Introduction:
Ecobank is the largest bank operating in Africa by geographic footprint in 33 countries in Middle Africa. The Bank adopted the Equator Principles (EP) in 2012 and has applied the Principles to help improve projects financing with a total cost of USD10 million or more. Hence, Ecobank has demonstrated its commitment to environmental and social performance in line with the EP recommendations.

Furthermore, Ecobank has integrated the Equator Principles with its internal Environment and Social Management Systems (ESMS), which was developed on the basis of our engagement with the IFC Performance Standards as well as our association with other Financial Institutions on their interpretation of environmental and social management as related to the credit review process.

Ecobank has gained a better understanding in ensuring that projects financed and eligible transactions are developed in socially responsible manner and reflects sound environmental management practices. The Bank continues to ensure that negative socio-environmental impacts are avoided and where possible the Bank engages the project proponents in establishing a set of corrective mitigating measures. The Bank makes sure that these measures are agreed by our clients and put in place a compliance monitoring and reporting plan.

Objective:
This report is to fulfill in part, the Principle 10 on the EP Financial Institution reporting, which calls for a mandatory annual EP implementation activity report.

EP guidelines were taking into consideration in financing a total of 9 projects financed and eligible transactions in the EP environmental and social risk categories B in 2012. These sectors are:

- a. Oil & Gas Exploration (3)
- b. Mining (1)
- c. Telecommunication (2)
- d. Agriculture (1)
- e. Infrastructure (1)
- f. Power Plant (1)

Implementation Description:
The above sectors have been funded for capital expenditures through Ecobank Development Corporation (EDC). EDC is the Investment arm of the Ecobank Group played the lead and mandated arrangers in all these projects.

Syndication:
All transactions in the Oil and Gas Explorations and selected Agriculture and Public Sector utilities were funded through banks syndication, in which Ecobank participated in various capacity. In doing so, the Bank ensured that the syndicates put in place Environment and Social Due Diligence (ESDD) measures to monitor compliance with environmental and social standards as well as relevant host country environmental and social regulations. Therefore, Ecobank did not compromise on its environmental and social performance obligations.

Tenors of Ecobank participation range from renewable short-medium terms to long term financing.

Training and capacity building
Ecobank portfolio classification for Environmental and Social risks is into 4 categories. These are: Low, Medium B, Medium A and High risks. The Bank maintains the Exclusion List, which has the same activities as those of many International Financial institutions.
Under the newly created Environmental and Sustainability unit, which has among others, the responsibilities for managing and training as well as handling of all enquiries relating to the Environmental and Social issues, the Bank conducted a training for all its Country Risk Managers (CRMs), who in-turn organized in-country trainings on ESMS for the relevant and key Ecobank staff. This has enhanced the capacity of CRMs to implement ESMS in accordance with the Bank’s standard procedures. The procedures for the Ecobank ESMS implementation are as follows:

1. Identification of project/transaction sectors for the Environmental and Social (E&S risk classification
2. Screen transactions for potential E&S risk identification
3. Verification of transactions against the Exclusion list
4. Classification of transactions for E&S risk into Low, Medium B, Medium A and High
5. For E&S low risk transactions, the Relationship Officer (RO) will sign off Environmental and Social Due Diligence (ESDD) forms to be verified by the Country Risk Manager (CRM)
6. For all Medium B, Medium A & High risk transactions, detailed ESDD is required (RO and CRMs will sign-off all Medium risk rated transactions to be verified by the Group Manager for E&S):
   • General Information
   • Health, Safety & Security
   • Labour & Working Conditions
   • Internal Environment (energy, waste, pollution etc)
   • Community
   • Legislation
   • Internal Environmental & Social Management System (ESMS)
   • Mitigation & Improvement Action Plan
   • Actions plans are included in Credit Applications (CAs) in the table related to “covenant”. As “covenant”, E&S should be indicated in the loan agreement like others “credit covenants” and follow up the monitoring on the monthly basis according to the risk triggers and covenant process

Practical exercise to demonstrate understanding of ESMS procedures were conducted on five key accounts in the eligible sectors, including oil & gas, mining & exploration, hotel and real estate, heavy construction and heavy industry and manufacturing in 32 country affiliates. This exercise also takes all significant Environment, Social and Governance (ESG) issues into consideration, while ensuring environmental and social sustainability of the business.

Based on the ESMS requirements, the Bank continues to ensure compliance by undertaking socio-economic and environmental cost benefit analysis considerations into our projects financing that have strategic development implications, particularly transactions that may fall within the Exclusion List.

**Exclusion List consideration:**

Exceptional consideration for approval may be given to transactions on the Exclusion List on a contingent basis, where the host country regulations have recognized the business line(s) coupled with compelling justification of high socio-economic benefits and possibility of reversible environmental damage. Albeit, the Bank will expect the client to explore good business practices and complement these by considering future allocation of the production resources into activities with the acceptable environmental and social performance standards.

**Example:**

EP guidelines have informed our consideration in funding the acquisition of Oil Prospecting License (OPL 135 2009 and 2012) and conversion of OPL to Oil Mines Lease (OML) in the Oil and Gas Exploration in
Nigeria. In this transaction, the Bank is financing oil wells drilling with commercial quantity of hydrocarbon as well as conversion of the prospecting license into OML to enable the client commence exploration. The OPL and OML activities such as drilling operations, transportation and host of other related activities are being guided by the Bank’s ESMS and the EP guidelines.

Table 1: Categorization under Equator Principles

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<th>Category</th>
<th>Number of projects reviewed in Year 2012</th>
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<tr>
<td>B</td>
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<tr>
<td>C</td>
<td></td>
</tr>
<tr>
<td>Total</td>
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Table 2: Categorization under Equator Principles - By Sector

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<th>Category</th>
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<th>Mining</th>
<th>Oil &amp; gas infrastructure</th>
<th>Agric</th>
<th>Road Infrastructure</th>
<th>Plant</th>
<th>Total</th>
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