

PUBLIC DISCLOSURE AND GLOBAL SUSTAINABLE DEVELOPMENT IN THE BANKING INDUSTRY: THE EQUATOR PRINCIPLES

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The Equator Principles are a set of voluntary standards for international financial institutions, first created in 2003 by some of the world's largest banks. They establish a framework for these institutions to adhere to in the evaluation, management, and mitigation of the social and environmental consequences of the projects they finance in excess of \$10M. In 2006, the Principles were updated to include a reporting requirement (Principle 10). The study examines the significance of the reporting standards of the Equator Principles in the global sustainable development movement and its relationship to compliance and private enforcement. Specifically, the project finance reporting practices of all 67 member institutions are evaluated for depth, consistency, clarity, and accessibility, on a bank-by-bank and regional basis. Implications for compliance and enforcement are discussed.

The analysis shows that several Equator Principle Financial Institutions have reported their project financing activities inconsistently and lacking in depth, obscuring their role in international project financing and sustainable development. Furthermore, reporting by banks within the same country varied even more dramatically, and Equator Principle project finance reports were often difficult to access and appeared in various different formats. This lack of consistency, accessibility, and depth precludes a meaningful analysis of a bank's social and environmental performance by NGOs, researchers and other interested parties. Without standardized reporting, regional contributions to the world's large-scale projects are also indeterminable. Therefore, it is argued that the Equator Principles reporting guidelines should be updated to encourage more consistent and detailed reporting. The current minimum reporting requirements are rather superficial and do not allow for a meaningful evaluation of compliance with the spirit underlying the Equator Principles. Thus the Equator Principles' effectiveness in promoting transparent, sustainable development, and social and environmental responsibility by member financial institutions is called into question. The paper concludes by examining the challenges of private enforcement and ways forward to achieve the goals underlying the Equator Principles.