

Reporting On Implementation Of EQUATOR PRINCIPLES

Year 2017



Implementation Reporting

This constitutes KDB Bank's Equator Principles (EPs) implementation report for the year 2017 (2 January 2017 ~ 31 December 2017) pursuant to Principle 10.

Environmental and Social (E&S) Policy

KDB Bank established the E&S Review and Management Guideline which sets out the bank's objectives, standards and procedures for managing E&S risks in project-related transactions. Since its establishment in 2016, the Guideline has been amended to expand the scope of application, improve clarity and better align the bank's E&S due diligence process with the EPs.

The E&S Review and Management Guideline forms an integral part of the bank's internal credit policy and is accompanied by manuals, standardized forms and FAQ document to facilitate consistency in application across the front office and help address the common inquiries of staff.

E&S Review Process

Implementation of the EPs involves coordination between relevant departments within the bank each with varying roles and responsibilities:

- **Front Office**

Relationship Managers (RMs) that originate transactions hold the primary responsibility for the implementation of the EPs. Under the support of the E&S team, RMs are on the front lines in working with the clients, sponsors, lenders and consultants to ensure the Project's compliance with the EPs in credit appraisal, financial close and over the life of the loan.

- **E&S Team**

KDB Bank created a team dedicated to assessing E&S risks associated with project-related transactions in 2016. The E&S team which is independent from the front office takes on the principal role of categorizing Projects and issuing Assessment Reports that outline the Project's compliance with the EPs along with recommendations on follow-up actions. The team also holds the responsibility of amending the bank's guidelines and its related documents to reflect ongoing learning and emerging good practices, as well as providing staff training sessions to raise awareness and understanding on E&S risk management.

- **Credit Review Division and Senior Management**

Assessment Reports prepared by the E&S team forms an essential part of the credit appraisal document, enabling the Credit Review Division and the Credit Review Committee (composed of the bank's top management) to incorporate E&S risks into their decision-making process.



Staff Training and Capacity Building

During the reporting period (and months leading up to this period), KDB Bank continued its efforts to enhance the capacities of its staff 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 E&S risk management as stipulated in the bank's guidelines;
- expert seminars on emerging good practices of the financial industry in managing E&S risks supported by relevant case studies; and
- e-learning modules developed by the Equator Principles Association covering key aspects of EPs implementation.

