sich überall ausbreitet“, schimpft Regenwaldspezialist Eduardo Quartim von Greenpeace. Die Umweltschützer kritisieren, dass Maggi & Co. indirekt den Regenwald dezimieren: Sie nehmen Kleinbauern den Platz, die dann weiteren Amazonasregenwald abbrennen, um überleben zu können. Sie bauen Straßen, auf denen dann Siedler in den Dschungel folgen. Für solche Vorwürfe hat Maggi wenig Verständnis. Er scheint sie nicht mal richtig nachvollziehen zu können. Denn für ihn halten sich die meisten Sojafarmer an die Gesetze. „Wer Wald abbrennt, muss bestraft werden“, so der Gouverneur trocken.

## Direkt na

Wie ein Brasilianer zum größten

Zwei Stunden dauert der Flug von Sao Paulo in das westbrasilianische Curitiba. Von dort fünf Stunden mit dem Auto über eine Landstraße, in die schwer beladene Trucks tiefe Killen gegraben haben. Rechts und links der Trasse Sojafelder, die auch am hitzeflimmernden Horizont nicht enden. Rondonópolis heißt das staubige Ziel. An einer der Ausfallstraßen der 150 000-Einwohner-Stadt liegt ein Bürokomplex mit dem Charme eines Busbahnhofes – die Firmenzentrale der Grupo André Maggi, des größten Sojaerzeugers der Welt, zugleich ein wichtiger Händler.

...ung an der Chica...  
...Inzwischen sind...  
...Wetter in den USA...  
...kurzem erwartet...  
...niger ausfällt. Z...  
...ein Konflikt mit C...  
...Richtung acht Doll...  
...der chinesische Z...  
...rikamischen Sojas...  
...zung der Hygien...  
...nachdem der Konf...  
...Einfuhr wieder...  
...prompt in Richtun...



...Zwar ist be...  
...on unschlag...  
...von den Ex...  
...oder Parana...  
...sind die Silos...  
...2000 Kilometer...  
...n getrennt. Die...  
...anz Brasilien...  
...i Hafenanlagen...  
...ber die Logistik...  
...und be...  
...der Juniforch...  
...die rettende...  
...ta teuer per...  
...Hew nach So...  
...nach Norden...  
...den Konflikt...  
...werden. „Größ...  
...Produktions...  
...Truck Dab...



# The Triple Bottom Line

WestLB's goal in managing sustainability is to strike a balance between ...

... economic,

... environmental

... and social interests.

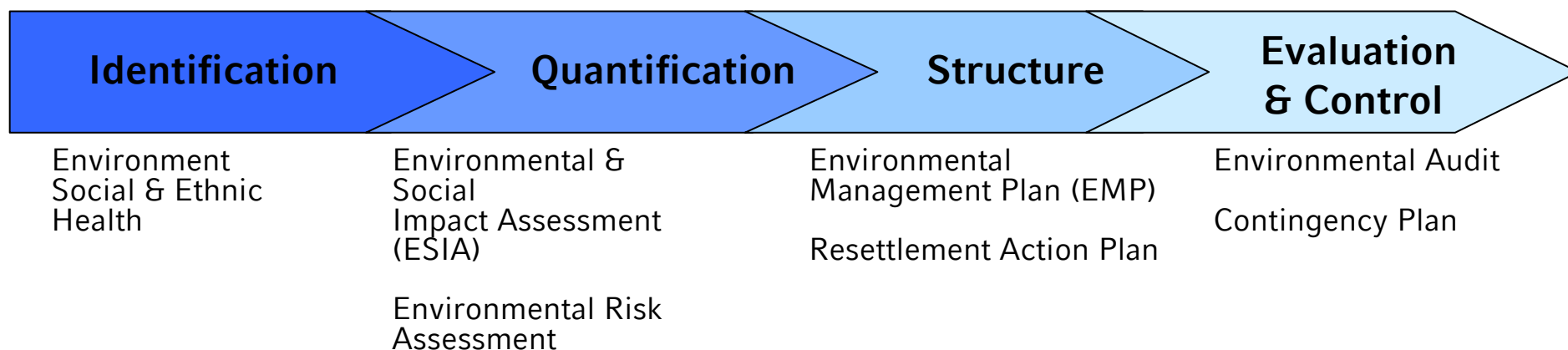




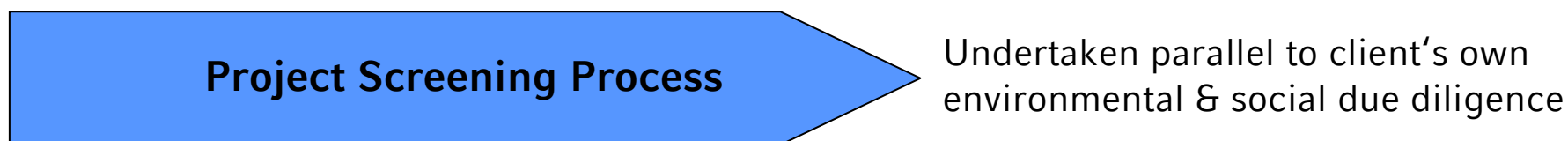
# Equator Principles – Implementation at WestLB

EP as part of internal decision making for client and WestLB

Client:

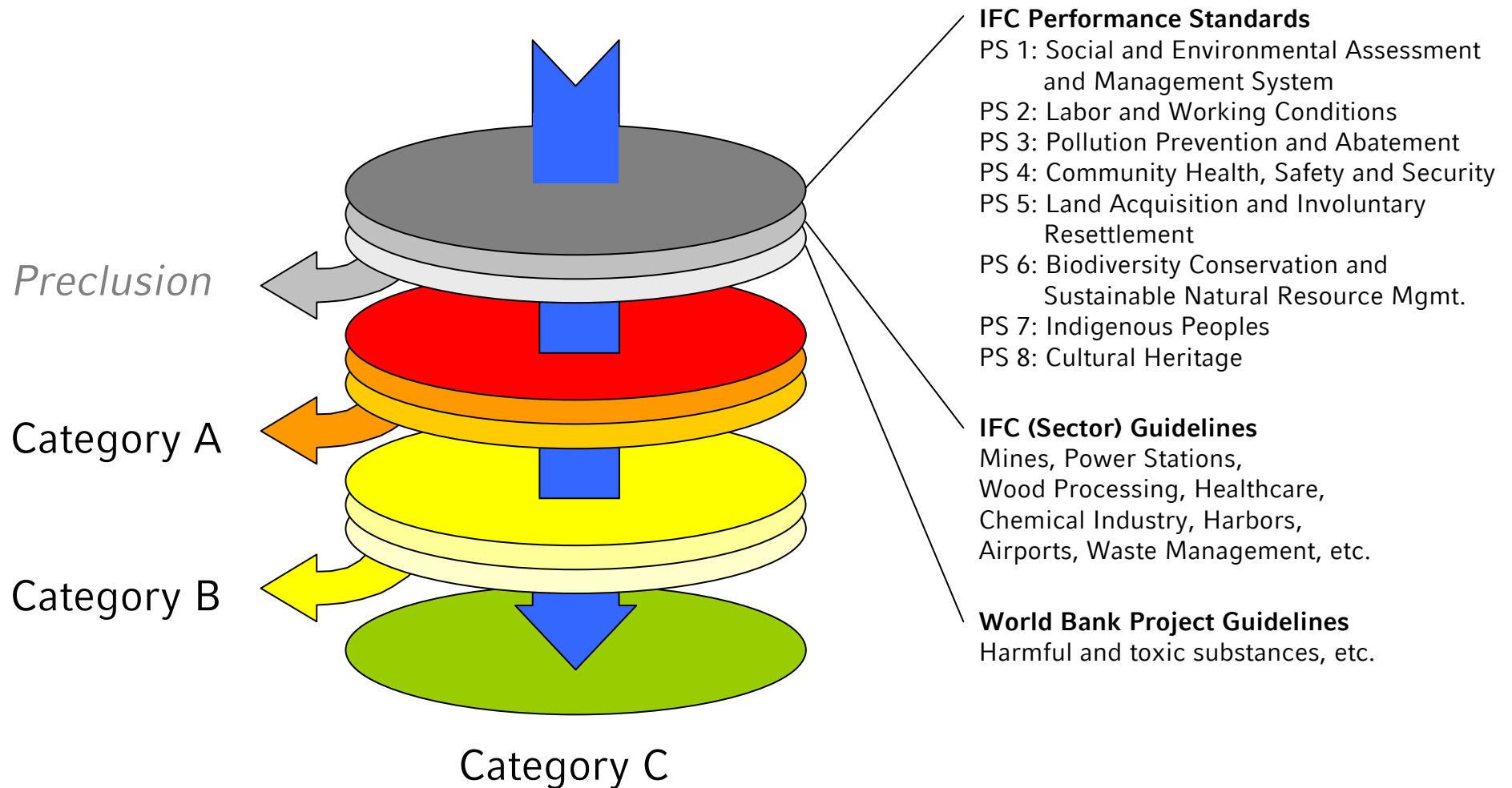


WestLB:



# Equator Principles – Implementation at WestLB

## Systematic project categorization



# Project Categorization

## Precluded Investments:

- Conversion or degradation of a critical natural habitat
- Utilization of forced labour or harmful child labour
- Major/direct suppliers utilize forced labour or harmful child labour



## Category A:

- Negatively/materially impacts a vulnerable indigenous community
- Converts or degrades a natural habitat
- Impacts non-replicable cultural property
- Results in involuntary resettlement of more than 50 people through physical relocation or economic displacement
- Involves diverse or unprecedented environmental or social impacts
- Involves forestry operations in a low or middle-income country



# Project Categorization

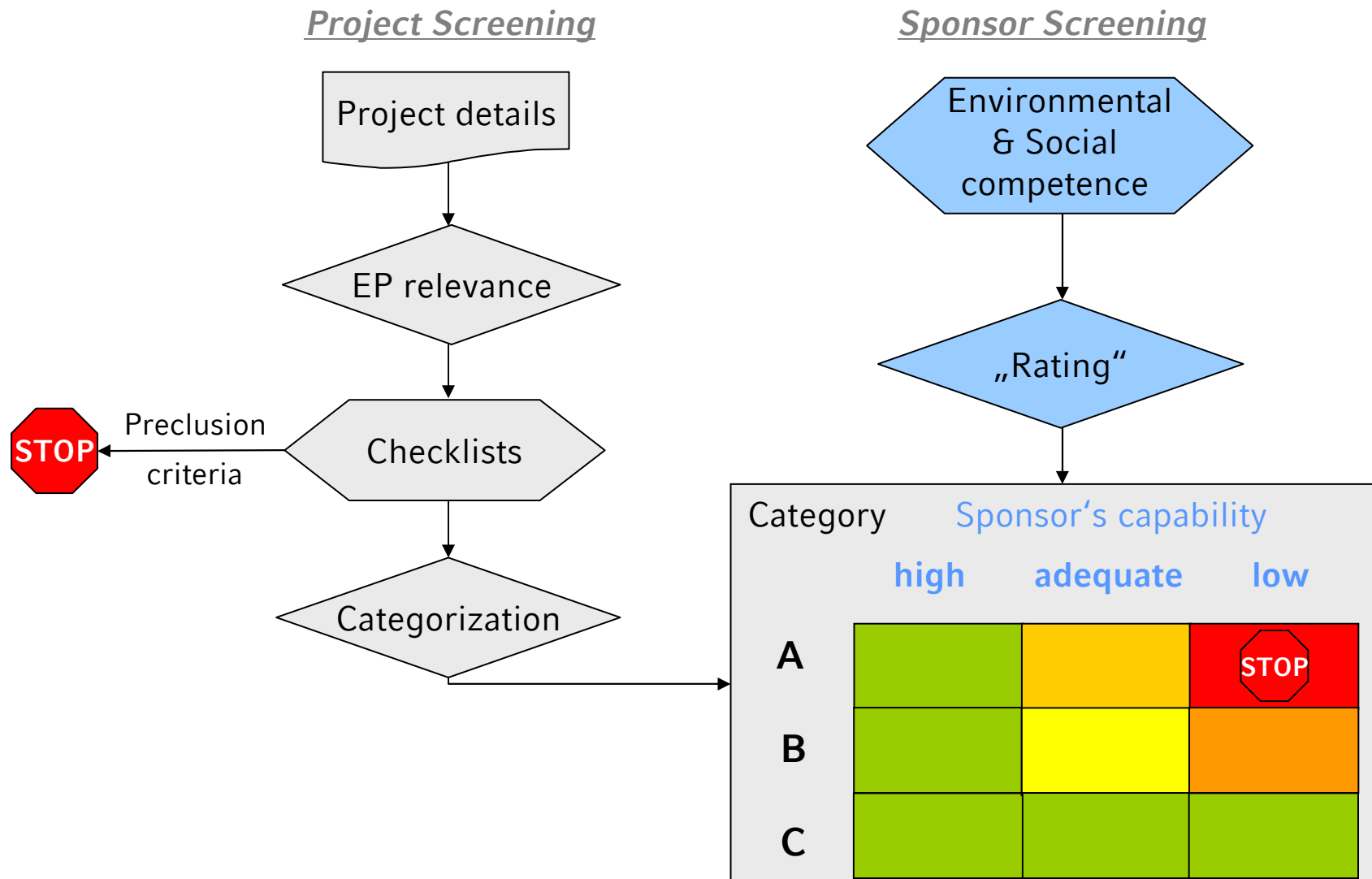
## Category B:

- Involves construction of a dam in excess of 15 m in height or 10-15 m in height with unusual design complexities
- Utilizes synthetic chemical pesticides
- Procures or formulates any synthetic chemical pesticides
- Impacts a waterway which forms a boundary between or runs through 2 or more countries
- Impacts one or more environmental (i.e. air or water quality) or social matters

## Category C:

- By default all other projects should be categorized as a C

# Equator Principles – Implementation at WestLB



# EP – Risk Management for Project Finance in Latin America

- New Deal Committee
- Preliminary assessment- prepare the EP Form and determine Category
- EP Form signed by Originations and SuMa is included in credit application

## For Category A & “Big B” projects:

- Senior management approval required prior to taking reputation risk
- Review financing proposal and term sheet
- Assist in selection of external consultants
- Communicate directly with the project’s sponsors and consultants
- Perform on-site environmental and social due diligence: pre-closing, during construction and operations phases
- Review project company’s and consultants’ periodic reports
- Support syndication efforts
- Perform on-going monitoring for the life of the facility



# Equator Principles – Implementation at WestLB



The application of the Equator Principles along with close involvement by Sustainability Management enables WestLB to lead sensitive, high profile, complex transactions.