

UniCredit Position Statement concerning the Water Infrastructure Industry (Dams)

Fresh water is a finite and vulnerable resource. The availability of a reliable supply of water and the protection of water resources through adequate water management are essential to sustain life, development and environment. Countries need to satisfy the water demand of households, industry and agriculture, balanced by the need for security and sustainability of supply and the requirement to protect the aquatic environment and support biodiversity.

In this context, dams can be important contributors to the development of many countries. They can improve and expand power generation, irrigation, domestic and industrial water supplies, and can provide security against droughts and protection from floods. However, at the same time, they often submerge substantial areas and change the pattern of river flows downstream, causing, in some cases, significant adverse impacts on the environment and local communities. Although large dams are a source of renewable energy, they belong especially in developing countries to the most controversial large infrastructure projects and have led to considerable social and environmental conflicts in the past. Therefore, only provided risks are well managed, there is an opportunity for the development of these countries and regions.

Key assessment areas

UniCredit's Water Infrastructure (Dam) Policy provides guidelines and standards, which are based on those accepted by the industry and by other stakeholders and represent best practice. The Water Infrastructure (Dam) Policy aims to assess and limit environmental and social risks associated with the financing of water infrastructure activities(dams) with particular attention to:

- Habitat & biodiversity loss;
- Groundwater, water, soil and air contamination;
- International Labour Standards, especially concerning child and forced labour;
- Indigenous Peoples and local communities;
- Health and safety of affected communities;
- Resettlement and economic displacement;
- Consultation processes and community support;
- Security and human rights;
- Cultural heritage;
- Adherence to legislation;
- Corruption risk and political risk.

Environmental and Social Standards

All business initiatives / transactions / projects concerning Water Infrastructure development must be consistent with the International Finance Corporation (IFC) Performance Standards and the Environmental, Health and Safety (EHS) Guidelines of the World Bank Group. For project finance transactions, including project finance advisory, the standards established by the Equator Principles apply. In addition to all applicable IFC Performance Standards the best practice framework of the World Commission on Dams (WCD) has to be observed.

All companies have to follow the core labour standards, as identified in the International Labour Organization (ILO) conventions, and have to comply with the UN “Convention on the Law of the Non-navigational Uses of International Watercourses”.

Where applicable, the Group's counterparts have also to recognize the rights of Indigenous Peoples, as contained in the “UN Declaration on the Rights of Indigenous Peoples”. In case of resettlement of Indigenous Peoples – due to business initiatives / transactions / projects concerning Water Infrastructure development – the counterpart is required to comply with Article 10 of the above mentioned UN Declaration.

Forbidden Financings

UniCredit does not finance Water Infrastructure development counterparts which directly support:

- Operations in UNESCO World Heritage Sites
- Operations in or directly affecting areas officially protected for conservation purposes (i.e., IUCN I-IV protected areas), or those proposed for such designation;
- Operations where there are reliable reports of human rights violations;
- Operations in or directly affecting wetlands on the Ramsar List (Register of Wetlands of International Importance of the Ramsar Convention on Wetlands);
- Operations in or directly affecting Primary Tropical Moist Forests, High Conservation Value Forests or Critical Natural Habitats, where significant degradation or conversion is involved;
- Operations where it is evident that the counterpart has not achieved free, prior and informed consent from affected Indigenous Peoples and undertaken free, prior and informed consultation with the affected communities in order to facilitate their informed participation;
- Projects which are not in compliance with the World Bank policies on the Safety of Dams.