



To: Equator Banks

From: BankTrack

Subject: Comparison of BankTrack and CIS Disclosure Frameworks

Date

28 January 2005

Background

At the request of the NGO-Bank Working Party, BankTrack developed a proposed disclosure framework for EP implementation. This was originally circulated to the EP banks in November 2004. BankTrack later learned that CIS, a UK-based institutional investor, was developing similar disclosure framework among socially responsible investors, and worked with them to ensure that the two disclosure proposals were mutually consistent. Subsequently, CIS amended its framework based on BankTrack's input, and BankTrack also helped circulate the CIS draft among US investors.

Although the two proposals are very similar, there are slight differences. The BankTrack disclosure proposal (attached) tends to rely more on performance data -- that is, quantifiable or hard data that can be easily audited. It also includes some emphasis on project-level disclosure, due to BankTrack's commitment to project-affected communities.

The CIS disclosure proposal (final version attached) tends to rely more on case studies. It is also relatively longer, as BankTrack endeavored to limit its disclosure requests to about five items, as requested by the NGO-Bank Working Party.

In combination, the proposals call for disclosure of four types of data:

- *Performance data:* information on the scope of EP application regarding recent transactions
- *Process data:* information on banks' processes and systems to implement the EPs
- *Project-level data:* information on projects that assist affected communities
- *Impact:* description of how the EPs has advanced sustainability or improved projects

Mutual Support for Reporting Differences

BankTrack interest in project-level data

The BankTrack framework placed some emphasis on disclosure of project-level data that could be helpful to affected community groups. In particular, the BankTrack proposal covers disclosure of environmental and social loan covenants, and release of EMP compliance reports upon request. Although the CIS proposal itself does not ask for project-level data, it explicitly supports such disclosure: "We also support the principle of EP banks

advocating maximum transparency on the part of project sponsors, particularly in relation to disclosure of environmental management plans.”

CIS interest in deals not financed

CIS Item 5 addresses number deals declined for Equator and other reasons, as well as the value of those deals. BankTrack did not include this indicator based on previous discussions with the EP banks in London, but would be very supportive of this indicator.

CIS interest in case studies

Several CIS Disclosure Items encourage in the inclusion of case studies, anonymised if necessary. Although BankTrack’s framework favors disclosure of actual deals (for example, in cases of policy deviations or non-compliance), BankTrack would welcome the use of case studies as a supplement to the basic Equator reporting outlined in its own proposal.

Finally, CIS Item 1 also encourages the Equator Principles website to include contextual information on project finance timescales, relationships between the lead arranger and project sponsor, etc. BankTrack also believes that this type of information would enhance the EP website.

Common requests in CIS and BankTrack proposals

Environmental Management Systems to support EP implementation

CIS Item 2 on environmental management systems is very similar to BankTrack’s disclosure item on Implementation Systems, which covers appropriate personnel responsible for implementation, training programs, audit processes, etc. This type of disclosure is also consistent with the kinds of reporting encouraged by the draft financial services supplement of the Global Reporting Initiative.

Scope of application

CIS Item 3 (which covers business lines applied, total value of lending outstanding, fee income, number of staff affected, etc.) and CIS Item 4 (value of deals financed, number in which the bank was a lead arranger, etc.) are very similar to BankTrack’s proposed reporting on General Statistics. Such General Statistics would include: names of projects, including country and deal size; level and type of financial involvement, indication of whether Principles were applied, and if so their categorization, whether the client in those projects was covenanted to the full EMP, etc.

Dialogue with clients to ensure EP compliance

CIS Item 6 requests information on cases where a bank’s dialogue (pre-signing) with project sponsors brought deals into compliance with the EPs; CIS Item 7 refers to corrective actions (after signing) taken to bring deals back into compliance. CIS Item 7 is very similar to BankTrack’s item on Non-Compliance, which relates to corrective actions.



BankTrack would also welcome similar information in the pre-signing phase, and supports CIS Item 6.

Justification for deviation

Both CIS Item 8 and BankTrack's disclosure item on Deviations request that EP banks to justify cases where they have chosen to deviate from strict application of the EPs.

Conclusion

After some negotiation and editing, the BankTrack and final CIS proposals are now mutually supportive, and largely identical. BankTrack hopes that the two frameworks will provide a solid basis for conversation for the February 2005 meeting in Zurich.