INSTITUTO DE CRÉDITO OFICIAL

2024 EQUATOR PRINCIPLES IMPLEMENTATION REPORT

- ## Introduction

The Equator Principles (EP) constitute the **reference framework** in the financial industry for the **identification, evaluation and management of potential environmental and social risks in project financing.**

First published in 2003, **they are based on the International Finance Corporation (IFC)** Performance Standards and the World Bank's Environment, Health and Safety (**EHS**) Guidelines. In October 2020, EP launched its fourth version (EP4), which is current at the time of this publication. This new version expands the scope of application with new commitments, particularly regarding human rights (especially the rights of Indigenous communities), climate change, and biodiversity, and applies globally to all countries and industrial sectors.

In keeping with its values and mission to promote a more sustainable economy, **ICO joined** this initiative in October 2016 to improve its measurement of the impact of large-scale financing projects, in order to identify and mitigate any potential negative effects they could have on the ecosystem, local communities, and the climate. By adhering to these Principles, ICO undertakes to introduce the necessary internal procedures for compliance into its environmental and social policy.

- ## The Ecuador Principles at ICO

Given its public nature and its vocation as a development entity, as well as its fiduciary duty to society and its commitment to the expectations of its stakeholders, ICO considers it essential to conduct a risk analysis that incorporates and considers the environmental and social impacts of the projects it finances.

With this in mind, ICO integrates compliance with EP requirements into its internal processes, updating them as appropriate.[1]

The process begins with the joint collection and analysis of information by the Business and Sustainability units to determine whether the proposed operations meet the minimum criteria to be considered within the scope of the EP, which includes the following types of operations:

- Project financing with total project capital costs of USD 10 million or more.
- Project-related corporate loans, when the following three criteria are met:
    1. The majority of the loan is related to a project over which the client has effective operational control.
    2. The total loan amount and the EPFI's individual commitment (before syndication or sale) is at least USD 50 million.

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

3. The loan term is at least two years.

- Project-related refinancing and project-related acquisition financing, where the following three criteria are met:
    1. The underlying project was funded in accordance with the Equator Principles framework.
    2. There have been no material changes to the scale or scope of the project.
    3. The physical completion of the project has not yet occurred at the time of signing the loan agreement.

- Advisory services for project financing where total project capital costs are USD 10 million or more.

- Short-term loans with a term of less than two years that are intended to be refinanced by project finance or a project-related corporate loan that is expected to meet the criteria described above.

If the operation analyzed by ICO falls into any of the above categories, it is categorized (A, B, or C) based on the magnitude and severity of the potential environmental and social risks and impacts identified.

- Category A: Projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible, or unprecedented.

- Category B: Projects with limited potential adverse environmental and social risks or impacts that are few in number, generally site-specific, largely reversible, and readily addressable through mitigation measures.

- Category C: Projects with minimal or no adverse environmental and social risks or impacts.

When required, an independent advisor is appointed to assist ICO with environmental and social due diligence, validation of the assigned category, and assessment of compliance with applicable principles.

The EP establish specific reporting obligations for financial institutions. In compliance with these obligations, ICO publishes the corresponding information annually, by June 30, on the EP Association website and on its own institutional website.

STAGE 1 Detection and Scope	STAGE 2 Categorization	STAGE 3 Environmental and Social Assessment	STAGE 4 Action Plans	STAGE 5 Clauses and Financial Closing	STAGE 6 Monitoring and Reporting
Selection of projects and transactions under the scope of the Equator Principles	Princ. 1 and 7	Princ. 2 and 3	Princ. 4, 5, 6, 7	Princ. 8	Princ. 9 and 10
	Category A Potential significant adverse E&S risks and/or impacts	E&S risk assessment and mitigation, minimisation and compensation measures	Environmental and Social Management System (ESMS)	Establishment of compliance-related contractual commitments	Project Monitoring and Independent reporting
	Category B Potential limited adverse E&S risks and/or impacts	Human rights impact assessment and climate change risk assessment	Environmental and Social Management Plan (ESMP)		Disclosure of reports by the client
	Category C Minimal adverse E&S risks and/or impacts	Compliance with applicable E&S standards	Equator Principles Action Plan (EPAP)		Public information on transactions that have reached financial closing
			Consultation and informed participation		
			Effective mechanisms for handling complaints		
			Independent review		

SOURCE: Diagram by the authors based on the Equator Principles

- **Report**

This document constitutes ICO's EP Implementation Report for the year 2024 (from January 1 to December 31), in accordance with the latest version, which establishes that "each EPFI shall publicly report, at least once a year, on the transactions it has considered to fall within the scope of the Equator Principles".

- **Transactions in 2024**

1. **Project Financing**

With financial closure in 2024, six transactions have been classified as project finance under the EP. The following table shows the breakdown of these transactions:

	Breakdown by category		
	Category A	**Category B**	**Category C**
	1	5	0
	Detailed breakdown by category		
By sector	**Category A**	**Category B**	**Category C**
Mining	0	0	0
Infrastructures	0	0	0
Oil and gas	0	0	0
Energy	1	5	0
Others	0	0	0
By region	**Category A**	**Category B**	**Category C**
America	1	0	0
Europe, the Middle East and Africa	0	5	0
Asia and Oceania	0	0	0
By country designation	**Category A**	**Category B**	**Category C**
Designated	1	5	0
Not designated	0	0	0
Independent review	**Category A**	**Category B**	**Category C**
Yes	1	5	0
No	0	0	0

NOTE 1: Designated countries are those deemed to have strong environmental and social governance, legislative systems, and institutional capacity designed to protect their people and the natural environment. The PE Partnership requires a country to be a member of the OECD and appear on the World Bank's list of high-income countries to qualify as a designated country.

NOTE 2: Independent review is not required for all project types (for example, it is not required for Category C projects). Please refer to the Equator Principles for details of the specific requirements for each category and product type.

- Project name of the transactions reported in 2024

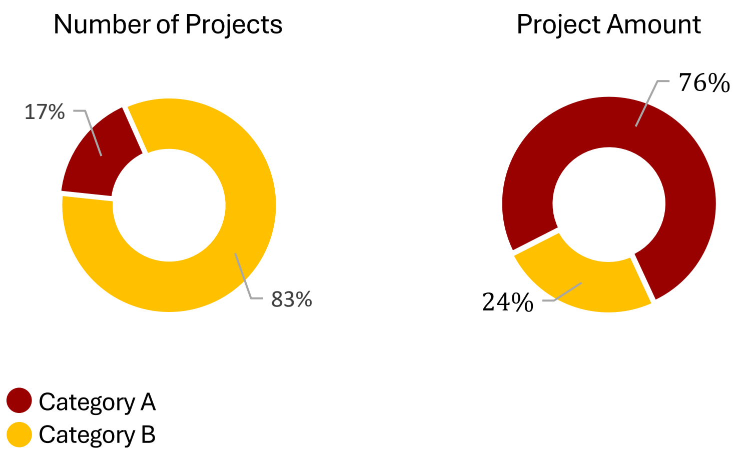
No.	Project Name	Sector	Country	Financial Closing
1	Berlin	Energy	Spain	2024
2	Spanish Portfolio	Energy	Spain	2024
3	Venice	Energy	USA	2024
4	Gallo	Energy	Spain	2024
5	Lorca-Totana	Energy	Spain	2024

Note: ICO is not disclosing the name of one of the projects funded this year as it has not received the client's express consent.

- **Supplementary information**

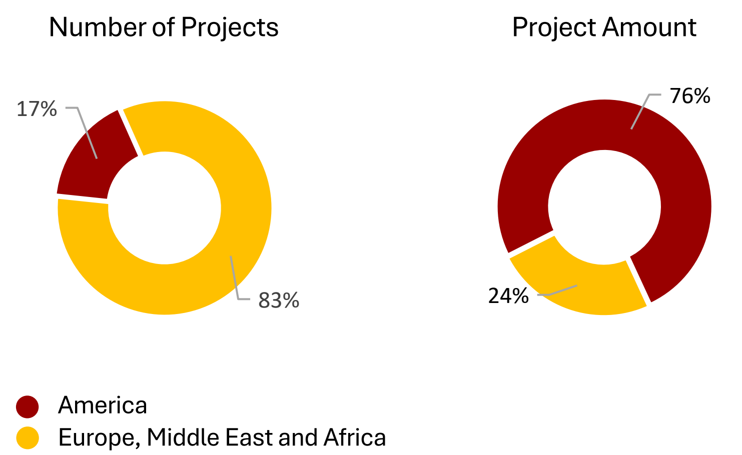
The following charts provide a complementary view of the distribution of ICO-funded transactions under the EP framework in 2024, both at the transaction level and, alternatively, considering the total amount represented by each investment project.

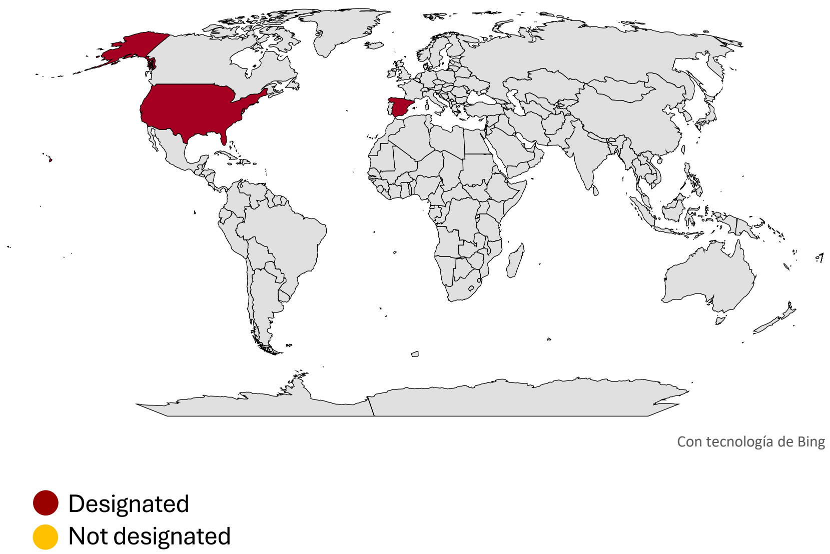
- Operations by project category



Based on their distribution by category (A, B, or C), in 2024, 83% of ICO-funded projects received a "B" categorization, while "A" projects accounted for 17%. However, the large scale of the Venice project—for the design, construction, and operation of an offshore wind farm off the coast of Virginia (USA)—means that "A" projects account for 76% of investments, compared to 24% for "B" projects.

- Operations by region

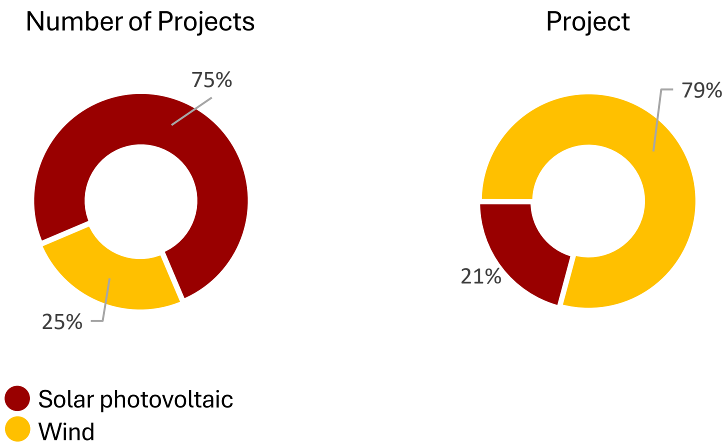




In terms of geographic distribution, most of the operations (83%) were carried out in Europe, the Middle East, and Africa, primarily in Spain due to ICO's status as a national development bank. ICO also participates in the financing of projects abroad whenever there is Spanish interest, as is the case with the Venice project in the United States.

This year, all Equator Principles-based transactions were formalized in designated countries.

- Operations by sector



The sectoral distribution reflects the significant weight of renewable energy projects in ICO's financing portfolio, which this year represents the entire Equator Principles operations. In terms of projects, solar photovoltaic energy stands out (75%), while in terms of investment, wind energy stands out (79%) due to the Venice project.

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