



**To: Equator Banks**

**Subject:**

NGO follow up on our Zuerich meeting

**Date**

4 March 2005

Dear Equator Banks,

We are writing you on behalf of our organizations –both BankTrack members and others– that were present at the joint NGO–Equator bank meeting in Bocken, Switzerland. We would like to inform you how we intend to follow up on the various issues we discussed at the meeting.

As you will remember, we outlined our ideas for next steps at the end of our meeting. When comparing it to what the Equator banks presented as possible next steps there is a remarkable overlap–as at our meeting in London in July 2004–, so there is ample scope for cooperation in the months ahead.

For clarity reasons we will follow the outline of the banks' conclusions (in bold) and add NGO next steps where relevant.

**Continued NGO involvement**

- **Continue with working groups to address specific issues as they arise - IFC Safeguard Review / Performance Standards (HSBC)**
- **Work with industries bodies to promote best practice (ABN AMRO sponsored Forum)**
- **Promote EP further among international and regional banks to raise the bar**

NGOs welcome the opportunity to engage further with Equator Banks in various thematic working groups. Apart from the joint Working group on the IFC Safeguard Policy Review–further explained below– we also envision a continuation of our ongoing discussion on information disclosure–also explained below–.

NGOs very much appreciate the initiative of ABN AMRO to sponsor a forum on best practices, together with relevant industries bodies and sponsors. NGOs agree with banks that the effectiveness of social and environmental policies, as embedded in the Equator Princi-

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ples but also in sector policies of individual banks, can be highly improved when taken into account by various stakeholders further upstream. We gladly contribute to this effort and will follow up with ABN AMRO on the practicalities involved.

This said, BankTrack also would like to repeat its complementary offer to organize a meeting with and for banks on how to effectively engage affected populations and communities in the early stage of project planning. Local consultation and participation is an especially critical element in achieving best practice in large scale project finance. We view such a meeting as a necessary complement to, and a continuation of the ABN AMRO proposal, since effective consultation and involvement of local communities and indigenous groups affected by large project finance has often proved to be the most difficult element of best practice to implement. Such an event could be planned along with, or after, the ABN AMRO event, in the fall of 2005.

On the issue of promoting the Equator Principles to other banks, NGOs present at the meeting have differing but complementary positions. In our work we do not make an explicit distinction between EP and non-EP banks but tend to judge the actual performance of both against the best international practice in environmental and social sustainability. BankTrack has *not* taken the position that it will actively promote the Equator Principles to non-signatory banks. This said, BankTrack also recognizes—and has repeatedly said so in various forums, that, if properly implemented, the Equator Principles are a welcome step towards better international practice in large-scale project finance. Some of the non-BankTrack NGOs present at the meeting have also already made efforts to promote the adherence of other financial institutions to the Equator Principles.

Since we understand that there is perception in the sector that adopting the Equator principles puts a bank in the undesired spotlight of NGO scrutiny, BankTrack will make a special effort to clarify on our website what efforts we are undertaking concerning the non-signatory banks.

### **Disclosure / Reporting**

- **BankTrack / CIS proposal provides a good baseline for reporting at bank level**
- **Future CSR reports will endeavor to incorporate as appropriate**
- **Considerations will be given to UNEP/GRI framework**

Our organizations are pleased by these statements, which at least represent the beginning of a commitment for expanded and enhanced transparency and disclosure.

However we also would like to convey our disappointment about this particular part of our meeting. We arrived at the meeting with a clear expectation of seeing a specific commitment from Equator Banks on a bottom line for their disclosure policy. The BankTrack/CIS proposals were circulated for weeks in advance of the meeting for precisely the purpose of agreeing on specific commitments. Merely stating that the proposals are a good baseline and that future CSR reports would “endeavor to incorporate as appropriate” the Bank-

Track/CIS proposals is so vague as to be in practice almost meaningless without further clarification and specific commitments.

Our organizations therefore would like to continue the discussion with banks on how to achieve such a across the board information policy for Equator Banks, and how to address the issue of client confidentiality in relation to such a policy. This discussion could perhaps also take place in the form of an organized working group. We would therefore like to hear from you when this discussion can start again and in what format.

## **EP website / communication**

- **Secure area available to share information on working groups**
- **Rotating chairs**
  - **EP website**
  - **NGO Working group coordination**

Our organizations are pleased to see that steps are taken to set up one focal point for bank-NGO interaction. The BankTrack secretariat will remain the one stop entry point for banks that want to engage with undersigned NGOs and will arrange smooth practical cooperation with the Equator Bank focal point-HSBC-.

## **IFC Safeguard Policies**

- **Bank working group on performance standards will engage with NGOs**
- **Next meeting to be held pre EP revision**
- **Call upon the IFC to issue a second draft of the performance standards and three months consultation period (depending on ending of boycott)**

We very much welcome the opportunity for stronger cooperation between our organizations and banks on the IFC Safeguard Policy Review / Performance Standards. We have already set up a small team that is ready to engage with you on the substance of the proposed performance standards.

Our organizations have also addressed the question, posed by the banks, on whether we are ready to give up our stance of non involvement in the IFC process. We fully understand the importance of this revision process for the way project finance is done in the years ahead. We see the need for a thorough debate with IFC on this. However, in order for this debate to be fruitful we also need to be assured that we are discussing the right substance with IFC.

We have come to the conclusion that, if IFC is indeed receptive to the necessity of us being able to respond to a second, semi final draft, rather than the current indicative draft, we are indeed ready to directly engage with IFC on the substance of the proposed performance standards.

Just as was discussed at the meeting in Zurich, we believe along with the Equator Banks that following release of a second draft with more clarity and substance by the IFC, a consultation period of at least three months should follow to discuss this draft *before* the IFC



prepares and submits a final draft for submission to the IFC Executive Board and to the Board's Committee on Development Effectiveness (CODE).

We were heartened to hear representatives of several Equator Banks also state that they did not wish to see any effective or practical weakening of the current requirements of the IFC Safeguard Policies and environmental standards in the final version of the proposed Performance Standards. We urge the Equator banks to publicly state this last point, as it is particularly important for the international NGO community and for potentially affected communities in host countries.

We will communicate these concerns to the IFC as part of a larger coalition of organizations that are following the revision process. We would hope to consult closely with you on our forthcoming separate but complementary communications to the IFC on these points.

We look forward to your response on these points and to our continued cooperation

Yours sincerely,

Johan Frijns  
Coordinator BankTrack,

On behalf of:

- Andrea Durbin, consultant to NGO platform on IFC policy review
- Andreas Missbach, Berne Declaration - Switzerland
- Antonio Tricarico, Campaign to Reform the World Bank - Italy
- Bruce Rich, Environmental Defense–United States
- Donald Pols, Milieudefensie - Netherlands
- Greg Muttitt, Platform - United Kingdom
- Heffa Schuecking, Urgewald - Germany
- Ilyse Hogue, Rainforest Action Network - United States
- Inez Louwagie, Netwerk Vlaanderen - Belgium
- Jon Sohn, World Resources Institute–United States
- Jules Peck, WWF-UK - United Kingdom
- Michelle Chan, Friends of the Earth - United States
- Peter Bosshard, International Rivers Network - United States
- Sebastien Godinot, les Amis de la Terre - France
- Simon McRae, Friends of the Earth - England, Wales, Northern Ireland
- Steve Kretzmann, consultant for the Bank Information Center–United States
- Techa Beaumont, Mineral Policy Institute - Australia
- Victorio Matarozzi, Amigos da Terra Amazonia Brasileira - Brazil