



# EQUATOR PRINCIPLES

Report 2015

Activity Recorded Enero - Diciembre 2014

## I - SCOPE

The Equator Principles (EPs) consist of a protocol of action adopted by financial institutions to determine, assess and manage environmental and social risks in investment projects, for the purpose of providing due diligence standards to support the risk-related decision making process in a responsible manner.

The Equator Principles Financial Institutions (EPFIs) commit to implement the Equator Principles in their policies, procedures and standards for project financing, as well as not to provide loans to those customers who will not, or are unable to, comply with the provisions of the EP.



EP are applied globally to all industry sectors and to four basic financial products:

Product	Description of Scope
I - Projects under Project Finance.	For investment amounts over US\$10 million
II - Project Finance Advisory Services	For investment amounts over US\$10 million.
III -Investment-Related Corporate Loan	<ul style="list-style-type: none"> <li>a) Investment amounts over US\$ 100 million.</li> <li>b) The Bank's share is at least US\$ 50 million.-</li> <li>c) The loan tenor is at least two years.</li> </ul>
IV -Bridge Loans	Loans with a maximum tenor of two years, intended to be refinanced by means of Products 1 or 2, following the relevant criteria described above

## II - Statement of Principles

- EP1** *Review and Categorization*  
 Process based on the criterion established by the International Finance Corporation (IFC), which allows to determine the level of the assessment required upon the definition of the level of risk. Projects are categorized as A, B or C, where the first ones are the ones with higher levels of risks and the last ones are those of lower or insignificant level of risk
- EP2** *Environmental and Social Assessment*  
 For all Category A and Category B projects, an environmental and social assessment will be required, in order to propose the necessary measures to minimise, mitigate, and/or offset adverse impacts in a manner relevant and appropriate to the nature and scale of the proposed Project
- EP3** *Applicable Environmental and Social Standards*  
 The Project should address compliance with relevant host country laws, regulations and permits related to environmental and social issues. For Projects located in Non-Designated Countries, compliance should also be addressed with the applicable IFC Performance Standards as well as the Environmental, Health and Safety Guidelines
- EP4** *Environmental and Social Management System and EP Action Plan*  
 For all Category A and Category B Projects, the client should develop or maintain an Environmental and Social Management System (ESMS) and prepare an Environmental and Social Management Plan (ESMP), which may require a specific Action Plan (AP) in case the ESMP does not meet the Equator Principles'
- EP5** *Stakeholder Engagement*  
 For all Category A and Category B Projects, the client will be required to demonstrate effective Stakeholder Engagement as an ongoing process in a structured manner which is culturally appropriate to the community. For Projects with potentially significant impact, the client will conduct an Informed Consultation and Participation process in the early stages of the assessment process
- EP6** *Grievance Mechanism*  
 For all appropriate Category A and Category B Projects, the client will be required, as part of the ESMS, to establish a grievance mechanism designed to receive and facilitate resolution of concerns and grievances about the Project's environmental and social performance
- EP7** *Independent Review*  
 For all appropriate Category A and Category B Projects, an Independent Environmental and Social Consultant, not directly associated with the client, will carry out an Independent Review of the relevant Assessment Documentation (EIA, ESMP, ESMS, AP) in order to confirm the compliance with Equator Principles
- EP8** *Covenants*  
 For all Projects, the client will covenant in the financing documentation to comply with all relevant host country environmental and social laws, regulations and permits in all material respects. Furthermore for all Category A and Category B Projects, the client will undertake to comply with a series of specific covenants established in the Equator Principles protocol
- EP9** *Independent Monitoring and Reporting*  
 For all Category A and, as appropriate, Category B Projects, the client is required to appoint an experienced Independent Environmental and Social Consultant to verify its monitoring information to be shared with BROU
- EP10** *Reporting and Transparency*  
 For all Category A and, as appropriate, Category B Projects, the client will ensure that, at a minimum, a summary of the ESIA is accessible and available online, as well as the GHG emission levels for Projects emitting over 100,000 tonnes of CO2 equivalent annually. Brou should report publicly, on an annual basis, the transactions that have reached Financial Close the previous year, as well as provide information on its Equator Principles implementation processes.

## III -Third Version of the Equator Principles

In 2014, after an important process of internal elaboration, professional advice, disclosure, stakeholders consultation, collection of recommendations and voting in the EPFI environment, the third version of the Equator Principles (EPIII) came into effect.

A summary of the main changes between the second (EPII) and the last version (EPIII) of the Equator Principles is included below:

CONCEPT	EPII	EPIII
<p><b>Scope</b> Financial products included</p>	<ul style="list-style-type: none"> <li>Project Finance loans</li> <li>Project Finance advice</li> </ul>	<ul style="list-style-type: none"> <li>Project Finance loans</li> <li>Project Finance advice</li> <li>Corporate Loans related to Investment Projects.</li> <li>Bridge Loans</li> </ul>
<p><b>EPFIs Reporting</b> Annual report required for the member Institutions</p>	<ul style="list-style-type: none"> <li>Number of analyzed and approved transactions and categorization.</li> <li>Information on the process implementation.</li> </ul>	<ul style="list-style-type: none"> <li>Number of approved projects including categorisation, sector, region and whether independent review was performed.</li> <li>Name of approved projects.</li> <li>Information on the process implementation including roles, responsibilities, team, policies and procedures.</li> <li>Details of the training performed during the first year of adoption.</li> </ul>
<p><b>Customer reports</b></p>	<ul style="list-style-type: none"> <li>Not required</li> </ul>	<ul style="list-style-type: none"> <li>Summary of the on-line Assessment of the Environmental and Social Impact.-</li> <li>Levels of GHG emission for Projects emitting over 100,000 tonnes of CO2 equivalent annually during the operation stage</li> </ul>
<p><b>Social</b></p>	<ul style="list-style-type: none"> <li>Due diligence on social risk</li> <li>Free, prior and informed inquiry</li> </ul>	<ul style="list-style-type: none"> <li>Social and applicable human rights due diligence.</li> <li>Free, prior and informed consent in specific circumstances.</li> </ul>
<p><b>Climate Change</b></p>	<ul style="list-style-type: none"> <li>As part of the application of World Bank's environmental, health and safety guidelines</li> </ul>	<ul style="list-style-type: none"> <li>Consideration in the Due Diligence process.</li> <li>Alternative analysis for Projects of high emissions, in line with the IFC Performance Standard 3.</li> <li>Explicit reference to the need to consider the effects of climate change in the preamble of the Equator Principles document.</li> </ul>
<p><b>Exchange of Information among EPFIs.</b></p>	<ul style="list-style-type: none"> <li>Not required, it is performed informally.</li> </ul>	<ul style="list-style-type: none"> <li>It is required for members of the association to share information related to social and environmental issues.</li> </ul>
<p><b>Designation of member countries</b></p>	<p>Assessment in high income OECD countries is considered an acceptable substitute for the application of IFC Performance Standards</p>	<ul style="list-style-type: none"> <li>Assessment processes in "Designated Countries" is an acceptable substitute for IFC Performance Standards.</li> <li>Currently, the list of "Designated Countries" refers to high income OECD countries. However, the list is under review.</li> </ul>

## IV - BROU and EP

### Adoption

BROU adhered to the Equator Principles in 2008, becoming one of the first banks to do so in Latin America, and the first one in Uruguay, being the only one in the country to this day.

Financial institutions that adopt these principles undertake to assess and to take into consideration the social and environmental risks of the Projects that require financing and which total investment is over USD 10,000,000, granting loans only to those proposals that can prove the appropriate management of said risks, strictly complying with the provisions of the Equator Principles.

With the implementation of socially responsible Projects, this method of business benefits society in general, and companies in particular, by reducing their operational risks, increasing their competitiveness and facilitating access to international markets.

For BROU, this ensures that the funds loaned are directed to environmentally and socially sustainable ventures, which is consistent with its development bank profile.

This way, BROU is part of the group of main international banks that adhere to these Principles, and are responsible for over 70% of the financing of investment Projects located in developing countries

### Technical Team

BROU has a technical team of specialists in the assessment of environmental and social risk who, besides their specific discipline, count with the support of professional advisors in several fields, both belonging to the functional frameworks of the Institution as well as independent professionals hired when necessary.

The team belongs to the Technical Advisory Department of the Corporate Business Unit, has full technical independence, develops an ongoing professional training plan and is tightly linked to organisations and/or institutions involved in environmental and social issues, such as national and international universities, environmental government agencies, local governments, NGOs, etc.

### Training

In 2014 BROU has continued to work on its goal to achieve higher levels of training in the different operational levels. Decisions have been made in this sense, allowing to widen the access to information and inquiries. Particularly, and regarding the environmental and social risk area, we highlight the affiliation of BROU to UNEP FI, an institution that promotes the development of the United Nations Environment Programme for Financial Institutions and seeks to provide technical support for the achievement of sustainable financial operations.-

By the end of 2014, and upon IADB's funding project to finance investment projects requested to BROU, the adaptation of the System of Analysis of Environmental and Social Risk was carried out, so as to make it also compatible with the Environmental Safeguard of said multilateral credit Institution.

In order to accomplish this goal, the IADB appointed an internationally recognized and independent environmental advisor, who, along with our technical team, developed the new document that defines the current System of Analysis of Environmental and Social Risk, to be applied in the financial operations carried out at BROU, included in said document due to its characteristics

COURSE	INSTITUTION
Specialization in Assessment of Environmental Analysis of Environmental and Social Risks	Miguel de Cervantes European University - Spain
Climate Change – Risk and Opportunities for the finance sector	UNEP - FI

Details of some of the courses carried out by members of the technical team during 2014

On the present year, and within the continuous training framework, members of the technical team will start to attend the Master in Environmental Management and Audits, taught by the European University of the Atlantic through the Ibero-American University Foundation (FUNIBER) platform.-

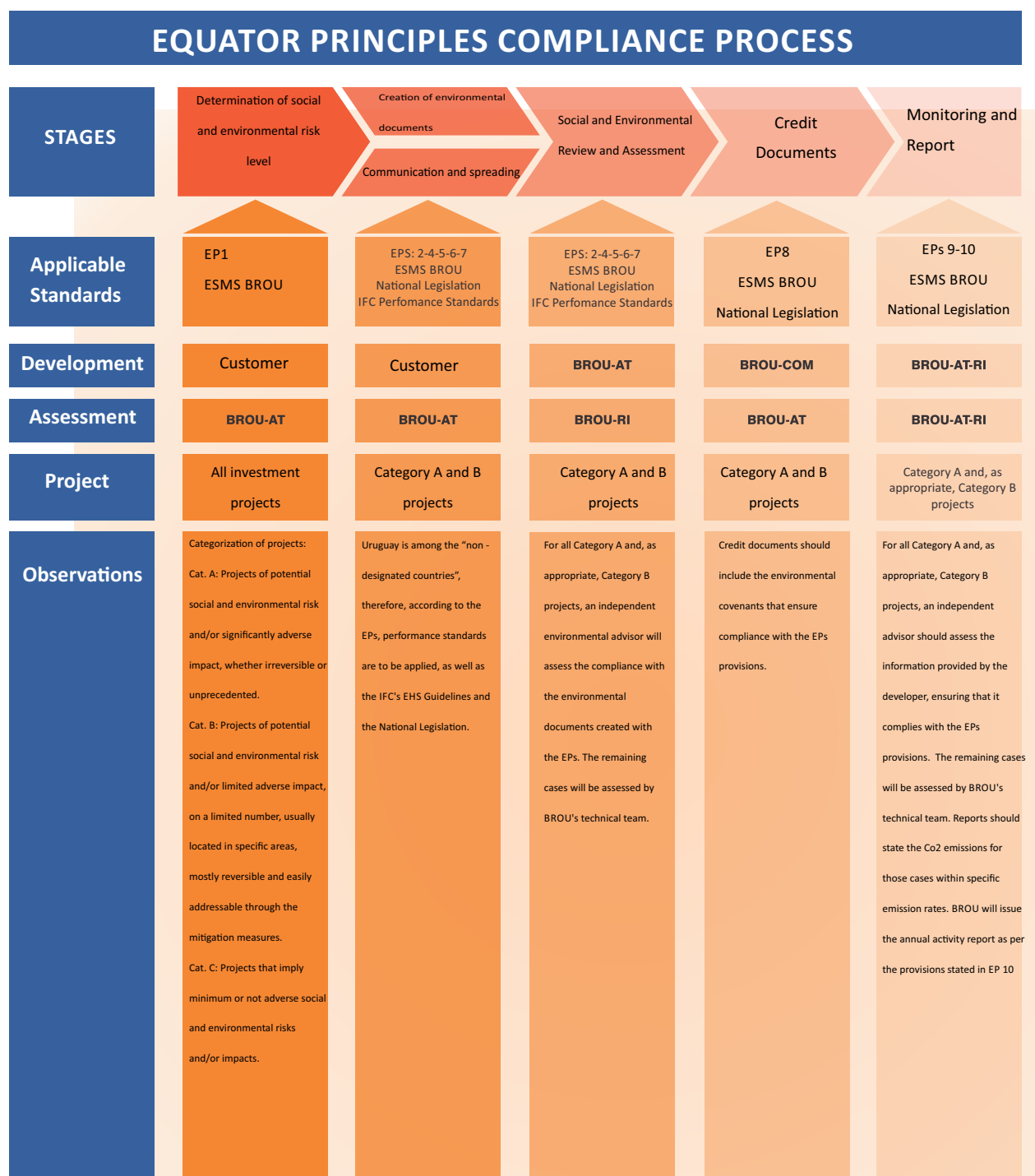


## Compliance

Since the year 2005, BROU regularly calls companies to submit Investment Projects proposals, to be analysed according to economic-financial and sustained development indicators, as well as other parameters that foster the economic development and national competitiveness.

Projects selected obtain a financing of up to 70% of the investment, at a preferential rate and for a term of up to 10 years.

From said selection, projects for over US\$ 10 million will be assessed following the Equator Principles standards and according to the following process flow:

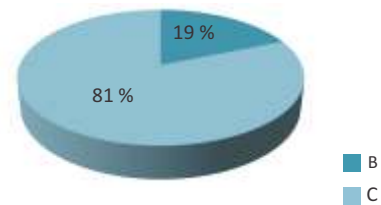


## V - ACTIVITY REPORT 2014

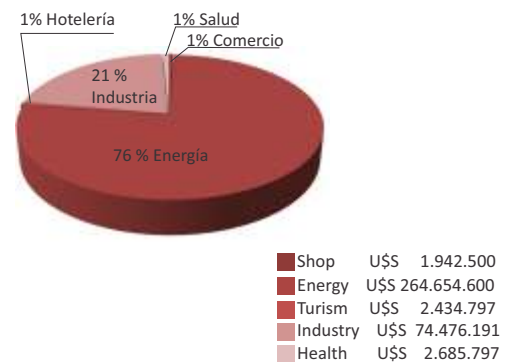
### Projects included in the 9th Bid for Projects for the year 2014

Grupo	Industry	Project	Department	Investment	Loans
Grupo I	Industry	Malt Processing	MDEO	60.000.000,00	45.000.000,00
Grupo I	Services	Logistic	MDEO	1.294.993,00	900.000,00
Grupo II	Energy	Wind Energy	COLONIA	18.800.000,00	7.520.000,00
Grupo II	Energy	Wind Energy	DURAZNO	8.002.000,00	5.600.000,00
Grupo II	Industry	Obra Civil	MDEO	2.212.440,00	1.500.000,00
Grupo II	Industry	Thecnology	MDEO	213.940,00	150.000,00
Grupo II	Industry	Solar Energy	MDEO	669.750,00	489.825,00
Grupo II	Services	Civil Works	MDEO	14.559.623,00	10.062.680,00
Grupo II	Services	Shopping	PAYSANDU	19.524.254,00	5.000.000,00
Grupo III	Industry	Civil Works	CANELONES	4.018.071,00	2.812.600,00
Grupo III	Industry	Civil Works	CANELONES	5.862.723,00	4.690.178,00
Grupo III	Health	Civil Works	MDEO	2.685.797,00	1.783.000,00
Grupo III	Services	Thecnology	MDEO	3.624.220,00	2.537.220,00
Grupo III	Services	Logistic	MDEO	1.400.193,00	980.095,00
Grupo III	Industry	Civil Works	TACUAREMBO	519.451,00	130.000,00
Grupo III	Industry	Civil Works	TACUAREMBO	504.585,00	222.641,00
Grupo IV	Services	Civil Works	CANELONES	1.780.000,00	1.000.000,00
Grupo IV	Services	Vehicles acquisition	DURAZNO	817.600,00	572.300,00
Grupo IV	Services	Tranport	FLORIDA	465.000,00	418.500,00
Grupo IV	Turism	Civil Works	MALDONADO	754.894,00	460.000,00
Grupo IV	Trade	Supermarket	MDEO	353.000,00	150.000,00
Grupo IV	Trade	Civil Works	MDEO	446.000,00	312.200,00
Grupo IV	Industry	Civil Works	MDEO	475.231,00	332.661,00
Grupo IV	Services	Civil Works	MDEO	1.800.000,00	1.200.000,00
Grupo IV	Services	Civil Works	MDEO	425.437,00	271.000,00
Grupo IV	Hotelería	Civil Works	RIVERA	1.071.498,00	410.000,00
Grupo IV	Services	Civil Works	SAN JOSE	1.360.900,00	952.800,00
Grupo IV	Trade	Civil Works	TACUAREMBO	950.000,00	665.000,00
Grupo IV	Trade	Civil Works	TACUAREMBO	193.500,00	130.000,00
Grupo IV	Turism	Obra Civil	TACUAREMBO	607.845,00	100.000,00

### Participation by category



### Sector - Participation

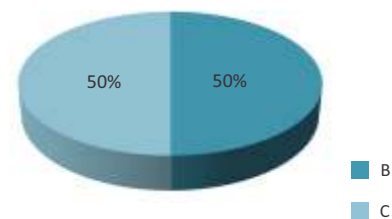


### Projects analyzed under the EP criteria in 2014

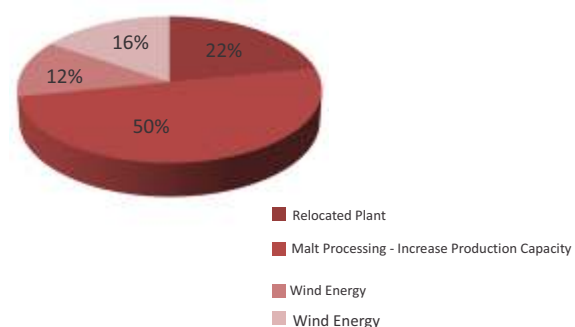
#### I.I Project Finance\* with financial close:

TOTAL			
4			
Financial Close by Category			
A	B	C	
	2	2	
Category Breakdown			
By Sector			
Power			2
Wind			2
Other		2	
Malt Processing		1	
Dairy Industry		1	
By Region			
America		2	2
Country Designation			
Non-Designated		2	2
Independent Review			
Yes			
No		2	2
NAME	INVESTMENT	LOANS	
PILI S.A	26.393.155	19.724.524	
MALTERÍA ORIENTAL SA	60.000.000	45.000.000	
TOGELY COMPANY SA	15.137.200	10.579.200	
FIDE FINANC.de OFERTA PRIVADA	18.800.000	7.520.000	

### Participation by category



### Sector Participation

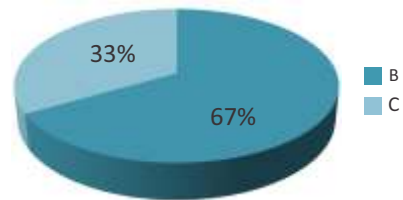


\* - or risk and requirements similar to this product

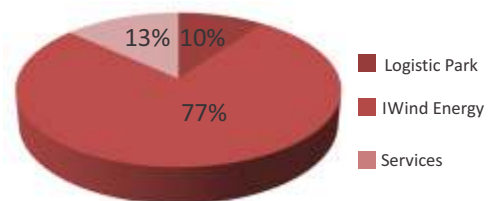
**I.II - Project Finance\* with financial close in progress:**

TOTAL		
3		
Analysed by Category		
A	B	C
	2	1
Category Breakdown		
By Sector		
Power	1	
Wind	1	
Other	1	1
Services - Logistics	1	1
By Region		
America	2	1
Country Designation		
Non-Designated	2	1
Independent Review		
Yes		
No	2	1
NAME	INVESTMENT	LOANS
DORALINE SA	14.559.623	10.062.680
R.DEL ESTE SA	112.888.400	28.330.000
RETWIR SA	19.524.254	5.000.000

**Participation by category**



**Sector Participation**



- II - Project Finance Advisory Services  
No Loans under EP scope
- III - Investment-Related Corporate Loan  
No Loans under EP scope
- IV - Bridge Loans  
No Loans under EP scope