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Guidance to EPFIs on Equator Principles Implementation Reporting

Disclaimer: This guidance document has been prepared for use by the EPFI Network. The document is not to be viewed as a required reporting framework, but rather a guidance document to assist EPFIs in development of their own 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. As such, a new *Principle 10* was introduced into the Equator Principles which requires the following:

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:

6. 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
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

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

Region	N. 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 Equator Principles 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 Equator Principles have been incorporated into the EPFI's credit and risk management policies and procedures, as required by the Equator Principles.
- Responsibility for Equator Principles implementation within each EPFI (perhaps including identifying responsibility within each Project Finance business and/or within the Credit and Risk chain, or inclusion of a Equator Principles responsibility chart). This can include discussion, as relevant, relating to escalation of Equator Principles decision-making to higher authority levels within each EPFI's organization.

- Discuss internal adoption processes and implementation efforts and timetables, and staff training to ensure that the EPFI's staff are fully informed of the Equator Principles 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 Equator Principles implementation via a dedicated Equator Principles implementation webpage or dedicated sustainability webpage.

Grace Period for new EPFIs:

Many EPFIs have been implementing the Equator Principles 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.

Access to Reporting Information at the Equator Principles website:

To enhance transparency and access to information, EPFIs may consider the benefits of voluntarily providing links to their reporting information that would be accessible at the Equator Principles website. These links could be provided via web-based reporting or via Sustainability / CSR / Corporate Citizenship reports.

This new page can be found here: www.equator-principles.com/reporting

If deemed appropriate by each EPFI, the EPFI should send links annually to the Equator Principles website secretariat: (secretariat@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 Equator Principles may be of interest to some EPFIs in order to demonstrate sustainability leadership or increased transparency on Equator implementation. The following suggested good practice approaches may be useful to EPFIs when developing their own Equator 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 Equator Principles 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 Equator Principles 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 Equator Principles review, approval and monitoring for a typical project financing.
- Discuss how the Equator Principles 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 Equator Principles 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?
- 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 Equator Principles perspective. Discuss how the EPFI managed both internally and externally the process relating to the project's review and eventual funding (if funded).

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.

- 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 Equator Principles.
- 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 Equator Principles; 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 Equator Principles.
- Discuss how the EPFI has learned and adapted through implementation of the Equator Principles, 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 Equator Principles 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 Equator Principles