

Adoption of the Equator Principles

We are pleased to announce that it has adopted the Equator Principles for project finance effective January 2006, representing our commitment to verifiable policies designed to support the realization of a sustainable society.

What are the Equator Principles?

The Equator Principles are environmental & social impact guidelines adopted by private financial institutions to guide loans to large project financings. They are based upon the policies and guidelines of the World Bank Group, and are intended to require environmental and social impact review prior to financing and the monitoring of implementation after financing. The text of the Equator Principles is in the Equator Principles original website www.equator-principles.com.

How we will implement the Equator Principles

We have established the “Guidelines for Equator Principles” and the “Internal Procedure for Equator Principles” in order to put Equator Principles into practice starting in January, 2006. We have arranged for personnel from the Structured Finance Division to work exclusively on the classifications and review of environmental & social impacts of projects proposed for financing by the Bank. We believe these resources and our procedures will allow the Bank to focus on the assessment process and consider appropriate loan conditions to promote sustainable development.

We have also implemented new training courses to deepen our understanding of the Equator Principles and the environmental & social impacts of our business activities. More than 40 staff, mainly from the Structured Finance Division, have attended these training courses. We will continue to expand training in environmental and social impacts for newly assigned staff and for staff from other divisions.

Assessment procedure of environmental & social impacts under Equator Principles

For projects likely to cost more than USD 50 million, the Equator Principles require

pre-financing assessment. We plan to implement environmental & social impact assessment procedure using an initial screening process, to classify the projects by their level of environmental and social impact. (Categories A to C, which reflect different levels of environmental and social impact).

Category classification

Category	Description
A	Projects with potential adverse environmental impacts of a high severity.
B	Projects with potential adverse impact on the environment that is smaller than those of Category A projects.
C	Projects with minimum or no adverse impacts on the environment.

Projects classified as Category A or B will be reviewed in detail according to our environmental & social impact checking procedures. We will disclose the results and the number of classification of projects.

Implementation of Equator Principles

The results of the environmental & social assessment process will be taken into account when finalizing our credit decisions. Appropriate measures, such as guiding projects to make improvements, will be considered for Category A and B projects which have undesirable effects on the environment and society. Category C projects will not ordinarily require further review.