

Reporting on the Implementation of the EQUATOR PRINCIPLES

Year 2018



Introduction

This report provides KDB's Equator Principles (EPs) Data & Implementation Reporting for the year 2018 (reporting period 1 January ~ 31 December 2018) in accordance with Principle 10 of the 2013 version of the Equator Principles, which state that the EPFI will report publicly, at least annually, on transactions that have reached Financial Close and on its Equator Principles implementation processes and experience, taking into account appropriate confidentiality considerations.

Data Reporting

Project Finance Data

The table below provides a total of 16 Project Finance transactions that have reached financial close in 2018. They are classified into Category A, B and C by sector, region, country designation and whether an independent review was carried out.

By Sector	Category A	Category B	Category C
Mining	0	0	0
Infrastructure	2	4	0
Oil & Gas	0	0	0
Power	1	5	1
Others	0	3	0
By Region	Category A	Category B	Category C
Americas	0	4	0
Europe, Middle East & Africa	2	2	0
Asia Pacific	1	6	1
By Country Designation	Category A	Category B	Category C
Designated	1	10	1
Non-Designated	2	2	0
Independent Review	Category A	Category B	Category C
Yes	3	6	0
No	0	6	1
Total			
	3	12	1



Project-Related Corporate Loans Data

The figures below indicate two Project-Related Corporate Loans, which are broken down into sector, region, country designation and whether an independent review was carried out.

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

Project Finance Advisory Services Data

KDB had been mandated to provide 12 Project Finance Advisory services, to which the Equator Principles were applicable.

By Sector	
Mining	0
Infrastructure	8
Oil & Gas	0
Power	4
Others	0
Total	12

By Region	
Americas	3
Europe, Middle East & Africa	2
Asia Pacific	7
Total	12



Implementation Reporting

Environmental and Social (E&S) Policy

KDB established the *E&S Review and Management Guidelines* which set out the Bank's objectives, standards and procedures for managing the E&S risks in Project-Related transactions. Since its establishment in 2016, the *Guidelines* have been amended twice to expand the scope of application, improve clarity and better align the Bank's E&S due diligence process with the EPs.

The *Guidelines* form an integral part of the Bank's internal credit policy and are accompanied by manuals, standardized forms and the FAQ documents to facilitate consistency in application across the front office and help address the common inquiries of staffs.

E&S Review Process

The EPs implementation involves coordination between relevant departments within the Bank each with varying roles and responsibilities:

- **Front Office:** Relationship Managers (RMs) who are in charge of initiating transactions hold a primary responsibility of the EPs implementation. With the support of the E&S team, the RMs are on the front line, working with clients, sponsors, lenders and consultants to ensure the Project's compliance with the EPs in credit appraisal, financial close and over the tenure of the loan.
- **E&S Team:** In 2016, KDB created a team independent from the front office to assessing the E&S risks associated with Project-Related transactions. It takes on a fundamental role of categorizing Projects and issuing KDB's assessment reports that outline the Project's compliance with the EPs along with recommendations on follow-up actions. In addition, the team holds responsibilities of amending the *Guidelines* and the related documents required to help proceed the Bank's E&S due diligence process, as well as providing staff training sessions to raise awareness and enhance understanding of the E&S risk management.



- **Credit Review Division and Senior Management:** Assessment reports prepared by the E&S team form an essential part of KDB's credit appraisal document, enabling the Credit Review Division and the Credit Review Committee (composed of the Bank's top management) to incorporate the E&S risks into their decision-making process.

Staff Training and Capacity Building

The E&S team endeavors to promote internal understanding of the Equator Principles through in-house training and via distribution of e-learning modules developed by the Equator Principles Association. During the reporting period (and months leading up to this period), KDB had continued its efforts to enhance the capacities of its staff members potentially working on transactions under the scope of the EPs, primarily by means of:

- staff training sessions by the E&S team on the standards and procedures for the E&S risk management as stipulated in the *Guidelines*;
- expert seminars on emerging good practices of the financial industry in managing the E&S risks supported by relevant case studies; and
- e-learning modules developed by the Equator Principles Association covering the key aspects of the EPs implementation.

