Implementation Guidelines for the Equator Principles

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## Table of Contents

**Chapter 1  Preamble** ........................................................................................................................................... 1

1. Basic Policy Regarding the Equator Principles .................................................................................... 2
2. Adoption of the Equator Principles ........................................................................................................ 2
3. Roles of the Guidelines .......................................................................................................................... 3
4. Revision or Abolishment of the Guidelines ......................................................................................... 3

**Chapter 2  Application of the Equator Principles** ..................................................................................... 4

1. Scope of Application ............................................................................................................................... 5
2. Application Policy .................................................................................................................................. 6
   2.1 Project Finance and RRCL .................................................................................................................. 6
   2.2 Project Finance Advisory Services and BL ....................................................................................... 6
3. Overview of the Equator Principles ........................................................................................................ 6
   3.1 Principle 1: Review and Categorisation ............................................................................................ 6
   3.2 Principle 2: Environmental and Social Assessment ........................................................................... 7
   3.3 Principle 3: Applicable Environmental and Social Standards ............................................................ 8
   3.4 Principle 4: Environmental and Social Management System and Equator Principles Action Plan .............................................................................................................................................. 8
   3.5 Principle 5: Stakeholder Engagement ............................................................................................... 9
   3.6 Principle 6: Grievance Mechanism ................................................................................................ ...10
   3.7 Principle 7: Independent Review ......................................................................................................... 10
   3.8 Principle 8: Covenants ....................................................................................................................... 11
   3.9 Principle 9: Independent Monitoring and Reporting ......................................................................... 11
   3.10 Principle 10: Reporting and Transparency: .................................................................................... 12

Annex A: Climate Change: Alternatives Analysis, Quantification and Reporting of Greenhouse Gas Emissions ..................................................................................................................................................... 13

Annex B  — Minimum Reporting Requirements ................................................................................................ 14
Chapter 1  Preamble
1. **Basic Policy Regarding the Equator Principles**

Project financiers often encounter environmental and social policy issues, particularly with respect to loans to projects. We, MUFG Bank, Ltd. (hereinafter "MUFG Bank"), recognize that financial institutions should be leading players in promoting environmental management and development that comply with our social responsibility.

In adopting the Equator Principles (hereinafter “the Principles”), we seek to ensure that the projects we finance are developed in a manner that is socially responsible and reflect sound environmental management practices. We recognise the importance of climate change, biodiversity, and human rights, and believe negative impacts on project-affected ecosystems, communities, and climate should be avoided where possible. If these impacts are unavoidable, they should be minimized while the remaining adverse effects should be mitigated and/or offset appropriately.

We believe that adoption of and adherence to the Principles offers significant benefits to ourselves, our customers and other stakeholders.

In adopting the Principles, we undertake to review carefully all projects we finance. We will not provide loans to projects where the client will not or is unable to comply with our policies and processes on environmental and social considerations.

2. **Adoption of the Equator Principles**

The Principles serve as a framework to assist financial institutions in dealing with potential environmental and social risks when providing project finance loans or related advisory services. The Principles consist of 10 principles. Principles 1 to 9 refer to the process of decision-making and management of environmental and social risks and/or impacts. Principle 10 requires the reporting and disclosure of the application of the Principles by financial institutions and certain information disclosure by clients. MUFG Bank adopted the Principles in December 2005 and started its application for reporting from January 4, 2006. MUFG Bank and MUFG Union Bank disclose the data.

The Principles were established in June 2003 and went through revisions twice in June 2006 and June 2013. MUFG Bank started applying the June 2013 revision in January 2014. The information disclosure regarding the implementation of the Principles includes all projects that completed the Confirmation of Environmental and Social Considerations during the business year. The business year starts on April 1 and ends on March 31. The Confirmation of Environmental and Social Considerations is defined as a procedure for confirming that the environmental and social considerations of project are in accordance with the Principles and these Guidelines.
It is the responsibility of MUFG Bank's management to ensure the adoption of appropriate procedures for the adherence to the Principles. MUFG Bank's commitment regarding the Principles is to apply them to the extension of project related loans and to the provision of advisory services for potential project finance business.

3. Roles of the Guidelines

These “Implementation Guidelines for the Equator Principles” (hereinafter “the Guidelines”) present the way the Principles are implemented by MUFG Bank as well as how their application is reported on the bank's webpage referring to the Principles (hereinafter “the Webpage”). By developing the Guidelines, MUFG Bank aims that the information on the Principles provided in the Webpage and the Guidelines contributes to the Webpage users, is reliable in light of its purpose, is complete and accurate, and is in clearly understandable terms.

4. Revision or Abolishment of the Guidelines

Procedures implemented by MUFG Bank regarding the Principles shall be reviewed at least once a year and be amended as necessary. The amendment will be immediately informed to the divisions concerned to whom a relevant training will be provided if such need arises.
Chapter 2   Application of the Equator Principles
1. **Scope of Application**

- MUFG Bank implements the Confirmation of Environmental and Social Considerations based on the Principles for new projects that meet any of the following 4 requirements:

  (1) project finance advisory services (n.b.) where the project's total capital cost is US$10 million or more;

  (2) project finance with a total capital cost of US$10 million or more;

  (3) Project-Related Corporate Loans (including buyer's credit, hereinafter "PRCL") where the total loan amount is US$100 million (or its equivalent) or more and MUFG Bank’s loan commitment amount (before syndication or sell down) is US$50 million (or its equivalent) or more with the loan tenor of 2 years or more;

  However, the following PRCL shall be excluded from the application:

    (i) Loans for the national government, local government, or government agencies,

    (ii) When the amount for financing a project is 50% or less of the total loan amount, or

    (iii) When the client does not have direct or indirect control over the project (e.g. the client's investment ratio is not exceeding 50%).

  (4) Bridge Loan (hereinafter "BL") with loan tenor less than 2 years that is planned to be refinanced by project finance or PRCL which are expected to fall under (2) or (3) above.

[n.b.]

<table>
<thead>
<tr>
<th>Definition of Project Finance based on Basel II</th>
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<tr>
<td>Project finance is “a method of funding in which the lender looks primarily to the revenues generated by a single project, both as the source of repayment and as security for the exposure. This type of financing is usually for large, complex and expensive installations that might include, for example, power plants, chemical processing plants, mines, transportation infrastructure, environment, and telecommunications infrastructure. Project finance may take the form of financing of the construction of a new capital installation, or refinancing of an existing installation, with or without improvements. In such transactions, the lender is usually paid solely or almost exclusively out of the money generated by the contracts for the facility’s output, such as the electricity sold by a power plant. The borrower is usually an SPE (Special Purpose Entity) that is not permitted to perform any function other than developing, owning, and operating the installation. The consequence is that repayment depends primarily on the project’s cash flow and on the collateral value of the project’s assets.”</td>
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- While the Principles are not intended to be applied retroactively, MUFG Bank will apply them to all projects covering expansion or upgrade of an existing facility where changes in scale or scope may create significant environmental and social risks and impacts, or change the nature or degree of an existing impact.

- MUFG Bank does not apply the Principles to refinancing which replaces the existing financing – not limited to our loans – without any changes in scale or scope of project such as
financing for new equipment, or financing of capital expenditures solely for the purpose of maintaining and/or renewing existing facilities.

- MUFG Bank does not apply the Principles to the followings:
  1. Asset finance
  2. Acquisition finance
  3. Market risk transactions
  4. Lease
  5. Letters of credit
  6. General working capital expenditures loans
  7. General corporate purposes loans

2. Application Policy

2.1 Project Finance and RRCL

- As a general rule, MUFG Bank does not provide loan to projects where the client does not satisfy the principles 1 to 10 of the Principles.

2.2 Project Finance Advisory Services and BL

- When providing project finance advisory services or BL to clients, MUFG Bank commits to make them aware of the necessity of applying the Principles to the anticipated project, and request them to express their intention to adhere to the requirements of the Principles when seeking financing through project finance or PRCL.

- When providing BL, MUFG Bank will implement the followings in addition to the above in accordance with the progress of the project:
  1. BL classified into Category A or B in the following "3.3.1 Principle 1" should be confirmed by MUFG Bank that the client will implement Environmental and Social Impact Assessment (ESIA) in the future when it is expected at the investigation phase that the project will not have undesirable environmental and social effects during the loan period.
  2. Regarding BL for a project that will start during the loan period and for which assessment documentation is ready, MUFG Bank will, where appropriate, work with the client to identify an independent environmental and social consultant and develop a scope of work to commence an independent review described in the following "3.3.7 Principle 7".

3. Overview of the Equator Principles

3.1 Principle 1: Review and Categorisation

- MUFG Bank categorises each project as Category A, B or C by determining the level of
project's environmental and social risks and impacts using a predefined form based on the information of screening form provided by the client.

- MUFG Bank decides the Final Category Classification in accordance with the results of the Environmental and Social Impact Review based on the ESIA Report and/or the independent reports prepared by external experts.

- Definition of each category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Definition</th>
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<tbody>
<tr>
<td>A</td>
<td>Projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented.</td>
</tr>
<tr>
<td>B</td>
<td>Projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.</td>
</tr>
<tr>
<td>C</td>
<td>Projects with minimal or no social or environmental and social risks and/or impacts.</td>
</tr>
</tbody>
</table>

3.2 Principle 2: Environmental and Social Assessment

- MUFG Bank applies this Principle to all Category A and B projects.

- MUFG Bank shall implement the Environmental and Social Impact Review by using predefined checklists, etc., based upon the screening questionnaire, assessment documentation and an independent report in which external experts evaluate the above mentioned documents from the lender’s point of view to confirm that the project is in accordance with the Principles and other relevant environmental and social covenants.

- The Assessment Documentation will be an adequate, accurate and objective evaluation and presentation of the environmental and social risks and impacts, whether prepared by the client, consultants or external experts. For Category A, and as appropriate, Category B Projects, the Assessment Documentation includes an Environmental and Social Impact Assessment (ESIA).

- When MUFG Bank considers additional information is necessary in the process of the Environmental and Social Impact Review, or if environmental and social considerations for the project are not appropriately addressed, MUFG Bank shall request the client to provide additional information or to take additional measures to address the project’s environmental and social issues, if at all possible. In limited high risk circumstances, it may be appropriate for the client to complement its Assessment Documentation with specific human rights due
diligence.

- MUFG Bank will require the client to implement alternatives analysis (n.b.) for projects of greenhouse gas ("GHG") emission levels (combined Scope 1 and Scope 2 Emissions) exceeding 100,000 tonnes of CO₂ equivalent annually.

[n.b.] Alternatives analysis refers to a comparative analysis of potential technologies and fuel options capable of reducing the GHG emissions, and those scheduled to be adopted by the project.

### 3.3 Principle 3: Applicable Environmental and Social Standards

- MUFG Bank shall confirm that all projects comply with environmental and social laws, regulations, permits and licenses of the project host country.

- Regarding all Category A and B projects, MUFG Bank checks whether the project location is in Designated Countries defined by Equator Principles Association, in order to determine which environmental and social standards to apply.

- For the Environmental and Social Impact Review where the project is located in Designated Countries, MUFG Bank shall confirm that the project complies with relevant host country laws, regulations and permits for environmental and social matters. MUFG Bank shall also verify that the laws of project host country meet the criteria required by Principle 2 Social and Environmental Assessment, Principle 4 Management System and Action Plan and, Principle 5 Stakeholder Engagement and Principle 6 Grievance Mechanism, as needed.

- Where the project is not located in a Designated Country, MUFG Bank shall confirm in the Environmental and Social Impact Review that the project complies with international guidelines (IFC Performance Standards and World Bank Group EHS Guidelines).

- MUFG Bank shall confirm that the project complies with international guidelines by using predefined checklists, etc. In case of deviations, MUFG Bank shall judge whether such gaps are acceptable and document the rationale.

- For all Category A projects in Non-Designated Countries, site visits are generally required in the Environmental and Social Impact Review. For other Category A and B projects, site visits shall be conducted as necessary.

- For the Environmental and Social Impact Review, MUFG Bank shall confirm the external information (including information received from NGOs, media, and other sources) related to environmental and social aspects about the project or sponsors to the extent possible. For identified negative information as to environmental and social aspects, MUFG Bank shall confirm the fact of such information if at all possible.

### 3.4 Principle 4: Environmental and Social Management System and Equator Principles
Action Plan

- MUFG Bank applies this Principle to all Category A and B projects.
- MUFG Bank requires the client of Category A and B projects to establish and maintain Environmental and Social Management System.
- MUFG Bank requires the client to prepare Environmental and Social Management Plan (ESMP) regarding the matter identified in the assessment process, in order to comply with the applicable Environmental and Social Standards determined in the Principle 3.
- In case MUFG Bank judges that the project does not meet the applicable Environmental and Social Standards despite the above measures, it shall require the client to prepare Equator Principles Action Plan ("AP") that describes the outline of deviations from the Standards and includes the commitment of the client to meet such Standards.

3.5 Principle 5: Stakeholder Engagement

- MUFG Bank applies this Principle to all Category A and B projects.
- MUFG Bank shall confirm that the client has been having consultations with project affected communities and other stakeholders as an ongoing process in a structured and culturally appropriate manner.
- For projects with significant adverse impacts on affected communities, MUFG Bank shall confirm that the ongoing consultations between the affected communities and the client have conducted a sufficient Informed Consultation and Participation process.
- MUFG Bank shall confirm that the assessment documentation, or non-technical summaries thereof, should be made available to the affected communities and other stakeholders when they are recognized to be relevant, based on sufficient information disclosure by the client, for a reasonable minimum period in the relevant local language and in a culturally appropriate manner.
- For projects with environmental or social risks and adverse impacts, disclosure should occur early in the ESIA process, in any event before the project construction commences, on an ongoing basis, and MUFG Bank shall confirm that the client documents the results of consultation with the stakeholders.
- Projects affecting indigenous peoples will be subject to a process of ongoing consultations based on a sufficient Informed Consultation and Participation process, and will need to comply with the rights and protections for indigenous peoples contained in relevant national law, including those laws implementing host country obligations under international law. In addition, in the case of special circumstances described in IFC Performance Standard 7, projects with adverse impacts on indigenous people will require their Free, Prior and
Informed Consent (FPIC).

3.6 Principle 6: Grievance Mechanism

- MUFG Bank applies this Principle to all Category A projects and, as appropriate, to Category B projects based on its analysis of the assessment documentation.

- MUFG Bank shall confirm that a grievance mechanism designed to receive and facilitate resolution of concerns and grievances about the project’s environmental and social performance is established as a part of client's environmental and social management system, and that the said mechanism meets the following requirements:
  - The grievance mechanism shall be scaled to the risks and impacts of the project and have affected communities as its primary user;
  - The mechanism shall seek to resolve concerns promptly, using an understandable and transparent consultative process that is culturally appropriate, readily accessible, at no cost, and without retribution to the party that originated the issue or concern;
  - The mechanism should not impede access to judicial or administrative remedies; and
  - The client shall inform the affected communities about the grievance mechanism.

3.7 Principle 7: Independent Review

- **Project Finance**: MUFG Bank applies this Principle to all Category A projects and, as appropriate, to Category B projects based on its analysis of the assessment documentation.

  (1) MUFG Bank shall assess whether assessment documentation including Environmental and Social Management System, reports of consultations with stakeholders, Equator Principles AP (where applicable), etc. meet the requirements of Equator Principles based on assessment report prepared by an independent environmental and social consultant not directly associated with the client.

  (2) Comments by an independent environmental and social consultant should be incorporated in the Environmental and Social Impact Review. However, if there are reasonable grounds not to reflect the independent expert’s view, the reasons will be documented.

- **PRCL**: MUFG Bank applies this Principle to Category A projects with potential high risk impacts including the following:

  (1) MUFG Bank requires an independent review by an independent environmental and social consultant for projects with potential adverse impacts on indigenous peoples, critical habitat impacts, significant cultural heritage impacts, or large-scale resettlement.
(2) For PRCL of all Category A projects other than the above, and of Category B projects judged necessary based on the analysis of the assessment documentation, MUFG Bank may determine whether it requires a review by an independent environmental and social consultant or if internal review by MUFG Bank is sufficient.

(3) The decision in the above (2) may take into account the due diligence performed by a multilateral development banks or an OECD Export Credit Agency, if relevant.

3.8 Principle 8: Covenants

- For all projects, regardless of Category, MUFG Bank includes in financing agreements that the client shall covenant to comply with all relevant local, state, and host country environmental and social laws, regulations and permits in all material respects.

- For all Category A and B projects, MUFG Bank shall reflect the results of the Environmental and Social Impact Review in the decision-making for financing. The following points should be contained in financing agreements:
  
  (1) The client shall comply with the ESMPs and Equator Principles AP (where applicable) during the construction and operation of the project in all material respects;
  
  (2) The client shall provide periodic reports (with the frequency of these reports proportionate to the severity of impacts, or as required by law, but not less than annually) prepared by in-house staff or third party experts, that i) document compliance with the ESMPs and Equator Principles AP (where applicable), and ii) provide representation of compliance with relevant local, state and host country environmental and social laws, regulations and permits; and
  
  (3) The client shall decommission the facilities, where applicable and appropriate, in accordance with an agreed decommissioning plan.

- Where a client is not in compliance with such environmental and social covenants of financing agreements, MUFG Bank will work with the client on remedial actions to bring the project back into compliance to the extent feasible. If the client fails to re-establish compliance within an agreed grace period, MUFG Bank reserves the right to exercise remedies, as considered appropriate.

3.9 Principle 9: Independent Monitoring and Reporting

- Project Finance: MUFG Bank applies this Principle to all Category A projects and, as appropriate, to Category B projects based on its analysis of the assessment documentation.

  (1) To ensure ongoing monitoring and reporting over the life of the loan, MUFG Bank shall require additional monitoring and reporting through independent experts, or external experts appointed by the client to verify the monitored information.
PRCL: MUFG Bank applies this Principle for projects where an independent review by an independent environmental and social consultant is required under Principle 7 (Independent Review).

(1) After financial close, MUFG Bank will require additional monitoring and reporting through an independent environmental and social consultant or external experts appointed by the client to verify the monitoring information.

3.10 Principle 10: Reporting and Transparency:

- Client Reporting Requirements: For all Category A projects and, as appropriate, Category B projects based on its analysis of the assessment documentation, the following client reporting requirements are in addition to the disclosure requirements in Principle 5 (Stakeholder Engagement).

  1. The client will ensure that, at a minimum, a summary of the ESIA is accessible and available online.

  2. The client will publicly report greenhouse gas (GHG) emission levels (combined Scope 1 and Scope 2 Emissions) during the operational phase for projects emitting over 100,000 tonnes of CO₂ equivalent annually. Refer to Annex A for detailed requirements on GHG emissions reporting.

- MUFG Bank Reporting Requirements: The outline of procedures for confirming environmental and social considerations, and the number of year-to-date transactions per category subject to the confirmation of environmental and social considerations shall be disclosed on the Webpage and periodically updated. The reporting period of the information shall be clearly specified. The minimum reporting requirements are detailed in Annex B.
Annex A: Climate Change: Alternatives Analysis, Quantification and Reporting of Greenhouse Gas Emissions

[Alternatives Analysis]

- MUFG Bank requires the client to implement alternatives analysis to evaluate technically and financially feasible and cost-effective options available to reduce project-related greenhouse gas (GHG) emissions during the design, construction and operation of the project.

- For Scope 1 Emissions, this analysis will include consideration of alternative fuel or energy sources if applicable. Where an alternatives analysis is required by a regulatory permitting process, the analysis will follow the methodology and time frame required by the relevant process. For projects in high carbon intensity sectors, the alternatives analysis will include comparisons to other viable technologies, used in the same industry and in the country or region, with the relative energy efficiency of the technology adopted by the projects.

- High carbon intensity sectors include the following, as outlined in the World Bank Group EHS Guidelines: thermal power, cement and lime manufacturing, integrated steel mills, base metal smelting and refining, and foundries.

- Following completion of an alternatives analysis, the client will provide, through appropriate documentation, evidence of technically and financially feasible and cost-effective options. This does not modify or reduce the requirements set out in the applicable standards (e.g. IFC Performance Standard 3).

[Qualification and Reporting]

- Quantification of GHG emissions will be conducted by the client in accordance with internationally recognised methodologies and good practice, for example, the GHG Protocol. The client will quantify Scope 1 and Scope 2 Emissions.

- MUFG Bank will require the client to report publicly on an annual basis throughout the loan period on GHG emission levels (combined Scope 1 and Scope 2 Emissions) during the operational phase for projects emitting over 100,000 tonnes of CO₂ equivalent annually. MUFG Bank will also encourage clients to report publicly on projects emitting over 25,000 tonnes a year.

- MUFG Bank allows the client to satisfy public reporting requirements via regulatory requirements for reporting or environmental impact assessments, or voluntary reporting mechanisms such as CDP (formerly known as the Carbon Disclosure Project) where such reporting includes emissions at project level.

- In some circumstances where the public disclosure of project-level emissions is not appropriate, MUFG Bank will not require the client to disclose GHG emissions.
Annex B — Minimum Reporting Requirements

- MUFG Bank will report annually and as per the requirements detailed in all of the sections below.

[Reporting on the Implementation of Confirmation of Environmental and Social Considerations]

- MUFG Bank will publish the number of projects reviewed to confirm the environmental and social considerations, and the status of review's implementation on its website.
- MUFG Bank will specify the reporting period (i.e. start and end dates) for the above reporting on the number of projects reviewed and the implementation status.

[Project Finance Advisory Services Data]

- MUFG Bank will report on the total number of Project Finance Advisory Services mandated during the reporting period. The total will be broken down by sector and region.
- MUFG Bank will report the data for Project Finance Advisory Services under a separate heading from Project Finance and Project-Related Corporate Loans (PRCL). Project Finance Advisory Services data will exclude the category and whether an independent review has been carried out because the project is often at an early stage of development and not all information is available.

[Project Finance and Project-Related Corporate Loans Data]

- MUFG Bank will display the data for Project Finance transactions and PRCL separately.
- MUFG Bank will report on the total number of Project Finance transactions and total number of PRCL that reached financial close during the reporting period, for projects that went through the confirmation of environmental and social considerations.
- The totals for each Project Finance and PRCL will be broken down by Category (A, B or C) and then by:
  (1) Sector (i.e. Mining, Infrastructure, Oil and Gas, Power, Others)
  (2) Region (i.e. Americas, Europe Middle East and Africa, Asia Pacific)
  (3) Country Designation (i.e. Designated Country or Non-Designated Country)
  (4) Whether an independent review has been carried out

[Bridge Loans Data]

- MUFG Bank will not report the data for Bridge Loans.

[Equator Principles Implementation Reporting]

- MUFG Bank will report on its implementation of Confirmation of Environmental and Social
Considerations, including:

(1) The mandate of department assigned to confirm environmental and social considerations (e.g. responsibilities and staffing);

(2) The respective roles of department in charge of confirming environmental and social considerations, business lines, and senior management in the transaction review process;

(3) The incorporation of the Equator Principles in its credit and risk management policies and procedures.

- MUFG Bank will provide details on ongoing training of staff if considered relevant.

[Project Information Reporting for Project Finance]

- MUFG Bank will submit project information to the Equator Principles Association Secretariat for publication on the Equator Principles Association website.

- Project information reporting is:
  
  (1) applicable only to Project Finance transactions that have reached financial close;
  
  (2) subject to obtaining client consent;
  
  (3) subject to applicable local laws and regulations; and
  
  (4) subject to no additional liability for MUFG Bank as a result of reporting in certain identified jurisdictions.

- MUFG Bank will seek client consent at any time deemed appropriate but no later than financial close.

- MUFG Bank will submit the following project information to Equator Principles Association:
  
  (1) Project name (as per the loan agreement and/or as publicly recognised),
  
  (2) Calendar year in which the transaction reached financial close,
  
  (3) Sector (i.e. Mining, Infrastructure, Oil and Gas, Power, Others),
  
  (4) Host country name.