

INSTITUTO DE CRÉDITO OFICIAL

REPORTING ON EQUATOR PRINCIPLES IMPLEMENTATION 2022

- **Introduction**

The Equator Principles (hereafter EP) are the **framework** in the finance industry for the **identification, assessment, and management of potential environmental and social risks in project finance**.

First published in 2003, **the EP are based on** the International Finance Corporation (IFC) Performance Standards and the World Bank's Environmental, Health and Safety (EHS) Guidelines. In October 2020, EP launched its fourth version (EP4), effective at the date of publication of this document. This new version extended the scope of application of the EP with new commitments, in particular with respect to human rights (especially the rights of indigenous communities), climate change and biodiversity, and applies globally to all countries and industry sectors.

ICO, in line with its values and its mission to promote a more sustainable economy, joined this initiative in October 2016 to improve the impact measurement of its large financing projects with the aim of identifying and mitigating the possible negative effects that they may have on the ecosystem, local communities and the climate. By adhering to these Principles, ICO undertakes to introduce the necessary internal procedures in its environmental and social policy for compliance with them.

- **The Equator Principles at ICO**

Because of the fiduciary duty conferred by its public nature and its vocation as a development institution, as well as to meet the demands of all its stakeholders, it is essential for ICO to carry out a risk analysis that includes and considers the indirect environmental impacts of financing projects.

Under this premise, ICO integrates compliance with the obligations under the EP framework into its internal processes, making timely updates when deemed appropriate.¹

The process begins with the collection of information and joint analysis of the operations proposed for financing by the Business and Sustainability departments to determine whether they meet the minimum requirements to be categorised under one of the five operation typologies contemplated in the EP framework. If so, ICO continues with the categorisation of the project (A, B or C, from highest to lowest severity) based on the significance of the potential environmental and social risks and impacts identified in the documentation.

¹ To facilitate the understanding and application of this international standard among the Institute's staff, an online Equator Principles course, adapted to the latest update, is available to employees at any time.

Where appropriate, an independent advisor will be appointed to assist ICO with due diligence process, the review of the impact category assigned to the project and the determination of compliance with the principles.

ICO establishes specific reporting requirements that will be completed by both the client and ICO on an annual basis via the [EP Association's](#) and [ICO's website](#).

STAGE 1 Screening and Scope	STAGE 2 Categorisation	STAGE 3 Environmental and Social Assessment	STAGE 4 Action Plans	STAGE 5 Covenants and Financial Close	STAGE 6 Monitoring and Reporting
Project and transaction screening under the scope of the Equator Principles	Prin. 1 & 7	Prin. 2 & 3	Prin. 4, 5, 6 & 7	Prin. 8	Prin. 9 & 10
	Category A Potential adverse and severe E&S risks and/or impacts	E&S risk assessment and mitigation, minimization, and compensation measures	Environmental and Social Management System (ESMS)	Establishment of contractual commitments linked to compliance	Monitoring and project independent reports
	Category B Potential limited adverse E&S risks and/or impacts	Human rights and climate change risks impact assessments	Environmental and Social Management Plan (ESMP)		Disclosure of reports by the client
	Category C Minimal adverse E&S risks and/or impacts	E&S applicable laws and standards compliance	Equator Principles Action Plan (EPAP)		Public disclosure of the transactions that reached financial close
			Stakeholder engagement and public participation		
			Effective mechanisms for grievances solution		
			Independent review		

- **Report**

This document constitutes the EP Implementation Report of ICO for the year 2022 (1 January to 31 December). The report has been elaborated in accordance with the latest version of the EP, which states that "the EPFI shall report publicly, at least once a year, on the transactions financed under the scope of the Equator Principles".

- **Transactions in 2022**

- 1. Project Finance**

During 2022, 4 operations have been classified as project finance under the EP. The table below shows the breakdown of these operations:

	Breakdown by category		
	Category A	Category B	Category C
	0	3	1
	Detailed breakdown by category		
By sector	Category A	Category B	Category C
Mining	0	0	0
Infrastructure	0	1	0
Oil and gas	0	0	0
Power	0	2	0
Other	0	0	1
By region	Category A	Category B	Category C
Americas	0	2	0
Europe, Middle East and Africa	0	1	1
Asia and Oceania	0	0	0
By country designation	Category A	Category B	Category C
Designated	0	3	1
Non-designated	0	0	0
Independent review²	Category A	Category B	Category C
Yes	0	3	0
No	0	0	1

- Project name reporting for Project Finance transactions in 2022

Nº	Project Name	Sector	Country	Financial Close
1	Atacama Wind Farm	Energy	Chile	2022
2	Nexfibre Networks Limited	Others	UK	2022
3	Project Helios	Energy	Spain	2022
4	JFK New Terminal One	Infrastructure	USA	2022

² An Independent Review may not be required for all Projects (e.g. an Independent Review is not required for Category C Projects). Please refer to the Equator Principles for details on what is required for each Category and product type.

2. Project-Related Refinance and Project-Related Acquisition Finance

The total number of Project-Related Refinance and Project-Related Acquisition Finance that reached Financial Close from 01/01/2022 to 12/31/2022 was 1. The breakdown is as follows:

Breakdown by sector, region and country designation	
By sector	
Mining	0
Infrastructure	1
Oil and gas	0
Power	0
Other	0
By region	
Americas	1
Europe, Middle East and Africa	0
Asia and Oceania	0
By country designation	
Designated	0
Non-designated	1

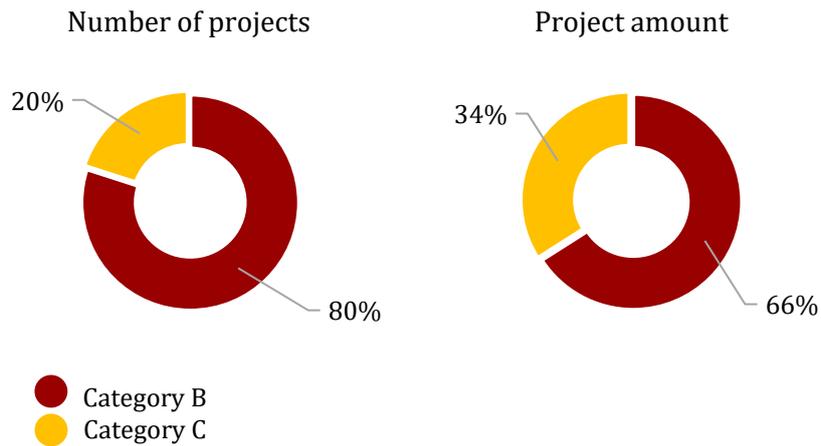
- Project name reporting for Project-Related Refinance and Project-Related Acquisition Finance in 2022

Nº	Project Name	Sector	Country	Financial Close
1	Rumichaca - Pasto	Infrastructure	Colombia	2022

- **Complementary information**

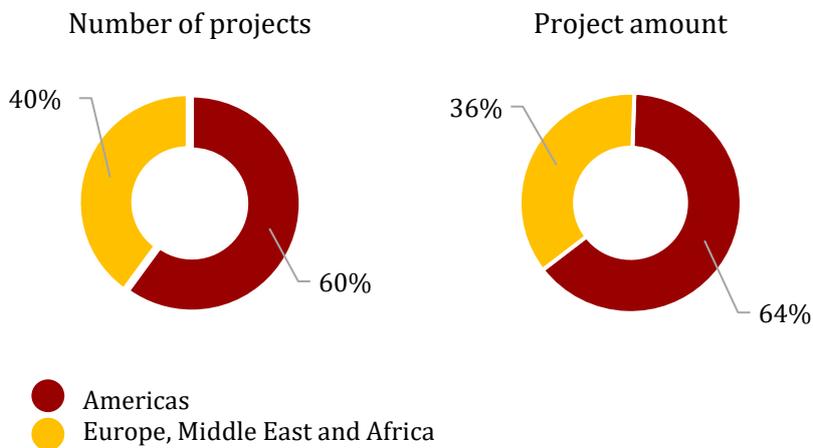
The following graphs provide a complementary view on the distribution of transactions financed by ICO under the EP framework in 2022 at operational level and, alternatively, considering the total amount represented by each investment Project.

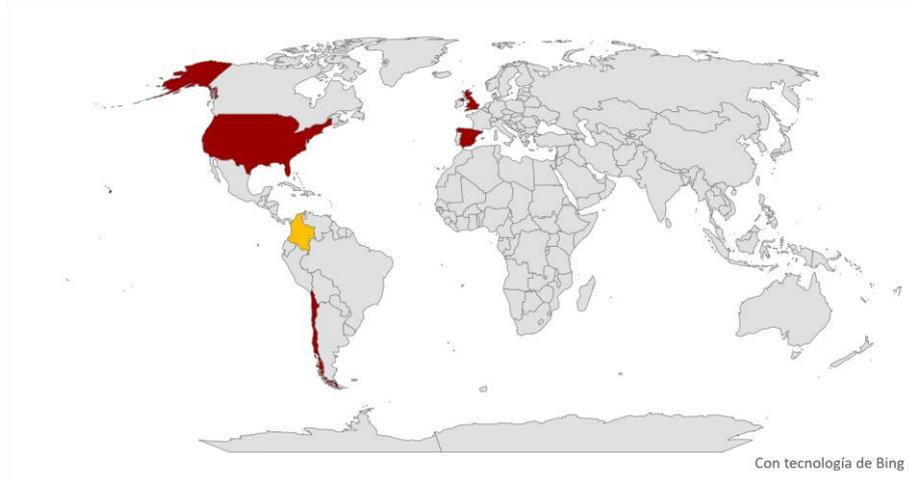
- **Operations by Project category**



Based on their distribution by category (A, B or C), in 2022, 80% of the projects financed by ICO received a "B" categorisation, while "C" projects accounted for 20%. However, the large scale of the Nexfibre Networks Limited project, for the installation and deployment of a wholesale fibre optic network in the UK, meant that "C" projects accounted for 34% of investments compared to 66% for "B" projects.

- **Operations by Project region**



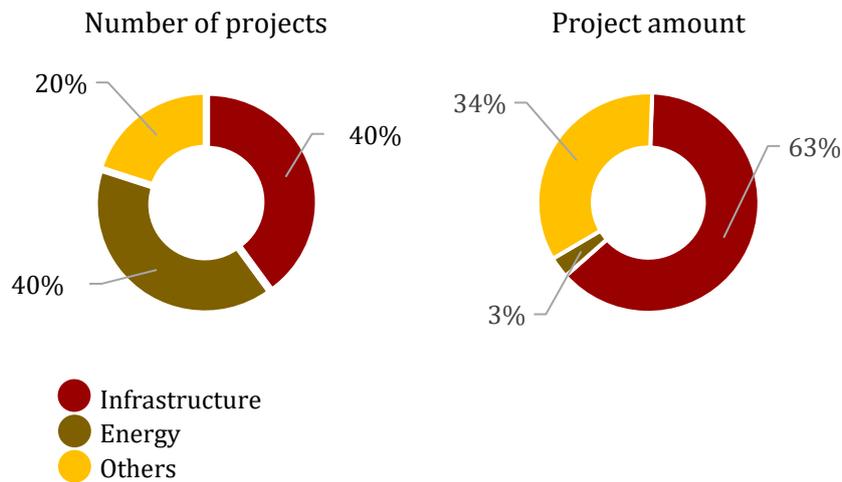


- Designated
- Non-designated

Regarding the geographical distribution of operations, most operations (60% by number of projects and 64% by amount) are in the American region. The remaining operations (40% and 36%, respectively) were carried out in the Europe, Middle East, and Africa region and, more specifically, in Europe.

Of all the operations, the Rumichaca - Pasto project for the construction, operation, and maintenance of a motorway in Colombia is the only one carried out in a non-designated country.

- Operations by sector



The sectoral distribution reflects the great weight of infrastructure projects from the perspective of the amount (64%), as they normally involve activities with high capital demands. Energy projects, developed this year in the field of renewables (wind and photovoltaic), represent 40% of the projects financed.

- **ANNEX I: PROJECT INFORMATION**

- **Atacama Wind Farm**

ICO takes part in the financing of the Atacama Wind Farm, a project of 165.3 MW located in the province of Huasco (Atacama region, Chile) and included in the plan for the development, construction and operation of renewable projects managed by the Joint Venture Repsol Iberólica Chile SpA.

The farm is located in the same region as the Cabo Leones I, II and III farms, already in operation and also financed by ICO applying the requirements of the Equator Principles. As in the aforementioned projects, the Atacama Wind Farm has been categorised as a B project following the Principle 2 of the EP and the advice provided by and independent environmental and social consultant. The mains risks identified fall on the potential visual impact and the affectation to local birds.

The installation of 29 Nordex N163 wind turbines with a unit capacity of 5.70 MW is expected to generate clean energy to supply some 148,353 homes. In addition, the emission into the atmosphere of more than 318,549.70 tons of CO2 will be avoided annually and significant economic activity will be generated in the region and its surroundings, providing added value to the local region during the project's life cycle through programs benefits to the neighbourhood.



- Documents of interest
 - a) [Atacama Wind Farm Website](#)
 - b) [Environmental Impact Assessment](#)
 - c) [Stakeholder engagement process](#)
 - d) [Indigenous Communities](#)

➤ **Nexfibre Networks Limited**

ICO is part of the banking syndicate responsible for financing the construction, installation, and deployment of a wholesale optical fibre network (FTTH – Fibre To The Home) that will cover up to 7 million households by 2026 through open access to all telecommunications operators in the country.

This investment of approximately £4.5 billion, focused on the outskirts of major cities and second-tier cities, will give a significant boost to the UK's digital economy and contribute significantly to the broadband ambitions set by the government, as optical fibre penetration levels in the country are at 33%, much lower than the European average (50%).

Considering that the project is being developed in the UK, a designated country with a robust legal framework in terms of sustainability, and that the main affected areas are already developed urban zones designated for similar activities, the environmental and social risks and impacts that it could generate are considered limited. The analysis conducted with the help of an independent technical advisor highlights the risk of natural disasters (mainly floods) and fibre cuts and vandalism at the facilities.

Using the information on the potential risks and impacts of the project and following the guidelines established in the IV version of the Equator Principles, the project has been categorised as a C category.



- Documents of interest
- a) [News - Liberty Global, Telefónica and InfraVia Form Joint Venture to Build a New Fibre Network in the UK](#)

➤ Project Helios

The OPDEnergy Group operates in the renewable energy sector, focusing on the development, construction, operation, maintenance, management, and sale of energy generated from its solar and onshore wind assets. Through its subsidiary, OPDE S.L, it is responsible for the construction and operation of 13 new photovoltaic plants with a total installed capacity of 605 MW in Zaragoza, Teruel, Cuenca and Ciudad Real.

The Institute is part of the financing, which has been designed with common terms, but individually formalized for each of the 13 plants with their respective Special Purpose Vehicles that are cross guaranteed under certain circumstances.

Despite being geographically located in separate territories, the 13 photovoltaic plants are interdependent and part of a global project, therefore the Equator Principles apply to the Helios Project. Thus, an individual analysis of the potential social and environmental risks and impacts of the 13 sub-projects has been carried out with the collaboration of an independent environmental and social consultant, verifying the compliance of all of them with the Equator Principles. Given the limited magnitude of the risks and impacts detected, the project has been classified as category B.

Based on the electricity that will be avoided generating with the plants, the Project will allow a net relative reduction of 430 kt of CO2 equivalent per year.



- Documents of interest
- a) [Opdenergy Website](#)
- b) [Opdenergy Reports](#)
- c) [News – Opdenergy successfully obtains all the Environmental Impact Declarations for its projects located in Spain](#)

➤ **JFK New Terminal One**

The John F. Kennedy New Terminal One (JFK NTO) project corresponds to the first phase of the plan envisioned by the JFK airport in New York and the Port Authority of New York and New Jersey (PANYNJ) for the remodelling, operation, and maintenance of Terminal 1 facilities.

The New Terminal One will set a new standard for airport design and service while creating opportunities for local, minority-owned, women-owned, and service-disabled veteran-owned businesses. With a sustainable and future-focused design, the terminal will feature expansive public spaces with natural lighting, cutting-edge technology, and a variety of amenities designed to enhance the customer experience.

The terminal renovation is expected to generate socioeconomic benefits, with job creation being the most significant of them. During construction, around 3,000 people will be employed, while the project will create a total of 9,600 direct and 15,000 indirect jobs.

ICO, along with the major national and U.S. banks, participates in the syndicate responsible for financing the project. Given the potential risks and impacts that the project may cause, which are specific to the construction area, it has been categorized as a B project.



- Documents of interest
- a) [The New Terminal One Website](#)
- b) [JFK Final Environmental Assessment](#)
- c) [Port Authority Studies and Reports](#)

➤ Rumichaca – Pasto

The Rumichaca-Pasto project consists of the construction, operation, and maintenance of the highway that connects the Colombian municipalities of Pasto and Ipiales, in the department of Narño (Colombia), with the primary purpose of optimizing travel time between the Ecuadorian border and the city of Pasto.

The scope of the project includes the rehabilitation of 15.7 km between Rumichaca and the San Juan district in Ipiales, the construction of 62.1 km of double lane road from the San Juan district to Catambuco (25 km of completely new double lane road between San Juan and Pilcuán Viejo), and 5.2 km of road improvement on the Catambuco-Pasto section. In addition, it will have 2 pedestrian bridges, 7 vehicular bridges, and 12 turnouts, improving travel times and increasing safety and comfort on the road.

In 2019, ICO participated in the financing of the Rumichaca-Pasto project in a syndicated operation. Given the diverse and significant potential adverse environmental and social impacts detected, the project was classified as Category A following the requirements for the application of the Ecuador Principles.

In 2022, without significant changes in the scope or scale of the project and without reaching the physical completion date, the Institute formalized the refinancing contract for the highway, reviewing and maintaining the application of the Ecuador Principles requirements, but reducing the project risk to Category B. Following the independent consultant's indications, the entity's decision is based on the absence of critical or irreversible impacts during construction, the proximity of beginning of the operation phase, and the company's adequacy of tools to manage sustainability requirements.



- Documents of interest
 - a) [Rumichaca – Pasto Highway Website](#)
 - b) [News – Completion of the Rumichaca – Pasto Highway](#)

Disclaimer

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