

Application of the Equator Principles

The Equator Principles is a risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects. Handelsbanken became a signatory to the framework in 2016 and has since then developed procedures, processes and policy documents detailing how the Equator Principles are to be applied.

Identification responsibility

At Handelsbanken, there are two different ways in which a transaction which is to be processed in accordance with the Equator Principles can reach Handelsbanken:

- *Handelsbanken's regional banks and Handelsbanken International*
- *Handelsbanken International Export Finance*

The regional banks and Handelsbanken International are responsible for identifying potential transactions that must be processed in accordance with the Equator Principles. If a transaction is identified which is potentially covered by the Equator Principles, the person with responsibility for the principles at Handelsbanken Debt Capital Markets must be contacted. In such circumstances, it is Handelsbanken Debt Capital Markets that puts together the Equator Principles Reviewing Team (EPRT), which in turn decides as to whether or not the Equator Principles apply to the transaction.

Handelsbanken International Export Finance is responsible for identifying transactions in its own area of operations which are potentially covered by the Equator Principles. If such transactions are identified, the EPRT is convened and a final decision is made.

The internal Equator Principles process

The internal process for managing a transaction which has been assessed as being covered by the Equator Principles is taken care of by *Handelsbanken International Export Finance* or *Handelsbanken Debt Capital Markets*. These two units are referred to below as the "business units". The work process can be divided into nine overall steps:

1. The business units appoint the members of the EPRT. This grouping has responsibility for the entire process. The EPRT consists of specialists at the business units. At any time during the process, the EPRT can request the support of central specialist functions within legal affairs, credit and sustainability.
2. The EPRT categorises the underlying project (A, B or C) according to Principle 1 of the Equator Principles.
3. The legality of the transaction's underlying project must always be ensured in accordance with Principle 3 of the Equator Principles. If the project is in a country where legislation and institutional capacity to manage social and environment-related risks are in the process of being established, merely ensuring the legality is not sufficient. In such cases, the EPRT must ensure compliance with *IFC Performance Standards* and *World Bank EHS Guidelines*.
4. In the event of projects in category A and B, the EPRT must assess the following aspects of the project in accordance with Principles 2 and 4:
 - a. *Environmental and Social Impact Assessment (ESIA)*
 - b. *Environmental and Social Management System (ESMS)*
 - c. *Environmental and Social Management Plan (ESMS)*

In this stage, the EPRT also ensures that the project's stakeholder dialogue and its mechanisms for complaints comply with Principles 5 and 6 of the Equator Principles.
5. A credit committee decides whether or not a credit limit can be granted in accordance with the normal credit process.
6. The EPRT is responsible for ensuring that an independent expert completes an assessment of the project's compliance with Principle 7 of the Equator Principles.
7. For all projects, the loan documentation must consist of loan terms which ensure that the borrower, in all material respects, fulfils relevant environmental and social laws, regulations and authorisations, and also the Equator Principles. The EPRT is responsible for ensuring that such loan terms exist, in accordance with Principle 8 of the Equator Principles.
8. The EPRT is responsible for ensuring that independent follow-up and reporting is done in accordance with Principle 9 of the Equator Principles.
9. EPRT is responsible for compiling relevant reporting in accordance with Principle 10 of the Equator Principles. This reporting is compiled and published annually in Handelsbanken's Annual Report. This is the responsibility of Group Credits. Group Sustainability is responsible for the annual reporting to the secretariat of the Equator Principles.

Process Map

