

## Social and Environmental Management in Investment Project



## BROU and Social Environment Management in Investment Project

### 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.

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.

At the end of 2015, BROU obtained high positive evaluation as a consequence of the first review by the IADB on the implementation of the management system developed.

### 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

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

## Brou and EP

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	a) Investment amounts over US\$ 100 million. b) The Bank's share is at least US\$ 50 million.- c) The loan tenor is at least two years.
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

## Statement of Principles

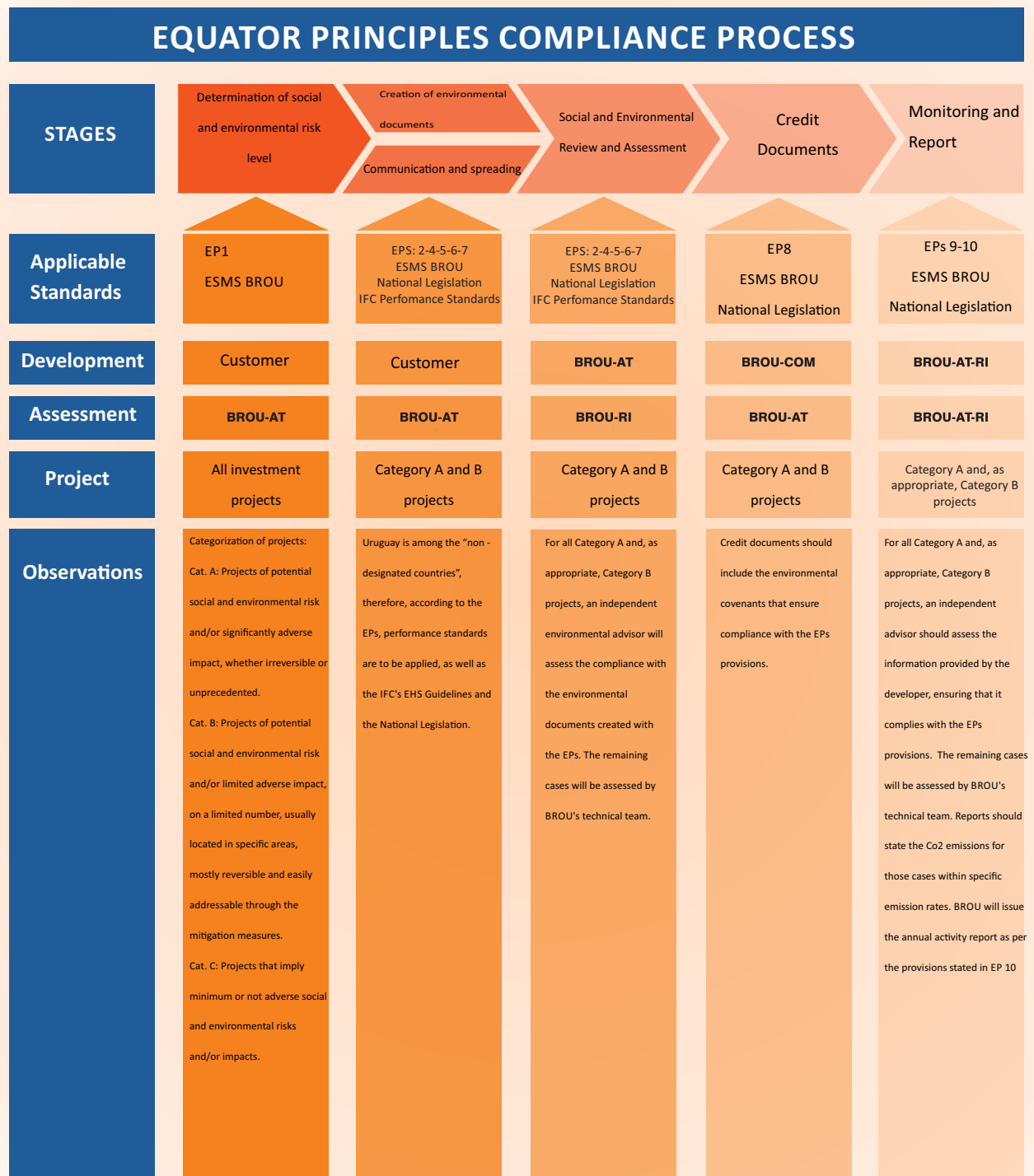
- EP1** ***Review and Categorization***  
Process based on the criterion established by the International Finance Corporation (IFC), which allows to determine the level of the assessment required upon the definition of the level of risk. Projects are categorized as A, B or C, where the first ones are 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.

## 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:



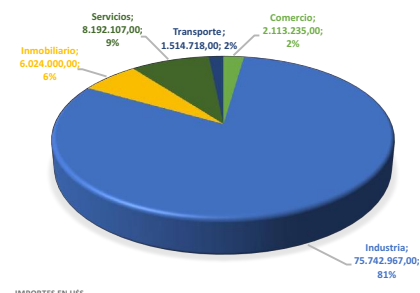


## Activity Report 2015

## Projects included in the 10th Bid for Projects for the year 2015

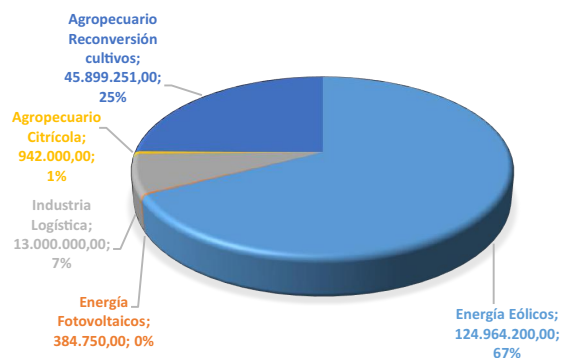
GROUP	SECTOR	SUBSECTOR	LOCATION	INVESTMENT	LOANS
Grupo I	Industry	Frigorífica	Tacuarembó	4.722.000,00	3.305.000,00
Grupo II	Services	Health	Canelones	821.000,00	600.000,00
	Industry	Frigorífica	Florida	22.000.000,00	8.778.500,00
Grupo III	Industry	Tannery	Montevideo	3.400.000,00	2.730.000,00
	Industry	Food	Montevideo	7.495.000,00	4.742.000,00
	Services	Health	Canelones	4.171.245,00	2.919.872,00
	Industry	Food	Canelones	5.686.105,00	4.265.000,00
	Industry	Food	Río Negro	21.920.177,00	5.200.000,00
	Industry	Logistic	Canelones	5.272.965,00	3.000.000,00
	Industry	Civil Works	Canelones	256.634,00	180.000,00
	Services	Advertaising	Montevideo	1.153.735,00	807.615,00
Grupo IV	Industry	Pta Industrial	Montevideo	2.425.000,00	2.000.000,00
	Industry	Metalurgical	Tacuarembó	1.333.730,00	938.200,00
	Industry	Civil Works	Paysandú	971.540,00	680.077,00
	Services	Turism	Salto	23.782,00	160.000,00
	Services	Communications	Rivera	458.100,00	298.100,00
	Industry	Food	Colonia	259.816,00	207.853,00
	Transport	Logística	San José	675.000,00	398.200,00
	Trade	Merchandise	Montevideo	925.000,00	618.000,00
	Trade	Logistic	Montevideo	839.718,00	587.803,00
	Trade	Fuel	San José	1.188.235,00	808.000,00
	Services	Sports	Canelones	507.131,00	246.000,00
	Services	Hotel	Cerro Largo	1.057.114,00	600.000,00
	Real Estate	Real Estate	Montevideo	6.024.000,00	2.100.000,00

## Participation by category



## - Proyectos analizados en el marco del Sistema de Gestión Ambiental y Social del BROU:

GROUP	SECTOR	SUBSECTOR	INVESTMENT	LOANS
BID	Energy	Wind	124.964.200,00	50.000.000,00
	Energy	Photovoltaics	384.750,00	269.325,00
	Industry	Logistic	13.000.000,00	10.000.000,00
	Agricultural	Citrus	942.000,00	851.400,00
	Agricultural	Farming	45.899.251,00	37.254.000,00



## Projects analyzed under the EP criteria in 2015

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

TOTAL			
1			
Financial Close by Category			
A	B	C	
	1		
Category Breakdown			
By Sector			
Meatpacking Industry		1	
By Region			
América		1	
Country Designation			
Non Designated		1	
Independent Review			
Yes			
No		1	

NAME	INVESTMENT	LOANS
CLADEMAR SA	22.000.000	8.778.500
	22.000.000	8.778.500

## 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

\* - or risk and requirements similar to this product