Citigroup: Equator Principles

Source: http://www.citigroup.com/citigroup/environment/equator.htm
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Citi was one of the original institutions that spearheaded the development of the Equator Principles, which apply to project finance transactions in all industry sectors globally, including mining, oil and gas, power, and forestry. Project finance is the financial technique often used to provide capital to large energy and infrastructure projects that can present environmental and social challenges.

In adopting the Equator Principles, a financial institution agrees to provide loans only to those projects whose borrowers can demonstrate their ability and willingness to comply with comprehensive processes aimed at ensuring that projects are developed in a socially responsible manner and according to sound environmental management practices. The full text of the Equator Principles can be found at www.equator-principles.com.

On July 6, 2006, the Equator Principles Financial Institutions (EPFIs) announced the launch of the revised Equator Principles (EP II). Because the original Equator Principles were based on IFC's environmental and social safeguard policies, it was necessary to revise the Equator Principles when the IFC replaced the safeguard policies with the new Performance Standards (see www.ifc.org/enviro). Citi took a central role in the EP II updating process as principal co-drafter of the new Principles and also in the subsequent outreach with clients, NGOs, SRIs and Export Credit Agencies. As an original EPFI, Citi continues to be a leader in the EPFI, recruiting non-EPFIs, and communicating with external stakeholders, and partnering with other EPFIs. As of December 2006, 45 Equator Principles Financial Institutions (EPFIs), including Citi, had adopted the Equator Principles.

Well over 100 members of Citi's project finance and independent risk management team are directly involved in implementing the Equator Principles. A number of other people are also impacted, especially relationship managers in those industries that are most involved in project finance transactions. In 2006, we continued to conduct extensive Environmental and Social Risk Management (ESRM) training, develop guidance materials, and increase our ESRM capacity. More detail on Citi's implementation of the Equator Principles (including specific data on the number of project finance transactions reviewed and eventually funded) are provided in the tables below. For more information on our ESRM Policy, please see our ESRM page (where there is also more information on Citi's project finance review, approval, and monitoring cycle), and pages 33-39 of our 2005 Corporate Citizenship Report.

2006 Project Finance Transactions Subject to the Equator Principles

ESRM Category	Project Finance Transactions Reviewed at Greenlight/Marketing Stage	Project Finance Transactions Funded (with Combined Total Project Capital Costs)		Mandated Project Finance Advisories	Exceptions to ESRM Policy Granted
A	20	5	$16.3 billion	5	2
B	55	7	$15.0 billion	7	0
C	11	8	$2.9 billion	0	0
Total	86	19	$34.2 billion	12	2

2006 Project Finance Transactions Subject to the Equator Principles				
	EA Undertaken and Disclosed Locally	Public Consultation Undertaken		EMP or Action Plan Prepared and Covenanted
2005 Equator Principles I	3/3	3/3	3/3	Independent Expert Review
2006 Equator Principles I (Jan-Jun)	4/4	4/4	4/4	3/3
2006 Equator Principles II (Jul-Dec)	1/1	1/1	1/1	4/4