

About The Equator Principles

The [Equator Principles](#) (EPs) are a credit risk management framework for determining, assessing and managing environmental and social risk in project finance transactions. Project finance is often used to fund the development and construction of major infrastructure and industrial projects. **The EPs are adopted voluntarily by financial institutions and are applied where total project capital costs exceed US\$10 million.** The EPs are primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making.

The EPs, based on the [International Finance Corporation Performance Standards](#) on social and environmental sustainability and on the [World Bank Group Environmental, Health, and Safety Guidelines](#) (EHS Guidelines), are intended to serve as a common baseline and framework for the implementation by each adopting institution of its own internal social and environmental policies, procedures and standards related to its project financing activities.

Equator Principles Financial Institutions (EPFIs) commit to not providing loans to projects where the borrower will not or is unable to comply with their respective social and environmental policies and procedures that implement the EPs. In addition, while the EPs are not intended to be applied retroactively, EPFIs will apply them to all project financings covering expansion or upgrade of an existing facility where changes in scale or scope may create significant environmental and/or social impacts, or significantly change the nature or degree of an existing impact.

The EPs have become the industry standard for environmental and social risk management and financial institutions, clients/project sponsors, other financial institutions, and even some industry bodies, refer to the EPs as good practice.

Currently [73 adopting financial institutions \(71 EPFIs and 2 Associates\)](#) in 27 countries have officially adopted the EPs, covering over 70 percent of international project finance debt in emerging markets.

The EPs has greatly increased attention and focus on social/community standards and responsibility, including robust standards for indigenous peoples, labour standards, and consultation with locally affected communities within the project finance market. **They have also promoted convergence around common environmental and social standards. Multilateral development banks, including the [European Bank for Reconstruction & Development](#), and export credit agencies through the [OECD Common Approaches](#) are increasingly drawing on the same standards as the EPs.**

The EPs have also helped spur the development of other responsible environmental and social management practices in the financial sector and banking industry (for example, [Carbon Principles](#) in the US, [Climate Principles](#) worldwide) and have provided a platform for engagement with a broad range of interested stakeholders, including NGOs, clients and industry bodies.