

Policy for Business Activities Related to Coal-Fired Power Generation

The Sector-Specific Regulations as outlined below must be fulfilled/ complied with for all significant business activities¹ in high income economies² related to coal-fired power generation in which the use of funds made available is fully or partly known to WestLB. For business activities in all other countries the criteria set-out in no. 5 and 6 of the Sector-Specific Regulations must be fulfilled, and the criteria no. 1 – 4, if possible. In any case, the Process-Specific Regulations (see also below) must be fulfilled.

The Policy will be reviewed by all involved parties in January 2011.³

Sector-Specific Regulations

1. The customer/borrower has to document, whether or how any technology to capture greenhouse gases for the most part and to avoid the emission into the atmosphere is addressed in the regulatory approvals.
2. A due diligence must be conducted by WestLB or the syndicate of lenders and include third party expert reports (legal, technical, etc) to ensure that future regulations (environmental etc) can be adhered to by the project on an economic basis, including, but not limited to:
 - a. Required additional equipment, including any technology to capture greenhouse gases for the most part and to avoid the emission into the atmosphere;
 - b. Purchase of carbon credits;
 - c. Other required measures to maintain all permits and remain compliant with relevant laws and regulations.
3. Best available technology⁴ must be used for new plants as well as for the expansion/optimisation of existing plants and equipment. The following criteria apply:
 - a. the efficiency of a new coal-fired power plant is 43 per cent or more,
 - b. the relative improvement in the efficiency of the expanded/optimised part of the plant is at least 30 per cent.
4. Operators/owners of the coal-fired power plant are required to provide the physical space necessary to carry out carbon capture.
5. Licensing/permitting risks will not be assumed by WestLB.
6. Experienced project sponsors, who deal pro-actively with all challenges relating to the investment and provide comprehensive support for the investment.

Process-Specific Regulations

All other regulations and processes of the Bank also apply, in particular:

- Reputational risk process
- Policy for Environmental and Social Issues
- Equator Principles in project finance (non- or limited recourse finance)
- Credit risk-strategic and, if applicable, business unit-specific guidelines

¹ All business activities of the Bank and all indirect effects (upstream/downstream) within the meaning of Annex A of the Policy for Environmental and Social Issues of WestLB AG, version Aug. 8, 2008

² As defined in the World Bank Country Groups

³ This also corresponds with the timeframe of the IFC Performance Standards review process, which was commenced in September 2009 and is anticipated to be concluded by the end of 2010.

⁴ This refers to the best available technology suitable for economic and industrial use to reduce negative social and ecological effects to a minimum (see also: Definition Best Available Technology, EU Directive 2008/1/EC (Integrated Pollution Prevention and Control, IPPC), Article 2.12.