

The Silence of the Banks

An Assessment of Equator Principles Reporting

BANK *Track*

1. Introduction

The revised version of the Equator Principles (EPII 2006) includes Principle 10 on reporting requirements. The principles states that, “...each EPFI¹ adopting the Equator Principles commits to report publicly at least annually about its Equator Principles implementation processes and experience, taking into account appropriate confidentiality consideration”. It further clarifies in a footnote that “such reporting should at a minimum include the number of transactions screened by each EPFI, including the categorization accorded to transactions (and may include a breakdown by sector or region), and information regarding implementation”.²

In a subsequent publication in May 2007 -*Guidance to EPFIs on Equator Principles Implementation Reporting*-³, the EPFIs clarified what needs to be reported in order to comply with Principle 10. The publication establishes minimum *requirements* for reporting and provides further *suggestions* on the extent of information to be disclosed as well as different formats for presenting this information.

This brief paper assesses what EPFIs are currently reporting against what is required in Principle 10 of the EPs and the *guidance*. In accordance with the *guidance*, a distinction is made between EPFIs who have adopted the EPs less than 6 months, up to 1 year and more than 1 year ago.

Summary of findings:

The report shows that of the EPFIs that adopted the Equator Principles more than a year ago, 40% did not meet the minimum requirements, 19% meet them and 40% exceeded them. Two of the EPFIs who adopted the Principles less than a year ago have complied with the reporting requirements. These recent adopters comprise 19% of the total number of EPFIs.

The paper observes a weakness in the EPFI reporting requirements stemming from the introduction of the concept of a ‘grace period’ in the *guidance*. The *guidance* state that “*in the first year, EPFIs could consider reporting only on their EP implementation efforts. The second year of implementation would require full reporting of number of transactions screened/reviewed and a discussion of EP implementation efforts*”

The interpretation of this grace period is rather unclear in that it gives room for a contentious point on whether new EPFIs should report only on implementation of their EP efforts during the first year or at the end of the first year. The introduction of, and ambiguity associated with this grace period weakens the original intention of principle 10, as it does not encourage new EPFIs to report on how they intend to implement the EPs within their organisation.

¹ Equator Principles Financial Institution

² Equator Principles, see http://www.equator-principles.com/documents/Equator_Principles.pdf

³ See http://www.equator-principles.com/documents/EPReporting_2007-06-12.pdf

Results from the assessment presented in section 2 (table 2 & 3) seem to corroborate this, as none of the new EPFIs so far reported on their efforts to implement EP even several months after adopting the EPs.

While we appreciate the fact that guidance on reporting have been issued, this paper further argues that the requirements and suggestions for EP reporting made in the guidance are wholly insufficient as a commitment from EPFIs to present complete and transparent information on their EP implementation to external stakeholders. Again, the assessment reveals that most EPFIs do not disclose relatively straightforward information as project names, action plans etc. This issue is further discussed in section 5.

Based on the results of this assessment, BankTrack maintains that there remains a lot to be done to ensure a satisfactory and transparent reporting on the EP by the EPFIs; at the moment, a substantial number of EPFIs are silent on how they intend to make the EPs work.

2. Methodology

Information gathering:

We collected relevant information concerning all the EPFIs from various sources e.g. documented reports, websites, and statements. Data obtained include: date of adoption, report on implementation efforts, minimum reporting per type of project, reporting by region and sector, reporting on number of projects receiving review, number of projects reviewed and fully funded, number of projects that received independent review, number of exceptions or justified deviations, disclosure of case studies, report on dialogue with civil society.⁴

Scoring on performance:

We assigned a minimum scoring point for each reporting *requirement* as identified in the *guidance*. This scoring was then compared to the number of points a EPFI should get according to their time of adoption, by following the *guidance* (as explained in table 1).

Since according to the *guidance*, in the first year, new EPFIs could consider reporting only on their implementation efforts, while in the second year they should report fully on the number of transactions and add a discussion on their implementation efforts, we made a distinction between EPFIs with different adoption dates for the scoring.

We set the minimum number of points for an EPFI to comply with the *guidance* as 0 for EPFIs with less than 6 months of adoption, 1 for EPFIs with less than 1 year but more than 6 months of adoption, and 2 for EPFIs who adopted the EPs more than a year ago.

⁴ The Equator Principles web page on reporting, on which most of this review was based, was last updated on November 30th. This paper has been updated until December 1st.

Table 1: Evaluation of EPFIs reporting according to the Guidance to EPFIs on EP Implementation Reporting

Reporting requirement	EPFI for less than 6 months	EPFI for less than 1 year	EPFI for more than 1 year
Description of implementation	0 - Not reported 1 - Reported	0 - Not reported 1 - Reported	0 - Not reported 1 - Reported
Category and number of projects reviewed (Minimum reporting)	0 - Not reported 1 - Reported	0 - Not reported 1 - Reported	0 - Not reported 1 - Reported
Category and number of projects reviewed, disaggregated: - by sector or - by region or by stating number of projects reviewed at marketing stage/appraisal and comparing them to the ones fully funded or executed	0 - Not reported 1 - Reported	0 - Not reported 1 - Reported	0 - Not reported 1 - Reported
Number of projects that received independent review, or Number of exceptions, or justified deviations, or - Case studies, or Dialogue with civil society, NGOs and SRIs	0 - Not reported 1 - Reported	0 - Not reported 1 - Reported	0 - Not reported 1 - Reported
Evaluation:			
Minimum number of points the EPFI should get to comply with EP Reporting Guidance	0	1	2
Actual score			
Valuation of performance with respect to the minimum requirements of the EP reporting guidance (options)	<ul style="list-style-type: none"> • No reporting available • Exceeding 	<ul style="list-style-type: none"> • Not meeting • Meeting • Exceeding 	<ul style="list-style-type: none"> • Not meeting • Meeting • Exceeding

3. Findings

The following tables show the results of the evaluation of EP reporting by EPFIs.

Table 2: Results of Evaluation of the Reporting of EPFIs **with less than 6 months** of Adoption of the Equator Principles

Banks	Date of adoption	Has the bank reported?	Actual Score	Evaluation of performance with respect to EP reporting guidance
BankMuscat	18 August 2007	No	0	No reporting available
CorpBanca	19 July 2007	No	0	No reporting available
Export Development Canada (EDC)	25 October 2007	No	0	No reporting available
National Australia Bank	25 October 2007	No	0	No reporting available
Société Générale	3 September 2007	No	0	No reporting available

Table 3: Results of Evaluation of the Reporting of EPFIs with **less than 1 year and more than 6 months** of Adoption of the Equator Principles

Banks	Date of adoption	Has the bank reported?	Actual Score	Valuation of performance with respect to EP reporting guidance
CIFI	6 April 2007	Yes	2	Exceeding
SEB	3 April 2007	Yes	1	Meeting
Banco Galicia	19 March 2007	No	0	Not meeting
La Caixa	19 March 2007	No	0	Not meeting
Nordea	21 February 2007	No	0	Not meeting
TD Bank Financial Group	12 April 2007	No	0	Not meeting

Table 4: Results of Evaluation of the Reporting of EPFIs with **more than 1 year of Adoption** of the Equator Principles

Banks	Date of adoption	Has the bank reported?	Actual Score	Valuation of performance with respect to EP reporting guidance
ABN Amro	4 June 2003	Yes	4	Exceeding
Citigroup	4 June 2003	Yes	4	Exceeding
WestLB	4 June 2003	Yes	4	Exceeding
ANZ Banking	15 December 2006	Yes	3	Exceeding
Barclays	4 June 2003	Yes	3	Exceeding
BBVA	18 May 2004	Yes	3	Exceeding
Dexia	18 September 2003	Yes	3	Exceeding
HVB	4 June 2003	Yes	3	Exceeding
ING Bank	23 June 2003	Yes	3	Exceeding
Millennium BCP	2 January 2006	Yes	3	Exceeding
Mitsubishi UFJ Financial (BTMU)	22 December 2005	Yes	3	Exceeding
Mizuho Financial	27 October 2003	Yes	3	Exceeding
Nedbank	10 November 2005	Yes	3	Exceeding
Royal Bank of Canada	21 July 2003	Yes	3	Exceeding
Royal Bank of Scotland	4 June 2003	Yes	3	Exceeding
Standard Chartered	8 October 2003	Yes	3	Exceeding
Sumitomo Mitsui Financial	23 January 2006	Yes	3	Exceeding
Unicredit ⁵	4 June 2003	Yes	3	Exceeding
Westpac	4 June 2003	Yes	3	Exceeding
Banco do Brasil	3 March 2005	Yes	2	Meeting
Banco Espiritu Santo (BES Group)	16 August 2005	Yes	2	Meeting
Banco Itaú	12 August 2004	No	2	Meeting
Calyon	4 June 2003	Yes	2	Meeting
Credit Agricole ⁶	4 June 2003	Yes	2	Meeting

⁵ Since HVB is a subsidiary of Unicredit, the same score and information applies for both

⁶ Since Calyon is a subsidiary of Credit Agricole, the same score and information applies for both

Banks	Date of adoption	Has the bank reported?	Actual Score	Valuation of performance with respect to EP reporting guidance
EKF	14 May 2004	Yes	2	Meeting
Fortis Bank	17 February 2006	Yes	2	Meeting
HSBC	4 September 2003	Yes	2	Meeting
KBC	27 January 2004	Yes	2	Meeting
Banco Bradesco	8 September 2004	Yes	1	Not meeting
BMO Financial Group	15 September 2005	Yes	1	Not meeting
Credit Suisse	4 June 2003	Yes	1	Not meeting
FMO	19 October 2005	Yes	1	Not meeting
Manulife	11 May 2005	Yes	1	Not meeting
Scotiabank	18 January 2005	Yes	1	Not meeting
Unibanco	1 June 2004	Yes	1	Not meeting
Bank of America	15 April 2004	No	0	Not meeting
Caja Navarra	14 August 2006	No	0	Not meeting
CIBC	3 December 2003	No	0	Not meeting
Dresdner Bank	18 August 2003	No	0	Not meeting
E+CO	30 October 2006	No	0	Not meeting
HBOS	15 August 2006	No	0	Not meeting
Intesa San Paolo	28 July 2006	No	0	Not meeting
JP Morgan Chase & Co.	25 April 2005	No	0	Not meeting
MCC	29 July 2003	No	0	Not meeting
Rabobank	4 June 2003	No	0	Not meeting
Wachovia	26 October 2006	No	0	Not meeting
Wells Fargo	12 July 2005	No	0	Not meeting

Table 5: Summary of the Content of EPFIs Reporting

Bank	Content of the Reporting			
	Description of implementation	Category and number of projects reviewed (Minimum reporting)	Category and number of projects reviewed, disaggregated	Disclosure of number of projects independently reviewed, exceptions, case studies or dialogue with civil society, NGOs and SRIs
ABN Amro Bank	Yes	Yes	Yes	Yes
ANZ Banking	Yes	Yes	Yes	No
Banco Bradesco	No	Yes	No	No
Banco do Brasil	Yes	Yes	No	No
Banco Espiritu Santo (BES Group)	Yes	Yes	No	No
Banco Itaú	Yes	Yes	No	No
Bank of America	No	No	No	No
Barclays	Yes	Yes	Yes	No
BBVA	Yes	Yes	Yes	No
BMO Financial Group	Yes	No	No	No
Citigroup	Yes	Yes	Yes	Yes
Credit Agricole	Yes	Yes	No	No
Calyon	Yes	Yes	No	No

Banks	Content of the Report			
	Description of implementation	Category and number of projects reviewed (Minimum reporting)	Category and number of projects reviewed, disaggregated	Disclosure of number of projects independently reviewed, exceptions, case studies or dialogue with civil society, NGOs and SRIs
Caja Navarra	No	No	No	No
CIBC	No	No	No	No
Credit Suisse	No	Yes	No	No
Dexia	Yes	Yes	Yes	No
Dresdner Bank	No	No	No	No
E+CO	No	No	No	No
EKF	Yes	No	Yes	No
FMO	Yes	No	No	No
Fortis Bank	Yes	Yes	No	No
HBOS	No	No	No	No
HSBC	Yes	Yes	No	No
HVB	Yes	Yes	Yes	No
ING Bank	Yes	Yes	Yes	No
Intesa San Paolo	No	No	No	No
JP Morgan Chase & Co.	No	No	No	No
KBC	Yes	Yes	No	No
Manulife	No	No	No	Yes
MCC	No	No	No	No
Mitsubishi UFJ Financial (BTMU)	Yes	Yes	Yes	No
Mizuho Financial	Yes	Yes	Yes	No
Millennium BCP	Yes	No	Yes	Yes
Nedbank	Yes	Yes	Yes	No
Rabobank	No	No	No	No
Royal Bank of Canada	Yes	Yes	Yes	No
Royal Bank of Scotland	Yes	Yes	Yes	No
Scotiabank	Yes	No	No	No
Standard Chartered	Yes	Yes	Yes	No
Sumitomo Mitsui Financial	Yes	Yes	Yes	No
Unicredit	Yes	Yes	Yes	No
Unibanco	No	Yes	No	No
Wachovia	No	No	No	No
Wells Fargo	No	No	No	No
WestLB	Yes	Yes	Yes	Yes
Westpac	Yes	Yes	Yes	No

4. Observations based on scoring

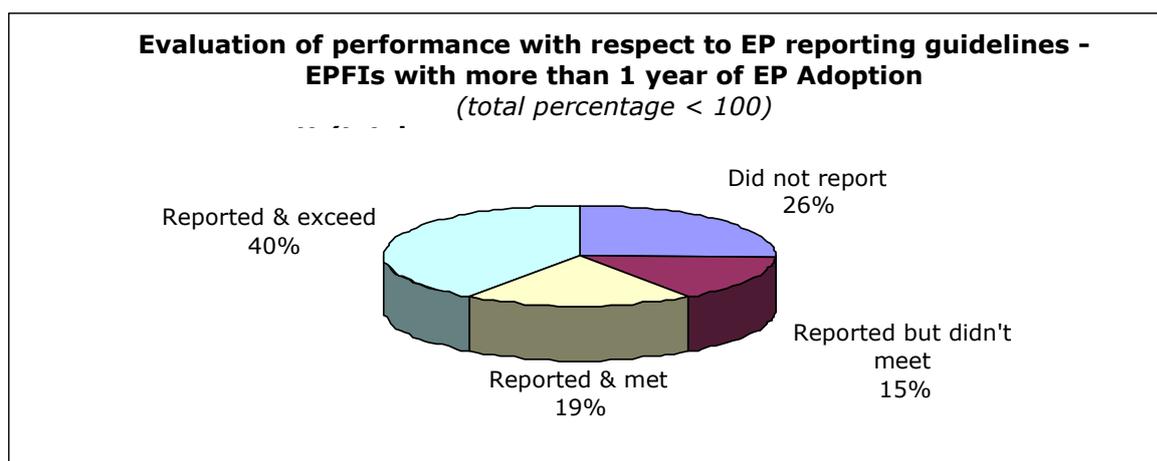
EPFIs with less than 1 year of adoption

Only one of the EPFIs with less than one year of adoption reported on the implementation of the Equator Principles. One other EPFI reported on the different projects for the past year (presenting names and environmental assessments) but not on the implementation of the Equator Principles itself. The rest of the EPFIs in this category did not report on the implementation of the Equator Principles or the efforts to implement them or on their application. EPFIs with less than one year of adoption represent 19% of the total EPFIs.

EPFIs with more than 1 year of adoption

Of the 47 EPFIs that have adopted the EPs more than one year ago, 9 institutions (19%) met the minimum requirements and 19 (40%) exceeded them.

19 institutions (40%) did not meet the minimum requirements. Of these EPFIs that did not meet the requirements, 7 did report and 12 did not report at all.



5. Towards full transparency

Although BankTrack welcomes the new EP2 reporting obligation, the EP's minimum disclosure requirement falls short of what is needed to provide communities and other external stakeholders with data that allow for an independent assessment of the proper implementation of the EPs, and to ensure accountability for the initiative as a whole. To meet this objective, essential for a voluntary initiative such as the Equator Principles, would require bringing the reporting guidelines way beyond what is currently prescribed and also include project level information. As we have recommended in the past, transparency and disclosure should cover the following:

Performance data

Currently, the EPs only require very limited disclosure of performance data, (e.g. information relating to the scope of EP application). BankTrack recommends that EP banks be *required* to report not only on the categorization for each project screened, but also on the number of projects rejected on EP related environmental and social concerns, an explanation of any deviations from standards, information about loans suspended or called in due to non-compliance with EP prescribed environmental and social requirements, and a breakdown of core business activities by sector and region.

Process data

BankTrack recommends that information on banks' processes and systems in place to implement the EPs be part of the mandatory EP reporting requirement.

Project-level data

Notably, the EPs do not require banks to disclose project-level information that could be of particular use for affected communities. For Category A projects, banks should concisely clarify in one paragraph what information the client is required to publicly disclose, and when it should be released.

Banks should also release, upon request, the following documentation:

1. the full Social Environmental Assessment (SEA) and any non-confidential project-related information, including information on the purpose, nature and scale of project and any risks to and potential impacts on communities;
2. supplementary documents that are part of the SEA or SEA process but developed in parallel to or supplemental to the SEA (e.g. oil spill response plans; emergency response plans; resettlement plans; environmental and social consultants' reports that the banks generate or require clients to generate).
3. both draft and final Action Plans;
4. bank-generated and third-party-generated reviews, monitoring and compliance reports developed under Principle 7 and Principle 8(c);
5. environmental and social loan covenants developed under Principle 8; and
6. draft and final decommissioning plans developed under Principle 8(d).

As suggested in BankTrack's February 2005 meeting with the EP banks, clients should be notified that such environmental and social documentation could be subject to public disclosure; confidential business information should therefore be redacted or separated from these materials.

EPFIs are further advised to develop a online reporting model that would provide both EPFIs and project sponsors with guidance to applicable reporting requirements

and provide external stakeholders with an understanding of what is to be delivered in terms of information disclosure by project sponsors and EPFIs alike.

6. References

- Guidance to EPFIs on Equator Principles Implementation Reporting (June 2007)
- Equator Principles A financial industry benchmark for determining, assessing and managing social & environmental risk in project financing (2006)
- <http://www.equator-principles.com/reporting.shtml>
- BankTrack on Equator Principles: www.banktrack.org

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