

## **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 provides guidance to existing and prospective Equator Principles Financial Institutions 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, Project Finance Advisory, and/or Project-Related Corporate Loans –** A financial institution is Active in Project Finance, Project Finance Advisory, and/or Project-Related Corporate Loans when:

- a) it has current loans on its books which are subject to the Principles, or
- b) it has provided Project Finance, Project Finance Advisory Services, and/or Project-Related Corporate Loans within the previous 24 months, or
- c) it currently provides Project Finance, Project Finance Advisory Services, and/or Project-Related Corporate Loans which do not meet the criteria defined in the Principles but commits to apply the Principles to all future transactions which do meet those criteria.

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

**Adoption Agreement** – The agreement entered into by prospective EPFIs 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 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 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, to be held once a year as further defined in Rule 13 of these Rules.

**Association or Equator Principles Association** – The unincorporated association of Equator Principles Financial Institutions 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.

**Data and Implementation Reporting** – The obligation of an EPFI to report publicly on its implementation of the Principles in accordance with Principle 10 and Annex B: Minimum Reporting Requirements (Data and Implementation Reporting) of the Equator Principles.

**Equator Principles (or Principles)** – A set of principles setting out a framework for managing environmental and social risk in projects as described in Rule 3b, the current version of which shall be shown in detail on the Association’s website at [www.equator-principles.com](http://www.equator-principles.com). The Equator Principles may be revised from time-to-time by the Association but, notwithstanding this, the Equator Principles Financial Institutions may continue to apply a previous version to projects financed under that version.

**Equator Principles Financial Institution (or EPFI)** – A financial institution that has adopted the Equator Principles in accordance with the procedures in these Rules, is Active in Project Finance, Project Finance Advisory, and/or Project-Related Corporate Loans and whose name appears as an EPFI on the List of EPFIs on the Association’s website.

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

**List of EPFIs** – The list of those EPFIs that are published on the Association’s website as active and reporting.

**Project Name Reporting for Project Finance** - The obligation of an EPFI to submit data to the Administrator on the Project Finance transactions that have reached financial close in the reporting year, in accordance with Principle 10 and Annex B: Minimum Reporting Requirements (Project Name Reporting for Project Finance) of the Equator Principles.

**Project Sponsor** – A party that develops and influences a project that 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.

**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.

**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 in accordance with Rule 11.

**Working Group** - Any group of EPFIs 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.

### **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 additional financial institutions;
  - ii) promote and encourage the implementation of the Principles by the EPFIs 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 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 environmental and social standards;

- v) engage an Administrator to manage the Association’s 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 environmental and social risks when providing Project Finance loans, Project-Related Corporate Loans, Bridge Loans, or Project Finance Advisory Services as such terms are defined in the Principles and as may be modified from time to time, and such other forms of infrastructure financing or advisory services as may be subject to the Principles as described therein.
- c) The Principles are a framework to require the implementation of good international practice in relation to the environmental and social issues arising in projects that EPFIs are financing or advising. The EPFIs having so decided, the Equator Principles specify that the current standards required shall be either:
- i) the IFC Performance Standards and the World Bank Group Environmental, Health and Safety Guidelines where projects are located in countries that are not on the list of [Designated Countries](#), or
  - ii) local or national law relating to environmental and social matters where projects are located in countries on the list of [Designated Countries](#).
- d) The Principles apply where the EPFIs provide financing or advisory services that are subject to the Principles as described therein, to ensure that those projects are developed in a socially responsible manner and reflect sound environmental management practices. Negative impacts on project-affected ecosystems, communities and the climate should be avoided where possible, and if these impacts are unavoidable, they should be minimised, mitigated, and/or offset.

- e) The Principles apply also in circumstances where project financing covers an expansion or upgrade of an existing project if the changes in scale or scope have the potential to create significant environmental and/or social impacts, or significantly change the nature or degree of an existing impact.
- f) The EPFIs will from time to time collectively review the Principles, based on their respective implementation experience, the development of other international environmental and social 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 and 7gii.

#### **4) Lawful Co-operation and Disclosure of Information**

- a) All financial institutions that provide financing for, or advisory services in respect of, infrastructure and industrial projects 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 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.
- c) Subject to compliance with the rest of this Rule 4 and with applicable laws and regulations, the sharing of experience in implementing this framework through case studies, stakeholder engagement, and other forms of information sharing is encouraged amongst and by all members of the Association in order to promote and disseminate good practice in the management of environmental and social risk in financing or advisory services that are subject to the Principles.
- d) The EPFIs recognise the importance of complying with applicable laws on agreements, concerted practices, or exchange of information that may restrict competition (“Competition Laws”), and of ensuring that the Principles are not used for any purpose that may breach Competition Laws. Each EPFI shall therefore, in particular:
  - i) avoid exchanges or disclosures of competitively sensitive information in relation to their respective businesses or the projects in relation to which they are providing or contemplating the provision of financing or advisory services that are subject to the Principles;

- ii) avoid any co-ordination of its commercial strategies with other EPFIs;
  - 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 financing or advisory services that are subject to the Principles in which they are separately involved, although they will cooperate 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 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 is subject to freedom of information requirements which require it to make disclosure of information that would otherwise be confidential. Most EPFIs are commercial, as opposed to public, financial institutions and have a duty of, and/or are subject to a requirement for, confidentiality. Any EPFI 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 is individually responsible for its own internal procedures to achieve compliance with the Principles and to adhere to the reporting requirements (see Rule 5jii) 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 in respect of particular projects.

## **5) Adoption of the Principles**

- a) Adoption of the Principles shall be open to any financial institution that meets the 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 environmental and social risk management policies, procedures, and standards in order to comply with the Equator Principles.
- d) No EPFI will provide Project Finance or Project-Related Corporate Loans to projects where the client will not, or is unable to, comply with the Principles. As Bridge Loans and Project Finance Advisory Services are provided earlier in the project timeline, when providing these services each EPFI will request that the client explicitly communicates to the EPFI its intention to comply with the Principles.
- 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 are:
- i) it shall confirm in writing that it is Active in Project Finance, Project Finance Advisory, and/or Project-Related Corporate Loans and that it wishes to adopt the Principles and will implement the Principles with immediate effect from its Adoption Date.
  - ii) 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 board of directors or the company secretary, provided that such person has authority to bind the adopting institution.
  - iii) The prospective new EPFI shall complete and execute the Adoption Agreement (a form of which shall be available to download on the Association's 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 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 may incur as a result thereof. This indemnity shall be jointly with the other members of the Association at the time of the losses.

- iv) The applicant shall submit a duly executed Adoption Agreement and its letter of confirmation referred to in Rule 5fi and 5fii 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.
  
- h) On the Adoption Date:
  - i) the new EPFI will issue a press release regarding its adoption of the Principles;
  
  - ii) the new EPFI will be entitled to use the Principles' logo; and
  
  - iii) the Administrator will update the Association's website by adding the name of the new EPFI to the List of EPFIs 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 (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 Association as a whole unless they receive the prior approval of the Steering Committee.

- i) The Association's website shall provide the reference List of EPFIs.
  
- j) The ongoing requirements for an EPFI are:
  - i) that it shall continue to be Active in Project Finance, Project Finance Advisory and/or Project-Related Corporate Loans;
  
  - ii) that it shall provide reporting at least annually about its implementation of the Principles, in accordance with Principle 10 and Annex B: Minimum Reporting Requirements of the Equator Principles and Rule 6;
  
  - iii) that it shall pay the Annual Fee in a timely manner;



## 6) Reporting Requirements

- a) Each EPFI shall comply with the reporting requirements as detailed in Principle 10 and Annex B: Minimum Reporting Requirements of the Equator Principles by submitting its Data and Implementation Reporting and Project Name Reporting for Project Finance data (subject to the conditions detailed in Annex B: Minimum Reporting Requirements of the Equator Principles) annually using the Association's submission template (obtainable from the Administrator).
- b) The Administrator will ensure that the Association's website publishes each EPFI's Data and Implementation Reporting on an individual reporting web page. The individual reporting web page will highlight whether the annual reporting requirement in Principle 10 has been met.
- c) The Administrator will also publish Project Name Reporting for Project Finance data provided on the Association's website.
- d) In the first year after its Adoption Date, a new EPFI may omit transaction numbers and project names 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 that have reached financial close, 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.
- e) In the case of project finance transactions where EPFIs are prevented from submitting Project Name Reporting for Project Finance data (according to the conditions of Annex B Minimum Reporting Requirements of the Equator Principles), they will provide a justification to the Administrator so that such exceptions can be reflected on the Association's website in a summary fashion.
- f) Each EPFI shall make its submission by a specified deadline (i.e. 31 January, 30 April, 31 July or 31 October), which is determined on its adoption of the Principles. Requests to change the specified deadline shall only be considered in exceptional cases and may be referred to the Steering Committee for decision.
- g) Failure to comply with Data and Implementation Reporting and Project Name Reporting for Project Finance requirements, or failure to provide reporting by the specified deadline, shall be managed as follows:
  - i) If an EPFI has not complied with the Data and Implementation Reporting and Project Name Reporting for Project Finance reporting requirements within 1 month of its

submission deadline, the Administrator shall contact the individuals who currently represent that EPFI and provide a written reminder of their obligation to do so. The reminder shall be copied to Chair and include details of potential actions under Rules 6gii and 6giii below in the event of continued non-reporting.

- ii) If the EPFI has not complied with the Data and Implementation Reporting and Project Name Reporting for Project Finance Reporting requirements within 3 months of its submission deadline, the Administrator shall amend the EPFI's individual web page on the Association's website indicating the submission is delayed. At the same time, the Administrator shall send a final written reminder to the individuals who currently represent that EPFI, copying it to the chief executive officer or equivalent officeholder of that EPFI and to the Chair and other members of the Steering Committee.
- iii) If the EPFI has not complied with the Data and Implementation Reporting and Project Name Reporting for Project Finance requirements within 6 months of its submission deadline, it shall be "de-listed" without further notice – that is, the name of that EPFI shall be removed by the Administrator from the List of EPFIs on the Association's website and the relevant EPFI shall no longer be a member of this Association.
- iv) If an EPFI has been de-listed as stated in Rule 6giii and it wishes to continue to be considered as an active and reporting EPFI, it will need to re-adopt the Principles in accordance with Rule 5f above.
- h) EPFIs may be impacted by corporate transactions such as mergers, acquisitions and disposals. Such transactions take many different forms, including combinations of EPFIs, non-EPFIs, 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 target in the transaction.

The Association encourages an institution impacted by a corporate transaction to remain or become an EPFI 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 impacted by such transactions are:

- i) The EPFI (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 that have adopted the Principles, the impacts on financing or advisory services that are subject to the

Principles, 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.

For that six month period, the EPFI 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 that acquires a new Project Finance business and does not immediately implement the requirements of the Principles.

- ii) The Steering Committee shall review any plans submitted by the EPFI. It shall decide whether the EPFI continues to meet the requirements of the Principles and either agree the action that is appropriate with regard to the Principles or agree to a specific extension of the period of integration and absorption.
- i) If an EPFI is no longer Active in Project Finance, Project Finance Advisory, and/or Project-Related Corporate Loans or an EPFI wishes to withdraw its adoption of the Principles, 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 on the Association’s website.
- j) Exceptions on Reporting Requirements may exist if material changes to the Equator Principles have been approved by the Association and a defined transition period applies.

## **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 are encouraged to participate in and contribute to the management of the Principles in a manner that will support the Principles and that is appropriate to their institution.
- c) Management of the Principles operates 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. This method of operation applies to all levels of management structure in place.

- d) Each EPFI will, for administrative purposes and where appropriate, designate by notice in writing to the Administrator:
- i) two individuals who are authorised by such EPFI to represent it in the Steering Committee;
  - ii) individuals to represent it at any Working Group on 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 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 and such nomination shall be made by notice in writing to the Administrator. The nomination by the EPFI of any individual shall be deemed to have been duly authorised by such EPFI, 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 unless the EPFI 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 on the Steering Committee or on 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 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 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 shall provide details in writing to the Administrator of the address of an office at which any formal communication (including any notice under Rules 6g or 15g or any other notice, claim, or demand) can be served and of a named individual at such office. Each EPFI 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 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) 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. In the case of a proposal in respect of which an email resolution is sought as set out in Rule 7hi, half (50%) or more of the EPFIs will be required to cast a vote by email for the vote to be valid and two-thirds (66.7%) of those EPFIs that cast email votes are required to vote in favour of a proposal in order for it to be agreed. In the case of a proposal to be voted on at a meeting of the Association as set out in Rule 7hii, a quorum of half (50%) or more of the EPFIs is required for the vote to be valid and two-thirds (66.7%) of those EPFIs that cast votes are required to vote in favour of a proposal in order for it to be agreed.
  - ii) 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 World Bank Group 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 that cast votes are required to vote in favour of the proposal in order for it to be agreed.
  - iii) 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 that cast votes are required to vote in favour of the proposal.
  - iv) All other decisions shall be made by the Steering Committee (see Rule 8e).
  - v) Each EPFI shall have one vote.
  - vi) If one financial group has adopted the Principles through two or more subsidiaries (see Rule 5e) 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.

- 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, 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 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 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 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 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 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 relating to any proposal that is required to be put to the EPFIs 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 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 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 7giii. 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 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 save that the Steering Committee cannot make decisions that fall within the ambit of Rule 7gi, Rule 7gii (i.e. those that change or are outside the scope of the Principles or these Rules) or Rule 7giii (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. 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 being 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 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 in providing financing or advisory services that are subject to 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 have paid any Annual Fee that is due.



The nomination should have the support of two other EPFIs 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 EPFIs via the Chair and the new member of the Steering Committee shall be elected in accordance with the voting procedure under Rule 7giii.

- j) Members are elected to the Steering Committee by the EPFIs in accordance with Rule 7giii.
- 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 EPFIs and no fewer than 7 EPFIs and shall, so far as is reasonably practicable, comprise a diverse mix of EPFIs 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 three years of service. 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 period is subject to two exceptions:
  - 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 that 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 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. This appointment will require an affirmative vote of a majority (50.1% or more) of all current Steering Committee members. 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 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 Association's website.
- c) The Working Group members may consist of Steering Committee members, and other EPFIs, who may offer to join by contacting the Working Group leader. Each such EPFI shall authorise and nominate up to two individuals in its employment to represent it on each Working Group on which such EPFI is represented 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. 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) Subject to Rule 10g below, the Working Groups shall be led by a Steering Committee 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 an EPFI that is not on the Steering Committee. 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) 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, to the extent reasonably possible, on the principle 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 Committee 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 who has been nominated to act as Trustee by the Steering Committee and 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 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 or EPFI 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 shall owe any duty of care or have any liability to any person, including without limitation any Stakeholder, or EPFI 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.
- b) Decisions made by the EPFIs or by the Steering Committee in accordance with these Rules are binding on all EPFIs and each EPFI waives all rights of action it may have against other EPFIs, 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, to be held in each calendar year.
- b) All EPFIs are encouraged to attend the Annual Meeting, with teleconferencing and varying locations being offered wherever reasonably possible in order to make the Annual Meeting more 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 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 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 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 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 an 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 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 Rule 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 Rule 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 share the costs of managing and operating the Principles.
- b) Where possible, costs shall be minimised by EPFIs providing their resources free of charge, such as meeting rooms or translation or other services.
- c) The EPFIs 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 Pounds Sterling;
  - iv) invoiced and payable in Euros, US Dollars, or Pounds Sterling;
  - v) agreed in accordance with the procedures in Rule 7gii.

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 its first meeting following that date. Copies of the accounts will also be circulated to all EPFIs. 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 whose names appear on the List of EPFIs 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 has not paid the Annual Fee by 31 October, the Administrator shall contact the individuals who currently represent that EPFI 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 has not paid the Annual Fee by 30 November, the Chair shall send a final reminder to the individuals who currently represent that EPFI, 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 on the Association's website such that the delay in payment of the Annual Fee is highlighted.
  - iii) If an EPFI has not paid the Annual Fee by 31 December, it shall be "de-listed" as set out in Rule 6giii. If the EPFI 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 does not pay the Annual Fee by 31 March, then, as noted in Rule 6giv, if it wishes to re-adopt the Principles, it must do so in accordance with Rule 5f.
- h) EPFIs that 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 as appropriate.
- j) Funds will be held in bank account(s) in the name of “Equator Principles Financial Institutions” 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 Rule 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 Rule 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 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 (nor any individual authorised by such EPFI 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.