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Institutional Pressures, Corporate Reputation, and Voluntary Codes of Conduct: An Examination of the Equator Principles

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In recent years, changing public expectations have increasingly induced firms to publicly declare their commitments to integrating a wide variety of public interest concerns into their corporate practices. In the United States and elsewhere, demands for firms to demonstrate sound management and social awareness have intensified after a series of corporate governance scandals that invited greater regulatory scrutiny and brought business ethics to the fore of public policy.[1] Firms often seek to demonstrate their ethical credentials and intentions by declaring support for industry-wide codes of conduct, defined as "written statements of principle or policy intended to serve as the expression of a commitment to a particular enterprise conduct."[2] Generally, these codes formulate high-level normative principles and define how adopting companies should interpret and implement these in the context of their business practices.[3]

In the international project finance market, such a code referred to as the Equator Principles recently emerged, which stipulates why and how financial institutions should consider environmental and

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social issues in their project finance operations. The paper argues that codes of conduct are primarily adopted by firms as signaling devices for demonstrating positive credentials, with the aim of strengthening corporate reputation and organizational legitimacy more generally. Drawing on extant research on corporate sustainability, corporate reputation, and industry-wide voluntary codes of conduct, the paper will contribute to the discussion of plausible explanations for why firms decide to adopt voluntary codes of conduct.

It will use institutional theory as a conceptual framework for explaining adoption, which is premised on the notion that in highly institutional environments, firm structures are shaped by responses to formal pressure from other organizations or by conformity to normative standards established by external institutions.[4] These institutions specify rules, procedures, and structures for organizations as a condition of conferring organizational legitimacy, which can be defined as "a generalized perception or assumption that the actions of an entity [the firm] are desirable, proper, and appropriate within some socially constructed system of norms, values, beliefs, and definitions."[5] In turn, firms are rewarded with enhanced legitimacy and reputation if they develop internal structures "isomorphic" with external institutional pressures.[6]

In an analysis of the current financial institutions that have publicly declared a commitment to the Equator Principles (Equator banks hereafter) relative to those that have not, the paper observes that a large majority are headquartered in Western Europe and North America. It suggests that the higher rate of adoption among Western European and North American banks relative to financial institutions based in other regions illustrates how codes of conduct primarily function as tools for maintaining or enhancing corporate reputation in institutional environments where it is threatened. Where environmental and social responsibility does not significantly impact corporate reputation, the strategic motivations for adopting a code of conduct are reduced.

As such, the paper is principally concerned with incentives financial institutions face for adopting voluntary codes of conduct stipulating what constitutes legitimate environmental and social behavior, and not why they "go green" per se.[7] Specifically, while having adopted a code of conduct may indicate a strong environmental and social record, or even a commitment to these issues,

it is false to assume that this is always the case.[8] In the case of the Equator Principles, no formal mechanisms exist to screen or monitor the corporate practices of members, which in principle means that all Equator banks gain some reputational benefits irrespective of their actual practices. This may subject the code of conduct to adverse selection, whereby irresponsible financial institutions will join to claim the benefits of enhanced reputation with no intention of actually implementing their new commitments.[9]

Indeed, this is the primary concern of the civil society groups that are members of Banktrack, the network through which most of the civil society response to the Equator Principles has been channeled. Since the launch of the code of conduct, network members have met on a biannual basis with a subset of Equator banks on issues ranging from environmental risk management, public consultation, information disclosure, and corporate accountability. In their view, the act of adopting the code of conduct is inconsequential unless Equator banks are "transparent and accountable in their implementation of and compliance with the Equator Principles."[10] In the absence of this information, they argue, it is "difficult to assess whether the Equator Principles is having a positive impact on banks, clients and communities."[11]

Apart from the problem of "free-riding" that affects most voluntary schemes, there are also plausible strategic reasons why financial institutions genuinely committed to environmental and social issues choose not to formally adopt the Equator Principles, even if their corporate policies and practices are in compliance with them.[12] These may include a desire to maintain independence of collective initiatives influenced and partially driven by the interests of external stakeholders and competitors, and the uncertainty this produces concerning the future migration of the Equator Principles to other areas of finance.[13]

The paper will be divided into several sections. The first section will discuss the social context within which voluntary codes of conduct emerged, and the institutional conditions that induce firms to adopt them. The second section will review the literature that considers the various strategic motivations firms may have for managing their corporate reputation by adopting voluntary codes of conduct. The third section will introduce and briefly discuss the environmental and social dimensions of project finance loans. The fourth section will discuss the emergence of the Equator Principles,

and the fifth section will provide a regional analysis of adoption rates among financial institutions active in the global project finance market, illuminating the market penetration of Equator banks, relative to nonadopters, across different regions. The sixth section will consider the observed regional variations in adoption rates in the context of the preceding discussion on institutional environments, corporate reputation, and voluntary codes of conduct. And finally, the conclusion will summarize the main observations and identify areas in need of further research.

VOLUNTARY CODES OF CONDUCT

The expansion of global commerce and finance in scale and scope has increased interactions between the public and private sectors, and forced a debate over the appropriate and legitimate role of the latter in responding to environmental and social problems. This has been essentially called for by the broader stakeholders of industry, namely consumers, customers, civil society and public sector, and the public discourse that has seen the private sector included in discussions concerning social equity and environmental protection, both as causes and solutions to problems. The concurrent reframing of private actors, especially multinational companies (MNCs), from pure profit-seeking entities to "corporate citizens" has broadened public expectations of the scope of their mandates and responsibilities, and has prompted many MNCs to reexamine their role in society.

This social context has in some cases given rise to "private governance," or institutional arrangements that emerge out of interactions between firms and civil society that govern corporate behavior in a given issue area.[14] Among these are voluntary codes of conduct that define the scope of responsible and legitimate corporate practice in an industry or in relation to a set of environmental or social issues. They first emerged in the United States in the 1970s in response to bad publicity caused by U.S. companies engaging in bribery when operating abroad, but later came to include industry-wide codes of conduct covering environmental practices and labor standards as well.[15] Since then, most large corporations have formulated their own internal codes of conduct, meant to guide business practices and communicate a commitment to business ethics to external stakeholders.

Building on the terminology used by Bondy, Matten, and Moon (2004), these codes can be divided into three general categories; "internal," or those formulated for internal purposes, "external," or those developed for external purposes in response to stakeholder pressures, and "third-party," or those developed by an external group and adopted by multiple firms. Furthermore, third-party codes can be categorized as "principled codes," or those that are mainly aspirational and typically lack specific implementation provisions; "commitment codes," those that formulate aspirations, and specify intended actions or behaviors; and "punitive codes," or those that operate in a "quasi-legal" fashion in corporate practices, and specify intended actions and specific sanctions for noncompliance.

Oftentimes, third-party codes emerge from cooperative policy designs, and are based on continuing cooperation and collaboration between society stakeholders from industry, the civil society, and the public sector. As they are typically designed to serve as a framework for action rather than define a set of mandatory rules of behavior, they often take the form of fluid governance arrangements, susceptible to changes in expectations among companies and their stakeholders. As such, for stakeholders, voluntary codes of conduct can represent pragmatic and sensible measures to address public concerns for corporate practices within a particular industry. In some cases, they produce an institutional context whereby civil society can directly engage with firms and get access to information about their practices.

Despite their voluntary and informal nature, firms may still interpret them as a set of obligations that need to be met in order to respond to public expectations and prevent damages to corporate reputation. Specific actions flowing from these perceived obligations may include internal initiatives, such as health and safety measures for employees and facility-level waste management schemes, as well as a wide range of external initiatives, such as community consultation and philanthropy and the integration of environmental and social concerns into business operations. The obligation to carry out these initiatives may be explicitly stated in the codes of conduct themselves, or driven by how stakeholders expect well-recognized ethical norms and principles to be applied in practice. As a result, what is considered a legitimate interpretation of vague provisions may vary over time, and indeed among individual firms, according to evolving practice and the changing expectations of stakeholders.

THE USE OF VOLUNTARY CODES OF CONDUCT TO MANAGE CORPORATE REPUTATION

Fundamentally, criticisms against firms reflect a gap between broader societal expectations and the effects of corporate practices, which can pose challenges to the legitimacy and reputation of individual firms.[16] The social interaction between firms and their institutional environments can be viewed in the context of their "environmental" or "ecological" responsiveness.[17] Considerable variability in corporate responses to stakeholder pressures has been observed among firms operating within the same industry, but a detailed discussion of explanatory factors is beyond the scope of this paper.[18] But generally, on one end of the spectrum, firms that proactively respond to environmental issues conceptualize mounting pressures on their corporate reputation as a strategic opportunity to create real business value by adopting new practices above what is legally required of them, commensurate with the new sustainability agenda. At the other end, firms that react negatively to these challenges to their reputation view them as a new source of financial risk and liability, which has the potential to undermine their shareholder value.[19]

The paper holds that adopting a particular voluntary code of conduct, and thereby signaling an intention to conform to recognized industry practice, primarily reflects a strategic desire among firms to maintain or acquire a positive reputation within their institutional environment. This can add value to a brand and increase their competitiveness by allowing firms to sell products at a higher price, enjoy greater access to capital markets, and be exposed to less scrutiny in public consultation hearings and approval processes, thereby reducing a firm's project cost overruns and interest litigation expenses.[20]

Furthermore, a firm's overall reputation reflects its ability to simultaneously respond to the demands of multiple stakeholders with different normative perspectives, interests, and objectives, basing their judgments on different signals and informational cues.[21] As such, the composition of actors and interests that make up the institutional environment of a particular firm, and the nature of a firm's stakeholder relationships, will determine the main challenges to its overall reputational status. For example, a firm closely monitored by a civil society group may face greater reputational

risks from irresponsible corporate practices than firms that are less scrutinized.

But generally, the decision to adopt a corporate code of conduct that establishes the firm's commitments and responsibilities vis-à-vis environmental and social concerns should be principally seen as embedded in broader reputational risk management strategies. Such a decision can be grounded in a variety of strategic motivations.

First, an adopting firm's reputation and brand benefits from an association with an ethical code of conduct recognized as defining "best practices" within an industry.[22] In this case, codes are adopted to protect a firm's reputation by assuring stakeholders that it operates responsibly.[23] As such, codes of conduct often feature as important tools in a firm's public relations and corporate communications, by enabling firms to better manage the ever-increasing demands and complexities of the global business environment, and enhance their relationship with a wide variety of stakeholders.[24] By supporting and adopting codes of conduct, firms can communicate their green credentials and signal a commitment to the environmental and social issues that are of great concern to the wider public, and the role they can play in addressing them.[25]

In some cases, firms are in compliance with these practices prior to adopting, and thus seek to reinforce their reputations, whereas in other cases, the act of adopting is part of a broader reorientation of corporate strategy toward sustainability and the enhanced legitimacy that comes with it.[26] Therefore, codes of conduct play a role in the competitive market for reputational status among firms in the same industry.[27]

Second, and related, corporate codes of conduct can help differentiate an individual firm's reputation from the malpractices of competing firms or clients, and boost its credibility relative to critics. This is because stakeholders, whether they are shareholders, investors, future employees, or community groups of public policy makers, assign reputational status to individual firms based on a comparison of corporate practices across firms.[28] In relation to environmental issues, Hart (1995) argues that there is large amount of unclaimed "reputation space" with respect to corporate environmental performance, which means proactive environmental strategies, including the adoption of voluntary codes of conduct, may be particularly cost-efficient ways for firms to attain higher reputational status by differentiating themselves from competitors. Furthermore, in a public relations war with critics over the appropriateness

of corporate practices, adopting a voluntary code of conduct may be one element in a firm's attempt to enhance its own political credibility and stature.[29]

Third, the adoption of codes of conduct may be directly motivated by corporate profitability, by being part of an overall direct risk management strategy. This notion emerges out of a contested policy discourse, perpetuated by the actions of many firms, as well as international financial institutions, that a business case exists for sustainable development that rests on the interdependence of financial and social and ecological objectives.[30] More concretely, the adoption of codes of conduct can provide a mechanism for firms to manage the social and ecological footprints of their activities, and enable them to identify cost-efficiency measures related to energy and waste management, the integration of new technologies, process intensification, and business expansion into green "niche" markets.[31]

And fourth, adopting corporate codes of conduct can also be perceived as a form of preventative action, motivated by the anticipation that irresponsible practices in a given industry may attract the attention of domestic regulators or civil society groups.[32] In effect, a corporate code of conduct with wide acceptance among firms in a given industry may allow them to operate in a more favorable political and regulatory environment and enjoy the "freedom of self-regulation."[33] At the firm level, such "competitive preemption" can provide first-mover advantages to firms in relation to other firms, and this position may enable them to define the nature and scope of evolving industry standards.[34]

Apart from social pressures emanating from a firm's institutional environment, there are also a variety of firm-specific motivations for adopting a voluntary code of conduct. For example, the choice of environmental strategies may also be influenced by managerial attitudes and values and proactive individual initiatives.[35] This includes the extent to which managers interpret environmental issues as threats or opportunities, and the level of risk adversity they employ in their strategic decision making.[36]

THE CONTESTED NATURE OF PROJECT FINANCE DEALS

Financing for infrastructure development often takes the form of large-scale, capital-intensive investment projects financed by

public and private multinational and regional financial institutions. The construction, operation, or refinancing of particular facilities are often financed through project finance, or "the creation of a legally independent project company financed with equity from one or more sponsoring firms and nonrecourse debt for the purpose of investing in a capital asset."[37] In this structure, lenders base credit appraisals on the projected revenues from the operation of the facility, rather than the general assets or the credit of the sponsor of the facility, as is the case with conventional corporate loans. As a result, project-financed investments are often technically complex projects with high financial risk and potentially large revenue streams, attracting a variety of organizations with development, construction, operation, financing, and investment capacities and expertise.

Project-financed investments are particularly relevant to environmental and social issues for two main reasons. First, most project finance is provided to investments in industries typically associated with a high potential for adverse environmental and social impacts, such as extractive industries, and energy and transportation infrastructure. Secondly, as individual projects are often very large, they can have substantial "ecological footprints," and thereby significantly impact natural resources and the well-being of local communities. For example, some large hydropower development projects may result in the resettlement of substantial populations, submerge large areas with water, and significantly affect local agricultural practices. Therefore, decisions regarding the construction and operation of individual investment projects, and the formulation of environmental management plans, can have significant ramifications beyond the project itself.

In the project finance market, divergent corporate environmental commitments or strategies often manifest themselves in decisions about participating in large infrastructure projects expected to generate significant adverse environmental and social impacts. In these cases, financial institutions are forced to consider whether the environmental and social risks of the project, including potential damages to their corporate reputation, will outweigh any short- and long-term financial benefits that the project may generate. For example, the Three Gorges Dam project, the world's largest hydropower development that promises to erect a 175-meter dam on the Yangtze River in China, producing a 600-kilometer-long reservoir, is slated to displace more than 1 million people and feared by some

to cause widespread environmental damage. While the World Bank, the Asian Development Bank (ADB), and the U.S. Overseas Private Investment Corporation (OPIC) have disengaged, either because they perceived the environmental risks to be unacceptable, or because the Chinese government declined to adhere to their environmental and social policies and procedures, a handful of financial institutions and multinational companies have participated, albeit indirectly, in the project.[38] In another case, similar concerns about unacceptable risk eventually prompted Citigroup, the OPIC, and the Export-Import Bank of the United States to decline financing for the Camisea project, a large-scale natural gas development in Peru encompassing four drilling platforms, two pipelines, and distribution systems in Lima and Callao, some of which are situated in either protected lands or fragile ecosystems. Again, the negative assessment made by these three financial institutions were not shared by others, most notably the Inter American Development Bank, which decided to finance the development project despite these risks.[39]

Until recently, most of the public scrutiny of the environmental and social impacts of project finance deals was directed toward multilateral development banks (MDBs), and to a lesser extent, bilateral export credit agencies (ECAs), which not only held strong positions in the market, but were also under pressure from civil society organizations and some of their government shareholders to demonstrate, as publicly mandated institutions, how they ensured that investment did not negatively impact local populations and the environment. While public development institutions still play a dominant role in large-scale infrastructure projects, private multinational banks have in recent years become more visible as lead arrangers or cofinanciers of major project finance deals. As a result, the environmental and social impact of their investments have been increasingly exposed and scrutinized by civil society organizations and the media, which have pressured some of them to adopt environmental and social policies and procedures similar to those of the MDBs.

THE EMERGENCE OF THE EQUATOR PRINCIPLES

The growing scrutiny of private multinational banks is strongly linked to the emergence of the Equator Principles, which has

produced expectations that investment projects financed by private sources should be held to the same standard as publicly funded projects. Specifically, the involvement of Equator banks in high-risk investment projects is increasingly monitored and challenged by civil society groups, which framed them as "test cases" for Equator banks to demonstrate their commitments to the Equator Principles.[40]

Revisiting the taxonomy presented above, the Equator Principle can be characterized as a "third-party" code of conduct, since it emerged with institutional support from the International Finance Corporation (IFC) and a "commitment" code, since it includes both principles and specifies intended actions or behaviors. Its overall stated intention is to "serve as a common baseline and framework for the implementation of our [the Equator banks'] individual, internal environmental, and social procedures and standards for our [the Equator banks'] project financing activities across all industry sectors globally." As stated in the preamble, Equator banks "recognize that our role as financiers affords us significant opportunities to promote responsible environmental stewardship and socially responsible development," and furthermore, commit themselves to ensure that financed projects "are developed in a manner that is socially responsible and reflect sound environmental management practices." However, while "each institution . . . individually declares that it has or will put in place internal policies and processes that are consistent with the Equator Principles," it is clarified, that "this can be done at any time."[41] This built-in flexibility is tempered by a commitment in the preamble, which declares that, in reference to Equator banks, "we will not provide loans directly to projects where the borrower will not or is unable to comply with our environmental and social policies and processes."[42]

In effect, the code of conduct commits Equator banks to formulate "environmental and social policies and processes" against which individual projects can be meaningfully assessed to be compliant or not. While this assessment framework is meant to increase the public accountability of the way in which environmental and social issues are identified and addressed during project preparation, the Equator Principles "do not create any rights in, or liability to, any person, public or private." Therefore, there are no current mechanisms in place that allow affected citizens groups to directly challenge environmental screening decisions or the adequacy of environmental management plans.[43]

Its provisions are directly based on the environmental and social policies and procedures of the International Finance Corporation (IFC), the private sector lending arm of the World Bank Group. The most significant provision is a screening process whereby each project under consideration is assigned an environmental screening category, A, B, or C. This is meant to distinguish between projects that are likely to have significant and often irreversible adverse environmental and social impacts (category A), only site-specific impacts (category B), or only marginal adverse consequences, if at all (category C). In turn, the screening process triggers a differentiated approach to environmental due diligence, in which those projects expected to produce more significant adverse impacts are subjected to more rigorous and comprehensive assessment, public consultation, and information disclosure requirements. For all category A and category B projects, the project client is required to conduct an environmental assessment that "addresses" compliance with applicable host country laws, regulations, and permits, and "references" the minimum standards applicable under the World Bank and IFC pollution prevention and abatement guidelines. Furthermore, in the context of projects in low or middle-income countries, the Equator banks commit themselves to "take into account" the IFC's safeguard policies, a set of thematic policies that include detailed environmental assessment procedures, as well as issue-specific policies in areas such as natural habitats, forestry, indigenous peoples, and international waterways.[44]

ANALYSIS OF REGIONAL VARIATIONS IN ADOPTION RATES

Since its inception in June 2003, the Equator Principles has received notable mentions in the financial press and has been hailed by many Equator banks and various third parties as a benchmark for responsible investment practices.[45] For example, among the top ten mandated arrangers of project finance loans globally by loan volume, all but three are Equator banks (see Table 1). This seemingly effective market penetration of the Equator Principles among the largest project finance providers has prompted many commentators to hail their global reach.

Undoubtedly, the influence of the Equator Principles on the project finance market has been profound, and is likely to increase

TABLE 1 Top 10 Mandated Arrangers of Global Project Finance Loans

Pos.	Financial Institution	Loan Amt ($m)	No. of Deals	% Share
1	Calyon*	2998.98	34	4.37
2	BNP Paribas	2597.55	28	3.79
3	CSFB*	2370.80	9	3.46
4	West LB*	2365.26	25	3.45
5	Royal Bank of Scotland Group*	2125.49	29	3.1
6	Barclays*	2080.85	18	3.03
7	Westpac Banking Corp*	1993.30	11	2.91
8	Societe Generale	1975.69	26	2.88
9	Citigroup*	1801.18	11	2.63
10	ANZ Investment Bank	1674.95	22	2.44

* Equator bank as of June 30, 2004.
Notes: Data based on equal apportionment between mandated arrangers, and reflects project finance deals closed between July 01, 2003 and June 30, 2004 (Euromoney, 2004).

as more financial institutions adopt them, and implementation and reporting mechanisms evolve and mature. Furthermore, given the prevalence of loan syndications, non-Equator banks may participate in "Equator projects" in cases where syndicates are arranged by Equator banks. Yet, at the current stage, adoption rates among financial institutions, including those that most frequently act as arrangers, varies significantly by region, and remains concentrated among European and North American financial institutions. Of the current thirty-two Equator banks, 53 percent (nineteen banks) are located in Europe, and 25 percent (nine banks) in North America, and none in South Asia or Southeast Asia. The remaining 23 percent is made up of financial institutions headquartered in Brazil (14 percent, five banks), Japan (3 percent, one bank), Australia (3 percent, one bank), and South Africa (3 percent, one bank).

This observed regional distribution, with a concentration of members in Europe, and to a lesser degree in North America, mirrors that of other voluntary codes of conduct targeting multinational enterprises. For example, of the current financial institutions that have signed the United Nations Environment Program's (UNEP) statement by financial institutions on the environment and

TABLE 2 Top 10 Mandated Arrangers of Latin American Project Finance Loans

Pos.	Financial Institution	Loan Amt ($m)	No. of Deals	% Share
1	West LB*	670.66	4	15.51
2	IFC**	634.84	7	14.68
3	Societe Generale	439.07	6	10.15
4	BNP Paribas	293.53	5	6.79
5	Calyon*	280.23	2	6.48
6	ING Group*	262.73	2	6.08
7	ABN AMRO*	236.18	3	5.46
8	BBVA*	150.75	4	3.49
9	Fortis	118.17	3	2.73
10	BNDES*	116.50	2	2.69

* Equator bank as of June 30, 2004. **Not formally an Equator bank, but the Equator Principles are based on the IFC's policies and procedures.

sustainable development, 72 percent are from Europe, 12 percent from Asia, and 7 percent from North America, with only marginal representation from Africa (3 percent), South America (2 percent), and the Middle East (1 percent).[46] Regional figures for commitments to the Global Reporting Initiative (GRI) are Europe (48 percent), Asia (22 percent), Oceania (7 percent), Africa (5 percent), and Latin America (4 percent). And finally, corresponding figures for the United Nations Global Compact are Europe (46 percent), Asia (25 percent), North America (8 percent), with the remainder distributed across other regions.[47]

Given the regional distribution of current Equator banks, it is not surprising that the Equator Principles has the strongest market penetration in regions where Western European or North American financial institutions are among the main arrangers of project finance deals. As illustrated in the regional league tables, among the top ten mandated arrangers of project finance loans in the Latin American and Caribbean region, 80 percent are financial institutions based in Western Europe, and 70 percent are Equator banks (see Table 2). Conversely, financial institutions headquartered outside of Western Europe or North America are less likely to have adopted the Equator Principles, and the project finance market in regions where these dominate are therefore less penetrated by Equator banks. For example, the regional league table covering

TABLE 3 Top 10 Mandated Arrangers of African and Middle Eastern Project Finance Loans

Pos.	Financial Institution	Loan Amt ($m)	No. of Deals	% Share
1	HSBC*	520.38	6	6.75
2	BNP Paribas	512.43	5	6.65
3	Calyon*	509.21	5	6.60
4	Societe Generale	491.76	5	6.38
5	ANZ Investment Bank	449.95	4	5.84
6	Standard Bank	441.46	3	5.73
7	Abu Dhabi Islamic Bank	400.00	2	5.19
8	West LB*	364.61	4	4.73
9	Mitsubishi Tokyo Financial Group	320.22	4	4.15
10	Gulf International Bank	314.37	3	4.08

* Equator bank as of June 30, 2004.

TABLE 4 Top 10 Mandated Arrangers of Asian Project Finance Loans

Pos.	Financial Institution	Loan Amt ($m)	No. of Deals	% Share
1	Bank of China	1596.49	4	12.12
2	Industrial and Commercial Bank of China	1235.82	5	9.38
3	China Development Bank	1116.07	4	8.47
4	Korea Development Bank	973.39	3	7.39
5	China Construction Bank	559.00	3	4.24
6	Sumitomo Mitsui Banking Corporation	409.07	7	3.11
7	ANZ Investment Bank	386.83	6	2.94
8	Agricultural Bank of China	371.78	2	2.82
9	Krung Thai Bank	316.42	2	2.40
10	Mitsubishi Tokyo Financial Group	302.52	8	2.30

Africa and the Middle East includes only five Western European or North American banks, and only three Equator banks (see Table 3). And most dramatically, the top ten mandated arrangers in Asian regional market features not a single Western European or North American financial institution, and not one Equator bank (see Table 4).

These distributions suggest that regional institutional environments produce different strategic incentives for firms to adopt

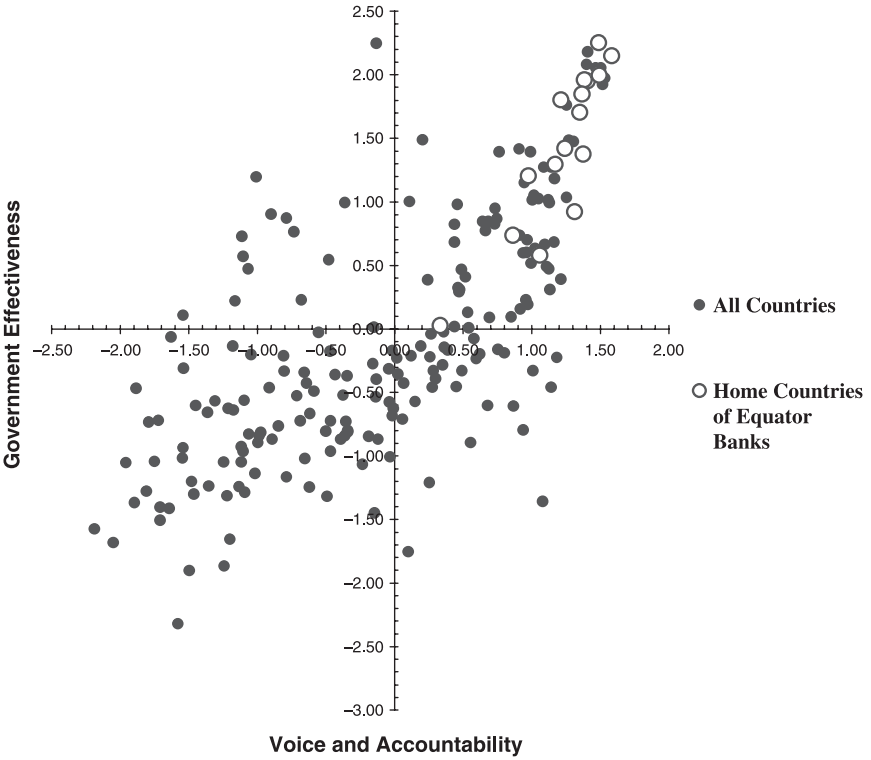
voluntary codes of conduct. Furthermore, the high uptake of the Equator Principles in Western Europe and North America and the corresponding under-representation of financial institutions from other regions suggest that the impetus for establishing the framework and the formulation of responsibilities bestowed on adopting institutions may have emanated from a particular institutional environment that is not shared by all.

UNDERSTANDING ADOPTION: LINKING INSTITUTIONAL ENVIRONMENTS TO CORPORATE REPUTATION

This section will combine the initial discussion on corporate reputation with the analysis of regional adoption patterns among financial institutions that dominate the global project finance market. Explanations for the current regional variations in adoption patterns all point to differences in the institutional contexts within which a strategic decision regarding the Equator Principles takes place. The subsequent arguments will identify characteristics unique to either Equator banks or nonadopters, and explore these as possible explanations for why financial institutions have chosen or neglected to adopt the Equator Principles. We shall describe how different dimensions of the institutional environment shape the interplay of various organizational actors and a decision to adopt the Equator Principles. The wider institutional environment of the financial institutions under investigation includes host countries, regulatory agencies, civil society groups, as well as particular issue-community groups that take interest in global finance markets.

First, a widely held view in the literature, but subject to further scrutiny, is that the primary drivers of corporate social responsibility strategies are the factors related to well-functioning market institutions, pressures from highly informed and mobilized socially responsible investors and consumer groups, regulatory pressures, globalization, and local community pressures, to mention but a few.[48] For example, Saha and Darnton (2005), in their survey of multinational firms, found stakeholder pressure and government legislation to be the primary motivations for corporate "greening." While firms do differ in their responses to particular pressures, the existence of these enabling conditions in Western Europe and the strategic incentives they produce for firms shed light on the wide

FIGURE 1 Governance Levels in Home Countries of Equator Banks



and rapid uptake of the Equator Principles among financial institutions headquartered there.[49] As illustrated in Figure 1, Equator banks are typically based in countries characterized by high levels of political, civil, and human rights, as captured in *Voice and Accountability*, and high bureaucratic competence and quality of public service delivery, as represented by *Government Effectiveness*.[50]

These governance conditions mean that a failure to acknowledge the relevance of environmental and social concerns to business practices, for example in the form of adopting well-recognized codes of conduct, may undermine a firm's corporate reputation. As such, environmental and social practices are more likely to feature in corporate policies and strategies, if this is demanded or induced by the

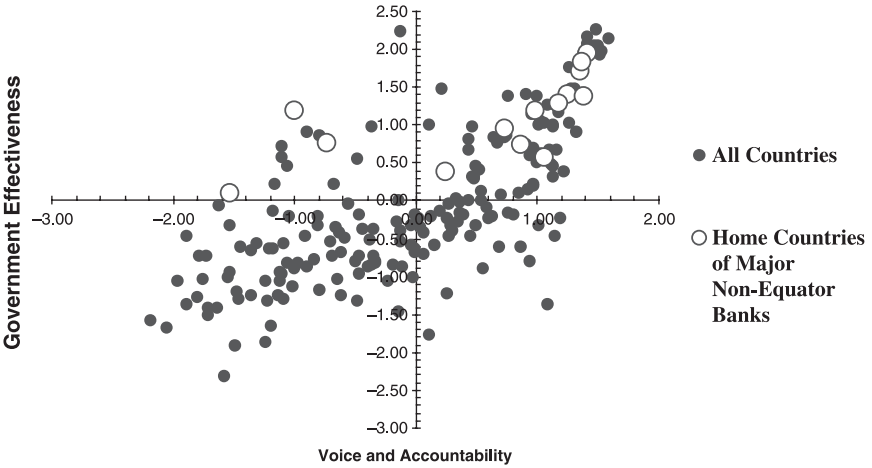
institutional context of a particular firm. Indeed, some research has shown that early adopters of new voluntary codes of conduct are typically those firms that already have the most proactive corporate environmental strategies, and the most advanced policies and procedures.[51] This finding may explain the large share of Western European banks among early adopters, as they are based in countries with relatively strong traditions of acknowledging the relevance of environmental and social issues in public policy and corporate practice.[52]

Second, the aforementioned institutional conditions identified as conducive to providing reputational gains for adopters often lack in the home countries of some nonadopters. Specifically, markets may not function well, civil society groups may lack capabilities and resources to mobilize, and legal or regulatory frameworks that govern the activities of financial institutions may be weak or inadequately enforced.[53] As Figure 2 illustrates, a selection of major non-Equator banks are based in countries in which the civil, political, and human rights granted to citizens are weaker, in particular, China, Bahrain, and United Arab Emirates. While clearly not the only explanatory factor, this may suggest that the institutional environment of financial institutions located there does not pressure them to demonstrate environmental and social commitments in their project finance practices.[54] In short, weak regulatory pressure, and more significantly, reduced civil society scrutiny, removes a major impetus for adopting a code of conduct such as the Equator Principles.

Third, to demonstrate the significance of civil society pressure, there seems to be a high correlation between declaring a commitment to the Equator Principles and being subjected to a sustained campaign by a civil society group tied to the Banktrack network. Their agenda is guided by the Colleveccio Declaration, a set of six principles for financial institutions that implicitly critique the Equator Principles, and focuses more specifically on accountability, transparency, and stakeholder rights.[55] And perhaps a measure of its effectiveness, every civil society group that is a member of the Banktrack network is located in a country with at least one Equator bank (see Table 5).

Fourth, the structural position of financial institutions within the project finance market may illuminate patterns of adoption. First, financial institutions are active in the project finance market in different, and often multiple capacities, as arrangers, providers,

FIGURE 2 Governance Levels in Home Countries of Major Non-Equator Banks[56]



Source: D. Kaufmann, A. Kraay, and M. Mastruzzi, "Governance matters IV: Governance indicators for 1996–2004," The World Bank, May 2005; For home countries of Equator banks, *see* www.equator-principles.com; "Major Non-Equator Banks" refers to financial institutions that are featured among the top ten mandated arrangers of project finance loans in at least one regional market, between July 01, 2003 and June 30, 2004 (Euromoney, 2004).

book runners, managers, financial advisers, and legal advisers. Each of these entails a different (and likely decreasing) level of public visibility, and data indicate that financial institutions specializing in those services or functions with the most visibility are most likely to have adopted the Equator Principles.[57] This provides supporting evidence to the notion that financial institutions adopted the Equator Principles to help shield them from reputational damages that may materialize as a result of the increased public scrutiny that comes with greater visibility. Secondly, the current pool of Equator banks only includes two public institutions, which is not surprising, considering the fact that the Equator

TABLE 5 Geographical Distribution of Banktrack Members and Equator Banks

BankTrack Members	Country	Equator banks
Mineral Policy Institute	Australia	Westpac Banking Corp.
Netweerk Vlaanderen	Belgium	Dexia Group
		KBC
FOE (Brazilian Amazonia)	Brazil	Banco Bradesco
		Banco do Brasil
		Banco Itau
		Banco Itau BBA
		Unibanco
	Canada	BMO
		CIBC
		Manulife
		Royal Bank of Canada
		Scotiabank
FOE (France)	France	Calyon
	Denmark	Eksport Kredit Fonden (ECA)
Urgewald	Germany	Dresdner Bank
		West LB
		HVB Group
CRBM	Italy	MCC
	Japan	Mizuho
Milieudefensie, FOE (Netherlands)	The Netherlands	ABN Amro
		FMO
		ING Group
		Rabobank Group
	Portugal	BES Group
	South Africa	Nedbank
	Spain	BBVA
Berne Declaration	Switzerland	Credit Suisse Group
FOE (England, Wales, and Northern Ireland)	United Kingdom	Barclays plc
		HSBC Group
Platform		Standard Chartered
WWF-UK		Royal Bank of Scotland
FOE (US)	United States	Bank of America
International Rivers Network (IRN)		JP Morgan Chase
Rainforest Action Network (RAN)		Citigroup
		Wells Fargo & Co.

Sources: www.banktrack.org and www.equator-principles.com.

Principles were primarily devised as a framework to diffuse environmental risk management practices among private financial institutions. As a result, Equator Principles penetration is particularly low in those regional project finance markets dominated by public financial institutions. And third, the appeal of voluntary codes of conduct designed to apply to corporate practices globally has been found to be higher among truly global MNCs than those operating within regions only. For example, Bansal and Hunter (2003) found "significant support for the view that firms with wide international scope were more likely to certify [for ISO 14001] than firms with narrow international scope."[58] This is reflected in the current pool of Equator Banks also, as the majority is truly MNCs, with a significant present in multiple regional markets. Conversely, many project finance arrangers, particularly in the Asian market, have mandates or corporate strategies that limit them to their own regional market.

CONCLUSION

The paper has argued that a strategic desire to maintain or enhance corporate reputation underlies a decision to adopt a code of conduct. While it does not seek to diminish the impact of the Equator Principles on project finance practice and beyond, it argues that regional patterns in adoption rates reflect variations in the institutional environment of financial institutions, with Western European and North American financial institutions facing the strongest reputational pressures in their institutional environments to demonstrate their "green" credentials. Specifically, the likelihood that a given financial institution feels compelled to adopt a voluntary code of conduct that defines standards beyond those mandated by national laws and regulations largely depends on the reputational benefits flowing from such actions. In turn, these reputational benefits are determined by the level of threat to corporate reputation produced by the institutional environment of the financial institution.

Furthermore, the paper has identified several defining characteristics of Equator banks, the relative significance of which are subject to further studies. Generally, they are largely concentrated in institutional environments shaped by targeted advocacy campaigns

organized by civil society groups and strong regulatory systems. In addition, they typically operate transnationally, and as lead arrangers, are more likely to have a visible role in high-risk project finance deals, which increases the likelihood that environmental malpractice may be exposed by stakeholders and cause damages to corporate reputation.

However, these preliminary observations point to the need for further research. To begin with, while institutional environments characterized by strong stakeholder pressures provide strategic incentives for firms to demonstrate their environmental and social credentials, the actions of a few large-project finance banks that have opted against the Equator Principles seem to contradict this.[59] This suggests that firm-specific characteristics may influence the way in which different firms interpret and react to similar institutional pressures. Secondly, a line of inquiry that would shed light on the strategic motivations financial institutions may have for adopting the Equator Principles is to review how an association with the Equator Principles is used in corporate communications and the extent to which it affects direct risk management practices. Third, while the preceding analysis observes variations in adoption rates across institutional environments, and suggests variability in stakeholder pressure as one significant explanation, more empirical research is needed to identify the factors that discourage or encourage firms to adopt codes of conduct, and ultimately integrate environmental and social concerns into their business practices.

And finally, in relation to the global recognition of voluntary codes of conduct more generally, the analysis may suggest that, since they emerge in response to pressures that exist in particular institutional environments and not necessarily in others, different levels of support across institutional contexts should be expected. While outside the scope of this analysis, institutional factors that discourage adoption in particular institutional environments need to be overcome in order for voluntary codes of conduct to further broaden their geographical representation.

NOTES

1. In July 2002, to address these scandals, the U.S. Congress signed the Sarbanes-Oxley Act into law, intended to protect investors by improving

the accuracy and reliability of corporate disclosures. The act covers issues such as establishing a public company accounting oversight board, auditor independence, corporate responsibility and enhanced financial disclosure.

2. J. Diller, "A social conscience in the global marketplace? Labour dimensions of codes of conduct, social labelling and investor initiatives," *International Labour Review* 138(1999): 99–129, p. 102.

3. M. Keay, "Towards global corporate social responsibility," The Royal Institute of International Affairs (RIIA), Sustainable Development Programme, Briefing Paper No. 3, April 2002; M. J. Lenox and J. Nash, "Industry self-regulation and adverse selection: A comparison across four trade programs," *Business Strategy and the Environment* 12(2003): 343–356.

4. A. J. Hoffman, *From Heresy to Dogma: An Institutional History of Corporate Environmentalism* (Stanford, CA: Stanford University Press, 1997); A. J. Hoffman, "Institutional evolution and change: Environmentalism and the U.S. chemical industry," *Academy of Management Journal* 42(2003):351–371; P. DiMaggio and W. Powell, "The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields," *American Sociological Review* 48(1983): 147–160.

5. M. Suchman, "Managing legitimacy: Strategic and institutional responses," *Academy of Management Review* 20(1995): 574.

6. P. DiMaggio and W. Powell, "The iron cage revisited"; J. Meyer and B. Rowan, "Institutions and organizations: Formal structure as myth and ceremony," *American Journal of Sociology* 83(1977): 340–363.

7. For a review of this literature, see P. Bansal and K. Roth, "Why companies go green: A model of ecological responsiveness," *Academy of Management Journal* 43(2000): 717–736.

8. For example, M. J. Lenox and J. Nash, "Industry self-regulation and adverse selection," found that "participants in the American Chemistry Council's Responsible Care program were more polluting on average than other chemical firms in the United States" (p. 353). Similarly, P. Bansal and T. Hunter observed that in the context of certifications for ISO 14001, "the firm's commitment to corporate social responsibility and quality were not significantly different between certified and non-certified firms" (P. Bansal and T. Hunter, "Strategic explanations for the early adoption of ISO 14001," *Journal of Business Ethics* 46(2003): 289–299.)

9. M. J. Lenox and J. Nash, "Industry self-regulation and adverse selection."

10. Banktrack, "Unproven principles; the Equator Principles at year two—2nd anniversary Equator Principles implementation assessment,"

prepared by Michelle Chan-Fishel, (Friends of the Earth, U.S.) for Banktrack, June 2005, p. 1.

11. Banktrack, "Unproven principles," p. 17.

12. Indeed, Lloyd TSB, a current non-Equator bank, is recognized as having "relatively mature and detailed review procedures, training systems, and communications," mirroring those of some leading Equator banks. See, ISIS, "A benchmarking study: Environmental credit risk factors in the Pan-European banking sector, ISIS asset management Plc (now F&C Asset Management plc)," September 2002, http://www.fandc.com/uploadfiles/co_gsri_banking_report_sep_2002.pdf, accessed November 18, 2005.

13. Freshfields Bruckhaus Deringer, "Banking on responsibility—part 1 of Freshfields Bruckhaus Deringer Equator Principles survey 2005: The banks," July 2005. http://www.freshfields.com/practice/environment/publications/pdfs/12057.pdf, accessed November 18, 2005.

14. R. Falkner, "Private environmental governance and international relations: Exploring the links," *Global Environmental Politics* 3(2003): 72–87.

15. A. Florini, "Business and global governance: The growing role of corporate codes of conduct," *Brookings Review* 21(2003): 4–8; J. Diller, "A social conscience in the global marketplace?"

16. S. Sethi, "Standards for corporate conduct in the international arena: Challenges and opportunities for multinational corporations," *Business and Society Review* 107(2002): 20–40.

17. See P. Bansal and K. Roth, "Why companies go green" and S. Sharma, A. Pablo, and H. Vredenburg, "Corporate environmental responsiveness strategies: The role of issue interpretation and organizational context," *Journal of Applied Behavioral Science* 35(1999): 87–109, respectively.

18. For example, see A. J. Hoffman, *From Heresy to Dogma*.

19. S. Sharma and H. Vredenburg, "Proactive corporate environmental strategy and the development of competitively valuable organizational capabilities," *Strategic Management Journal* 19(1998): 729–753.

20. C. Fombrun and M. Shanley, "What's in a name? Reputation-building and corporate strategy," *Academy of Management Journal* 42(1990): 87–99; S. Hart, "A natural resource-based view of the firm," *Academy of Management Review* 20(1995): 986–1014; P. Bansal and I. Clelland, "Talking trash: Legitimacy, impression management and unsystematic risk in the context of the natural environment," *Academy of Management Journal* 47(2004): 93–103; S. Sharma and H. Vredenburg, "Corporate environmental responsiveness strategies."

21. R. E. Freeman, *Strategic Management: A Stakeholder Approach.* (Boston: Pitman, 1984); C. Fombrun and M. Shanley, "What's in a name?"

22. J. Diller, "A social conscience in the global marketplace?"

23. J. Florini, "Business and global governance"; M. J. Lenox and J. Nash, "Industry self-regulation and adverse selection"; S. Sethi, "Standards for corporate conduct in the international arena."

24. A. J. Hoffman, *From Heresy to Dogma.*

25. C. Fombrun and M. Shanley, "What's in a name?"

26. P. Bansal and T. Hunter, "Strategic explanations for the early adoption of ISO 14001."

27. C. Fombrun and M. Shanley, "What's in a name?"

28. C. Fombrun and M. Shanley, "What's in a name?"

29. S. Sethi, "Standards for corporate conduct in the international arena."

30. For a recent academic literature review, see I. Salzmann, A. Ionescu-Somers, and U. Stegers, "The business case for corporate sustainability: Literature review and research options," *European Management Journal* 23(2005): 27–36. C. Holliday, S. Schmidheiny, and P. Watts, *Walking the Talk: The Business Case for Sustainable Development* (San Francisco: Berrett-Koehler, 2002); for a review of the role of international financial institutions in promoting this view, see A. Vives, "The role of multilateral development institutions in fostering corporate social responsibility," *Development* 47(2004): 45–52; International Finance Corporation, *Developing Value—The Business Case for Sustainability in Emerging Markets*, International Finance Corporation, Sustainability and the Ethos Institute, Washington, DC, 2002.

31. P. Bansal and K. Roth, "Why companies go green"; A. Baranzini and P. Thalmann, "An overview of the economics of voluntary approaches in climate policy," in A. Baranzini and P. Thalmann eds. *Voluntary Approaches in Climate Policy* (Cheltenham: Edward Elgar, 2004).

32. J. Diller, "A social conscience in the global marketplace?"; M. J. Lenox and J. Nash, "Industry self-regulation and adverse selection."

33. M. Keay "Towards global corporate social responsibility"; S. Sethi, "Standards for corporate conduct in the international arena."

34. S. Hart, "A natural resource-based view of the firm."

35. See L. M. Andersson and T. S. Bateman, "Individual environmental initiative: Championing natural environmental issues in U.S. business organizations," *Academy of Management Journal* 43(2000): 548–70; M. Cordano and I. H. Frieze, "Pollution reduction preferences of U.S.

environmental managers: Applying Ajzen's theory of planned behavior," *Academy of Management Journal* 43(2000): 627–41.

36. S. Sharma, "Managerial interpretations and organizational context as predictors of corporate choice of environmental strategy," *Academy of Management Journal* 43(2000): 681–97; S. Sharma and O. Nguan, "The biotechnology industry and biodiversity conservation strategies: the influence of managerial interpretations and risk propensity," *Business Strategy and the Environment* 8 (January–February 1999): 46–61.

37. B. Esty, "Why study large projects? An introduction to research on project finance," *European Financial Management* 10(2004): 213.

38. The China Development Bank and China Export-Import Bank have issued bonds through major investment banks, including Goldman Sachs, HSBC, JPMorgan Chase, Morgan Stanley Dean Witter, Deutsche Bank, BNP Paribas, and Barclays Capital. While not directly financing the project, the bond issuance has raised concerns among environmental groups that proceeds will be used to finance the Three Gorges Dam project. ("The value of an investment in human rights," *The Financial Times* October 28, 2004, Business Life section, p. 11). In addition, bilateral export-credit agencies of Canada, Germany, Sweden, Switzerland, and Brazil have provided more than $1.4 billion in direct financing for the project, mostly for the purchase of equipment produced by their own big construction and hydroelectric firms. ("Report slams three gorges resettlement," *Asia Times Online* January 24, 2003, http://www.atimes.com/atimes/China/EA24Ad05.html, accessed November 18, 2005.)

39. The project has received financing from the Inter-American Development Bank, the Andean Economic Development Corporation, the Brazilian Development Bank, as well as the Italian, Argentinian, and Belgian export credit agencies.

40. In particular, the Baku-Tblisi-Ceyhan pipeline project has been framed by NGOs and Equator banks as the first "Equator project," see BankTrack, "Unproven principles; the Equator Principles at year two."

41. See "Become an Adopting Institution," http://www.equator-principles.com/join.shtml, accessed November 18, 2005.

42. "The Equator Principles," at http://www.equator-principles.com/principles.shtml, accessed November 18, 2005.

43. S. L. Kass and J. M. McCarroll, "The Equator Principles: Lending with an environmental string," *New York Law Journal* April 23, 2004, www.law.com/jsp/nylj/index.jsp, accessed November 18, 2005.

44. These operational policies (OPs) and operational directives (ODs) include; environmental assessment (OP 4.01, October, 1998), natural

habitat (OP 4.04, November 1998), pest management (OP 4.09, November 1998), forestry (OP 4.36, November 1998), safety of dams (OP 4.37, September 1996), international waterways (OP 7.50, November 1998), indigenous peoples (OD 4.20, September 1991), involuntary resettlement (OD 4.30, June 1990), cultural property (OPN 11.03, September 1986), and a child and forced labor policy statement.

45. See Freshfields Bruckhaus Deringer, "Banking on responsibility."

46. UNEP Finance Initiative, http://www.unepfi.org/, accessed November 18, 2005.

47. These figures refer to all "participants" of the UN Global Compact, which includes companies (82 percent), NGOs (7 percent), labor (1 percent), and cities, universities, associations, and foundations (a combined 10 percent), see McKinsey & Co., "Assessing the global compact's impact," May 11, 2004, http://www.unglobalcompact.org/content/NewsDocs/Summit/imp_ass.pdf, accessed November 18, 2005.

48. A. J. Hoffman and M. J. Ventressa, eds., *Organizations, Policy, and the Natural Environment: Institutional and Strategic Perspectives* (Stanford, CA: Stanford University Press, 2002); J.-B. Lesourd, and S. Schilizzi, *The Environment in Corporate Management. New Directions and Economic Insights* (Cheltenham: Edward Elgar, 2001); M. Porter and C. van der Linde, "Toward a new conception of the environment-competitiveness relationship," *Journal of Economic Perspectives* 9(1995): 97–118.

49. For a discussion on how firms respond differently to environmental information and pressures, see I. Henrique and P. Sadorsky, "The relationship between environmental commitment and managerial perceptions of stakeholder importance," *Academy of Management Journal* 42(1999): 87–99.

50. See D. Kaufmann, A. Kraay, and M. Mastruzzi, "Governance matters IV: Governance indicators for 1996–2004," The World Bank, May 2005, http://www.worldbank.org/wbi/governance/govdata/, accessed November 18, 2005.

51. For example, with regards to ISO 14001 certification, P. Bansal and T. Hunter, "Strategic explanations for the early adoption of ISO 14001" found that early certifiers "had considerable environmental legitimacy and a strong international presence," which suggest that "early adopters were aiming to reinforce rather than reorient their existing strategy with respect to the environment" (p. 289).

52. Indeed, K. Bondy, D. Matten, and J. Moon ("The adoption of voluntary codes of conduct in MNCs: a three-country comparative study," *Business and Society Review* 109(2004): 449–477). found that British

firms, in particular, "have, or attempt to have, a distinct reason for using codes [of conduct]as a way of differentiating themselves in a marketplace," whereas German firms "have gone further to embed [corporate social responsibility] within the culture of their organizations" (p. 467). In relation to banking, Freshfields Bruckhaus Deringer, "Banking on responsibility," in its survey of Equator banks, noted that "Barclays, Lloyds TSB, Standard Chartered, Banco Itau, and ABN AMRO, among many other Equator banks and non-Equator banks, clearly had well-established principles, standards, and policies to assess environmental risk and (to a degree) the social and environmental impacts of projects" (p. 55).

53. R. Jenkins, *Transnational Corporations and Uneven Development: The Internalisation of Capital and the Third World* (London: Methuen, 1987): pp. 27–30; J. Madeley, *Big Business, Poor Peoples—The Impact of Transnational Corporations on the World's Poor* (London: Zed Books, 1999); J. Stopford, S. Strange, and J. Henley, *Rival States, Rival Firms: Competition for World Market Shares* (Cambridge: Cambridge University Press, 1991): pp. 170–173; T. Tsai, *Corporate Environmentalism in China and Taiwan* (Great Britain: Palgrave, 2002).

54. Major non-Equator banks based in China include the Bank of China, the Industrial and Commercial Bank of China, the China Development Bank, the China Construction Bank, and the Agricultural Bank of China. The Bahrainian bank is the Gulf International Bank, whereas the Emiratian bank is the Abu Dhabi Islamic Bank, see Euromoney, *Project Finance Yearbook 2004/2005*, edited by Michaela Crisell, Euromoney Yearbooks, part of Euromoney Institutional Investor PLC, September 2004.

55. "The Collevecchio Declaration—The Role and Responsibility of Financial Institutions," April 1, 2003, endorsed by 101 civil society organizations, http://www.foe.org/camps/intl/declaration.html, accessed November 18, 2005; also, see A. Missbach, "The Equator Principles: Drawing the line for socially responsible banks? An interim review from an NGO perspective," *Development* 47(2004): 78–84.

56. Governance data from Kaufmann, A. Kraay, and M. Mastruzzi, "Governance matters IV: Governance indicators for 1996–2004," The World Bank, May 2005; for home countries of Equator banks, see www.equator-principles.com, accessed November 18, 2005; "Major Non-Equator Banks" refers to financial institutions that are featured among the top ten mandated arrangers of project finance loans in at least one regional market, between July 1, 2003, and June 30, 2004 (*Euromoney*, 2004).

57. To illuminate, among financial institutions that make the list of the top 20 global mandated arrangers of project finance loans, 60 percent are Equator banks (as in Table 1). The corresponding figures for other services or functions are; global providers (55 percent), global book runners (45 percent), global managers (35 percent), global financial advisers (30 percent), and global legal advisers (none). (Euromoney *Project Finance Yearbook 2004/2005*, pp. 67–70.)

58. P. Bansal and T. Hunter, "Strategic explanations for the early adoption of ISO 14001," p. 297.

59. Specifically, BNP Paribas, Société Générale Group, and Lloyds TSB have not adopted the Equator Principles, as opposed to other financial institutions in their home countries. For a brief discussion of why some banks have considered adopting the Equator Principles, but decided against it, see Freshfields Bruckhaus Deringer, "Banking on responsibility," pp. 65–70.