

THE EQUATOR PRINCIPLES ASSOCIATION GOVERNANCE RULES

1) Introduction

This governance document sets out the Rules of the unincorporated association of Equator Principles Financial Institutions and Associates and provides guidance to existing and prospective Equator Principles Financial Institutions and Associates on the processes for the management, administration and development of the Equator Principles and of the Association, which shall be known as the Equator Principles Association.

2) Definitions

Active in Project Finance – A financial institution is Active in Project Finance when:

- a) it has current loans on its books which are subject to the Principles, or
- b) it has provided Project Finance loans or Project Finance Advisory Services within the previous 24 months, or
- c) it has the intention of providing Project Finance loans or Project Finance Advisory Services within a 12 month period.

Administrator - The third party entity which manages specified administrative matters on behalf of the EPFIs and Associates as further defined in Rule 14 of these Rules.

Adoption Agreement – The agreement entered into by prospective EPFIs and Associates in order to adopt the Equator Principles and become a member of this Association, as further defined in Rule 5f of these Rules.

Adoption Date – The date on which an EPFI or an Associate adopts the Principles and becomes a member of the Association in accordance with the procedures in these Rules.

Annual Fee - The fee payable by the EPFIs and Associates on an annual basis in respect of any external costs incurred in the management, administration and development of the Principles and the management and administration of the Association as further detailed in Rule 15 of these Rules.

Annual Meeting - The meeting of all EPFIs and Associates, to be held once a year as further defined in Rule 13 of these Rules.

Associate – A financial institution which has adopted the Principles as part of its broader approach to sustainability but is not Active in Project Finance, whose name appears as an Associate on the List of EPFIs and Associates on the Equator Principles website.

Association or Equator Principles Association – The unincorporated association of Equator Principles Financial Institutions and Associates whose object is the management, administration and development of the Equator Principles.

Business Day – A day on which banks are open for business in England and Wales excluding Saturdays and Sundays.

Chair – The EPFI which chairs the Equator Principles Steering Committee, in the person of the individual employed by that EPFI who has been nominated by such EPFI to represent it in this capacity as further defined in Rule 9 of these Rules.

Equator Principles (or Principles) – A set of principles setting out a framework for managing social and environmental risk in Project Finance, the current version of which shall be shown in detail on the Equator Principles website at www.equator-principles.com. The Equator Principles may be revised from time-to-time by the Association but, notwithstanding this, Equator Principles Financial Institutions and Associates may continue to apply a previous version to projects financed under that version.

Equator Principles Financial Institution (EPFI) – A financial institution which has adopted the Equator Principles in accordance with the procedures in these Rules, is Active in Project Finance and whose name appears as an EPFI on the List of EPFIs and Associates on the Equator Principles website.

Equator Principles Steering Committee (the Steering Committee) - The committee of the EPFIs appointed to manage the Association as further defined in Rule 8 of these Rules.

List of EPFIs and Associates – The list of those EPFIs and Associates that are published on the Principles' website as active and reporting, as further detailed in Exhibit I of these Rules.

Project Finance – A method of funding in which the lender looks primarily to the revenues generated by a single project, both as the source of repayment and as security for the exposure. This type of financing is usually for large, complex and expensive installations that might include, for example, power plants, chemical processing plants, mines, transportation infrastructure, environment, and telecommunications infrastructure. Project Finance may take the form of financing of the construction of a new capital installation, or refinancing of an existing installation, with or without improvements. In such transactions, the lender is usually paid solely

or almost exclusively out of the money generated by the contracts for the facility's output, such as the electricity sold by a power plant. The borrower is usually a special purpose entity that is not permitted to perform any function other than developing, owning, and operating the installation. The consequence is that repayment depends primarily on the project's cash flow and on the collateral value of the project's assets.¹

Project Finance Advisory Services - The provision of advice on the potential financing of a development, for which one of the options may be Project Finance. The advice may include but is not limited to competitive bid strategies, limited recourse finance, provision of equity, advantages of different types of debt, hedging techniques, contractual structuring, financial modelling, macroeconomic assumptions, intra-shareholder issues and project management.

Project Sponsor – A party which develops and influences a project which is or is anticipated to be the subject of Project Finance and is an equity shareholder in the entity that is the borrower of the Project Finance.

Report Publicly – The obligation of an EPFI or an Associate to report publicly on its implementation of the Principles in accordance with Principle 10 of the Equator Principles and in accordance with the requirements of Rule 6 regarding provision of hyperlinks to such EPFI's or Associate's reporting page.

Rules – The rules of this Association contained in this document, as amended from time to time in accordance with Rule 7 of these Rules.

Stakeholders – Those entities and individuals with a direct or indirect interest in the achievement of the aims of the Principles, who shall include but are not limited to: civil society; clients; development finance institutions; industry associations; Project Sponsors; the International Finance Corporation (IFC); non-government organisations (NGOs); organisations sharing similar aims such as export credit agencies; public financial institutions; and shareholders of the EPFIs or Associates.

Trustees – A body corporate that is an EPFI (or an associated company or subsidiary of an EPFI) or two individuals employed by an EPFI who is or are appointed to act as a Trustee on behalf of the EPFIs and Associates in accordance with Rule 11.

Working Group - Any group of EPFIs and/or Associates convened by the Steering Committee that meets from time to time to discuss and provide guidance to members of the Association and/or its Stakeholders on particular issues associated with the management, administration or development of the Equator Principles as provided in Rule 10 of these Rules.

¹ Source: Basel Committee on Banking Supervision, November 2005, <http://www.bis.org/publ/bcbs118.pdf>.

3) Objects of the Association and Purpose of the Principles

- a) The objects of the Association are to:
- i) promote and encourage the adoption of the Principles by further financial institutions;
 - ii) promote and encourage the implementation of the Principles by the EPFIs and Associates in a manner that accords with good international banking practice and all applicable law and that offers reasonable consistency of approach;
 - iii) develop the Principles as the EPFIs and Associates consider appropriate, having regard to developments in international good practice, the evolution of sustainability standards and the practices and the views of Stakeholders;
 - iv) maintain contact and share expertise with international financial institutions and other bodies who have developed their own social and environmental standards;
 - v) engage an Administrator to manage the Equator Principles website and provide such other administrative services as the Association requires for the above purposes;
 - vi) accept subscriptions and donations for all or any of the purposes specified above and to manage, invest or expend all monies belonging to the Association;
 - vii) hold any monies of the Association not immediately required for its purposes in a deposit account subject to such conditions (if any) as may be imposed by law or determined by the Steering Committee;
 - viii) invest any surplus monies of the Association in investments approved by the Steering Committee; and
 - ix) do all such other things as will further the above.
- b) The aim of the Principles is to introduce good practice for financial institutions in the management of social and environmental risks when providing Project Finance loans or Project Finance Advisory Services.
- c) The Principles are a framework to require the implementation of standards of good practice in relation to the social and environmental issues arising in projects that are the subject of Project Finance. The EPFIs having so decided, the Equator Principles specify that the current standards required shall be either:

- i) The Performance Standards and the Environmental, Health and Safety Guidelines of the IFC where projects are located in countries that are not High Income OECD countries (as defined by the World Bank Development Indicators Database), or
 - ii) Local or national law relating to social and environmental matters where projects are located in High Income OECD Countries (as defined by the World Bank Development Indicators Database).
- d) The Principles apply where the EPFIs provide Project Finance loans or Project Finance Advisory Services for projects having a total capital cost of US\$10million or more, to provide that those projects are developed in a socially responsible manner and reflect sound environmental management practices. Negative impacts on project-affected ecosystems and communities should be avoided where possible, and if these impacts are unavoidable, they should be reduced, mitigated and/or compensated for appropriately.
- e) The Principles apply also in circumstances where project financing covers an expansion or upgrade of an existing facility if the changes in scale or scope have the potential to create significant social and/or environmental impacts, or significantly change the nature or degree of an existing impact.
- f) The Principles are specifically designed for use in Project Finance and, as a consequence, it is often not possible to apply them – in full – to other types of business undertaken by financial institutions. Nevertheless, the Association recognises that the Principles are used by some organisations as the basis for managing social and environmental risks outside Project Finance. For example, some financial institutions use the Principles to help them to develop internal policies governing loans where the proceeds will be ultimately used for a project. Other institutions such as export credit agencies may be participating in transactions where both export credit and Project Finance are being offered. Financial institutions such as these, who are not EPFIs, can benefit from an association with the Principles, from engagement with the EPFIs and from gaining a practical understanding of how EPFIs interpret the IFC's Performance Standards and Environmental, Health and Safety Guidelines. The EPFIs encourage this growth of good practice under the influence of the Principles. A financial institution which has adopted the Principles as part of its broader approach to sustainability but is not Active in Project Finance may become an Associate of the Principles. Principles 1-9 of the Equator Principles may not all be directly relevant to an Associate, but all Associates are under an obligation to report under Principle 10. An Associate needs to report on the extent to which the Principles are relevant to it.

- g) The EPFIs will from time to time collectively review the Principles, based on their respective implementation experience, the development of other international social and environmental standards and in order to reflect ongoing learning and emerging good practice. Any changes made to the Principles will be made in accordance with Rules 7gi, 7gii and 7giii.

4) Lawful Co-operation and Disclosure of Information

- a) All financial institutions are encouraged to adopt the Principles, subject to each institution being able to meet its commitments related to the Principles and to report accordingly.
- b) The Association and these Rules provide the framework for the administration, management and development of the Principles by the EPFIs and Associates working together and in co-operation including through the Steering Committee and Working Groups. This co-operation is for the purpose of bringing shared benefits to the Project Sponsors, to local communities, to the environment and to the EPFIs and Associates.
- c) Subject to compliance with the rest of this Rule 4, the sharing of experience in implementing this framework through case studies, Stakeholder engagement etc is encouraged amongst and by all members of the Association in order to promote and disseminate good practice in the management of social and environmental risk in Project Finance.
- d) The EPFIs and Associates recognise the importance of complying with applicable law on agreements, concerted practices or exchange of information which may restrict competition (“Competition Law”) and of ensuring that the Principles are not used for any purpose which may breach Competition Laws. Each EPFI and Associate shall therefore, in particular:
 - i) avoid exchanges or disclosures of confidential or competitively sensitive information in relation to their respective businesses or the projects in relation to which they are providing or contemplating provision of Project Finance or Project Advisory Services;
 - ii) avoid any co-ordination of its commercial strategies with other EPFIs or Associates;
 - iii) refrain from using the Principles or this Association as a cover or opportunity for anti-competitive behaviour such as price-fixing, market sharing or the exclusion of actual or potential competitors;
 - iv) not make collective decisions on the pricing of Project Finance in which they are separately involved or the supply of other services (including Project Finance Advisory Services), although they will co-operate on the finalisation of financing documentation in

a manner consistent with lawful and ordinary business practice in the sector at the relevant time; and

- v) take advice from their internal legal or compliance department in the event they consider that anti-competition issues could arise in the context of their dealings with other members of the Association.

- e) Each EPFI and Associate shall maintain client confidentiality in accordance with the local laws, regulations and practices of the jurisdictions in which it operates save to the extent that the applicable EPFI or Associate is subject to freedom of information requirements which require it to make disclosure of information that would otherwise be confidential. Most EPFIs and Associates are commercial, as opposed to public, financial institutions and have a duty of, and/or are subject to a requirement for, confidentiality. Any EPFI or Associate that is subject to freedom of information requirements shall notify other members of the Association of this upon its adoption of the Principles or, if later, upon becoming aware that it is so subject.

- f) Each EPFI and Associate is individually responsible for its own internal procedures to achieve compliance with the Principles and to adhere to the reporting requirements (see Rules 5j and 5k respectively) and for communications with Stakeholders regarding any such matters. The Association, its Steering Committee, Working Groups and Chair do not have the authority or the capacity to respond to Stakeholder concerns about the implementation of the Principles by individual EPFIs or Associates or in respect of particular projects.

5) Adoption of the Principles

- a) Adoption of the Principles shall be open to any financial institution which meets the relevant adoption requirements and agrees to meet the ongoing reporting requirements.

- b) Adoption of the Principles by a financial institution is voluntary but once such adoption has been made, the adopting entity must take all appropriate steps to implement and comply with the Principles.

- c) Each EPFI shall introduce and implement its own internal social and environmental risk management policies, procedures and standards in order to comply with the Equator Principles.

- d) Each EPFI will not provide Project Finance loans to projects where the borrower will not or is unable to comply with the Equator Principles and/or with the EPFI's respective social and environmental policies, procedures and standards that implement the Principles. When

providing Project Finance Advisory Services, each EPFI will request that the client confirms to the EPFI its intention to adhere to the requirements of the Principles in the development of the Project and when subsequently seeking financing.

- e) Financial institutions are encouraged to adopt the Equator Principles through their group holding company or any other group entity which permits a broad and consistent commitment to the Principles across their relevant business functions and operating subsidiaries.
- f) The adoption requirements for a prospective new EPFI or Associate are:
- i) If Active in Project Finance, it shall confirm in writing that it is Active in Project Finance, that it wishes to adopt the Principles and that it will start to implement them with immediate effect from its Adoption Date.
 - ii) If adopting as an Associate, it shall confirm in writing that it wishes to adopt the Principles as an Associate, provide an outline of how the Principles are relevant to its business and how it will use them from its Adoption Date.
 - iii) Any such confirmation shall be signed off at a senior level in the financial institution by a representative of the institution with authority to enter into such a commitment – such as an executive member of the main board of directors, the company secretary or the head of project finance, provided that such person has authority to bind the adopting institution.
 - iv) The prospective new EPFI or Associate shall complete and execute the Adoption Agreement (a form of which is available to download on the Principles' website), which requires the applicant to:
 - provide administrative details including two to four contact names;
 - make a contractual commitment to comply with these Rules, including payment of the Annual Fee;
 - waive any right of action against other EPFIs and Associates with regard to their acts or omissions as members of this Association (save always in the case of fraud); and
 - indemnify the Trustees who hold assets or any EPFI member of the Steering Committee who enters into authorised contracts with third parties on behalf of the Association (save always in the case of fraud) against any losses such Trustees or member incurs as a result thereof. This indemnity shall be jointly with the other members of the Association at the time of the losses.

- v) The applicant shall submit a duly executed Adoption Agreement and its letter of confirmation referred to in Rule 5fiii for consideration, preferably by electronic means, to the Administrator.

- g) The Administrator will check whether the adoption requirements have been met and, if so, inform the Chair who, unless concerns are identified which require discussion at the Steering Committee, shall execute the Adoption Agreement on behalf of the Association. An Adoption Date will then be agreed between the Administrator and the prospective new EPFI or Associate.

- h) On the Adoption Date:
 - i) the new EPFI or Associate will issue a press release regarding its adoption of the Principles;

 - ii) the new EPFI or Associate will be entitled to use the Principles' logo; and

 - iii) the Administrator will update the Principles' website by adding the name of the new EPFI or Associate to the List of EPFIs and Associates (see Exhibit I) and by adding the press release details.

In respect of Rule 5hii and other activities using the logo or name of the Principles, individual EPFIs and Associates – or groups of them – are encouraged to use the logo and to promote the Principles. However, they may not hold themselves out as representing the Principles as a whole unless they receive the prior approval of the Steering Committee.

- i) The Principles' website shall provide the reference List of EPFIs and Associates.

- j) The ongoing requirements for an EPFI are:
 - i) that it shall continue to be Active in Project Finance;

 - ii) that it shall Report Publicly at least annually about its implementation of the Principles, in accordance with Principle 10 and the grace period detailed in Rule 6b;

 - iii) that it shall pay the Annual Fee in a timely manner;

 - iv) that it shall provide annually to the Administrator a hyperlink to the relevant page on its website where it Reports Publicly;

- v) and that, if it ceases to be Active in Project Finance and wishes to become an Associate, it shall inform the Administrator in writing so that its change in status can be recorded.
- k) The ongoing requirements for an Associate are:
 - i) that it shall Report Publicly at least annually about the relevance of the Principles to its business and how it uses the Principles to implement the IFC Performance Standards and Environmental, Health and Safety Guidelines in its business;
 - ii) that it shall pay the Annual Fee in a timely manner.
 - iii) that it shall provide annually to the Administrator a hyperlink to the relevant page on its website where it Reports Publicly;
 - iv) and that, if it becomes Active in Project Finance, it shall inform the Administrator in writing, so that its change in status can be recorded.

6) Reporting Requirements

- a) Each EPFI and Associate shall provide hyperlinks to that section of its website where it Reports Publicly to the Administrator, who shall ensure that the Principles' website publishes such hyperlinks and is updated at least quarterly. The hyperlinks will be displayed in alphabetical order and in chronological order. The reporting section of the Principles' website will also highlight whether the annual reporting requirement in Principle 10 has been met and whether the Annual Fee has been paid by each EPFI and Associate as illustrated at Exhibit I.
- b) In the first year after its Adoption Date, a new EPFI may omit transaction numbers from its public reporting. This is because the first year of implementing the Principles can bring challenges for EPFIs in reporting the number of transactions screened, for example, as a result of new internal reporting systems being put in place, differing treatment of projects bridging the Adoption Date or the desire to integrate the new reporting with other existing public reporting systems.
- c) Failure to Report Publicly or to Report Publicly in a timely way shall be managed as follows:
 - i) If an EPFI or Associate has not Reported Publicly within 13 months of its previous report or within 13 months of its Adoption Date, the Administrator shall contact the individuals who currently represent that EPFI or Associate and provide a written reminder of their obligation to do so, copying the reminder to the members of the Steering Committee.

The reminder shall include a copy of the best practice guide on reporting published on the Equator Principles' website and as amended from time to time ([link](#)) and details of potential actions under Rules 6cii and 6ciii below in the event of continued non-reporting.

- ii) If the EPFI or Associate has not Reported Publicly within 15 months, the Administrator shall amend the List of EPFIs and Associates on the Principles' website such that the delay in annual reporting is highlighted (see Exhibit I). At the same time, the Chair shall send a final written reminder to the individuals who currently represent that EPFI or Associate, copying it to the chief executive officer or equivalent officeholder of that EPFI or Associate and to the other members of the Steering Committee.
 - iii) If the EPFI or Associate has not Reported Publicly within 18 months, it shall be "de-listed" without further notice – that is, the name of that EPFI or Associate shall be removed by the Administrator from the List of EPFIs and Associates on the Principles' website and the relevant EPFI or Associate shall no longer be a member of this Association.
 - iv) If an EPFI or Associate has been de-listed as stated in Rule 6ciii and it wishes to continue to be considered as an active and reporting EPFI or Associate, it will need to re-adopt the Principles in accordance with Rule 5f above.
- d) EPFIs and Associates may be impacted by corporate transactions such as mergers, acquisitions and disposals. Such transactions take many different forms, including combinations of EPFIs, Associates, non-EPFIs/Associates, entire corporate groups, individual companies or business divisions. In many cases, such transactions may have an impact on a financial institution's membership of the Principles, whether it is the merger partner, acquirer or vendor in the transaction.

The Association encourages an institution impacted by a corporate transaction to remain or become an EPFI or Associate as appropriate. The Association also recognises that a period of integration and absorption may be required following the announcement of a corporate transaction, during which the impacted institutions may continue to operate as separate entities while the transaction details are finalised. The procedures for EPFIs and Associates impacted by such transactions are:

- i) The EPFI or Associate - or business division if appropriate - shall communicate its plans with respect to the Principles by writing to the Chair within six months of the announcement of the transaction. The plans shall refer to the impacts on the legal entities which have adopted the Principles, the impacts on Project Finance business

being undertaken, the expected completion date of the transaction (for example the date of the acquisition or transfer of assets) and the implications for membership of the Principles, including any Steering Committee or Working Group positions and whether a change in membership status is appropriate.

- ii) For that six month period, the EPFI or Associate shall not be in breach of the Principles or the Rules to the extent that such a breach is caused directly by the transaction – for example, an EPFI which acquires a new Project Finance business and does not immediately implement the requirements of the Principles.
- iii) The Steering Committee shall review any plans submitted by the EPFI or Associate. It shall decide whether the EPFI or Associate continues to meet the requirements of the Principles and either agree the action which is appropriate with regard to the Principles or agree to a specific extension of the period of integration and absorption.
- e) If an EPFI is no longer Active in Project Finance or an EPFI or Associate wishes to withdraw its adoption of the Principles (as appropriate), it should advise the Administrator and the Chair in writing. On receipt of such notification, the Administrator will procure that it is removed from the List of EPFIs and Associates on the Principles' website.

7) General Management

- a) The administration, management and development of the Equator Principles and of the Association itself will be managed by the Association acting through its Steering Committee and, where appropriate, one or more Working Groups. The current management structure can be accessed via this [link](#).
- b) All EPFIs and Associates are encouraged to participate in and contribute to the management of the Principles in a manner which will support the Principles and which is appropriate to their institution.
- c) The Principles operate by consensus as far as is practically possible, with internal consultation and processes designed to ensure that decisions have the support of the majority of EPFIs and, as appropriate, Associates. This method of operation applies to all levels of management structure in place.
- d) Each EPFI and Associate will, for administrative purposes and where appropriate, designate by notice in writing to the Administrator:

- i) two individuals who are authorised by such EPFI or Associate to represent it in the Steering Committee;
- ii) individuals to represent it at any Working Group at which it is represented;
- iii) individuals who are authorised to participate at Association meetings; and
- iv) up to two individuals who may represent it on the passing of resolutions by the Association by email voting and discussions.

The same individual or individuals do not have to be nominated by the relevant EPFI or Associate for all such purposes, and any designated individual shall be permitted to nominate an alternate who is authorised to act as such by the relevant EPFI or Associate and such nomination shall be made by notice in writing to the Administrator. The nomination by the EPFI or Associate of any individual shall be deemed to have been duly authorised by such EPFI or Associate, absent manifest error and such individual shall be deemed to be so authorised for so long as he or she remains in the employ of that EPFI or Associate unless the EPFI or Associate rescinds such authority by written notification sent to the Administrator. An EPFI may further authorise such an individual to act as a Trustee.

- e) Individuals authorised to represent an EPFI at the Steering Committee or at a Working Group shall also be entitled to attend Association meetings and up to two nominated individuals may speak at such meetings. However, each EPFI or Associate shall only be entitled to one vote, whether in relation to a decision of the Association or of the Steering Committee, irrespective of the number of individuals from it who are on the Steering Committee or who attend the Association meeting or are informed of the Association resolution in respect of which an email resolution is sought. Therefore, each EPFI or Associate must also nominate a named individual who is entitled to vote on its behalf and that vote shall only be exercised by the nominated individual or by his or her alternate.
- f) Each EPFI and Associate shall provide details in writing to the Administrator of the address of an office at which any formal communication (including any notice under Rules 6c or 15g or any other notice, claim or demand) can be served and of a named individual at such office. Each EPFI and Associate shall inform the Administrator in writing in the event that either the nominated office and/or the named individual is changed. In addition, if an EPFI or Associate so elects, it can also provide an address, which can be an email address, to which all other communications can be sent.
- g) Decisions shall be made by the members of the Association as follows:

- i) Where a proposal (whether put forward by the Steering Committee or by any EPFI or group of EPFIs and Associates) would: (a) materially change the Principles; or (b) fall outside the objects of the Association; or (c) lead to the appointment of an Administrator; or (d) materially reduce the rights or increase the liability of the EPFIs, as determined by the Steering Committee, the EPFIs shall be asked to vote on the proposal. A quorum of half (50%) of the EPFIs is required for the vote to be valid and two-thirds (66.7%) of those EPFIs which cast votes are required to vote in favour of a proposal in order for it to be agreed.
- ii) Where a proposal (whether put forward by the Steering Committee or by any EPFI or group of EPFIs and Associates) would materially reduce the rights or increase the liability of the Associates (other than via an Annual Fee split equally between all EPFIS and Associates), as determined by the Steering Committee, the EPFIs and the Associates shall be asked to vote on the proposal. A quorum of half (50%) of the EPFIs and Associates is required for the vote to be valid and two-thirds (66.7%) of those EPFIs and Associates which cast votes are required to vote in favour of a proposal in order for it to be agreed.
- iii) Where a proposal would amend or extend the Principles or these Rules in a minor way (for example, a clarification or a non-material update on the underlying IFC's Performance Standards and Environmental, Health and Safety Guidelines), as determined by the Steering Committee, the EPFIs shall vote on the proposal. More than half (50.1%) of those EPFIs which cast votes are required to vote in favour of a proposal in order for it to be agreed.
- iv) The election of any EPFI to the Steering Committee for a term of office shall be a matter for decision by voting by the EPFIs. More than half (50.1%) of those EPFIs which cast votes are required to vote in favour of a proposal.
- v) All other decisions shall be made by the Steering Committee (see Rule 8e).
- vi) Each EPFI and, where applicable, each Associate shall have one vote.
- vii) If one financial group has adopted the Principles through two or more subsidiaries (see Rules 5e and 6d) and the Steering Committee believes this could undermine the integrity of the "one EPFI one vote" system, the Steering Committee shall make a recommendation to the EPFIs on how many votes that financial group should be permitted on an ongoing basis, which recommendation shall be implemented unless such financial group requires the matter to be put to a vote of the EPFIs. During any such vote on this specific recommendation on the EPFI voting process, the relevant financial group shall be restricted to one vote.

- viii) Associates may not vote on decisions (other than decisions which materially affect their rights or liabilities as members of the Association as set out in Rule 7gii) but are encouraged to participate in discussions and meetings so that the EPFIs can take their views into account.
- h) The decision-making process set out in Rules 7gi to 7giv shall use one of the following two options:
- i) The Chair shall make a recommendation on behalf of the Steering Committee to EPFIs by email (copied to Associates), specifying the date by which votes must be received in order for them to be included in the process. The date will ideally allow a minimum period of two weeks but this notice period may be shorter where the circumstances require, provided that a reasonable amount of notice is given having regard to all the facts and in any event no less than 3 Business Days; or
 - ii) The Chair shall make a recommendation on behalf of the Steering Committee on the proposal for decision by the EPFIs (and Associates if relevant) at a meeting of the Association, which shall be called, and held in accordance with Rule 13, and the agenda for the meeting shall specify the recommendation on which the vote is being called. The agenda shall ideally be circulated a minimum period of two weeks before the meeting and shall specify a date by which email votes should be received from the EPFIs (and Associates if relevant) that are unable to attend the meeting, but the notice period may need to be shorter if circumstances require, provided that a reasonable amount of notice is given having regard to all the facts and in any event no less than 5 Business Days. The votes of those EPFIs (and Associates if relevant) that are unable to attend the meeting but that have submitted votes by email by the specified date shall be taken into account together with the votes of those EPFIs (and Associates if relevant) that do attend the meeting.

In both options, voting will be carried out in accordance with Rules 7gi to 7giv as appropriate.

- i) Five or more EPFIs and, in relation to proposals under 7gii, Associates may act together to make a recommendation on a proposal, in which case the procedure shall follow that set out in Rule 7h.
- j) The Administrator shall circulate information to all EPFIs and Associates relating to any proposal which is required to be put to the EPFIs and, in relation to proposals under Rule

7gii, Associates for approval prior to or at the same time as it initiates the email voting process or gives notice of the meeting at which the proposal will be determined.

- k) The Administrator shall circulate from time to time to all EPFIs and Associates any material information received from third parties that it considers could be relevant to the Association, its objects or Rules or the framework and objectives of the Principles.
- l) Ownership of physical or intellectual property rights shall vest in Trustees who have been appointed by the Steering Committee in accordance with Rule 11 and who (in the case of individual Trustees) are authorised by their EPFI employer and have agreed so to act. In the case of a body corporate acting as Trustee, unless otherwise agreed by the Steering Committee, such Trustee shall not charge the Association for acting as Trustee.

8) Steering Committee

- a) The Association delegates to the Steering Committee the power and authority to manage and co-ordinate the administration, management and development of the Equator Principles on behalf of the EPFIs and Associates in pursuit of the objects of the Association and to manage the property and affairs of the Association and to invest such surplus funds as the Association may have as it sees fit.
- b) The Steering Committee shall consist of a Chair and other Steering Committee members, all of whom are EPFIs and who have been appointed by vote of the EPFIs in accordance with Rule 7giv. Each such EPFI shall authorise and nominate up to two individuals in its employment to represent it on the Steering Committee in accordance with Rule 7d or, in the event that such individual is unable to be present, by his or her alternate. Each EPFI shall only be entitled to have one vote in respect of any decision made by the Steering Committee and where an EPFI nominates two individuals to represent it at the Steering Committee, then it shall designate one individual (or in his or her absence, an alternate) to vote on its behalf.
- c) The Steering Committee shall allocate responsibility amongst the individuals representing the EPFIs on the Steering Committee to chair or to co-chair each Working Group, to report to the Steering Committee on the progress of the relevant Working Group and to direct that Working Group in accordance with Steering Committee decisions.
- d) The Steering Committee shall meet on an ad hoc basis according to business requirements. Meetings may take place physically or by other means such as by telephone conference call and, where possible, written notice of at least two weeks will be given for all physical meetings and written notice of at least one week will be given for all conference calls.

- e) Recommendations and decisions, including for the Chair to refer a matter for decision to a meeting or email vote of the EPFIs or in relation to proposals under Rule 7gii concerning Associates, shall be made by a vote of the Steering Committee members and each EPFI represented on the Steering Committee shall have one vote. A quorum of two-thirds (66.7%) of the members of the Steering Committee is required at any meeting or conference call for any decision to be valid. More than half (50.1%) of Steering Committee members participating in that vote are required to vote in favour of a proposal in order for it to be agreed.
- f) Decisions made in accordance with this Rule 8 will bind other EPFIs and Associates save that the Steering Committee cannot make decisions which fall within the ambit of Rule 7gi or Rule 7gii (i.e. those which change or are outside the scope of the Principles or these Rules) or 7giv (i.e. the appointment of a member of the Steering Committee). In such cases, the Steering Committee shall make a recommendation to the EPFIs via the Chair (see Rule 7h) and decisions on these recommendations will be made in accordance with the voting procedures set out in Rules 7gi to 7giv.
- g) The Steering Committee shall make decisions to appoint and/or enter into contracts with third parties, and on what terms such contracts should be made. The Steering Committee shall also decide whether such contracts should be entered into by the Administrator on behalf of the EPFIs and Associates. If the Steering Committee decides that it is not appropriate for the Administrator to enter into such contracts, or the contract relates to the appointment of the Administrator, then the contracts shall be entered into by the Chair or by the Trustees or by such EPFI member of the Steering Committee as the Steering Committee shall decide. The Steering Committee shall approve the commercial terms of any material contract prior to it entered into. In each case, the decisions made by the Steering Committee under this Rule 8 shall be made in accordance with Rule 8e.
- h) A note of any decisions and recommendations made by the Steering Committee shall be circulated to all EPFIs and Associates by the Administrator following any meeting or conference call.
- i) Any EPFI wishing to help to manage the Principles may nominate itself to join the Steering Committee, subject to it meeting the following criteria:
 - i) It shall have significant practical experience of Project Finance and of the Principles.
 - ii) It shall have served as an active member of a Working Group for a minimum of six months.

- iii) It shall be willing to act as Chair of the Steering Committee or leader of a Working Group.
- iv) It shall be willing to participate actively in the discussions and work of the Steering Committee.
- v) It shall be listed as an EPFI on the List of PFIs and Associates.
- vi) It shall have paid any Annual Fee which is due.

The nomination should have the support of two other PFIs and be submitted to the Chair in writing, indicating how the above criteria have been met. The Steering Committee will make a recommendation on new Steering Committee applications to the PFIs via the Chair and the new member of the Steering Committee shall be elected in accordance with the voting procedure under Rule 7giv.

- j) Members are elected to the Steering Committee by the PFIs in accordance with Rule 7giv.
- k) Members of the Steering Committee must continue to meet the requirements set out in Rule 8i (iii)-(v) throughout their term of appointment.
- l) The Steering Committee shall consist of no more than 15 PFIs and no fewer than 7 PFIs and shall, so far as is reasonably practicable, comprise a diverse mix of PFIs representing different geographies and different business sizes.
- m) In order to promote good governance, members of the Steering Committee shall retire at the Annual Meeting by rotation after no more than three years' service, and accordingly upon adoption of these Rules, the Steering Committee members shall each be designated by lot as belonging to either Group A, Group B or Group C. The members of Group A shall retire at or immediately prior to the Annual Meeting one year after adoption of these Rules, Group B at the Annual Meeting two years thereafter and Group C at the Annual Meeting three years thereafter. Retiring members shall be entitled to apply for re-election, so that the Principles can continue to benefit from their experience, in which case they must meet the criteria set out in Rule 8i.
- n) The three year maximum period is subject to two exceptions (in addition to the rotation specified above when the Rules are first in force):
 - i) The maximum period of three years may be subject to minor amendments given the variable timing of Annual Meetings.

- ii) Allowing for continuity in respect of the role of the Chair, a member shall not retire by rotation where it has been elected as the next Chair, is currently acting as Chair or, within the previous 6 months, has stepped down from the role of Chair. In all these cases, that member shall retire by rotation at the Annual Meeting which takes place more than six months after it has stepped down from the role of Chair.
- o) Members of the Steering Committee may resign before completion of their term by advising the Chair in writing.

9) The Chair

- a) The role of the Chair is to chair the Steering Committee and to, provide co-ordination across the Steering Committee, the Working Groups and the EPFIs and Associates to advance the objects of the Association and its work programme in respect of the Principles.
- b) The Chair shall be an EPFI who has been appointed to the Steering Committee under Rule 8i and shall be selected by vote of the Steering Committee members. A majority (50.1%) of all current Steering Committee members is required. To allow for an orderly transfer of responsibilities, the new Chair will ideally take office approximately three months after the date of the meeting at which it is elected, at which time the existing Chair will step down.
- c) The Chair shall serve for a term of approximately one year, with a maximum of two consecutive terms.
- d) The role of Chair will be rotated among the EPFIs who are appointed to the Steering Committee to the extent possible, in order to enable diversity in the nature and geographical focus of the institutions who act as Chair.
- e) An ongoing requirement for the Chair is that it complies with the requirements of Rule 8i.
- f) The Chair may resign before completion of its term by advising the Steering Committee in writing, in which case a notice period of one month shall apply.
- g) If there is no Chair as a result of Rule 9f, then a new Chair will be appointed in accordance with Rule 9b at a specially called meeting of the Steering Committee and the new Chair will take office forthwith.

10) Working Groups

- a) In order to gain input from a wide number of EPFIs and Associates and to share the management workload, separate Working Groups shall be formed to progress issues where detailed consideration and input is required.
- b) Some Working Groups are likely to be permanent, while others based on specific projects are likely to be temporary. The up-to-date list of Working Groups shall be posted and maintained by the Administrator on the Principles' website.
- c) The Working Group members may consist of Steering Committee members, other EPFIs and Associates, who may offer to join by contacting the Working Group leader. Each such EPFI or Associate shall authorise and nominate up to two individuals in its employment to represent it at each Working Group that such EPFI or Associate is represented at in accordance with Rule 7d or, in the event that an individual is unable to be present, by his or her alternate.
- d) Working Groups shall, ideally, consist of a maximum of 15 EPFIs or Associates. Where a Working Group leader believes a higher number is appropriate – for example, where Sub-Working Groups may be desirable – the leader shall present a recommendation to the Steering Committee.
- e) The Working Groups shall be led by a Steering Group member with specific responsibility for that issue (see Rule 8c).
- f) Working Group leaders shall be appointed, from volunteers, by the Steering Committee. A vote will be taken in accordance with Rule 8e if necessary. The Steering Committee shall provide each Working Group with a short summary of its remit.
- g) A Working Group, due to its remit, may occasionally benefit from being led by either an EPFI which is not on the Steering Committee or by an Associate. This may be agreed by the Steering Committee subject to a Steering Committee member being appointed as joint leader with responsibility for communications with the Steering Committee.
- h) The Working Group leader may appoint a deputy leader from amongst other Working Group members to provide support where appropriate.
- i) Both Associates and those EPFIs with insufficient resources to contribute via the Steering Committee shall be encouraged to contribute via the Working Group structure to selected issues where they have a particular experience or interest.

- j) The Working Group leader is responsible for ensuring that:
 - i) the Working Group works efficiently towards its remit;
 - ii) the Working Group operates on the principles of consensus;
 - iii) the Chair is copied on significant communications and initiatives, particularly those with external parties where the Chair is in a position to ensure that a consistent approach is being adopted by different Working Groups;
 - iv) progress reports are presented to each meeting of the Steering Committee; and
 - v) recommendations on material and contentious issues are communicated to the Steering Group so that a decision can be made in accordance with Rules 7gi, 7gii or 8e, as appropriate.

- k) The Working Group leader may resign by advising the Chair in writing in which case a new leader shall be appointed in accordance with Rule 10f. Members of the Working Group may resign by advising the Working Group leader in writing.

11) Trustees

- a) The Steering Committee shall have power from time to time to appoint and remove either a body corporate (which must be an EPFI, or an associated company or subsidiary of an EPFI) or two individuals to act as Trustees in accordance with Rules 7l, 8g or 15j. An individual Trustee must be a Member of the Steering Committee member, who has been nominated to act as Trustee by the Steering Committee who has been given authorisation in writing by an appropriate officeholder of the EPFI that employs it to act as Trustee and who agrees so to act. In the event that an individual Trustee is no longer employed or authorised by the relevant EPFIs, the Steering Committee shall nominate another individual to so act.

- b) Where a body corporate or an individual acts as a Trustee in accordance with Rules 7l, 8g or 15j, the EPFIs and Associates agree that neither that body corporate, nor that individual, nor the EPFI that employs him or her shall have any liability to any person, including without limitation any Stakeholder, EPFI or Associate arising out of his or her actions or decisions as Trustee, and that, save in the case of fraud, such body corporate, individual and the EPFI that it represents shall be jointly indemnified by the members of this Association in respect of any loss or damage that it, he or she incurs arising out of its, his or her role as Trustee.

12) General Waiver of Liability and Indemnities

- a) No EPFI or Associate shall owe any duty of care or have any liability to any person, including without limitation any Stakeholder, EPFI or Associate, arising from its adoption of the Equator Principles, its membership of this Association, its participation in a Working Group

or, save as provided for in Rule 15i (use of funds), its participation in the Steering Committee or as Chair, save that in the case of fraud by the Chair or any Steering Committee member, a duty shall be owed to EPFIs and Associates.

- b) Decisions made by the EPFIs or by the Steering Committee in accordance with these Rules are binding on all EPFIs and Associates and each EPFI or Associate waives all rights of action it may have against other EPFIs or Associates, including in their capacity as members of the Steering Committee or Chair in respect of such decisions (save always in the case of fraud and indemnifies jointly with the other members of this Association any member of the Association, including those in their capacity as Chair or members of the Steering Committee, in respect of any loss or liability arising out of such a decision (save always in the case of fraud).

13) Association Meetings

- a) There shall be an Annual Meeting of EPFIs and Associates, to be held in each calendar year.
- b) All EPFIs and Associates are encouraged to attend the Annual Meeting, with teleconferencing and varying locations being offered wherever possible in order to make the Annual Meeting inclusive.
- c) The agenda for the Annual Meeting shall be determined by the Steering Committee but shall include any resolutions for decision of the Annual Meeting proposed by any group of five or more EPFIs and Associates acting together.
- d) The Chair, or the Administrator as appropriate, will provide minimum notice of eight weeks for the Annual Meeting and will circulate the agenda to all EPFIs and Associates a minimum of two weeks before the Meeting. The accidental omission to give notice of or provide an agenda for the Annual Meeting or the non-receipt of notice or an agenda by any EPFI or Associate shall not invalidate the proceedings of or any decision made at the Annual Meeting.
- e) The Annual Meeting will include reports from the Chair and each Working Group on activities undertaken and anticipated. Elections shall take place of the Steering Committee members as appropriate, with details provided of retiring Steering Committee members, while other EPFIs and Associates shall be encouraged to join Working Groups.
- f) Other meetings shall take place primarily by conference call and on an ad hoc basis. Notice of a minimum period of two weeks will be provided save where circumstances require shorter notice, in which case no less than 3 Business Days notice shall be given.

- g) The Chair, or the Administrator as appropriate, shall circulate minutes of the Annual Meeting, plus the recording of decisions taken by the Steering Committee as deemed appropriate by the Chair.

14) The Administrator

- a) The Steering Committee may decide to outsource administrative tasks, including the entering into of certain contracts in accordance with Rule 8g, to a third party, to be known as the Administrator, in which case, subject to sub paragraph (b) below, the Administrator shall be appointed in accordance with Rule 8g and the costs of such appointment will be shared by the EPFIs and Associates within the Annual Fee (see Rule 15c).
- b) The identity of, the scope of work for the Administrator and the fees charged by the Administrator will be considered by the members of the Steering Committee and will be agreed by the EPFIs in accordance with the voting procedure in 7gi.
- c) The Administrator will contact the Chair and other Steering Committee members as appropriate from time to time in order to agree on activities falling within its scope of work provided that material changes to the scope or costs of the Administrator's services shall be subject to the voting procedure in 7gi.
- d) In the event that an Administrator is not appointed, then the Chair will carry out those tasks that are allocated to the Administrator under these Rules or by decision of the Steering Committee. Any reference to the Administrator in these Rules shall be read as a reference to the Chair if an Administrator has not been appointed or the position is vacant.

15) Finance

- a) All EPFIs and Associates share the costs of managing and operating the Principles.
- b) Where possible, costs shall be minimised by EPFIs and Associates providing their resources free of charge – for example, the provision of meeting rooms or translation services or additional professional services (such as auditing).
- c) The EPFIs and Associates shall be required to pay an Annual Fee sufficient to cover the external costs incurred in the management, administration and development of the Principles and the management and administration of the Association. The Annual Fee will be:
 - i) variable;

- ii) based on a budget, broken down into categories of expenditure and including an amount for contingencies, which will be presented at the Annual Meeting for the following year;
- iii) calculated in Sterling;
- iv) invoiced and payable in Euros, US Dollars or Pounds Sterling;
- v) agreed in accordance with the procedures in Rule 7giii.

Any surplus funds remaining from a previous year or budget will be carried forward to the following year and reflected in a lower budget and Annual Fee for the following year. Reimbursement of the Annual Fee shall be made only in exceptional circumstances.

- d) The Steering Committee shall procure that accounts are kept by the Administrator recording the Association's income and outgoings. The financial year shall end on 30 June each year, or as otherwise decided in accordance with Rule 8g, and the accounts shall be presented by the Administrator to the Steering Committee at the first meeting following that date. Copies of the accounts will also be circulated to all EPFIs and Associates. The accounts will be audited by a firm of chartered or certified accountants appointed in accordance with Rule 8g.
- e) The Steering Committee shall procure that any corporation tax or other taxes owed by the Association are paid to the relevant authorities in due time.
- f) The Annual Fee is payable by EPFIs and Associates whose names appear on the List of EPFIs and Associates as at 30 June annually and is to be paid by 30 September each year.
- g) Potential non-payment of the Annual Fee shall be managed as follows:
 - i) If an EPFI or Associate has not paid the Annual Fee by 31 October, the Administrator shall contact the individuals who currently represent that EPFI or Associate and provide a written reminder, copying the reminder to the members of the Steering Committee. The reminder shall include details of potential actions under Rules 15gii and 15giii in the event of continued non-payment.
 - ii) If an EPFI or Associate has not paid the Annual Fee by 30 November, the Chair shall send a final reminder to the individuals who currently represent that EPFI or Associate, copying it to the chief executive officer or equivalent officeholder and to the other members of the Steering Committee. The Administrator shall amend the List of EPFIs

and Associates on the Principles' website such that the delay in payment of the Annual Fee is highlighted (see Exhibit I).

- iii) If an EPFI or Associate has not paid the Annual Fee by 31 December, it shall be “de-listed” as set out in Rule 6ciii. If the EPFI or Associate wishes to be “re-listed”, it can do so by paying the Annual Fee by 31 March and shall be treated as having adopted the Principles, but if it has been de-listed under this Rule 15giii, it shall not be automatically reinstated as a member of the Steering Committee or as Chair if it were previously in such a position.
- iv) If the EPFI or Associate does not pay the Annual Fee by 31 March, then, as noted in Rule 6civ, if it wishes to re-adopt the Principles, it must do so in accordance with Rule 5f.
- h) EPFIs and Associates which adopt during the year will be liable to pay, upon adoption, the Annual Fee for that year proportionate to the number of full months remaining prior to the following 30 June.
- i) Expenditure should be within the budget as described in Rule 15c or otherwise as approved by the Steering Committee or wider EPFIs and Associates as appropriate.
- j) Funds will be held in bank account(s) in the name of “Equator Principles Financial Institutions and Associates” or a similar name.
 - i) The main account will be used for the receipt of Annual Fees, for holding cash and for all individual amounts of expenditure in excess of £1,000.00, subject to the arrangements detailed in 15jii. The authorised signatories for the bank account shall be the Trustees, the Chair and the Administrator. Cheques drawn on the account or transfers ordered shall be signed or authorised by (a) the Administrator or Chair, plus one of the Trustees or (b) by two individual Trustees. One EPFI cannot provide authorisation as both Chair and as a Trustee. In the case of a Trustee who is a body corporate, the signatory shall be a person duly authorised by the Trustee.
 - ii) A second account will be used for operating expenses and will be operated by the Administrator. Transfers will be made to it from the main account in accordance with the budget and as described in 15i for all individual items of expenditure of £1,000.00 or less, plus the monthly staff costs of the Administrator, including where these exceed £1,000.00. The transfers to this account may consist of individual transfers or regularly scheduled transfers such as standing orders. The authorised signatories for the bank account shall be the Trustees, the Chair and the Administrator. Cheques drawn on the account or transfers ordered shall be signed or authorised by any one of the authorised

signatories, with the underlying intention being that the Administrator undertakes these tasks.

- iii) Bank statements for the accounts – in paper or electronic form – shall be addressed to the Administrator, with a copy to be provided to a designated Trustee within 3 weeks of the month-end.
- iv) The “place of residence” of the Association, where required, will be the address of the Administrator unless otherwise determined by the Steering Committee.
- k) Changes to the authorised signatories for the bank account shall require the approval of two members of the Steering Committee, one of which may be the Chair.

16) Disclaimer

This document sets out the Rules of the Association and also provides guidance to existing and prospective EPFIs and Associates on the processes for the management and administration of the Equator Principles. It does not create any rights in, or liability to, any person, public or private and does not confer any rights on any person who is not a member of the Association. No EPFI or Associate (nor any individual authorised by such EPFI or Associate to represent it in Association activities) shall owe any duty of care or have any liability to any third party arising out of their membership of the Association, engagement in Association meetings or activities or their actions as Chair, or as a Steering Committee or Working Group member.

17) Governing Law

The governing law of these Rules is the law of England and Wales and the members of the Association submit to the non-exclusive jurisdiction of the courts of England and Wales.

Exhibit I: Reporting on the Equator Principles Website in respect of Principle 10 and Annual Fees

List of Equator Principles Financial Institutions and Associates

Each EPFI should report annually on its implementation of the Equator Principles. Each Associate should report on how the Principles are relevant to it. An EPFI or Associate may be de-listed if it does not report or if it does not pay the Annual Fee which is due.

The Equator Principles website will provide reporting and fee details, plus hyperlinks, in alphabetical order and chronological order based on the date when reports are published or – if the date of publication is unknown – based on the date of notification to the Administrator.

The following examples assume a current date of 1 October 2009.

Alphabetical Order

<u>Date</u>	<u>Status</u>	<u>Current Report</u>	<u>Previous Report</u>	<u>Reporting Up-to-Date</u>	<u>Fee Up-to-</u>
ABC Bank	EPFI	02-May-09	04-May-08	Yes	Yes
DEF Group	Associate	08-Jun-0927-May-08		Yes	Yes
GHI Insurance Company	EPFI	14-Nov-08	Adopted 21-Jan-08	Yes	Yes
JKL Asset Management	EPFI	26-Oct-0818-Oct-07		Yes	Yes
XYZ Group	EPFI	31-May-08	Adopted 23-Jul-07	No	No

Chronological Order

<u>Date</u>	<u>Status</u>	<u>Current Report</u>	<u>Previous Report</u>	<u>Reporting Up-to-Date</u>	<u>Fee Up-to-</u>
DEF Group	Associate	08-Jun-0927-May-08		Yes	Yes
ABC Bank	EPFI	02-May-09	04-May-08	Yes	Yes
GHI Insurance Company	EPFI	14-Nov-08	Adopted 21-Jan-08	Yes	Yes

JKL Asset Management	EPFI	26-Oct-08	18-Oct-07	Yes	Yes
XYZ Group	EPFI	31-May-08	Adopted 23-Jul-07	No	No