

INSTITUTO DE CRÉDITO OFICIAL

2023 EQUATOR PRINCIPLES IMPLEMENTATION REPORT

- **Introduction**

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

First published in 2003, they are **based** on the Performance Standards of the International Finance Corporation (IFC) performance standards, and the World Bank's Environmental, Health and Safety (EHS) Guidelines. The latest version, EP4, was launched in October 2020, extending the scope to include new commitments particularly regarding human rights (especially indigenous communities), climate change, and biodiversity, applicable globally across all countries and industrial sectors.

In October 2016, ICO adhered to these principles to enhance its impact measurement of large financing projects, aiming to identify and mitigate potential negative effects on ecosystems, local communities, and climate. By adopting these principles, ICO commits to integrating necessary internal procedures into its environmental and social policy for compliance.

- **The Equator Principles at ICO**

Because of the fiduciary duty conferred on it as a public entity dedicated to development, as well as to meet the demands of its group of stakeholders, ICO must conduct a risk analysis that includes and considers the environmental impact that the projects it finances may have.

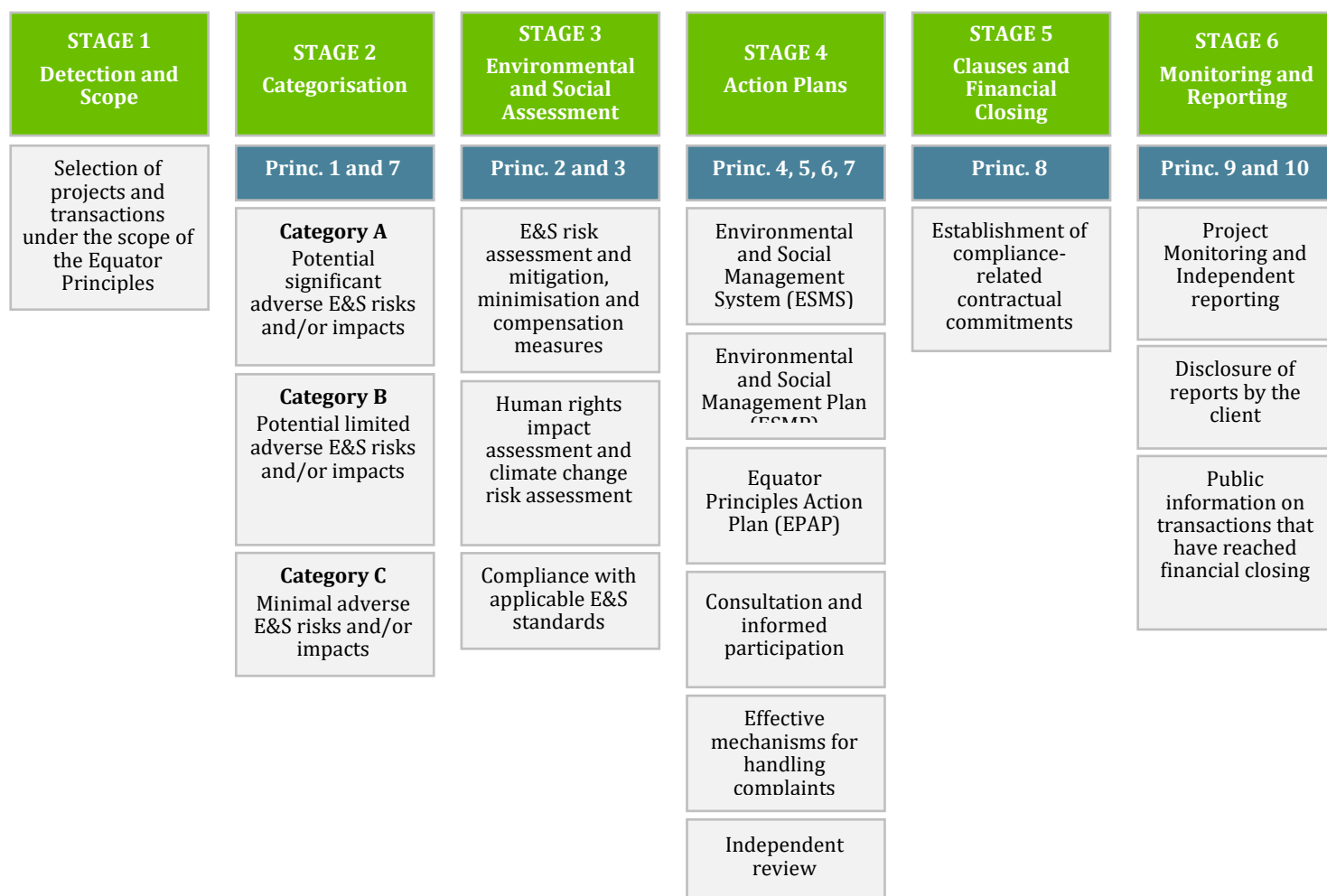
Under this premise, ICO integrates the compliance of EP mandates into its internal processes and make the necessary updates.¹

The process begins with the collection of information and joint analysis of the operations proposed for funding by the Business department and Sustainability department, to determine whether these meet the minimum requirements to be categorised under one of the five operation typologies contemplated in the EP framework. If so, ICO then categorises 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, review of the impact category assigned to the project and determination of compliance with the principles.

The EPs set out specific annual reporting requirements to be completed by both the client and ICO on the [EP Association](#) website and the [ICO website](#).



SOURCE: Diagram by the authors based on the Equator Principles

- **Report**

This document constitutes the ICO EP Implementation Report for the year 2023 (1 January to 31 December), in accordance with the latest version, which states that "each EPFI shall report publicly, at least once a year, on the transactions it has considered under the scope of the Equator Principles."

- **Transactions in 2023**

- 1. Project Funding**

With the financial closing of 2023, 6 operations were classified as project financing under the EPs. The following table shows the breakdown of these operations:

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
Infrastructure	0	1	0
Oil and gas	0	0	0
Energy	1	4	0
Other	0	0	0
By region	Category A	Category B	Category C
Americas	0	1	0
Europe, Middle East and Africa	0	4	0
Asia and Oceania	1	0	0
By country designation	Category A	Category B	Category C
Designated	1	4	0
Not designated	0	1	0
Independent review ²	Category A	Category B	Category C
Yes	1	4	0
No	0	1	0

- Project name of transactions reported in 2023

No.	Project name	Sector	Country	Financial Closing
1	MacIntyre Wind Farm Project	Energy	Australia	2023
2	Morro do Chapéu Project	Energy	Brazil	2023
3	Fraile Project	Energy	Spain	2023
4	Lorenzo Project	Energy	Spain	2023
5	RIC Project	Energy	Spain	2023
6	Tel Aviv Tram Purple Line	Infrastructure	Israel	2023

² Independent review is not required for all Project typologies (e.g. 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.

2. Project-Related Refinancing and Project-Related Procurement Financing

There was a total of 1 project-related refinancing and project-related procurement financing that reached financial closing from 01/01/2023 to 31/12/2023. The following table shows the details:

Breakdown by sector, region and country designation	
By sector	
Mining	0
Infrastructure	1
Oil and gas	0
Energy	0
Other	0
By region	
Americas	1
Europe, Middle East and Africa	0
Asia and Oceania	0
By country designation	
Designated	0
Not designated	1

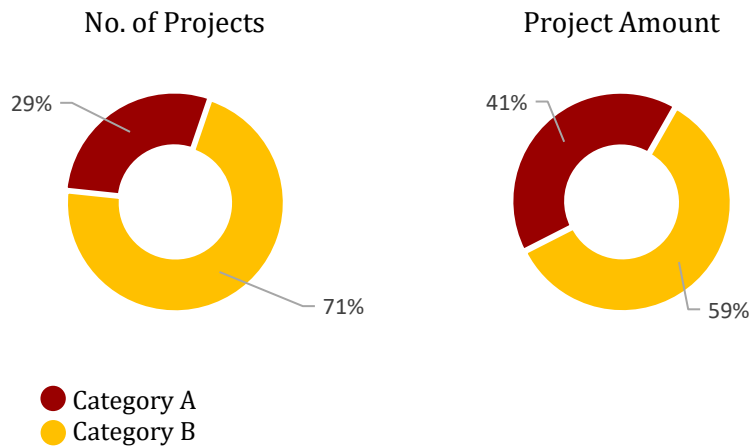
- Project name for project-related refinanced operations and project-related acquisition financings in 2023.

No.	Project name	Sector	Country	Financial Closing
1	Pamplona - Cúcuta	Infrastructure	Colombia	2023

- **Supplementary information**

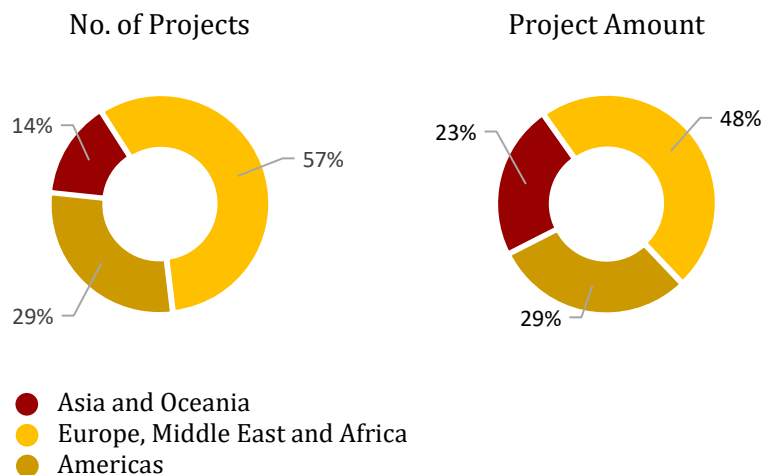
The following graphs provide a complementary view on the distribution of transactions financed by ICO under the SP framework in 2023 at transaction level and, alternatively, taking into account the total amount represented by each investment project.

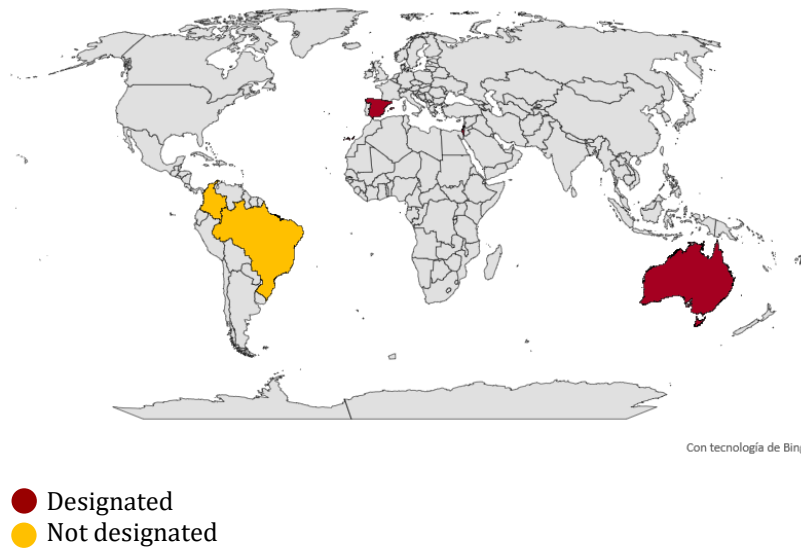
- **Operations by project category**



Looking at their distribution by category (A, B or C), in 2023, 71% of the projects financed by ICO received a "B" categorisation, while "A" projects accounted for 29%. Despite this, the large scale of the MacIntyre Wind Farm project, for the construction and operation of a wind farm in Queensland (Australia), and the Pamplona - Cúcuta project, for the construction of a motorway in Colombia, mean that "A" projects account for 41% of investments compared to 59% for "B" projects.

- **Operations by region**

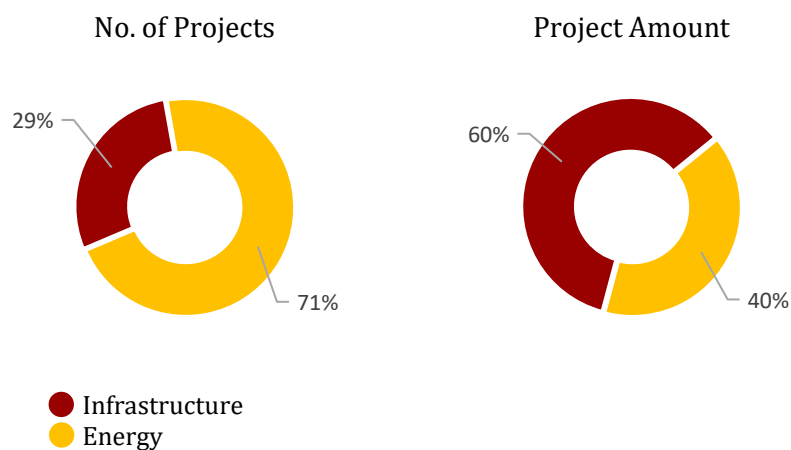




In terms of geographic distribution, most of the operations (57% by number of projects and 48% by amount) took place in the Europe, Middle East and Africa region (mainly Spain). Two operations took place in South America and the other in Oceania.

Of all the operations, the Pamplona - Cúcuta motorway project and the Morro de Chapéu project for the installation of electricity transmission lines are the only ones carried out in non-designated countries.

- Operations by sector



The sectoral distribution reflects the large weight of infrastructure projects from a value perspective (60%), as they typically involve capital intensive activities. Energy projects, developed mainly in the field of renewable energies (solar photovoltaic), represent 71% of the projects financed.

- **ANNEX I: PROJECT INFORMATION**

- **MacIntyre Wind Farm Project (Acciona)**

ICO is participating in the financing of the MacIntyre Wind Farm, a project carried out by ACCIONA Energía in partnership with CleanCo. Acciona Energía, a subsidiary of Acciona, is a global energy company that operates exclusively in renewable technologies, enabling companies, institutions, businesses and individuals to reduce their carbon footprint. CleanCo is an Australian government-owned company focused on the generation and commercialisation of electricity through renewable sources and innovative solutions.

The financed project, which aims to build and operate an onshore wind farm with a total capacity of 1,026 MW, requires a total estimated investment of A\$1.96 billion and will be located in the Queensland region, where it is currently being built on land used for sheep herding, which will not be affected during the development and operation of the project.

According to data published by Acciona on its website, the installation of 180 state-of-the-art turbines at the complex is expected to generate clean energy for the equivalent of 700,000 homes, curtailing the emission of 3 million tonnes of CO₂ into the atmosphere and creating 400 jobs. In addition, by greening Queensland's electricity mix, the project will help the Australian state meet its decarbonisation commitments and climate change mitigation strategies.

In terms of the Equator Principles, according to the recommendations issued by the project's independent consultant, the wind farm has received an "A" rating due to the large scale of the facility (it will be one of the largest onshore wind farms in the world) and the potential impacts on biodiversity in the area.



- Documents of interest:
 - a) [Project website](#)
 - b) [Eco-assessment report](#)
 - c) [Social impact assessment](#)

➤ **Morro de Chapéu Project (Neoenergía)**

Neoenergía, a Brazilian subsidiary of the Iberdrola Group since 1997, is the largest energy distributor in Brazil (present in 18 states and the Federal District) and one of the largest in Latin America. The company operates in all segments of the electricity sector, particularly in the generation of renewable energy through hydroelectric power plants, wind farms and solar plants, and in electricity transmission through more than 6,000 kilometres of power lines installed in 15 states.

ICO-financed operation aims to expand the basic electricity grid in the states of Bahia, Minas Gerais and Espírito Santo, enabling the flow of energy between the generation plants already installed in the region and expanding the connection margin for future projects. Divided into five sections and with a total length of 1,091 kilometres of lines, the Morro de Chapéu project was awarded to Neoenergía by auction through Brazil's National Electricity Agency (ANEEL).

ICO, after analysing the project's environmental and social impact assessments issued by a consultant, as well as the programmes to remedy any adverse impacts that the project may cause, has considered it appropriate to give the project a "B" rating according to the Equator Principles application framework.

The main risks and impacts identified are of a localised and limited nature and are mainly found in the biotic, physical and socio-economic spheres of the project.



- Documents of interest:
 - a) [Corporate website](#)
 - b) [News - Project status](#)

➤ **Fraile Project - RIC Project (Sonnedix)**

ICO is helping to finance two projects for Sonnedix for the construction of a photovoltaic plant (Fraile Project) located in Herencia (Ciudad Real) and three more plants (RIC Project) located in Belinchón (Cuenca). Sonnedix is an international independent renewable energy producer group engaged in the development, construction, maintenance, management and sale of energy from its renewable energy assets in OECD countries. It currently has more than 450 operating plants in 10 countries.

The Ciudad Real plant has a total installed capacity of 36 MW and is currently in operation. According to a press release issued by Sonnedix, the project is expected to generate 78 GWh of clean electricity during its first year of operation. Based on the impact information published on the company's website, it is estimated that the project could supply clean energy to more than 23,000 households, curtailing the emission of almost 12,000 metric tonnes of CO₂ per year. The three Cuenca plants will have a total of 150 MW of installed capacity and, having received favourable environmental ruling in their Environmental Impact Statement and Study, are expected to come into operation in 2024.

With regard to the application of the Equator Principles, both projects are developed in Spain, a designated country with a robust legal framework in terms of sustainability. Thus, on the basis of the recommendations issued by the independent consultants responsible for each project, it has been considered appropriate to give both projects a "B" rating.

The main risk areas identified in both projects, mainly related to birdlife and geological conservation in the area, are of a localised and limited nature.



- Documents of interest
 - a) [Corporate website](#)
 - b) [News - Fraile](#)
 - c) [News - RIC](#)

➤ **Lorenzo Project (Matrix Renewables)**

Located in Valladolid and run by the company Matrix Renewables, a renewable energy platform founded in 2020 by the global alternative asset manager TPG through its global investment platform TPG Rise, the Lorenzo project consists of the construction of two photovoltaic plants in Zaratán and Arroyadas, with an installed capacity of 66 MW.

According to information provided by Matrix Renewables, not only will the project have the potential to generate renewable energy once both plants are operational, but throughout the construction phase, which started in December 2022, around 500 direct and indirect jobs will be created in the region. This provides impetus in terms of labour and the local economy through employment and career development opportunities for the surrounding community.

Regarding the implementation of the Equator Principles, both plants have been built in adjacent areas located in Spain, a designated country with a strong legal framework in terms of sustainability. After assessing the available information and taking into account the recommendations of the independent technical advisor responsible for the project, it has been determined appropriate to give a "B" rating to the project.

The main risk areas identified, such as vegetation and soil modification, are localised and limited in scope and both plants have been issued with a favourable Environmental Impact Statement and Assessment.



- Documents of interest
 - a) [Corporate website](#)
 - b) [News - Zaratán and Arroyadas](#)

➤ **Purple Line Tel Aviv Tramway (NTA)**

NTA Metropolitan Mass Transit System, founded in 1997 and owned by the Israeli government, is the company responsible for the design and construction of the tram-based public transport system in the city of Tel Aviv. The funded project, the Purple Line, comprises the planning, construction and maintenance of a new light rail line for the city's metro service.

The line will connect the western parts of the city with Ramat Gan and Givatayim in the east, passing through a total of six towns along a 27-kilometre route and have 43 stations to serve approximately 256,000 passengers per day according to data published on the NTA website.

The CAF Group and the Shapir construction company, under a concession from NTA Metropolitan Mass Transit System, are the entities in charge of developing the infrastructure and, in addition, the supply of 98 new Urbos trams, with the option of a future expansion of 32 additional units.

ICO, which participates in the financing together with other international financial institutions, has considered it appropriate to give the project a "B" rating based on the Equator Principles implementation framework and in accordance with the recommendations issued by the project's independent technical advisor.

The potential risks and impacts identified are always limited and specific to the construction site and range from involuntary resettlement to noise or traffic diversions.



- Documents of interest
 - a) [Web project](#)
 - b) [News - CAF Group](#)

➤ Pamplona - Cúcuta Motorway (Sacyr Group)

The Concesionario Unión Vial Río Pamplonita, owned by the Sacyr Group, is the entity in charge of carrying out the studies, design, financing, environmental and social management, as well as the construction, rehabilitation, operation, maintenance and reversion of the road corridor between Pamplona and the Betania sector, in the municipality of Los Patios, Metropolitan Area of Cúcuta (Colombia).

The Pamplona - Cúcuta motorway project consists of the construction, rehabilitation, improvement, operation and maintenance of 72 km of existing motorway and 50 km of new road between Pamplona and Los Patios. Given its location in the northern part of the country, the concessionary entity considers that the project will serve to improve Colombia's connectivity at its border crossing with Venezuela, promoting the region's socio-economic development and reducing transport times and costs.

In 2020, ICO participated in the project's financing through a syndicated operation, applying the framework established by the Equator Principles. Given the diverse and significant nature of the potential adverse environmental and social impacts identified at the time, the project was given an "A" rating.

In 2023, without significant changes in the project's scale and without having reached the physical completion date, the Institute approved the refinancing contract for the motorway, maintaining the same level of ambition in the application of the Equator Principles requirements.

The project's Environmental Impact Study, drafted by Sacyr and openly available on the Internet, identifies some severe potential risks related to the alteration of landscapes, soils, ecosystems or vegetation cover. Despite this, the project complies with the Colombian regulatory framework and IFC performance standards, having obtained environmental licences for construction and identified appropriate mitigation, prevention and compensation measures.



- Documents of interest
 - a) [Web project](#)
 - b) [Environmental Impact Assessment](#)
 - c) [News - Refinancing](#)

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