# THE EQUATOR PRINCIPLES IMPLEMENTATION NOTE

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EQUATOR PRINCIPLES

## INTRODUCTION

This document comprises a series of modules containing information to support the implementation of the requirements contained in the Equator Principles on scope, climate change (Principle 2 and Annex A of the Equator Principles) and reporting (Principle 5, 10 and Annex B of the Equator Principles).

This document does not intend to establish new principles or requirements and each Equator Principles Financial Institution (EPFI) should make implementation decisions based on its institution's policy, practice and procedures.

Unless stated otherwise, all references to the 'Equator Principles' in this document relate to the Equator Principles text dated June 2013.

Furthermore, the frequently used term 'asset' does not refer to the financial product Asset Finance, which is excluded from the scope of the Equator Principles. In this document, the term 'asset' has a broader meaning and is used to describe the physical Project e.g. a power plant, oil field etc.

Finally, it should be noted that the content in this document will be developed over time to reflect the experience of EPFIs and clients, and in response to other changes affecting implementation (e.g. regulatory developments, technological advances).

# MODULE I: SCOPE

This module provides information and examples to support the understanding of what types of Projects and transactions are within the scope of the Equator Principles.

Project-Related Corporate Loans and Bridge Loans are new additions to the scope of the Equator Principles, therefore this module includes specific questions on, and approaches to, these product types.

**WHAT TYPES PROJECTS AND TRANSACTIONS ARE WITHIN THE SCOPE OF THE EQUATOR PRINCIPLES?**

The Equator Principles applies globally, to all industry sectors and to four financial products:

- Project Finance Advisory Services;
- Project Finance;
- Project-Related Corporate Loans; and
- Bridge Loans.

The relevant thresholds and criteria, that define when the Equator Principles is applicable to each product type, are described in detail in the Scope section of the Equator Principles. It should be noted that the requirements under each principle may vary for each product type therefore please refer to the Equator Principles for specific details.

It should be noted that if a transaction falls outside of the scope of Equator Principles, it does not automatically imply there is an absence of environmental, social, or reputational risk. The EPFI can, voluntarily and at its discretion, apply the Equator Principles' environmental and social risk management framework to other transactions as part of its broader environmental and social risk management policy or process, however, as this application would not meet all of the requirements in the Equator Principles, it should not be referred to as '*applying the Equator Principles*'.

## PROJECT-RELATED CORPORATE LOANS

**WHAT IS AN EXAMPLE CORPORATE LOAN THAT IS WITHIN THE SCOPE OF THE EQUATOR PRINCIPLES?**

A client approaches a lender to participate in a US$500m on-balance-sheet corporate loan.

The use of proceeds from the loan is as follows:

- US$300m for the development of a Greenfield thermal power plant
- US$100m to refinance old debt related to construction of a second power plant that is currently in operation; and
- US$100m for general corporate purposes.

The client, who is the developer of the Project, is a subsidiary of a multinational entity.

*Since more than 50% of the corporate loan proceeds are for the purposes of developing a Project (i.e. the Greenfield power plant) and the client has Effective Operational Control over the Project, and assuming all of the relevant financial thresholds and criteria (i.e. individual commitment, minimum loan tenor) have been met, the loan is within the scope of the Equator Principles.*

**WHAT IS AN EXAMPLE CORPORATE LOAN THAT IS OUTSIDE THE SCOPE OF THE EQUATOR PRINCIPLES?**

A client with numerous existing global operations approaches lenders to participate in a US$500m, syndicated, three-year corporate term loan.

The use of proceeds from the loan is as follows:

- general corporate purposes;
- repayment of existing debt;
- backstop to a commercial paper issue; and
- general capital and operational expenditures spread across its operations.

The EPFI has carried out basic due diligence on the general corporate purposes and has determined that it is not supporting the development of a new Project.

*Since none of the proceeds will be utilised for a Project, the loan is not within the scope of the Equator Principles*.

**WHAT INTERNAL SYSTEMS OR PRACTICES COULD THE EPFI ESTABLISH TO HELP IDENTIFY WHICH CORPORATE LOANS ARE PROJECT-RELATED CORPORATE LOANS AND WITHIN THE SCOPE OF THE EQUATOR PRINCIPLES?**

As EPFIs are organised differently, there is no 'standard' system that the EPFI could adopt to help them identify which corporate loans are within the scope of the Equator Principles. The EPFI should determine the most appropriate system for its institution.

**IF A CORPORATE LOAN IS RELATED TO MULTIPLE PROJECTS OR USES, IS IT WITHIN THE SCOPE OF THE EQUATOR PRINCIPLES?**

If more than 50% of the use of proceeds is financing a single Project and all of the relevant financial thresholds and criteria for a Project-Related Corporate Loan are met, the Equator Principles is applicable to that single Project.

**Example 1:**

US$200m corporate loan to Corporation 'A' where the EPFI's individual commitment is US$60m. The loan will be used to finance Project 'W' (US$150m) and Project 'X' (US$50m).

*Project 'W' is within the scope of the Equator Principles because more than 50% of the use of proceeds is directed to Project 'W'. Project 'X' is not within the scope of the Equator Principles.*

**Example 2:**

US$180m corporate loan to Corporation 'B' to finance Project 'Y' (US$60m), Project 'Z' (US$50m), and refinancing debt (US$70m).

*As none of the Projects receive more than 50% of the total loan amount, none are within the scope of the Equator Principles.*

**Example 3:**

US$120m loan to Corporation 'C' who has three Projects in the feasibility phase.

*Neither the Project costs nor the use of proceeds for each Project have been identified, therefore the loan would not be within the scope of the Equator Principles.*

**DOES THE EQUATOR PRINCIPLES APPLY TO A/B LOANS? IF YES, HOW DOES AN EPFI DETERMINE IF IT MEETS THE FINANCIAL THRESHOLD?**

A/B loans are loans to one Project with two tranches i.e. an 'A tranche' and a 'B tranche'.

A/B loans are usually arranged by development finance institutions (DFIs), where the DFI is the Lender of Record in the transaction and acts as Lead Lender and Administrative Agent for the entire A /B loan facility. The DFI lends the A tranche of the loan from its resources and partners with other financial institutions to provide the B tranche of the loan.

An A/B loan is subject to the Equator Principles, as a Project Finance or a Project-Related Corporate Loan, if all of the relevant financial thresholds and criteria are met.

For a Project-Related Corporate Loan 'A/B Loan', the total aggregate loan amount is the A tranche and B tranche combined. Therefore, if the DFI loan under tranche A is US$60m and EPFI loan under tranche B is US$60m, the total aggregate loan amount is US$120m. The Equator Principles is applicable if the total aggregate loan amount is above US$100m, and all of the relevant financial thresholds and criteria for the Project-Related Corporate Loan are met.

**ARE FPSO INSTALLATIONS, DRILL SHIPS, AND DRILL RIGS FINANCED BY PROJECT FINANCE OR PROJECT-RELATED CORPORATE LOANS WITHIN THE SCOPE OF THE EQUATOR PRINCIPLES?**

A Floating Production Storage and Offloading installation (FPSO), drill ship or drill rig is within the scope of the Equator Principles if the asset is directly owned by the client (or its subsidiary) and the client (or its subsidiary) owns and operates the oil or gas Project where the asset is in operation.

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## IS RESERVE–BASED FINANCING WITHIN THE SCOPE OF THE EQUATOR PRINCIPLES?

Reserve-Based Financing is traditionally used for oil and gas Projects, where a loan is provided based on the value of the oil or gas in the ground.
When the proceeds of the loan are used to develop a new oil and gas field, or to expand or upgrade an existing Project, the loan may fall within the scope of the Equator Principles (subject to meeting the relevant financial thresholds and criteria) as Project Finance or a Project-Related Corporate Loan, depending on whether it is a non-recourse or recourse loan.

## ARE CORPORATE ACQUISITIONS, FINANCED VIA A LIMITED–RECOURSE STRUCTURE, WITHIN THE SCOPE OF THE EQUATOR PRINCIPLES?

No. Acquisition Finance is not within the scope of the Equator Principles.

## ARE PROJECT BONDS WITHIN THE SCOPE OF THE EQUATOR PRINCIPLES?

No. A Project Bond, underwritten by the EPFI, is not within the scope of the Equator Principles even if the EPFI is financing the same Project via Project Finance or a Project Related Corporate Loan. The Project Finance or Project Related Corporate Loan, however, may be subject to the Equator Principles if all of the relevant financial thresholds and criteria are met.

## ARE THERE DIFFERENCES IN HOW THE EQUATOR PRINCIPLES IS APPLIED TO PROJECT-RELATED CORPORATE LOANS AND PROJECT FINANCE?

For Principles 1 to 6 and 8, the approach to Project-Related Corporate Loans and Project Finance is the same.

For Principles 7 and 9, the approach for Project-Related Corporate Loans is, in some cases, different. Refer to the Equator Principles for further information.

For Principle 10, the 'Project Name' reporting requirements in Annex B of the Equator Principles do not apply to Project-Related Corporate Loans.

**HOW DOES AN EPFI CONDUCT AN INTERNAL REVIEW OF A PROJECT-RELATED CORPORATE LOAN IF IT IS DETERMINED, AS PER PRINCIPLE 7, THAT AN INDEPENDENT CONSULTANT IS NOT REQUIRED?**

Principle 7 allows for an EPFI to conduct an internal review of a Project-Related Corporate Loan if the EPFI has determined that the Project does not have potential high risk impacts.

The EPFI should determine the most appropriate way to conduct its internal review of the Assessment Documentation based on its internal procedures and risk policy.

## BRIDGE LOANS

**ARE BRIDGE LOANS THAT ARE REFINANCED BY A PROJECT BOND WITHIN THE SCOPE OF THE EQUATOR PRINCIPLES?**

No. Only Bridge Loans intended to be refinanced by Project Finance or a Project-Related Corporate Loan, which are anticipated to meet all of the relevant financial thresholds and criteria, are within the scope of the Equator Principles.

**IS A BRIDGE LOAN, WHERE THE REFINANCING OR "TAKEOUT" STRUCTURE IS UNKNOWN, WITHIN THE SCOPE OF THE EQUATOR PRINCIPLES?**

No. A Bridge Loan, where the "takeout" structure (i.e. Project Finance or Project-Related Corporate Loan is unknown to the client at the time of the loan, is not within the scope of the Equator Principles.

**WHAT IS AN EXAMPLE BRIDGE LOAN WITHIN THE SCOPE OF THE EQUATOR PRINCIPLES?**

**Example 1:**

The client seeks a Bridge Loan for the early stage of a transmission line Project and the final route of the line is not yet determined.

The client clearly states, in the loan application materials and other communications, that the use of proceeds includes:

- purchasing construction equipment;
- purchasing steel for raw material for transmission towers; and
- financing studies, including environmental and social assessments, funding for community engagement process etc.

Based on this information, the EPFI already has confirmation that the client was planning to undertake an Environmental and Social Assessment. Due to the early stage of the Project, the only other requirement is that the client communicates its intention to adhere to the Equator Principles when seeking any subsequent Project Finance or Project-Related Corporate Loan for the purpose of refinancing the Bridge Loan.

**Example 2:**

The client seeks a one year Bridge Loan that will be refinanced by Project Finance where the use of proceeds are directed to the expansion of an existing mine, and the changes in scale or scope of the expansion may create significant environmental and social risks and impacts, or significantly change the nature or degree of an existing impact.

The Assessment Documentation has been prepared and the expansion is scheduled to begin within the tenor of the Bridge Loan. The EPFI develops a scope of work and works with the client to identify an Independent Environmental and Social Consultant to complete an Independent Review of the Project.

Furthermore, the EPFI requires the client to communicate its intention to adhere to the Equator Principles when seeking any subsequent Project Finance for the purpose of refinancing the Bridge Loan.

*The EPFI knows that the Bridge Loan is intended to be refinanced by Project Finance and the approach described above is an example of what is expected under the Equator Principles.*

**DOES THE EQUATOR PRINCIPLES APPLY TO ONLENDING ACTIVITIES OR 'TWO-STEP LOANS' WHERE THE EPFI LENDS TO AN INTERMEDIARY FINANCIAL INSTITUTION WHO SUBSEQUENTLY FINANCES A PROJECT?**

If the EPFI is lending to an intermediary financial institution (i.e. the client), who then onlends to a Project (i.e. providing the 'first-step' in the 'two-step loan'), the EPFI's loan is not within the scope of the Equator Principles because the client does not have Effective Operational Control over the Project.

If the EPFI is the intermediary financial institution (i.e. providing the 'second-step' in the 'two-step loan'), the loan that the EPFI is receiving to finance a Project would fall within the scope of the Equator Principles if all of the relevant financial thresholds and criteria were met.

**ARE BRIDGE LOAN GUARANTEES OR LETTERS OF CREDIT FOR BRIDGE LOANS WITHIN THE SCOPE OF THE EQUATOR PRINCIPLES?**

No. These financial products are not within the scope of the Equator Principles.

# MODULE II: CLIMATE CHANGE

This module provides information and examples to support the understanding of the climate change requirements in, and implementation of, the Equator Principles.

## PRINCIPLE 2 AND ANNEX A: ALTERNATIVES ANALYSIS

### WHAT ARE THE ALTERNATIVES ANALYSIS REQUIREMENTS?

Principle 2 requires an alternatives analysis to be conducted by the client (or an external party commissioned by the client) when the Project is expected to emit more than 100,000 tonnes of $CO_2$ equivalent annually during the construction and/or operational phase.

An alternatives analysis should be conducted for all Projects (i.e. all Project Finance and Project-Related Corporate Loans subject to the Equator Principles), in all locations (i.e. in both Designated and Non-Designated Countries), that meet the emission criteria described above.

The threshold of 100,000 tonnes of $CO_2$ equivalent annually, and the alternatives analysis, includes emissions from the facilities owned or controlled within the physical Project boundary (Scope 1 Emissions), and indirect emissions associated with the off-site production of energy used by the Project (Scope 2 Emissions).

Annex A of the Equator Principles explains that, clients should evaluate the technically and financially feasible and cost-effective options available to reduce project-related Greenhouse Gas (GHG) emissions during the design, construction and operation of the Project.

### WHAT TYPES OF PROJECTS REQUIRE AN ALTERNATIVES ANALYSIS?

All Projects emitting more than 100,000 tonnes of $CO_2$ equivalent annually (combined Scope 1 and Scope 2 Emissions) during the construction and/or operational phase.

Projects exceeding this threshold may come from, but will not be limited, to high carbon intensity sectors (as outlined in the World Bank Group Environmental, Health and Safety Guidelines).

**DOES THE ALTERNATIVES ANALYSIS INCLUDE AN ANALYSIS OF FEASIBLE OPTIONS TO REDUCE SCOPE 2 EMISSIONS?**

Yes. The alternatives analysis requires the evaluation of technically and financially feasible and cost-effective options available to reduce project-related GHG emissions during the design, construction and operation of the Project in relation to both Scope 1 and Scope 2 Emissions.

**IS THE EPFI OR THE CLIENT REQUIRED TO PUBLICLY DISCLOSE THE ALTERNATIVES ANALYSIS OR DETAILED TECHNICAL INFORMATION RELATED TO THE GHG ALTERNATIVES?**

No. There is no requirement to publicly disclose the alternatives analysis or detailed technical information.

It should be noted that the alternatives analysis may be a separate document, or may be a part of the engineering design or similar documentation. Furthermore, public disclosure of the details contained in the full alternatives analysis may not be appropriate, for example where the analysis includes business confidential, commercially sensitive or proprietary information.

## PRINCIPLE 10: CLIENT REPORTING ON GREENHOUSE GAS EMISSIONS

**WHAT IS THE GHG EMISSION REPORTING REQUIREMENT?**

Principle 10 requires clients to report GHG emissions for all Category A and, as appropriate, Category B Projects (financed by Project Finance and Project-Related Corporate Loans subject to the Equator Principles) where GHG emissions (combined Scope 1 and Scope 2 Emissions) exceed 100,000 tonnes of $CO_2$ equivalent annually.

Reporting is undertaken for the operational phase of the Project (i.e. following Project completion) over the life of the loan (i.e. whilst repayments are being made).

If the EPFI is financing the construction phase of the Project only but the life of the loan (i.e. repayments are being made) continues in to the operational phase, the client would also be required to report on the Project's GHG emissions during the operational phase.

**WHO IS REQUIRED TO REPORT ON A PROJECT'S GHG EMISSIONS?**

The client.

**WHAT INFORMATION SHOULD BE DISCLOSED BY THE CLIENT?**

The Project's annual actual combined Scope 1 and Scope 2 Emissions for the operational phase of the Project.

**WHAT IS REPORTED WHEN THE PROJECT IS AN UPGRADE OR EXPANSION OF A FACILITY, OR ONLY ONE PHASE OF A FACILITY?**

The client may report on the Project, or in the case of an expansion Project the phase being financed, or the entire facility, whichever is more practical

In all cases the reporting threshold and combined Scope 1 and Scope 2 Emissions would apply.

**WHAT METHODOLOGIES CAN BE USED TO CALCULATE THE GHG EMISSIONS?**

The client should choose a methodology it considers appropriate. Annex A of the Equator Principles refers to the GHG Protocol as an example of an appropriate methodology.

**HOW AND WHERE SHOULD THE CLIENT REPORT A PROJECT'S GHG EMISSIONS?**

The client is required to report publicly on the Project's GHG emissions however the location of the reporting, and the manner in which it is made available, is at the discretion of the client.

According to Annex A of the Equator Principles, public reporting requirement can be satisfied via regulatory requirements for reporting or environmental impact assessments, or voluntary reporting mechanisms such as the Carbon Disclosure Project when such reporting includes emissions at project-level.

**WHEN SHOULD EMISSIONS BE FIRST REPORTED AND WHAT IS THE DURATION OF REPORTING?**

Actual emissions reporting is undertaken for the operational phase of the Project (i.e. following Project completion) over the life of the loan (i.e. whilst repayments are being made).

If the EPFI is financing the construction phase of the Project only but the life of the loan (i.e. repayments are being made) continues in to the operational phase, the client would also be required to report on the Project's GHG emissions during the operational phase.

**ARE THERE EXCLUSIONS OR EXCEPTIONS FOR NON-REPORTING?**

Clients may be exempt from public reporting where the client's business confidentiality or propriety information prevents reporting, or reporting may present a competitive disadvantage to the client.

On rare occasions, other exclusions may apply, such as where the client cannot report publicly for technical, legal or regulatory reasons.

**DOES PUBLIC REPORTING ON AN AGGREGATE (CORPORATE) PORTFOLIO BASIS FULFIL THE GHG REPORTING REQUIREMENT?**

No. Principle 10 requires project-level reporting unless there is an exclusion or other exception for non-reporting (see the previous question).

Furthermore, calculation of annual project-level GHG emissions is already required for Projects in Non-Designated Countries as per the International Finance Corporation (IFC) Performance Standard 3: Resource Efficiency and Pollution Prevention (Page 2, Paragraph 8).

For Projects in Non-Designated Countries, initial projected/forecast emissions are reported through the Environmental and Social Impact Assessment (ESIA) in accordance with the IFC Performance Standards.

The client may already be monitoring and publicly reporting on other issues (e.g. pollutants, health and safety track record, etc.) at project-level, therefore they may find it useful to manage their public reporting of project-level GHG emissions as part of this existing process.

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# MODULE III: REPORTING

This module provides information and examples to support the understanding of the reporting requirements in, and implementation of, the Equator Principles.

## PRINCIPLE 5: STAKEHOLDER ENGAGEMENT

### WHAT ASSESSMENT DOCUMENTATION SHOULD THE CLIENT DISCLOSE AND TO WHOM?

The Assessment Documentation appropriate for a client to disclose to Affected Communities depends on the scale and nature of the Project's risks and impacts, and will vary from Project to Project.

Principle 5 is not prescriptive about what documentation should be disclosed (and under what circumstances), however it states that the information provided should be commensurate to the Project's risks and impacts, readily available, in the local language, and culturally appropriate.

If the EPFI has engaged an Independent Environmental and Social Consultant, they may be able to provide an opinion on whether this requirement has been met.

Assessment Documentation should be made readily available to Other Stakeholders where relevant.

The terms 'Assessment Documentation' or 'Environmental and Social Assessment Documentation' is defined in the Glossary of this document and in Exhibit I: Glossary of Terms of the Equator Principles.

## PRINCIPLE 10: CLIENT REPORTING REQUIREMENTS

**WHAT ASSESSMENT DOCUMENTATION SHOULD THE CLIENT DISCLOSE ONLINE?**

For all Category A and, as appropriate, Category B Projects, the client is, at a minimum, required to disclose a summary of the Environmental and Social Impact Assessment (ESIA) online.

**WHERE SHOULD THE CLIENT DISCLOSE ITS ASSESSMENT DOCUMENTATION?**

The client should disclose its Assessment Documentation on an external website that it considers appropriate.

For example, the Assessment Documentation could be disclosed on the client website, or on the website of a shareholder or sponsor, relevant environmental authority, regulator or government institution, Export Credit Agency or International Financial Institution.

**WHAT IS THE REQUIRED TIME FRAME, DURATION AND LANGUAGE FOR THE CLIENT'S DISCLOSURE OF THE ASSESSMENT DOCUMENTATION?**

There is no specified time frame or duration for the online disclosure of the Assessment Documentation however the EPFI could establish its own criteria

Assessment Documentation disclosed by third-parties (e.g. environmental agency, regulator, financial institution) may be required to remain online for a specific period of time depending on their disclosure policies.

Assessment Documentation should be made readily available to Affected Communities, and where relevant Other Stakeholders, in the local language and, if available it may be published in English.

**ARE THERE EXEMPTIONS TO ONLINE DISCLOSURE OF THE ASSESSMENT DOCUMENTATION?**

Yes. There may be cases where the Project developer encounters technical difficulties that prohibit the set up and maintenance of a website (e.g. limited or no internet access), and alternative solutions for online disclosure are not available or appropriate.

## PRINCIPLE 10 AND ANNEX B: EPFI REPORTING REQUIREMENTS

**WHICH TRANSACTIONS ARE SUBJECT TO THE EPFI REPORTING REQUIREMENTS IN PRINCIPLE 10 AND ANNEX B OF THE EQUATOR PRINCIPLES?**

In accordance with Principle 10, the EPFI is required to report publicly, at least annually, on transactions that were subject to the Equator Principles and have reached Financial Close; and on its Equator Principles implementation processes and experience, taking in account appropriate confidentiality considerations.

Annex B of the Equator Principles provides detail on the types of transactions that are subject to Principle 10, the specific reporting requirements for each of the applicable transactions, and the criteria for the submission of Project Name Reporting for Project Finance

**IN PRINCIPLE 10, WHAT IS MEANT BY "APPROPRIATE CONFIDENTIALITY CONSIDERATIONS"?**

The EPFI is not required to publish information, related to its institution or client, that could be financially or commercially sensitive, or where disclosure violates applicable laws and regulations.

**HOW CAN EPFI REPORTING DATA BE PRESENTED?**

The minimum reporting requirements detailed in Principle 10 and Annex B of the Equator Principles are self-explanatory however for clarity and to promote consistency, the following example tables have been prepared for each product type to show the minimum level of detail required and how it could be presented.

Note that these tables are for illustrative purposes only and the EPFI may elect to present its data using different formats, graphs, charts, or tables.

**PROJECT FINANCE**

The total number of Project Finance transactions that reached Financial Close from [Date] to [Date] was 34. The breakdown is as follows:

| | BREAKDOWN BY CATEGORY | | |
|---|---|---|---|
| | Category A | Category B | Category C |
| | 11 | 16 | 7 |
| | DETAILED BREAKDOWN BY CATEGORY | | |
| **By Sector** | **Category A** | **Category B** | **Category C** |
| Mining | 1 | - | 1 |
| Infrastructure | 6 | 8 | - |
| Oil & Gas | 3 | 3 | 3 |
| Power | - | - | 2 |
| Other | 1 | 5 | 1 |
| **By Region** | **Category A** | **Category B** | **Category C** |
| Americas | 5 | 6 | 1 |
| Europe, Middle East & Africa | 2 | 1 | 6 |
| Asia and Oceania | 4 | 9 | - |
| **By Country Designation** | **Category A** | **Category B** | **Category C** |
| Designated | 10 | 3 | 4 |
| Non-Designated | 1 | 13 | 3 |
| **Independent Review**[1] | **Category A** | **Category B** | **Category C** |
| Yes | 11 | 10 | - |
| No | - | 6 | 7 |

[1] An Independent Review may not be required for all Projects e.g. an Independent Review is not required for Category C Projects. Please refer to the Equator Principles for details on what is required for each Category and product type.

**PROJECT-RELATED CORPORATE LOANS**

The total number of Project-Related Corporate Loans that reached Financial Close from [Date] to [Date] was 86. The breakdown is as follows:

| | BREAKDOWN BY CATEGORY | | |
|---|---|---|---|
| | **Category A** | **Category B** | **Category C** |
| | 5 | 69 | 12 |
| | DETAILED BREAKDOWN BY CATEGORY | | |
| **By Sector** | **Category A** | **Category B** | **Category C** |
| Mining | 5 | 34 | 6 |
| Infrastructure | - | 12 | 3 |
| Oil & Gas | - | 16 | 2 |
| Power | - | 3 | 1 |
| Other | - | 4 | - |
| **By Region** | **Category A** | **Category B** | **Category C** |
| Americas | 2 | 45 | - |
| Europe, Middle East & Africa | 2 | - | 12 |
| Asia and Oceania | 1 | 24 | - |
| **By Country Designation** | **Category A** | **Category B** | **Category C** |
| Designated | 5 | 65 | 8 |
| Non-Designated | - | 4 | 4 |
| **Independent Review**[2] | **Category A** | **Category B** | **Category C** |
| Yes | 5 | 63 | - |
| No | - | 6 | 12 |

[2] An Independent Review may not be required for all Projects e.g. an Independent Review is not required for Category C Projects. Please refer to the Equator Principles for details on what is required for each Category and product type.

**PROJECT FINANCE ADVISORY SERVICES**

The total number of Project Finance Advisory Services mandated from [Date] to [Date] was 12. The breakdown is as follows:

| BREAKDOWN BY SECTOR AND REGION | |
|---|---|
| **By Sector** | |
| Mining | 1 |
| Infrastructure | 7 |
| Oil & Gas | - |
| Power | 2 |
| Other | 2 |
| **By Region** | |
| Americas | 3 |
| Europe, Middle East & Africa | 7 |
| Asia and Oceania | 2 |

**WHAT ARE THE EPFI REPORTING REQUIREMENTS RELATED TO SUBMITTING PROJECT NAME FOR PROJECT FINANCE DATA?**

In accordance with Annex B of the Equator Principles, 'Project Name for Project Finance' data reporting is only applicable to Project Finance transactions that have reached Financial Close and is:

- subject to obtaining client consent,
- subject to applicable local laws and regulations, and
- subject to no additional liability for the EPFI as a result of reporting in certain identified jurisdictions.

The EPFI is required to submit the following 'Project Name for Project Finance' data to the Equator Principles Association Secretariat directly or via a web link:

- 'Project Name' (i.e. the name as per the loan agreement and/or as publicly recognised),
- 'Year' (i.e. the calendar year in which the transaction reached Financial Close);
- 'Sector' (i.e. Mining, Infrastructure, Oil and Gas, Power, or Others),
- 'Name of the Host Country' (i.e. the country in which the Project is located).

**SHOULD THE EPFI SEEK CLIENT CONSENT BEFORE SUBMITTING PROJECT NAME FOR PROJECT FINANCE DATA TO THE EQUATOR PRINCIPLES ASSOCIATION SECRETARIAT?**

Yes. The EPFI is required to seek formal consent from the client before disclosing 'Project Name for Project Finance' data. Some Export Credit Agencies have established policies that allow them to disclose this information without formally seeking consent from their clients.

**WHEN AND HOW SHOULD THE EPFI SEEK CLIENT CONSENT?**

The EPFI should formally request that the client provide consent for 'Project Name for Project Finance' data reporting however it is for the EPFI to decide when and how they seek client consent.

**UNDER WHAT CIRCUMSTANCES WOULD THE EPFI BE EXEMPT FROM SUBMITTING PROJECT NAME FOR PROJECT FINANCE DATA TO THE EQUATOR PRINCIPLES ASSOCIATION SECRETARIAT?**

The EPFI is not required to submit 'Project Name for Project Finance' data if:

- the client does not give consent to disclose the data, and/or
- the EPFI or Project is located in a country where the disclosure of the data violates applicable local laws and regulations, and/or
- in certain jurisdictions the disclosure of the data increases the EPFI liability.

In accordance with Rule 6e) of the Equator Principles Association Governance Rules, in the cases where the EPFI cannot report its 'Project Name for Project Finance data', the EPFI will send a brief explanatory statement to the Equator Principles Association Secretariat so that the exceptions can be reflected in summary form (i.e. with no reference to the EPFI or Project Name) on the Equator Principles Association website.

**WHEN IS THE EPFI REQUIRED TO SUBMIT DATA AND IMPLEMENTATION REPORTING AND PROJECT NAME REPORTING FOR PROJECT FINANCE DATA TO THE EQUATOR PRINCIPLES ASSOCIATION SECRETARIAT?**

In accordance with Rule 6f) of the Equator Principles Association Governance Rules, the EPFI is required to submit its 'Data and Implementation Reporting' and 'Project Name for Project Finance' data in a single submission on an annual basis and by a specific quarterly period end date (i.e. 31 January, 30 April, 31 July or 31 October).

**<u>WHERE AND WHEN DOES THE EQUATOR PRINCIPLES ASSOCIATION SECRETARIAT PUBLISH PROJECT NAME FOR PROJECT FINANCE DATA?</u>**

The Equator Principles Association Secretariat collates all 'Project Name for Project Finance' data submitted by EPFIs and displays it in a simple table on the Equator Principles Association website. An additional column in the table displays the names of the EPFIs who submitted data for each Project.

In accordance with Rule 6c) of the Equator Principles Association Governance Rules, the compiled 'Project Name for Project Finance' data will be published and updated on the Equator Principles Association website on a quarterly basis. 'Project Name for Project Finance' data submitted by EPFIs in between the quarterly publishing dates will be retained until the next publishing date.

It should be noted that any 'Project Name for Project Finance' data submitted from 1 January 2014 will not be published on the Equator Principles Association website until 30 June 2015.

**<u>IS THE EPFI REQUIRED TO DISCLOSE PROJECT NAME FOR PROJECT FINANCE DATA ON ITS WEBSITE?</u>**

The EPFI is not required to disclose 'Project Name for Project Finance' data on its website. While the EPFI may choose to additionally publish this data on its website or in its reporting, the only requirement is to submit such information to the Equator Principles Association Secretariat for publication on the Equator Principles Association website.

## IS THE ONE-YEAR GRACE PERIOD ON REPORTING FOR NEW ADOPTERS STILL APPLICABLE?

Yes. In accordance with Rule 6d) of the Equator Principles Association Governance Rules, new adopters have a one-year grace period (from the date of adoption), during which transaction numbers and 'Project Name for Project Finance' data can be omitted from their public reporting.

It should be noted that after the one-year grace period new adopters are, at a minimum, required to report on their internal preparation and staff training.

## GLOSSARY OF TERMS

**Affected Communities** are local communities, within the Project's area of influence, directly affected by the Project.

**Assessment** (see **Environmental and Social Assessment**).

**Assessment Documentation** (see **Environmental and Social Assessment Documentation**).

**Bridge Loan** is an interim loan given to a business until the longer term stage of financing can be obtained.

**Designated Countries** are those countries deemed to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment. The list of Designated Countries can be found at: http://www.equator-principles.com/index.php/ep3/324

**Effective Operational Control** includes both direct control (as operator or major shareholder) of the Project by the client and indirect control (e.g. where a subsidiary of the client operates the Project).

**Environmental and Social Assessment (Assessment)** is a process that determines the potential environmental and social risks and impacts (including labour, health, and safety) of a proposed Project in its area of influence.

**Environmental and Social Assessment Documentation (Assessment Documentation)** is a series of documents prepared for a Project as part of the Assessment process. The extent and detail of the documentation is commensurate with the Project's potential environmental and social risks and impacts. Examples of Assessment Documentation are: an Environmental and Social Impact Assessment (ESIA), Environmental and Social Management Plan (ESMP), or documents more limited in scale (such as an audit, risk assessment, hazard assessment and relevant project-specific environmental permits). Non-technical environmental summaries can also be used to enhance the Assessment Documentation when these are disclosed to the public as part a broader Stakeholder Engagement process.

**Environmental and Social Impact Assessment (ESIA)** is a comprehensive document of a Project's potential environmental and social risks and impacts. An ESIA is usually prepared for greenfield developments or large expansions with specifically identified physical elements, aspects, and facilities that are likely to generate significant environmental or social impacts. Exhibit II of the Equator Principles provides an overview of the potential environmental and social issues addressed in the ESIA.

**Environmental and Social Management Plan (ESMP)** summarises the client's commitments to address and mitigate risks and impacts identified as part of the Assessment, through avoidance, minimisation, and compensation/offset. This may range from a brief description of routine mitigation measures to a series of more comprehensive management plans (e.g. water management plan, waste management plan, resettlement action plan, indigenous peoples plan, emergency preparedness and response plan, decommissioning plan). The level of detail and complexity of the ESMP and the priority of the identified measures and actions will be commensurate with the Project's potential risks and impacts. The ESMP definition and characteristics are broadly similar to those of the "Management Programs" referred to in IFC Performance Standard 1.

**Environmental and Social Management System (ESMS)** is the overarching environmental, social, health and safety management system which may be applicable at a corporate or project-level. The system is designed to identify, assess and manage risks and impacts in respect to the Project on an ongoing basis. The system consists of manuals and related source documents, including policies, management programs and plans, procedures, requirements, performance indicators, responsibilities, training and periodic audits and inspections with respect to environmental or social issues, including Stakeholder Engagement and grievance mechanisms. It is the overriding framework by which an Environmental and Social Management Plan (ESMP), and/or Equator Principles Action Plan (AP) is implemented. The term may refer to the system for the construction phase or the operational phase of the Project, or to both as the context may require.

**Equator Principles Action Plan (AP)** is prepared, as a result of the EPFI's due diligence process, to describe and prioritise the actions needed to address any gaps in the Assessment Documentation, Environmental and Social Management Plans (ESMPs), the Environmental and Social Management System (ESMS), or Stakeholder Engagement process documentation to bring the Project in line with applicable standards as defined in the Equator Principles. The Equator Principles AP is typically tabular in form and lists distinct actions from mitigation measures to follow-up studies or plans that complement the Assessment.

**Equator Principles Association** is the unincorporated association of member EPFIs whose object is the management, administration and development of the Equator Principles. The Equator Principles Association Secretariat manages the day to day running of the Equator Principles Association including the collation of EPFI project name reporting data. For more information go to: http://www.equator-principles.com.

**Financial Close** is defined as the date on which all conditions precedent to initial drawing of the debt have been satisfied or waived.

**Independent Environmental and Social Consultant** is a qualified independent firm or consultant (not directly tied to the client) acceptable to the EPFI.

**Independent Review** is a review of the Assessment Documentation including the Environmental and Social Management Plans (ESMPs), Environmental and Social Management System (ESMS), and Stakeholder Engagement process documentation carried out by an Independent Environmental and Social Consultant.

**Known Use of Proceeds** is the information provided by the client on how the borrowings will be used.

**Non-Designated Countries** are those countries not found on the list of Designated Countries at http://www.equator-principles.com/index.php/ep3/324

**Operational Control** (see **Effective Operational Control**)

**Other Stakeholders** are those not directly affected by the Project but that have an interest in it. They could include national and local authorities, neighbouring Projects, and/or non-governmental organisations.

A **Project** is a development in any sector at an identified location. It includes an expansion or upgrade of an existing operation that results in a material change in output or function. Examples of Projects that trigger the Equator Principles include, but are not limited to; a power plant, mine, oil and gas Projects, chemical plant, infrastructure development, manufacturing plant, large scale real estate development, real estate development in a Sensitive Area, or any other Project that creates significant environmental and/or social risks and impacts. In the case of Export Credit Agency supported transactions, the new commercial, infrastructure or industrial undertaking to which the export is intended will be considered the Project.

**Project Finance** is a method of financing 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 Project's output, such as the electricity sold by a power plant. The client 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. For reference go to: "Basel Committee on Banking Supervision, International Convergence of Capital Measurement and Capital Standards ("Basel II")", November 2005. Reserve-Based Financing in extractive sectors that is non-recourse and where the proceeds are used to develop one particular reserve (e.g. an oil field or a mine) is considered as Project Finance under the Equator Principles.

**Project Finance Advisory Services** is the provision of advice on the potential financing of a development where one of the options may be Project Finance.

**Project-Related Corporate Loans** are corporate loans, made to business entities (either privately, publicly, or state-owned or controlled) related to a single Project, either a new development or expansion (e.g. where there is an expanded footprint), where the Known Use of Proceeds is related to a single Project in one of the following ways:

a. The lender looks primarily to the revenues generated by the Project as the source of repayment (as in Project Finance) and where security exists in the form of a corporate or parent company guarantee;

b. Documentation for the loan indicates that the majority of the proceeds of the total loan are directed to the Project. Such documentation may include the term sheet, information memorandum, credit agreement, or other representations provided by the client into its intended use of proceeds for the loan.

It includes loans to government-owned corporations and other legal entities created by a government to undertake commercial activities on behalf of the government, but excludes loans to national, regional or local governments, governmental ministries and agencies.

**Scope 1 Emissions** are direct GHG emissions from the facilities owned or controlled within the physical Project boundary.

**Scope 2 Emissions** are indirect GHG emissions associated with the off-site production of energy used by the Project.

**Sensitive Area** is an area of international, national or regional importance, such as wetlands, forests with high biodiversity value, areas of archaeological or cultural significance, areas of importance for indigenous peoples or other vulnerable groups, National Parks and other protected areas identified by national or international law.

**Stakeholder Engagement** refers to IFC Performance Standards provisions on external communication, environmental and social information disclosure, participation, informed consultation, and grievance mechanisms. For the Equator Principles, Stakeholder Engagement also refers to the overall requirements described under Principle 5.