GUIDANCE NOTE

IMPLEMENTATION NOTE
THE EQUATOR PRINCIPLES

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Disclaimer: This document contains selected information and examples to support the understanding of the requirements in, and implementation of, the Equator Principles and does not establish new principles or requirements, nor does it create any rights in, or liability to, any person, public or private. The information and examples are provided without guarantee of any kind, either express or implied, including, without limitation, guarantees as to fitness for a specific purpose, non-infringement, accuracy or completeness. The Equator Principles Association shall not be liable under any circumstances for how or for what purpose users apply the information, and users maintain sole responsibility and risk for its use. Equator Principles Financial Institutions should make implementation decisions based on their institution's policy, practice and procedures. In a situation where there would be a clear conflict between applicable laws and regulations and any information presented in this document, the laws and regulations of the relevant host country shall prevail.

September 2020

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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), Designated Countries and applicable standards (Principle 3), and reporting (Principles 5, 10 and Annex B of the Equator Principles).

This document does not intend to establish new principles or requirements. 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 July 2020.

Furthermore, the frequently used term 'asset' does not refer to the financial product Asset Finance. 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 Refinance and Project-Related Acquisition Finance 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 OF PROJECTS AND TRANSACTIONS ARE WITHIN THE SCOPE OF THE EQUATOR PRINCIPLES?

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

- Project Finance Advisory Services;
- Project Finance;
- Project-Related Corporate Loans;
- Bridge Loans; and
- Project-Related Refinance and Project-Related Acquisition Finance

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. 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

The Equator Principles apply to Project-Related Corporate Loans where all of the following three criteria are met:

- The majority of the loan is related to a Project over which the client has Effective Operational Control (either direct or indirect).
- The total aggregate loan amount and The EPFI's individual commitment (before syndication or sell down) are each at least US$50 million.
- The loan tenor is at least two years.

WHAT ARE EXAMPLES OF CORPORATE LOANS THAT FALL WITHIN THE SCOPE OF THE EQUATOR PRINCIPLES?

Example 1:

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 wind 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), 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.

Example 2:

A client approaches a lender to participate in a US$600M (total aggregate loan amount) corporate loan. The lender's individual commitment (before syndication or sell-down) is $60M. The use of proceeds from the loan is for the construction and operation of a new refinery. The client is the developer of the Project.

Since both the individual commitment and total aggregate loan amount before syndication or sell-down are each at least US$50M, and the majority of the loan is related to a Project over which the client has Effective Operational Control, assuming the tenor is at least two years, the loan is within the scope of the Equator Principles. The EPFI's individual commitment does not have to be 50% or more of the total aggregate loan amount.

Example 3:

The Ministry of Transport of a Non-Designated Country seeks US$800M that will be used for the construction of a new 200km railway. The EPFI's individual commitment is US$100M.

Loans to Sovereign entities are under the scope of EP if the underlying Project is Category A, or as appropriate Category B. In this case, it is highly likely a new 200km railway would be a Category A, or as appropriate Category B Project, so the Project would fall under the scope of the Equator Principles.

WHAT IS AN EXAMPLE OF A 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;
- 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, SITES OR USES, IS IT WITHIN THE SCOPE OF THE EQUATOR PRINCIPLES?

A Project is a development in any sector at an identified location (the location does not need to be contiguous – a Project may be located over one or more geographic areas). The EPFI should determine what is the 'Project' for the purposes of the financing. If more than 50% of the use of proceeds is financing a Project, the Equator Principles is applicable, if all of the relevant Financial Thresholds and criteria for a Project-Related Corporate Loan are met. Refer to Project definition in Exhibit I: Glossary of Terms of the Equator Principles.

Example 1:

A large mining company seeks a US$750M project-related loan that will be used for the construction of a new iron ore mine (US$500M) and the upgrade of port facilities for export of the mined iron ore (US$250M). The EPFI's individual commitment is US$150M.

Although located in separate areas, both Projects are highly related, and are therefore seen as one "Project". The Equator Principles thus applies to both Projects.

Example 2:

US$80M corporate loan to Corporation 'A' where the EPFI's individual commitment is US$60M. The loan will be used to finance a new solar PV project (US$45M) and electricity substation to connect it to the local electricity grid (US$35M).

Both Projects are interdependent on each other and thus related. The financing is within the scope of the Equator Principles because these Projects are considered as one "Project".

Note: Suppose the US$35M was to construct an electricity substation elsewhere, and wasn't needed for the new solar PV project. Then only the new solar PV project would fall under the scope of EP, as it receives more than 50% of the total loan amount.

Example 3:

US$1,800M corporate loan to Corporation 'B' to finance three separate manufacturing facilities at different locations in a Non-Designated Country, each costing US$600M. The EPFI's individual commitment is US$150M.

As none of the Projects receive more than 50% of the total loan amount, and are independent to each other, none are within the scope of the Equator Principles.

Example 4:

US$120M loan to Corporation 'C' who has two Projects in the feasibility phase. These two Projects are not related and are independent.

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$50M, and all of the relevant Financial Thresholds and criteria for the Project-Related Corporate Loan are met.

HOW SHOULD THE 'B' LENDER (AN EPFI) PROCEED WHEN THEIR LOAN TRIGGERS THE EQUATOR PRINCIPLES AND THE 'A' LENDER (A NON-EPFI) HAS NOT CONDUCTED AN ENVIRONMENTAL AND SOCIAL IMPACT ASSESSMENT THAT IS FULLY IN ACCORDANCE WITH THE EQUATOR PRINCIPLES?

If the 'B' loan falls within the scope of the Equator Principles, the EPFI ('B' tranche lender) must be comfortable that all the risks and impacts have been fully addressed by the Environmental and Social Impact Assessment (ESIA) or equivalent studies/documentation conducted by the non-EPFI ('A' tranche lender) before committing to providing the loan.

If there is no ESIA or equivalent studies/documentation, the EPFI should ensure that this is undertaken in accordance with the requirements of the Equator Principles.

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 or has Effective Operational Control of the oil or gas Project where the asset is in operation.

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 BUYER CREDITS ALWAYS CONSIDERED PROJECT-RELATED CORPORATE LOANS AND HENCE ALWAYS WITHIN SCOPE OF THE EQUATOR PRINCIPLES?

No. Whilst Project-Related Corporate Loans shall include Export Finance in the form of Buyer Credit, this statement does not automatically imply the reverse, i.e. it does not mean that all Buyer Credits are automatically Project-Related Corporate Loans.

For example, a Buyer Credit provided for Asset Finance or for leasing is not within the scope of the Equator Principles. As further examples: the financing of an Airbus 350 with the support of an Export Credit Agency (ECA) would hence be out of scope of the Equator Principles and similarly a financing backed by an ECA to a lease company with which it finances the import of equipment, is out of scope.

However, a financing backed by an ECA to a new mining project over which the client has Operational Control, with which mining equipment is financed, is in scope as a Project-Related Corporate Loan or as Project Finance.

WHAT IS AN EXAMPLE OF AN EXPORT FINANCE LOAN THAT IS WITHIN THE SCOPE OF THE EQUATOR PRINCIPLES?

Example 1:

A government-owned corporation is building a gas-fired power plant.

Boilers and other equipment are bought from a consortium of suppliers and financed through three Export Credit Agency (ECA) covered Buyer Credits to the government-owned corporation.

Each ECA covered Buyer Credit is for US$120M and has a seven-year maturity.

The EPFI will commit to one of the ECA covered Buyer Credits for the amount of US$50M with the intention of syndicating US$25M.

The Equator Principles apply because all three of the criteria for a Project-Related Corporate Loan are met. Project-Related Corporate Loans include loans to government-owned corporations and other legal entities created by a government to undertake commercial activities on their behalf. This would include Category A and appropriate B loans to national, regional, or local governments, governmental ministries and agencies.

Example 2:

A large mining company seeks a US$180M Project-Related Corporate Loan to finance the acquisition of new mining equipment that will be used in a material expansion of an existing gold mine. The EPFI's individual commitment is US$60M. The equipment will be 85% covered by an Export Credit Agency.

Although the funds are being used for Asset Finance (i.e. the mining equipment), the equipment will only be used at the mine and not elsewhere, and is in the form of a Buyers Credit.

The financing therefore counts as a Project because the equipment will be at an identified location and facilitates an expansion of an existing operation that results in a material change in output. The financing is thus 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, a Project-Related Corporate Loan, Project-Related Refinance, or Project-Related Acquisition Finance. 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.

WHAT QUALIFIES AS 'LARGE-SCALE' FOR A REAL ESTATE DEVELOPMENT?

The Equator Principles does not define 'large-scale' therefore it is the responsibility of the EPFI to determine, based on the risks and impacts of the real estate development, when to apply the Equator Principles to mitigate and manage the risks and impacts.

ARE THERE DIFFERENCES IN THE APPLICATION OF THE EQUATOR PRINCIPLES TO PROJECT-RELATED CORPORATE LOANS AND TO PROJECT FINANCE?

Yes, as detailed below.

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

For Principle 9 (Independent Monitoring and Reporting), the approach for Project-Related Corporate Loans is, in some cases, different. Refer to the Equator Principles for further information.

For Principle 10 (Reporting and Transparency), 'Project Name Reporting' for Project Finance remains applicable. Project name reporting is also required for relevant Refinance and Acquisition Finance of Project Finance transactions. This is further encouraged for Project-Related Corporate Loans. Please refer to Annex B – Minimum Reporting Requirements.

HOW DOES THE EPFI CONDUCT AN INTERNAL REVIEW, IF IT IS DETERMINED, AS PER PRINCIPLE 7, THAT AN INDEPENDENT CONSULTANT IS NOT REQUIRED?

Principle 7 requires that for all Category A, and as appropriate, Category B projects, an Independent Environmental and Social Consultant will carry out an Independent Review of the Assessment process including the ESMPs, the Environmental and Social Management System (ESMS), and the Stakeholder Engagement process documentation, in order to assist the EPFI's due diligence and determination of Equator Principles compliance.

Where the EPFI determines that a Category B project does not require an Independent Environmental and Social Consultant, the EPFI should determine the most appropriate way to conduct its internal review of the Environmental and Social Assessment Documentation (Assessment Documentation) based on its internal procedures and risk policy.

UNDER PRINCIPLE 7 AND AS PART OF THE INTERNAL REVIEW, HOW AND TO WHAT EXTENT CAN THE EPFI RELY ON DUE DILIGENCE PERFORMED BY A MULTILATERAL OR BILATERAL FINANCIAL INSTITUTION OR AN OECD EXPORT CREDIT AGENCY?

The EPFI has to decide whether the existing E&S due diligence carried out by others satisfies their own internal processes and procedures, and meets the requirements of the Equator Principles. This may require the EPFI to undertake their own additional Independent Review and determination of Equator Principles compliance to compliment the work of others.

BRIDGE LOANS

The Equator Principles apply to Bridge Loans with a tenor of less than two years, that are intended to be refinanced by Project Finance or a Project-Related Corporate Loan that is anticipated to meet the relevant criteria described for those financial products.

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, or it becomes clear/obvious through inquiry and due diligence, 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 is planning to undertake an Environmental and Social Assessment. Due to the early stage of the Project, the only other requirement is that the client confirms 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 that is within the scope of the Equator Principles. 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 approach below is an example of what would be expected under the Equator Principles.

The EPFI works with the client to identify an Independent Environmental and Social Consultant and develop a scope of work for an Independent Review (as defined in Principle 7 of the Equator Principles). 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.

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 may fall within the scope of the Equator Principles if all of the relevant Financial Thresholds and criteria are 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.

HOW DO THE EQUATOR PRINCIPLES APPLY TO BRIDGE LOANS WITH A TENOR OF MORE THAN 2 YEARS?

For the purposes of the Equator Principles, a Bridge Loan of more than 2 years should not be treated as an interim loan, but as a Project Finance or Project-Related Corporate Loan transaction, and the actions applicable for Project Finance and Project-Related Corporate Loans should be followed.

PROJECT-RELATED REFINANCE AND PROJECT-RELATED ACQUISITION FINANCE

The Equator Principles apply to Project-Related Refinance and Project-Related Acquisition Finance where all of the following three criteria are met:

- The underlying Project was financed in accordance with the Equator Principles framework.
- There has been no material change in the scale or scope of the Project.
- Project Completion has not yet occurred at the time of the signing of the facility or loan agreement.

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

Yes. Acquisition Finance may be within the scope of the Equator Principles if the following criteria are satisfied:

- The underlying Project was financed in accordance with the Equator Principles framework.
- There has been no material change in the scale or scope of the Project.
- Project Completion has not yet occurred at the time of the signing of the facility or loan agreement.

There may be certain examples where a financial product may be considered both a Project-Related Corporate Loan and Project-Related Acquisition Finance. In this situation, it is at the EPFI's discretion to apply the most relevant financial product under the Equator Principles that will best allow them to assess and manage environmental and social risks and impacts in a structured way, as per their signatory obligations.

HOW TO HANDLE CASES WHERE PROJECTS GET SOLD/ACQUIRED WHEN UNDER CONSTRUCTION OR PART WAY THROUGH DEVELOPMENT?

The requirement is to novate/carry over, to the extent possible, existing E&S obligations.

For example, if a Project under construction has relevant Equator Principles requirements such as an Equator Principles Action Plan (EPAP) and Independent Environmental and Social Consultant monitoring requirements, the new EPFI would need to take reasonable measures to ensure that these existing obligations continue to apply (and draft/novate them into new facility agreements). The new EPFI may need to make the acquirer aware of the content, application and benefits of continuing to apply the Equator Principles to the Project, and facilitate any concerns the acquirer might have in novation. There is no requirement for the new EPFI to conduct a new or updated Assessment.

However, if a Project has no existing E&S obligations (no Action Plan, no monitoring, no clauses requiring compliance with E&S standards), there is no requirement for the EPFI to create new obligations. In this event, there is no obligation to report the Acquisition Finance as an EP Project. EPFIs should take reasonable measures to determine whether there were any previous E&S obligations.

Example 1: Project-Related Refinance

A client approaches an EPFI to participate in the refinancing of a Project to construct a new airport in a greenfield area, which is approximately 50% complete.

After inquiring, the client discloses that the Project was originally financed under the Equator Principles and that an EP Action Plan is in place along with other E&S obligations relating to monitoring.

If it is confirmed that there has been no material change in scope or scale of the Project since the original financing, and that the loan is not at or near default, then the Equator Principles apply. The EPFI must thus undertake all reasonable measures to ensure that the existing EP Action Plan and other E&S obligations are novated to new financing documents.

Example 2: Project-Related Acquisition Finance

A client approaches an EPFI to participate in a US$400M Term Loan facility which will be used to finance the acquisition of a Project Company that owns a mining license. The Selling Company originally financed the Project Company under the Equator Principles. The EPFI's individual commitment under the acquisition facility is US$100M, the tenor is 5 years and the acquiring company will have Effective Operational Control of the Project Company. During the due diligence process for the acquisition, the ESIA, EPAP, SEP (Stakeholder Engagement Plan) and other materials are provided to the acquiring party. Since the request meets all three criteria, the financing would qualify as Project-Related Acquisition Finance under the Equator Principles.

WILL A CASE WHERE ACQUISITION FINANCING OF EXISTING ASSETS (FINANCED UNDER EP), WHERE MATERIAL EXPANSION AND/OR UPGRADE IS PLANNED OR ONGOING, BE INTERPRETED AS REQUIRING FULL EP REVIEW?

EPFI requirement for Acquisition Finance (i.e. ensure that all relevant existing environmental and social obligations continue to be included in new financing documentation) does not apply as there has been material change in the scale or scope of the underlying Project.

However, EPFIs should conduct a full EP review on material expansion/upgrade, if financing (i.e. loan for new CAPEX) meets the relevant Financial Thresholds and criteria for Project Finance or Project-Related Corporate Loan transaction.

If the financing includes an expansion/upgrade, the EPFI should determine if this will give rise to additional environmental and social impacts, as full application of the Equator Principles will be required under these circumstances.

IF REFINANCING WHERE CRITERIA 1 AND 3 ARE MET, BUT THERE HAS BEEN A MATERIAL CHANGE IN SCALE OR SCOPE OF THE PROJECT, DO THE EQUATOR PRINCIPLES APPLY?

If an EPFI is providing refinancing for a Project where there has been a material expansion, then the Equator Principles would be triggered as Project Finance or a Project-Related Corporate Loan (subject to meeting the relevant criteria).

DOES "ACQUISITION FINANCE" INCLUDE DIRECT EQUITY ACQUISITIONS OF PROJECTS OR PROJECT COMPANIES BY EPFIS, WHERE THE EPFI ITSELF HAS EFFECTIVE OPERATIONAL CONTROL?

No. Acquisition Finance is the provision of limited-recourse debt finance by EPFIs to clients, where the proceeds of such finance are then used by the client to acquire a Project or a Project Company which exclusively owns, or has a majority shareholding in a Project, and over which the client has Effective Operational Control.

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.

Following completion of an alternatives analysis, the client will provide, through appropriate documentation, evidence of technically and financially feasible and cost-effective options and justification on the selection of technologies.

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. These sectors indicatively include, but are not limited to, the following: oil and gas, thermal power, cement and lime manufacturing, integrated steel mills, base metal smelting and refining, and foundries, pulp mills and potentially agriculture.

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. For Projects in high carbon intensity sectors, the alternatives analysis will include comparisons to other viable technologies, used in the same industry and in the country or region, with the relative energy efficiency, GHG efficiency ratio[1] , as appropriate, of the selected technology.

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

Where appropriate, EPFIs will encourage clients to publish a summary of the alternatives analysis as part of the ESIA. 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.

[1] As appropriate, organisations should consider providing related, generally accepted industry-specific GHG efficiency ratios. For industries with high energy consumption, metrics related to emissions intensity are important to provide. For example, emissions per unit of economic output (e.g., unit of production, number of employees, or value-added) are widely used (TCFD Implementation Annex, June 2017, p. 17).

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 EPFI will require the client to report publicly on an annual basis on GHG emission levels (combined Scope 1 and Scope 2 Emissions) and GHG efficiency ratio, as appropriate, during the operational phase for Projects emitting over 100,000 tonnes of CO_2 equivalent annually.

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?

GHG emissions (Scope 1 and Scope 2) should be calculated in line with the GHG Protocol to allow for aggregation and comparability across Projects, organisations and jurisdictions. Clients may use national reporting methodologies if they are consistent with the GHG Protocol.

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

The client is required to report publicly on the Project's GHG emission levels (combined Scope 1 and Scope 2 Emissions) and GHG efficiency ratio, as appropriate. 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).

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 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.

MODULE III: DESIGNATED COUNTRIES AND APPLICABLE STANDARDS

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

WHAT HAS CHANGED FROM EP III (June 2013) TO EP IV (July 2020)?

Under EP III, applicable standards for Projects in Designated Countries were defined as relevant host country laws, regulations and permits that pertain to environmental and social issues, as opposed to Non-Designated Countries, which were the IFC Performance Standards. Thus it was considered that Principles 2, 4, 5 and 6 were automatically met just by complying with local regulations.

Due to stakeholders' concerns expressed in the management of Projects in Designated Countries, which is what lead to the EP amendment process, EP IV acknowledges that complying with local legislation in Designated Countries does not always guarantee compliance with the all the requirements of each principle. EPFIs are now required to effectively evaluate compliance with host country law and how each of the Principles is met. For the first time, it is mentioned in the text that EPFIs may want to use the IFC Performance Standards as guidance to address those risks in spite of the Project being located in a Designated Country.

PROJECTS IN DESIGNATED COUNTRIES: HOW DO YOU DETERMINE THAT A PROJECT HAS SPECIFIC RISKS THAT COULD BE ADDRESSED USING IFC PS AS GUIDANCE?

EPFIs are aware that although Designated Countries tend to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the environment, it has been shown that there may be certain aspects of laws in Designated Countries that do not go as far as the IFC PS. For this reason, Principle 3 specifies that the EPFI will evaluate the specific risks of the Project to determine whether one or more of the IFC Performance Standards could be used as guidance to address those risks.

"In addition, for Projects located in Designated Countries, the EPFI will evaluate the specific risks of the Project to determine whether one or more of the IFC Performance Standards could be used as guidance to address those risks, in addition to host country laws."

Assessment process determines risks and impacts of the Project and Assessment Documentation proposes measures to minimise, mitigate or compensate/offset/remedy risks and impacts. If after compensation/offset/remediation measures, residual impacts remain significant, then in line with the statements made in the Preamble, the Project needs further compensation/offset/remediation measures.

Specific risks may include: adverse impacts on Indigenous Peoples, impacts on Critical Habitats, significant cultural heritage impacts, large scale resettlement of population. These are just a few examples of such times when EPFIs may need to evaluate whether employing the IFC Performance Standards as guidance. It is also implicit that using IFC PS could be used as guidance in addressing risks of Category A and, as appropriate, Category B projects, as they present the most significant risks and impacts.

The residual impacts should be assessed on the basis of their ideal management and mitigation, and not on the basis of only complying with applicable laws.

The EPFI may also evaluate specific risks by using the IFC PS as guidance (either the full set of / or specific PS), for instance in situations such as the review of : a Project led by a junior company (PS1), a Project in a new industry for which local regulation is not fixed (full set of PS), a Project with identified adverse E&S impacts that needs detailed assessment (specific PS and EHS Guidelines), a Project in a Designated Country having unclear or non-transparent regulation at the country or regional level (full set of PS and EHS Guidelines), a Project with non-publicly disclosed Assessment Documentation, in particular with respect to the Stakeholder Engagement and mitigation measures that have been implemented (PS1, 4, 5, 7, 8).

WHAT IS AN EXAMPLE PROJECT WITH SPECIFIC RISKS?

"The EPFI may, at its sole discretion, undertake additional due diligence against additional standards relevant to specific risks of the Project and apply additional requirements."

Projects in the nuclear power sector present very specific risks (safety, waste treatment, dual use, independence of the safety authority, etc.), that are not addressed by the IFC Performance Standards and EHS Industry Sector Guidelines. Due to the significance of potential negative impacts of a nuclear power plant, EPFIs must undertake additional due diligence against additional standards (e.g. IAEA Safety Standards, relevant treaties and conventions such as Non Proliferation Treaty, Joint Convention on the Safety of Spent Fuel management and on the Safety of Radioactive Waste management, etc.).

Hydropower Projects may present specific risks that are not addressed in the EHS Industry Sector Guidelines. Due to the significance of potential negative impacts of a hydropower plant, EPFIs may undertake additional due diligence against additional standards and guidelines such as the World Commission on Dams, the Hydro Power Sustainability Assessment Protocol (HPSAP) or the IFC's Good Practice Note on Environmental, Health, and Safety Approaches for Hydropower Projects.

Although Equator Principles do not specifically require assessment of E&S risks of supply chains, for biomass energy generation, EPFI may consider if the source of feedstock contributes to deforestation, land conflicts and water stress. The client is encouraged to obtain relevant sustainability certificate such as FSC and/or PEFC.

EPFIs may undertake additional due diligence against guidelines, conventions, treaties or initiatives such as OECD Due Diligence Guidance For Responsible Supply Chain of Minerals from Conflict-Affected and High-Risk Areas, Cyanide Code, the Kimberley Process, etc., for Projects that involving minerals. The Voluntary Principles on Security and Human Rights may also cover specific risks met in the extractive and energy industry.

CAN YOU GIVE OTHER EXAMPLES OF ADDITIONAL STANDARDS AND REQUIREMENTS?

Examples of additional requirements and standards: OECD common approaches if there is an ECA cover/participation, guidelines or policies of bilateral or multilateral financing institution if they are financing/covering the Project, EPFIs' CSR policies relevant to the Project, guidance notes of IFC PS.

MODULE IV: 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 with 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 ESIA online, including a summary of Human Rights and climate change risks and impacts when relevant.

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.

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, Project-Related Refinance, Project-Related Acquisition Finance, and Project-Related Corporate Loan. Bridge Loans, due to their nature, are not subject to specific reporting requirements.

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[2]	**Category A**	**Category B**	**Category C**
Yes	11	10	-
No	-	6	7

[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-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[3]	**Category A**	**Category B**	**Category C**
Yes	5	63	-
No	-	6	12

[3] 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 REFINANCE AND PROJECT-RELATED ACQUISITION FINANCE

The total number of Project-Related Refinance and Project-Related Acquisition Finance that reached Financial Close from [Date] to [Date] was 14. The breakdown is as follows:

BREAKDOWN BY SECTOR, REGION, AND COUNTRY DESIGNATION	
By Sector	
Mining	3
Infrastructure	2
Oil & Gas	2
Power	3
Other	4
By Region	
Americas	3
Europe, Middle East & Africa	7
Asia and Oceania	4
By Country Designation	
Designated	7
Non-Designated	7

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 required for Project Finance (including relevant Refinance and Acquisition Finance) transactions that have reached Financial Close and encouraged for Project-Related Corporate Loans that have reached Financial Close,

- 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?

To promote consistency in project name reporting, EPFIs in a syndicate should coordinate for the mandated lead arranger or environmental agent to seek client consent on behalf of the syndicate. If not feasible, each EPFI should independently contact the client for consent at any time deemed appropriate but no later than Financial Close.

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).

WHERE AND WHEN DOES THE EQUATOR PRINCIPLES ASSOCIATION SECRETARIAT PUBLISH PROJECT NAME FOR PROJECT FINANCE DATA?

The Equator Principles Association Secretariat collates all 'Project Name for Project Finance' data submitted by EPFIs and displays it on a per EPFI basis on the Equator Principles Association website.

In accordance with Rule 6c) of the Equator Principles Association Governance Rules, the compiled 'Project Name for Project Finance' data is published on the Equator Principles Association website when EPFIs submit their annual report.

IS THE EPFI REQUIRED TO DISCLOSE PROJECT NAME FOR PROJECT FINANCE DATA ON ITS WEBSITE?

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

Acquisition Finance is provision of financing for the acquisition of a Project or a Project company which exclusively owns, or has a majority shareholding in a Project, and over which the client has Effective Operational Control.

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**).

Asset Finance is the provision of a loan for the purchase of assets (such as airplanes, cargo ships, or equipment) in exchange for a security interest in those assets.

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

Buyer Credit is a medium/long term Export Finance credit where the exporter's bank or other financial institution lends to the buyer or the buyer's bank.

Critical Habitats are areas with high biodiversity value, including (i) habitat of significant importance to Critically Endangered and/or Endangered species; (ii) habitat of significant importance to endemic and/or restricted-range species; (iii) habitat supporting globally significant concentrations of migratory species and/or congregatory species; (iv) highly threatened and/or unique ecosystems; and/or (v) areas associated with key evolutionary processes.

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 Equator Principles Association makes no independent assessment of each country's performance in these areas. As a proxy for such an assessment, the Equator Principles Association requires that a country must be both a member of the OECD and appear on the World Bank High Income Country list to qualify as a Designated Country. These data set are reviewed quarterly by the Equator Principles Secretariat to ensure that any change in status is reflected in the Designated Countries list. The list of Designated Countries can be found on the Equator Principles Association website.

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 Human Rights and climate change risks and impacts, if applicable) 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. Where a Project has a potential to cause adverse Human Rights impacts, the Assessment Documentation should include an assessment of those impacts. Examples of Assessment Documentation are: an 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 ESMP and/or Equator Principles (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 (EPAP), or Environmental and Social Action Plan (ESAP), or Action Plan, 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, ESMPs, the ESMS, or Stakeholder Engagement process documentation to bring the Project in line with applicable standards as defined in the Equator Principles. The EPAP 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 EPFIs Project name reporting data. For more information, go to the Equator Principles Association website.

Export Finance (also known as Export Credits) is an insurance, guarantee or financing arrangement which enables a foreign buyer of exported goods and/or services to defer payment over a period of time. Export credits are generally divided into short-term, medium-term (usually two to five years repayment) and long-term (usually over five years).

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

Financial Threshold criteria are applied as part of the Equator Principles framework due to the significant costs involved in applying the framework (including due diligence and seeking advice from an Independent Environmental and Social Consultant) and the complex nature of large projects, where potential adverse environmental and social risks are likely to be higher.

Human Rights are described in international standards aimed at securing dignity and equality for all. Every human being is entitled to enjoy them without discrimination. As a minimum, relevant human rights are those expressed in the International Bill of Human Rights – meaning the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights and the principles concerning fundamental rights set out in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work.

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 ESMPs, ESMS, and Stakeholder Engagement process documentation carried out by an Independent Environmental and Social Consultant.

Indigenous Peoples: There is no universally accepted definition of "Indigenous Peoples." Indigenous Peoples may be referred to in different countries by such terms as "Indigenous ethnic minorities," "aboriginals," "hill tribes," "minority nationalities," "scheduled tribes," "first nations," or "tribal groups." As in IFC Performance Standard 7, the term "Indigenous Peoples" is used here in a generic sense to refer to a distinct social and cultural group possessing the following characteristics in varying degrees:

- "Self-identification as members of a distinct indigenous cultural group and recognition of this identity by others;
- "Collective attachment to geographically distinct habitats or ancestral territories in the project area and to the natural resources in these habitats and territories;
- "Customary cultural, economic, social, or political institutions that are separate from those of the mainstream society or culture; or
- "A distinct language or dialect, often different from the official language or languages of the country or region in which they reside."

United Nations (UN) Human Rights Conventions, such as the UN Declaration on the Rights of Indigenous Peoples, form the core of international instruments that provide the rights framework for members of the world's Indigenous Peoples. In addition, some countries have passed legislation or ratified other international or regional conventions for the protection of Indigenous Peoples, that must be taken account of in their respective jurisdictions.

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 on the Equator Principles Association website (see also Designated Countries).

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 (the location does not need to be contiguous – a Project may be located over one or more geographic areas). It includes an expansion or upgrade of an existing operation. 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. Projects can include new developments, expansions, or upgrade both in greenfield area or previously developed areas. 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 Completion is the date at which a Project has been finished, functions, and performs according to certain pre-defined measures (usually defined in a completion test). After this date the Project's cash flows become the primary method of repayment.

Project Finance is a method of financing in which the lender looks primarily to the revenues generated by a 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. 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 vehicle 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 to be a Project Finance transaction covered 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 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 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. For all Category A and, as appropriate, Category B Projects, Project-Related Corporate Loans shall include loans to national, regional or local governments, governmental ministries and agencies.

Project-Related Corporate Loans shall include Export Finance in the form of Buyer Credit, but exclude Export Finance in the form of Supplier Credit (as the client has no Effective Operational Control). Furthermore, Project-Related Corporate Loans exclude other financial instruments that do not finance an underlying Project, such as Asset Finance, hedging, leasing, letters of credit, general corporate purposes loans, and general working capital expenditures loans used to maintain a company's operations.

Refinance is the process of replacing an existing loan with a new loan, where the new loan will be used to pay out (retire) an existing loan, and that loan is not near or in default.

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.

Supplier Credit is a medium/long term Export Finance credit that is extended by the exporter to the overseas buyer.

TCFD Recommendations are the recommendations of the Task Force on Climate-related Financial Disclosures published on 15 June 2017. For more information, see https://www.fsbtcfd.org/.