

GUIDANCE NOTE ON EQUATOR PRINCIPLES IMPLEMENTATION REPORTING

Disclaimer: This guidance document has been prepared for use by the Equator Principles (EP) Association Membership. The document is not to be viewed as a required reporting framework, but rather a guidance document to assist Equator Principles Financial Institutions in the development of their EP implementation and reporting methodologies, if needed.

INTRODUCTION

Equator Principles Financial Institutions (EPFIs) recognize the importance of transparency with regard to our own implementation of the Equator Principles (EPs). Principle 10 and the EP Association Governance Rules refer to the requirements for member institutions with regards to reporting on their EP implementation.

Principle 10: EPFI Reporting

“Each EPFI adopting the Equator Principles commits to report at least annually about its Equator Principles implementation processes and experience, taking into account appropriate confidentiality considerations.”

Footnote 6 to this Principle goes on to state

“Such reporting should at a minimum include the number of transactions screened by each EPFI, including the categorization accorded to transactions (and may include a breakdown by sector or region), and information regarding implementation.”

MINIMUM EQUATOR PRINCIPLES REPORTING TEMPLATE

There are numerous ways an EPFI may structure the required reporting of this information. Indeed, EPFIs may develop their own reporting frameworks, based on the minimum criteria as defined in Principle 10 and Footnote 6. Each EPFI may come up with different methods and formats according to its business, sectoral and geographical focus, but the following template, along with a discussion of each EPFI’s implementation of the Principles, is the minimum standard:

Category and number of projects reviewed

EP Category	Number of projects reviewed in Year XXXX
A	1
B	2
C	3
Total	6

EXAMPLES OF REPORTING BEYOND THE MINIMUM

The tables below are examples of more advanced reporting than the minimum standard as defined by Principle 10 and Footnote 6.

Example: EP Reporting - EP category disaggregated by sector.

EP Category	Sector			
	Oil & Gas	Mining	Power	Other
A	3	1	2	-
B	2	3	1	1
C	0	0	0	1
Total	5	4	3	2

Example: EP Reporting - EP category disaggregated by region.

EP Category	Region			
	North America	Europe	Asia	Middle East & Africa
A	1	1	3	3
B	2	2	2	2
C	3	3	1	1
Total	6	6	6	6

Example: Using EP Category, number of projects receiving EP review at marketing stage/appraisal, and fully funded or executed.

EP Category	Projects receiving review at Marketing or Appraisal stage	Projects fully Funded or executed
A	3	1
B	6	2
C	9	3
Total	18	6

DISCUSSION OF EQUATOR PRINCIPLES IMPLEMENTATION

Further, Footnote 6 of *Principle 10* requires a “discussion of implementation”. This implementation discussion is up to each EPFI, and the following are suggestions on how to structure this aspect of the reporting requirement:

- Description of how the EPs have been incorporated into the EPFI’s credit and risk management policies and procedures, as required by the EPs.
- Responsibility for EP implementation within each EPFI (perhaps including identifying responsibility within each Project Finance business and/or within the Credit and Risk chain, or inclusion of an EP responsibility chart). This can include discussion, as relevant, relating to escalation of EP decision making to higher authority levels within each EPFI’s organisation.
- Discuss internal adoption processes and implementation efforts and timetables, and staff training to ensure that the EPFI staff are fully informed of the EP standards.

Where to report?

Each EPFI should select its own appropriate reporting vehicle taking into account how sustainability/corporate responsibility reporting is currently undertaken within its respective organization. Some vehicles for such reporting are listed below:

- Annual Financial Reports or statements
- Annual Sustainability/ Corporate Social Responsibility (CSR) /Corporate Citizenship reports, and
- Corporate external internet sites: as deemed appropriate by each EPFI, report EP implementation via a dedicated EP implementation webpage or dedicated sustainability webpage.

Grace Period for new EPFIs

Many EPFIs have been implementing the EPs for a number of years, and would have advanced systems in place to track the number of projects reviewed. We understand reporting on the number of transactions may be challenging for EPFIs in their first year of EP implementation. In this first year, new EPFIs could consider reporting only on their EP implementation efforts. The 2nd year of implementation would require full reporting on number of transactions screened/reviewed and a discussion of EP implementation efforts.



Providing Access to Reporting Information on the EP website

As per the EP Governance Rules, all EPFIs and Associates are required to provide a link to their annual EP reporting to the EP Secretariat so that it can be posted on the EP website (<http://www.equator-principles.com>).

ANNEX A: SUGGESTED PRACTICE IN EQUATOR PRINCIPLES IMPLEMENTATION REPORTING

Seeking to go beyond the requirements of Principle 10 as set out in the EPs may be of interest to some EPFIs in order to demonstrate sustainability leadership or increased transparency on EP implementation. The following suggested good practice approaches may be useful to EPFIs when developing their EP reporting approaches. These suggestions are not EP requirements, and each individual EPFI will make their own determination as to how to incorporate into their own transparency and reporting models, as appropriate.

- Integrate EP implementation reporting into your overall CSR, Corporate Citizenship or Sustainability reports¹. This will ensure that EP reporting will have greater impact and reach a broader audience.
- Demonstrate EP internal responsibility through an organizational chart (including credit and risk management review, internal approval, and responsible business lines).
- Include a flow chart or diagram demonstrating the various stages and actions required for EP review, approval and monitoring for a typical project financing.
- Discuss how the EP are covenanted into project financing documentation, and how these covenants are monitored by the EPFI.
- EPFIs may want to report, in non-attributable form, the following:
 - the number of projects that received Independent Review (required for Category A projects, and “as appropriate” for Category B projects)
 - the number of exceptions, or justified deviations, granted by the EPFI to EP standards. An alternative way of doing this is to write a case study outlining the internal approval process related to granting an exception or justified deviation.
 - a case study, in non-attributable form in order to protect client confidentiality, of a deal turned down. What were the internal challenges for the EPFI in doing so?

¹ EPFIs may want to use existing transparency and reporting frameworks that are internationally recognized as benchmarks. Existing frameworks such as the GRI-Financial Institution Sector Supplement have a wealth of information and best practice tools from which to benchmark. These reporting frameworks also go well-beyond the minimum requirements of Principle 10 in the EPs and address other sustainability issues. For example, the GRI Reporting Guide also has a “Financial Services Sector Supplement” that addresses both social and environmental issues.

- Include case studies in your reporting, for example:
 - A case study, written in non-attributable form (unless permission explicitly granted by the Client), demonstrating particular complex or challenging deals from an EP perspective. Discuss how the EPFI managed both internally and externally the process relating to the project’s review and eventual funding (if funded).
 - A case study, written in non-attributable form (unless permission explicitly granted by the Client), on how the EPFI added value to a project financing or advisory because of applying the EPs.
- Report on dialogue with civil society, NGOs and socially responsible investors (SRIs) with regard to their interest in or experience of the EPFI’s implementation of the EPs; such dialogue may be incorporated into broader discussions between the EPFI and NGOs, SRIs or other interested stakeholders.
- Discuss both internal and external challenges related to applying the EPs.
- Discuss how the EPFI has learned and adapted through implementation of the EPs, or how it has broadened the EPFI’s environmental and social risk management development with regard to other transaction types beyond project financing.
- Ask for, and include, quotes from key stakeholders in your report. For example,
 - a quote or testimonial from a Client that has recently implemented the EPs into its projects – ask the Client to address particular challenges or opportunities, or ways to improve the process.
 - a quote or testimonial from an NGO or other civil society stakeholder regarding their experience with that specific EPFI relating to their perspective on the EPFI’s implementation of the EPs.