



STATEMENT ON EQUATOR PRINCIPLES

The Equator Principles is a voluntary framework banks can use to manage the environmental and social aspects of project financing. The Equator Principles were launched in 2003 and have since been adopted by international financial organisations, and have become a global industry-wide standard.

HBOS has adopted the Equator Principles because:

- We recognise that we have a responsibility to the environment and society, and will take positive steps to address the environmental and social impacts of our business operations
- We seek to reduce our lending risks and also to ensure that projects to which we lend are managed responsibly
- We are keen to participate in an initiative which has become the global industry-wide standard for environmental and social due diligence for project finance

In adopting the principles, we have undertaken to ensure that all applicable project finance proposals fall within the requirements of the principles. This will include all new project financings globally with total project capital costs of US\$10 million or more, and across all industry sectors. While the principles are not intended to be applied retroactively, we will apply them to all project financings covering expansion or upgrade of an existing facility where changes in scale or scope may create significant environmental and/or social impacts, or significantly change the nature or degree of an existing impact.

The process of establishing internal procedures to ensure sound implementation of the Equator Principles is already underway. In order to support us in this process, we have retained independent consultants to assist us with policy formulation, governance and procedures.

We are fully committed to embedding procedures and recognise that training of our staff will be necessary. We plan to provide training on Equator Principles procedures to staff. This will include staff from all relevant areas of the HBOS.

It is our intention to maintain a panel of qualified independent consultants to provide advice to supplement our decision-making process in relation to application of the Equator Principles.

It is our intention to report annually on our Equator Principles transactions, and this will include details on the number of transactions screened against Equator Principles, as well as the category breakdown (A, B or C).

More information on Equator Principles is at www.equator-principles.com.

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