Dissertation

entitled

Exploring EIA follow-up value in South African financial institutions: perspectives from Equator Principles signatories

submitted

by

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Student No: 65772636

in accordance with the requirements of the

degree

Master of Science in Environmental Management (DFENM 91)

in the

Department of Environmental Sciences

College of Agriculture and Environmental Science

at the:

University of South Africa

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November 2021

Declaration

I hereby declare that the dissertation which I submit for the degree, Master of Science in Environmental Management at the University of South Africa, is my work and has not previously been submitted by me for a degree at this or any other institution. This dissertation does not contain any work presented by other persons whether written, pictures, graphs or data or any other information without acknowledging the source.

Ruvishka Chetty

10 November 2021

Acknowledgments

The completion of this dissertation would not have been possible without the support and encouragement from several people to whom I am forever grateful:

- A special thank you to my parents, Dr and Mr Chetty for placing such value on education. It was only through your continued encouragement and support that this dissertation was completed successfully.

- To my sister, Prishni Chetty, thank you for being there for me throughout the process and for being my pillar of strength.

- I would like to extend my appreciation to all individuals who took the time and provided tremendous insights to allow me to carry out this research.

- To my supervisor, Professor Jan-Albert Wessels, I sincerely thank you for your guidance throughout my master’s journey. The effort that you make to encourage your students to achieving their best is admired and truly appreciated.

Abstract

Over the past decade, a sense of responsibility and accountability has been created for the financial sector, which encourages stronger verification measures that would need to be exercised to reduce the possible liability of irresponsible lending. As a result, financial institutions globally have adopted the Equator Principles. This risk management framework allows for determining, assessing, and managing environmental and social risks in projects, and allows for the strategic incorporation of ESG risk into project financing activities. EIA in central to these principles. Since EIA follow-up is crucial to determining the outcomes of the EIA but is often a missing part of the overall EIA process, this research set out to explore EIA follow-up value in the under-researched context of Equator Principle financial institutions, with regards to their project financing activities. Based on a pragmatic approach, this mixed method study used the perspectives of the Equator Principles signatories to allow for the exploration of the link between the two vital concepts in the study, i.e., EIA follow-up and value. To achieve this, data collection firstly involved conducting a review of literature to examine the knowledge in the research field by reviewing national and international literature on the study topic. Thereafter, primary data were collected through qualitative interviews and quantitative surveys from representatives of the South African Equator Principle financial institutions. Representatives of Project Finance, Environmental and Social, and Sustainability divisions were targeted. Analysis revealed a few areas that require strengthening to enhance EIA follow-up value in these institutions include improving the openness and transparency policies related to big projects and developments; penalties for non-compliance of EIA follow-up activities by clients; and establishing a category of high-risk projects to require EIA follow-up reports over long term and not only until the loan of the project is repaid. Despite these aforementioned areas for improvement, EIA follow-up was found to be a vital process and furthermore, perceived as a positive tool in project financing activities in the South African Equator Principle financial institutions.

Table of Contents

List of Tables

List of Figures

List of Abbreviations

BASA:	Banking Association of South Africa
CRISA:	Code for Responsible Investing in South Africa
CSR:	Corporate Social Responsibility
DEAT:	Department of Environmental Affairs and Tourism
EIA:	Environmental Impact Assessment
ESG:	Environmental and Social and Governance
EPs:	Equator Principles
EPFI:	Equator Principle Financial Institution
IFC:	International Finance Corporation
NGO:	Non-Governmental Organisation
SDGs:	Sustainable Development Goals
UNEP FI:	United Nations Environmental Program-Finance Initiative
WEF:	World Economic Forum

Chapter 1: Introduction

The latest Global Environmental Outlook assessment, released at a United Nations environmental conference in 2019, stated that the condition of the earth's environment has continued to worsen, and urgent action was necessary to seize and reverse the current situation and to further encourage sustainable development (Parker, 2019). Global environmental issues such as extremes of climate change, population growth and scarcity of resources, along with the rapid rate of economic development, require the banking sector to be proactive in ensuring sustainable development and considering the impact that their activities have on the environment (Deka, 2015; Simic, 2019). The United Nations Conference on Environment and Development (commonly known as the Earth Summit) was a milestone event that reinforced international acknowledgment of the Environmental Impact Assessment (EIA) as a global approach to allow for more informed decision-making on crucial environmental matters, and which has led to its global adoption by a growing number of financial institutions (Sanchez & Croal, 2012).

The EIA is a legal requirement in many countries (Betey & Godfred, 2013). A recent report conducted by the South African Department of Environmental Affairs and Tourism highlighted that the EIA itself lacks effectiveness and cannot achieve much in isolation (DEAT, 2018). As a result, authors over the past decade have placed emphasis on the importance of EIA follow-up (Cele, 2016; Clarke & Vu, 2021; Pinto *et al*., 2019; Wessels, 2015). Jalava *et al*. (2015) claim that EIA follow-up is often considered to be a weak, or even missing, element in the EIA process and a systematic approach to EIA follow-up is necessary for environmental protection. In earlier studies, evidence of EIA follow-up suggests the valuable role it plays in good development practice (Marshall, 2005) and demonstrates how the functions of EIA follow-up allow for the monitoring and assessment of environmental and social impacts associated with a project (Morrison-Saunders *et al*., 2007). More recent publications verify that information obtained from the follow-up process supports the main goal of the EIA itself (Clarke & Vu, 2021; Gwimbi & Nhamo, 2016; Jalava *et al*., 2015). In parallel. the South African Department of National Treasury highlighted the importance of the assessment and management of long-term risks for value creation in financial institutions - including those related to Environmental and Social Governance (ESG) (Department of National Treasury, 2020).

Global discussions on the concept of materiality have broadened the gap relating to corporate reporting and valuation and, thus, calling for materiality management to be thorough when it comes to incorporating ESG factors into corporate practices (Madison & Schiehll, 2021; Murninghan, 2013). The Equator Principles (EPs) is a risk management framework, voluntarily adopted by financial institutions for determining, assessing and managing environmental and social risks in projects, and allows for the strategic incorporation of ESG risk into project financing activities (Ahmed & Rahman, 2014; Baloyi, 2020) thus, playing a role in value creation in these institutions.

In consideration of the above, there is an observed relationship between the EPs, the role this plays in addressing ESG issues in project financing, and its adoption for value creation in signatory institutions. Researchers, however, have raised concerns on voluntary guidelines, such as the EPs, and their efficiency in tackling ESG issues (Osellame, 2013; Worsdorfer, 2017), which could consequently impede value creation in these institutions. Keeping in mind that the EIA is central to the EPs (Morgan, 2012; Siregar & Utomo, 2019) along with claims of follow-up being a missing, but vital, component of the EIA (Jalava *et al*., 2015), the main interest in conducting this study was to explore EIA follow-up value, particularly within the context of EPs financial institutions.

1.1 Background to the study

In a 1987 report entitled '*The World Commission on Environment and Development: Our Common Future'*, the chairperson described the environment and development as being inseparable from one another other: the environment is where we live, and development is what we do to improve life within the abode (Brundtland, 1987). This report, presented to the UN General Assembly in 1987, was authored by a team of highly qualified political and scientific individuals to formulate an integrated approach to global concerns on sustainable development. The report addresses governments through their agencies and ministries as well as private enterprises and the public, who all play a vital role on the path of progress towards sustainable development. Sanchez and Croal (2012) stated that the challenges presented in the Brundtland Commission have not been met since 1992 and suggested that the lack of EIA enforcement, especially as a tool for achieving sustainable development, could be the reason for this. The contribution that EIAs could make to achieving sustainable development goals was also later advocated by Morrison-Saunders *et al*. (2020). The EIA is a systematic process, used to identify, predict and evaluate the environmental effects of a proposed project, thus reducing the burden of such effects, which is necessary for developments to be sustainable (Imran & Nadeem, 2012; Morrison-Saunders *et al*., 2020; Saeed *et al*., 2012).

Adam (2020) clarified that the term "financial institutions" is in fact inclusive of banks which are described as companies dealing with a range of monetary transactions. In consideration of this, it is important to note that the term 'bank' is occasionally used in this dissertation, as opposed to ‘financial institution’ (term used in the Equator Principles). The Sustainable Development Goals (SDGs) set by the United Nations Development Programme in 2015, include targets to achieve a more sustainable future for all and banks will play a critical role in providing both finances and expertise to meet these targets (Simic, 2019). According to the United Nations, the SDGs are a blueprint to achieve, by 2030, a more sustainable future for all (United Nations, 2020). The seventeen global goals, aimed at addressing global challenges include: no poverty, zero hunger, good health and wellbeing, quality education, gender equality, clean water and sanitation, affordable and clean energy, decent work and economic growth, industry, innovation and infrastructure, reduced inequalities, sustainable cities and communities, responsible consumption and production, climate action, careful management of life below water, sustainably managed life on land, peace, justice and strong institutions, and partnerships.

Global initiatives, such as the United Nations Environmental Program-Finance Initiative (UNEP FI) and the EPs, informed the development of the 2011 Code for Responsible Investing in South Africa (CRISA) and in 2014, the Banking Association of South Africa (BASA) launched the Principles on Social and Environmental Risk Management further making reference to the EPs and UNEP FI (Ward & Naude, 2019). The King IV Report and Code on Corporate Governance for South Africa, published in 2016, provides guidelines for better corporate governance practices in South Africa which included financial institutions (King IV, 2016). The King IV allows for consideration of environmental and social features and despite it being a globally recognised approach it is considered theoretically and in practice, on a voluntary basis, in South Africa (Sustainable Banking Network, 2018).

According to Siregar and Utomo (2019), the EPs were noted as an important tool in the process of predicting the environmental impacts of a project. Thus, institutions that adopt the EPs must develop internal processes and policies that are consistent with the EPs and include a common framework for the identification of low, medium and high environmental and social risks through Environmental and Social Impact Assessments, which are usually conducted by external consultants (Conley & Williams, 2011; Siregar & Utomo, 2019). The EPs therefore play a role in addressing ESG risk and in addition to this, become increasingly significant in reducing liabilities in project financing (Ahmed & Rahman, 2014; Barry, 2020; McIntyre, 2015). The aforementioned is further acknowledged by the four South African Equator Principle financial institutions (Baloyi, 2020). The EPs call on banks to take environmental and social risks associated with projects, over the capital cost of USD 10 million, into consideration in their loaning decisions and to further refuse to finance projects that do not meet the basic environmental and social standards (EP Association, 2020). For project financing, environmental and social risks have far-reaching consequences since the repayment of the loans depends on the project's cash flow as well as on the collateral value of the projects' assets (Papadopoulos, 2009).

Authors such as Kennedy (1999) realised that there is a consensus in banks that EIAs could be used to improve the environmental soundness of investment operations. In a recent publication by the DEAT (2018) it was mentioned that the EIA can only be effective through on-going monitoring of development proposals, which highlight the importance of EIA follow-up in the South African setting. In the context of the banking sector, EIAs are noted as useful tools providing lenders with valuable information about environmental and social risks of a project (Banhalmi-Zakar & Larsen, 2015; Biswas, 2011). Banhalmi-Zakar & Larsen (2015) further suggested that the purpose of the use of such tools is to ensure sustainable development, by enhancing environmental and social outcomes of a project which in essence echoes the findings of Morrison-Saunders *et al*. (2020).

In South Africa, an abundance of literature advocates the importance of EIA follow-up in a range of different sectors (Alers, 2016; Cele, 2016; Wessels, 2015). There are also a few academic studies that stress the topic of financial instability and environmental quality (Yang, *et al*., 2020). Currently, however, there is a knowledge gap on the value of EIA follow-up activities in the specific context of the financial sector. This research will attempt to reduce this gap. Therefore, EIA follow-up value will be explored in the context of the South African Equator Principle financial institutions, for the purpose of value creation in the sector and ultimately, sustainable development at a national level.

1.2 Problem Statement

It has been stated that one of the more recent and growing corporate trends is the use of non-financial information and the greater consideration of ESG factors to guide investment decisions (Madison & Schiehll, 2021). Critical views of the Equator Principles question the desirability of the voluntary approach in effectively addressing ESG issues and has additionally been accused of potential 'greenwashing' effects (Baloyi, 2020; Lance, 2013; Osellame, 2013; Worsdorfer, 2015). This could therefore result in missed opportunities for value creation in the Equator Principle financial institutions, considering the link between ESG and corporate value creation (Henisz *et al*., 2019).

EIA follow-up was the pivotal factor, explored as a link to value creation in EP financial institutions, in this study. EIA has been acknowledged as a global approach to allow for more informed decision making, which has led to its worldwide adoption by a growing number of financial institutions (Sanchez & Croal, 2012), and it is furthermore central to the EPs (Morgan, 2012; Siregar & Utomo, 2019). Considering that EIA follow-up is crucial to determine the outcomes of the EIA (Clarke & Vu, 2021; Gwimbi & Nhamo, 2016; Jalava *et al*., 2015; Morrison-Saunders *et al*., 2007) but often a missing part of the overall EIA process (Jalava *et al*., 2015), it was imperative to explore EIA follow-up value in South African Financial institutions, with regards to their project financing activities. Thus, this research explored this notion by using perspectives of the Equator Principles signatories to allow for the exploration of the link between the two vital concepts in the study, i.e., EIA follow-up and corporate value creation.

1.3 Research question and sub-questions

The problem identified and discussed in the previous section led to the development of the following research question:

What are the South African Equator Principles signatories' perspectives on the value of EIA follow-up?

In pursuance of the above research question, the following research sub-questions were raised:

1. What are the expectations for EIA follow-up?
2. To what extent do South African Equator Principles signatories consider EIA follow-up in project financing activities?
3. What is the perceived relationship between EIA follow-up and value creation among the South African Equator Principles signatories?
4. What are the factors that might influence EIA follow-up value in South African Equator Principles signatory institutions?

1.4 Justification for research

In the specific case of the banking industry, studies pertaining to value creation are particularly limited (Zimmermann, 2019). Seeing as the EIA is central to the EPs (Morgan, 2012; Siregar & Utomo, 2019) and considering the valuable role that EIA follow-up plays in the continuous monitoring and verification of projects which fall subject to the EIA (Clarke & Vu, 2021; Gwimbi & Nhamo, 2016; Jalava *et al*., 2015; Morrison-Saunders *et al*., 2007), this study focused on exploring EIA follow-up value in an under-researched context such as that of the South African EP financial institutions.

With regards to sustainable development, there are no comparable examples of environmental legislation affecting banks directly although the closest equivalent may be the concept of ‘lender liability’, which would encourage the banking sector to assess and manage risks to lessen the consequences of bad lending decisions (Ward & Naude, 2019). In developing countries, issues concerning the environment have become critical and their reliance on the natural environment and resources for growth and development underline the need for implementing policy and strategies for the sustainable use of resources (Stockholm Environment Institute Report, 2013). Thombre (2011) explained that since the banking sector is a major source of finance to businesses and industries, a sense of responsibility and accountability is created for the sector; thus, strong verification measures would need to be exercised to reduce the possible liability of irresponsible lending.

With the exception of studies by Chonco (2009) and Baloyi (2020) who assessed the adoption of the EPs in South African banks, limited literature exists pertaining to the EPs within the South African context. The growing concerns of the adoption of the EPs being used for ‘greenwashing’, along with the related concerns regarding value creation in these EP institutions (Baloyi, 2020; Lance, 2013; Osellame, 2013; Worsdorfer, 2015), deemed it necessary to explore ways in which value can be created in these EPs financial institutions. Exploring the perspectives on EIA follow-up value in South African EPs financial institutions attempted to: determine the extent to which EIA follow-up is considered in project financing activities; determine the perceived relationship between EIA follow-up and value creation among these institutions; further identify any factors that might influence EIA follow-up value in these institutions.

This study will therefore provide insights regarding EIA follow-up in the context of the EPs signatory banks for the purpose of value creation. This could present an opportunity for South African EPs financial institutions to strengthen their ESG proposition and enhance value through the management of long-term risks, as advised by the Department of National Treasury (2020). Furthermore, possible shortcomings relating to the financial institution’s consideration of EIA follow-up could be identified which could result in improving this consideration in the future of the banks’ project financing activities. Lastly, the rationale of this study was supported by the advocacy of Marshall (2005) on EIA follow-up playing a valuable role in good development practice, which provides further justifications for the need to explore this notion in an under-researched context, such as the South African EP financial institution context.

1.5 Scope of the research

Due to time and budget constraints, only South African banks were included in this study. The scope of this research was limited to exploring EIA follow-up value in South African financial institutions, which included four South African Equator Principles signatory banks. Furthermore, these four banks have a dedicated project finance division which was relevant when exploring EIA follow-up, since the EIA is noted as an important tool in the division of project finance.

1.6 Structure of dissertation

This section provides an outline of the various chapters making up this dissertation.

Chapter 1:

The first chapter introduces the topic of this study and provides a background to the research problem. This is composed of a brief background on EIAs and the Equator Principles, as a guideline for addressing ESG risks and value creation. In addition to this, EIA follow-up is explained as often being a missing link to the process of the EIA and is consequently presented as the pivotal factor, explored in this study. The problem statement is also presented in this chapter, along with the research question and research sub-questions relating to the study. Finally, justification for the research was given, explaining the rationale for conducting this study. The rationale for the study addresses the lack of investigation of this subject matter and further highlights the value that such a study could add in a South African context.

Chapter 2:

The literature review is composed of both national and international literature aimed at examining the existing knowledge on the subject matter. The review is based on studies pertaining to corporate value creation; the Equator Principles; and EIA follow-up for the purpose of further understanding and conceptualising the research problem of the study. In addition to this, the review in this chapter served as a data collection method to answer research sub-question 1: What are the expectations for EIA follow-up?

Chapter 3:

This chapter first set out to outline the research design and methodology. It further encompasses the methods employed to achieve the intended outcomes of this study. The data collection and data interpretation explained in this chapter, aim to provide answers to the remaining research sub-questions, presented in Chapter 1. In this chapter, Figure 1 provides a schematic presentation of the research approach. The techniques adopted to ensure validity of the captured data is also explained in this chapter. Lastly, ethical considerations which guided the entire research process were mentioned.

Chapter 4:

A critical analysis of the research results makes up this chapter. These results are both qualitative and quantitative in nature and, furthermore, consist of a presentation of secondary data captured by means of the literature review in Chapter 2 of this study. Brief descriptions of these results can also be found in this chapter.

Chapter 5:

In this chapter, the research results, presented in Chapter 4, are discussed in greater detail in accordance with literature on the study topic. The research sub-questions make up the main headings of this chapter and the findings are critically reviewed in order to address the main research question that this research set out to answer.

Chapter 6:

The final chapter of this study focuses on concluding remarks for the research sub-questions of this study, which are again discussed under these main headings. In addition to this, recommendations for practice, policy and future research are also made in this chapter. This is followed by the conclusion to the main research question of this study.

Chapter 2: Literature Review

The purpose of this chapter is to examine the knowledge in the research field by reviewing national and international literature on the study topic. This review provided insights into those areas that are most relevant to this research by highlighting prominent aspects as well as shortcomings relating to the topic under study. A rapid review of literature allowed the assessment of what is already known about policy or practice issues and the use of systematic review methods to search and appraise existing research regarding these policies and practice issues on the topic. This allowed the development of criteria of best practice EIA follow-up (Table 4) which provided answers to research sub-question 1: *What are the expectations for EIA follow-up?* These criteria additionally guided the development of the interview questionnaire, to collect data, which provided answers for research sub-question 2: *To what extent do South African Equator Principles signatories consider EIA follow-up in project financing activities?*

In order to conceptualise and understand the research problem further, the review of current literature related to the study topic is structured as follows:

- Firstly, an overview of corporate value creation is given, which includes a section relating to how the concept of materiality is linked to this value creation. Literature on ESG then follows, highlighting the important role it plays in corporate value creation. The next section followed the guidance of Basah (2012) who highlighted the importance of exploring the policies and practices relating to natural risk management in project financing in banks. Therefore, the next section included literature relating to the environmental management practices by banks to enhance ESG proposition.

- Next, a brief summary explaining the Equator Principles was drawn, followed by literature on reasons why banks opt to adopt the voluntary guideline. Thereafter, literature relating to the shortcomings of the adoption of these Principles was reviewed. It is important to note that some authors opted to use the term ‘banks’ as opposed to Financial Institution (which is the term that the Equator Principles use). Adam (2020) explains that a financial institution is a company dealing with monetary transactions therefore, the term is inclusive of banks and their financial services (i.e., a bank is a financial institution).

- Considering that EIA is central to the EPs, which provides guidelines on the use of the EIA for project financing decisions (Morgan, 2012), the critical factor explored in this study is EIA follow-up and its links to value creation in EP signatory banks. Therefore, the final part of this review focused on perceptions on EIA follow-up, given that this study involved the collection of data on perceptions of the Equator Principles signatories in order to explore EIA follow-up value in project financing decisions in the South African financial institutions. In addition to this, literature on EIA follow-up; the use of EIA follow-up as good practice; and shortcomings of the process were also included in this review.

The literature review is therefore based on the following main headings:

- Corporate value creation
- The Equator Principles
- EIA follow-up

2.1 Corporate value creation

There is a need for widely accepted metrics by which anyone involved in the shaping and measurement of corporate performance can account for factors (non-financial) that affects the value creation in a corporate entity (Kalafut & Low, 2001). Following the guidance of this statement, Husted *et al*. (2015) found that when importance is given to social aspects of an organisation, it contributes to creating value in corporate entities. Kalafut and Low (2001) mentioned that researchers from Cap Gemini Ernst and Young developed a comprehensive model for value creation, which enabled companies to measure the impact of vital, intangible asset categories on companies' value. Thus, the research team suggested the following critical categories of non-financial performance affecting corporate value creation:

- Innovation
- Quality
- Customer relations
- Managerial capabilities
- Alliances
- Technology
- Brand value
- Employee relations
- Environmental; and
- Community issues

Kalafut and Low (2001) further advised that the model should be adapted to reflect changing sources of value and acquired knowledge, which would allow managers to have a complete view of value creation, eliminating the purely financial perspective. Jaki and Siuta-Tokarska

(2019) focused on the concept of corporate value creation in connection to challenges of sustainable development, which indicated the emerging need for change in the way values are perceived. A new imperative, based on the idea of responsibility, for the long-term development of the corporate entity needs to be implemented (Jaki & Siuta-Tokarska, 2019).

Rohrbeck (2012) aimed at contributing to the understanding of value creation from corporate foresight activities and link it to their practices and approaches. The study extracted various examples of value contribution and additionally found that corporate foresight has the ability to:

- Identify relevant changes on the market and technology side
- Trigger innovative initiatives
- Challenge innovative developments
- Moderate strategic discussions which involve the participation of internal stakeholders

In the context of the banking sector, Hargarter and van Vuuren (2018) explored the ways in which banks can manage and mitigate against risks associated with their conduct to ensure sustainability. According to these authors, current-risk approaches are inadequate, and literature is sparse despite the fact that regulators have imposed heavy penalties on banks for conduct failures. This study was crucial as it provided insights into how to approach a serious challenge - such as how banks can tackle the sustainability challenge with greater understanding of addressing conduct risk and out-of-the-box thinking for value creation in the sector.

The above literature pointed out aspects or areas that are vital to the notion of corporate value creation including the need for more responsibility in light of sustainable development as one of the emerging trends to creating value in corporate entities. In an attempt to unpack this concept in detail, the next section explains the concept of materiality and its importance to corporate value creation.

2.1.1 Materiality

Materiality was originally defined and applied in the context of financial accounting. However, the concept has extended, concerning financial social and environmental aspects associated with the bigger picture of sustainable development (Zhou, 2011). Murninghan (2013) claimed that a wider focus on materiality would need to focus on the broadening gap relating to corporate reporting and valuation, which entails:

- A long-term view of issues that could possibly affect success of its strategy

- A wider view of those whose actions affect performance and who would need to capture sound information in order to guide their judgements
- A deeper view of information (including both financial and non-financial data) required for sound decision making

Materiality management calls for the application of rigor and judgment on priority ESG issues, considering the emphasis on the integration of ESG factors into business practice and disclosure matters (Murningham, 2013; Saad & Strauss, 2020). According to Busco *et al*. (2020) the concept of sustainability has been interpreted to refer to ESG activities which in the process of addressing environmental and social issues the value of the corporate entity is maintained, or even increased.

Murningham (2013) further suggested that material issues can be embedded in a company's process in four ways that would ensure efficiency: strategy, performance, stakeholder engagement and reporting. Strategy aims to highlight emerging issues and incorporate them into strategy development to allow addressing them as business opportunities before they become business risks. The performance aspect involves enhancing the internal understanding of the link between ESG issues and the company's performance. Stakeholder engagement involves designing stakeholder engagement strategies, using a framework, to help with the identification of opportunities for discussion and collaboration. Lastly, reporting will allow for the strategic alignment of the scope of corporate reports for the purpose of enhancing its usefulness to external stakeholders.

Edgley *et al*. (2015) claim that the understanding of materiality amongst non-accounting organisations, with regards to social and environmental reporting, is rather laxly controlled by professional regulation, as their expertise regards the assessment of risk from an environmental and community perspective. Edgley *et al.* (2015) found that assurers understanding of social and environmental materiality was rooted in the traditional idea of accounting materiality and that materiality functioned as a stakeholder-orientated ethical lens, which focuses on issues that matter, or issues that could matter in the future, with regards to interactions between companies and society.

According to the World Economic Forum (WEF), many corporate value creation plans aim at performance and sustainability issues which are considered material (WEF, 2020). The next step would be the improvement of the performance of ESG issues (which are material to the corporate entity in the future) which would be of great benefit to the corporate entity (WEF, 2020). In a recent study, Madison and Schiehll (2021) explained the relevance of materiality towards stakeholder analysis and decision making. The findings from this study promote the idea of the importance of integrating financial materiality into the assessment of ESG performance of corporate entities.

Literature highlights the importance of the consideration of material matters on the topic of corporate value creation. Recent works such as publications from the WEF (2020) and Madison and Schiehll (2021) stress the significance of ESG issues as matters which are material to a corporate entity. Therefore, literature on the notion of ESG and corporate value creation notion is reviewed in the following section.

2.1.2 ESG and corporate value creation

Henisz *et al*. (2019) stated that the linkage between ESG and value creation is indeed a solid one and provides a framework for understanding the ways in which a strong ESG proposition can allow for corporate value creation. The first aspect involved top-line growth, which suggested that having a strong ESG proposition can help companies in expanding their markets, which would allow for better perceptions of the company by the public and relevant stakeholders. The second factor was cost reductions which explained how ESG has the potential to substantially reduce costs and in addition to this, it could combat rising operational costs. The authors also mentioned reduced regulatory and legal interventions; employee productivity uplift; and investment and asset optimisation as ways in which a strong ESG proposition allows for corporate value creation. While these five links to value creation are grounded in hard numbers, a soft side is also in play and businesses need to satisfy the needs of their customers, employees and the community in order to maximise this value creation (Henisz *et al*., 2019).

According to Fatemi *et al*. (2018) disclosure on ESG could impede value if it is perceived as being used for greenwashing. The authors thus conducted a study which focused on the question of whether the link between firm value and ESG activities is moderated by its disclosure on ESG matters. The main findings of this research indicate that ESG strengths increase firm value and concerns on ESG decrease such value. Interestingly, results demonstrate that having a high ESG disclosure weakens the valuation of the strengths, which could be attributed to perceptions that the firm is over-justifying its ESG activities. Overall, disclosure plays a vital moderating role in firm value (Fatemi *et al*., 2018).

Adams (2017) examined the inter-relationships between ESG risk; delivering on corporate strategy, non-financial corporate reporting in relation to board oversight, to explain the complex relationship influencing the ability of a company to create value. Drawing from insights from interviews with business leaders in South Africa and Australia, the figure below

(Figure 1) depicts the interrelationship between ESG risk and opportunity, strategy, and value creation.

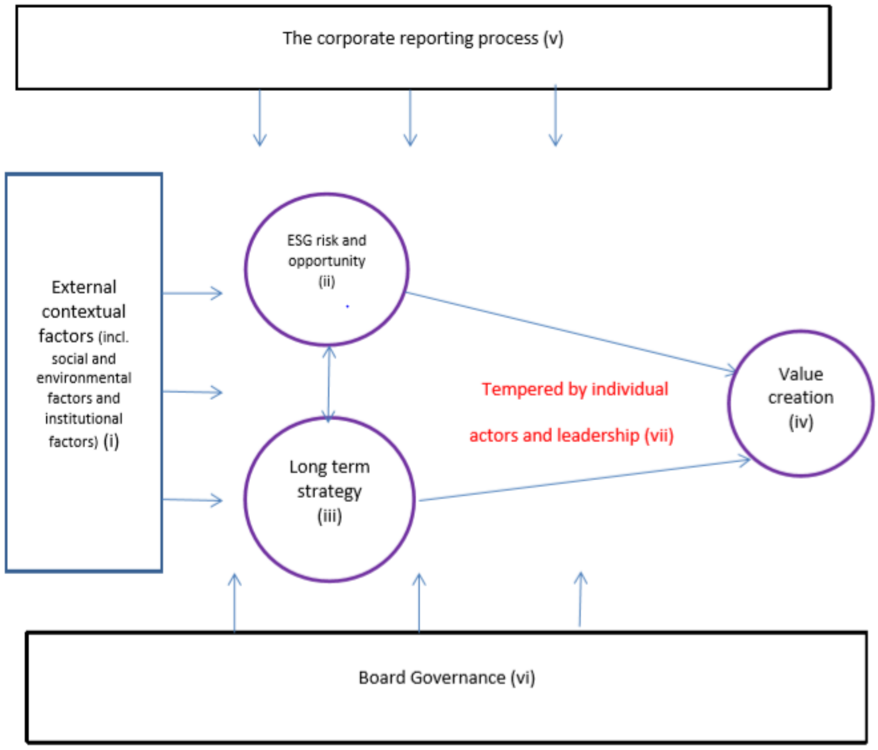


Figure 1: Conceptualisation of the corporate value creation process (Adams, 2017)

According to Adams (2017), research findings indicated a link between ESG issues and value creation but that there is still a lag in the responses from corporate entities and investors. The study revealed specific key findings for both countries. In the South African context, the study found that both national and global social and environmental factors had an influence on change in corporate entities. Integrated reporting, such as the Social and Ethics Board Subcommittees and the King III Code, encouraged a path towards positive change when it came to value creation in corporate entities. With regards to governance and corporate reporting, the focus on ESG was found to have increased over the past five to ten years with the concerns on social issues claiming a dominance over concerns on environmental issues. Adams (2017) further found that some of the implications and outcomes of incorporating ESG in corporate practices, included banks increasingly making lending decisions on an integrated basis as well as the strengthening of the links between Corporate Social Responsibility and strategy. This study further revealed that the South African respondents had a high level of awareness of the impact of social issues on the success of a business in the long run, while most also showed awareness on environmental issues. However, there were mixed perceptions on how these issues might impact on the business and furthermore, how these issues would be resolved. On the other hand, most of the Australian interviewees had shown frustrations at the lack of understanding of investors on issues relating to ESG and their short-term investment horizon as an obstacle to long term value creation (Adams, 2017).

Environmental issues play a role in pressuring executives, across various industries, to rethink their business (Lampikoski *et al*., 2014). According to Mocan *et al*., (2014), the voluntary integration of environmental and social concerns is increasingly becoming used in the banking industry, influencing the organisation's decision-making process. Mocan *et al*. (2014) explored the contribution of the aforementioned notions to value creation in the banking industry. The study identified the following benefits provided for financial institutions who integrate environmental and social concerns in their decisions regarding corporate practices: economic efficiency; improved company reputation; employee loyalty; efficient communication between society and the banking industry; new opportunities; and an increase in organisational commitment.

With specific regards to project financing activities for value creation in financial institutions, Basah (2012) explored corporate social responsiveness to investigate the actual performance and implementation of natural environmental management strategies in the Malaysian banking sector. Interestingly, it was found that while most of these institutions had written policies and reports to show their commitment to sustainable management of the natural environment, the commitments might in fact differ from the actual performance and implementation. Therefore, Basah (2012) suggested that a study exploring the policies and practices relating to natural risk management in project financing is required.

It is evident from the literature that the link between ESG materiality and corporate value creation exists. Bearing in mind that this research involved the analysis of the banking sector, the next section consists of literature presenting an overview of the various environmental management practices that banks implement in an attempt to enhance their ESG propositions.

2.1.3 Environmental management practices by banks to enhance ESG proposition.

The impacts of banks' investment decisions trigger the interests of a wide range of external stakeholders who want to know more about the behaviour of banks and the different kinds of principles they promote (Ward & Naude, 2019). It has been at least since the 1990s that banks have acknowledged the reputational risk associated with investing in businesses, or projects, that depend on natural resources for their operation and according to Ward and Naude (2019), these are reputational risks which bring forward questions as to the legitimacy of financial activities of the bank.

Biswas (2011) mentioned how environmental management can involve analysing the project in terms of its nature, scale, and magnitude of environmental impact, which can be achieved by conducting an EIA. The EIA of each project should recommend measures which seek to prevent, reduce, and mitigate associated adverse environmental impacts, prior to making lending decisions and financing of the project. The evaluation of real property and its potential environmental liability; post transaction monitoring; and the provision of green loans, are all strategies that could be implemented by banks for the purpose of making informed decisions and choosing to finance certain projects (Biswas, 2011). Khalid *et al.* (2012) found that in order to analyse Malaysian projects under finance by banks, a majority of the banks used EIA reports, which was a provision made by the Department of Environment in Malaysia. It was found that the banks in the study also made used of internal and external audit assessment on their operations and activities.

According to Ranti *et al*. (2015), credit management is basically the application of four management principles: planning, organising, directing and controlling. Weber (2012) analysed how Canadian banks integrate sustainability risks into credit risk management and how these banks perform regarding the environmental examination of loans, credit, and mortgages compared to their global peers. In this study, it was suggested that banks should maintain sound lending policies, acceptable procedures for credit administration, and guidelines for the monitoring of lending functions to promote sound credit management. The research was conducted using environmental, corporate social responsibility or sustainability reports to measure environmental performance of the banks and to conduct a review of sustainable banking. The dimensions of sustainable banking identified by Weber (2012) included internal environmental management (focusing on cost and risk reduction); environmental credit risk management (cost and risk reduction); innovation and carbon finance; socially responsible investment especially regarding reputation and legitimacy; and impact investment (also focusing on reputation and legitimacy).

A concern for environmental sustainability has allowed for the mass recognition of corporate social responsibility, benefits that have gained the interest of regulatory authorities, consumers, NGOs, employees, as well as an abundance of interested international bodies (Tara *et al*., 2015). These authors found that banks in India are still in their early phases of green banking which could be exploited to gain an advantage in the market. The study found that green banking consciousness is quite significant in the higher levels of management, but that this decreases within the lower management levels and is the lowest amongst the employees who are in daily contact with the bank's customers. Since the activities of the bank have significant influences on the environmental perception of the clients, this drive towards environmental sustainability within the bank will raise environmental awareness among their clients and will force its clients to perform in environmentally friendly ways which, in turn, enhances the image of the bank in totality (Tara *et al.*, 2015).

Banhalmi-Zakar and Larsen (2015) explored the potential for strategic environmental assessments (SEA) to be used as a useful tool for banks in the management of environmental risks and making informed lending decisions. Such SEAs carried out for land-use plans can assist in identifying environmental risks associated with the proposed developments and having knowledge about the sensitivity of an area that banks are financing, could help anticipate possible environmental and financial risks (Banhalmi-Zakar & Larsen, 2015). The study found that SEA can be used to in the early planning stages, while the EIA comes into play at the project level when preliminary decisions about a project have already been made.

It is also evident from a range of published literature that the link between corporate value creation and ESG materiality is widely acknowledged within corporate entities, including banks, have implemented a variety of strategies in response to ESG issues. Now that this notion has been explored, the next section of this review refers to the Equator Principles. Considering that these principles are used as a framework to manage ESG and create corporate value, and more so that this research focused on signatories of the Equator Principles, relevant literature on this is provided in the following section.

2.2 The Equator Principles

Ahmed and Rahman (2014) stated that the Equator Principles are a voluntary guideline, adopted by banks, which allows for the strategic incorporation of ESG risk into lending decisions. The main intention of the EPs, as stated by Papadopoulos (2009), is to ensure that the projects which banks finance are developed in a socially responsible manner that further reflects sound environmental management practices. A summary of the Equator Principles is provided in Table 1 below, according to the Equator Principles IV (2020):

Table 1: Summary of the Equator Principles. Modified from Equator Principles IV, (2020b).

Equator Principle	**Description**
Principle 1: Review and Categorisation	The risk of a project proposed for financing must be categorised by the Equator Principle Financial Institution (EPFI), based on environmental and social screening criteria of the IFC. Considering their environmental and social impacts, projects are then classified into Category A (significant impacts), Category B (limited impacts) or Category C (minimal or no impacts).
Principle 2: Social and Environmental Assessment	For all Category A and, as appropriate, Category B projects, the EPFI will require the client to conduct an appropriate Assessment process to address the relevant environmental and social impacts of the project. The Assessment documentation should further propose measures to minimise, mitigate and compensate for risks and impacts to workers, the affected communities, and the environment.
Principle 3: Applicable Environmental and Social Standards	The assessment process should comply with the relevant host country's laws, regulations and permits pertaining to environmental and social issues. The EPFI would evaluate the project's compliance with the applicable standards, with supporting advice from Independent environmental and social consultants (where applicable). Review of the assessment process will establish the sponsors satisfaction with the compliance of the applicable standards.
Principle 4: Environmental and Social Management System and Equator Principle Action Plan	The EPFI will require the client to produce and/or maintain an Environmental and Social Management System (ESMS) for all Category A and B projects.
Principle 5: Stakeholder engagement	For all Category A and Category B projects, the EPFI will require the client to demonstrate effective and ongoing stakeholder engagement in a structured way, that is appropriate to the specific Affected Community.
Principle 6: Grievance mechanisms	As part of the ESMS, the EPFI will require the client to establish grievance mechanisms, designed to for the use by affected communities and workers, in order to facilitate resolution of concerns/grievances about the environmental and social performance of the project. This is for all Category A and, as appropriate, Category B projects.
Principle 7: Independent Review	In order to assess compliance to the EPs, an independent environmental and social consultant will carry out an independent review of ESMS and stakeholder engagement documentation for all Category A and, as appropriate, Category B projects.
Principle 8: Covenants	Covenants linked to compliance is included, which strengthens the EPs.
Principle 9: Independent Monitoring and Reporting	The EPFI will require the client to retain experts to verify the monitoring information to assess the projects compliance with the EPs after the financial close and over the life of the loan. The independent monitoring and reporting would be required for all Category A and, as appropriate, Category B projects.
Principle 10: Reporting and Transparency	The EPFI must commit to, at least annually, reporting publicly on the implementation process and experience of the EP.

The applicable standards referred to in Principle 3 are the IFCs Performance standards. The performance standards, according to IFC (2012), are listed as:

PS1 - Assessment and Management of Environmental and Social Risks and Impacts

PS2 - Labour and Working Conditions

PS3 - Resource Efficiency and Pollution Prevention

PS4 - Community Health, Safety and Security

PS5 - Land Acquisition and Involuntary Resettlement

PS6 - Biodiversity Conservation and Sustainable Management of Living Natural Resources

PS7 - Indigenous Peoples

PS8 - Cultural Heritage

The EFPIs do not formally adopt the guidance notes which accompany each Performance Standard however, the notes can be used as a reference by clients when seeking guidance, or simply understanding each of the Performance Standards (Equator Principles IV, 2020).

The Equator Principles is a framework for incorporating ESG issues into project financing, has been explained in greater detailed in the above section of this review. To understand the subject matter and problem of the research topic further, the following section will look at some of the reasons why banks opt to make use of this framework.

2.2.1 Reasons why banks adopt the Equator Principles

Amalric (2005) found three plausible explanations for why banks tend to adopt voluntary standards, such as the EPs, in project financing. These were based on three different kinds of risk:

- Reputational risk associated with campaigns held by Non-Governmental Organisations (NGOs)
- Credit risk stemming directly from environmental and social risks of projects; and
- The risk of change in the dominant development philosophy, which could possibly lead to the reduction in demand for project financing

According to Conley and Williams (2011), the reasons why major banks adopt the EPs had to do with several factors. The Non-Governmental Organisation (NGO) factor mentioned by Amalric (2005) had to do with the role that NGOs play in the adoption of the EP by banks which, according to the authors, was quite clear and consistent. Banks were found to adopt voluntary guidelines, such as the EP, to avoid being targeted by NGOs.

Financial risk management was another factor that encouraged major banks to adopt the EPs (Conley & Williams, 2011). These authors found that many institutions mention financial reasons for adopting the EPs, which often overlapped with stated concerns about reputational risk, as many of these institutions acknowledged that loss of reputation would lead to direct, as well as indirect, financial repercussions. Project finance loans are non-recourse and Papadopoulos (2009) describes this as a method of funding in which the lender looks at the revenues generated by a single project as means of repayment of the loan. The risk of project finance loans being non-recourse allows for the possibility of the lender not getting paid if projects were to shut down due to social and environmental issues. Therefore, the concept of 'lender liability' would be emphasised in this factor (Conley & Williams, 2011). The authors further found that there were mixed perceptions as to the presence and strength of the affirmative case for adopting the EPs. While association between social responsibility and performance exists, no causation was necessarily shown. Therefore, the value of branding a company as socially and environmentally responsible forms a big part of why institutions elect to adopt the EPs.

Other motives for adopting the EPs have to do with the fact that it offered good public relations and some further believe that the adoption would make them better citizens and offer good corporate citizenship. This was referred to as 'soft factors' by Conley and Williams (2011) who further stressed that due to a growing environmental consciousness, nowadays people make decisions in a manner differently from those in the past. The presence of powerful and persuasive executives in EP signatory banks who believe in Corporate Social Responsibility (CSR) and the EPs as a way of achieving this, was also noted as part of 'soft' factors.

Osellame (2013) sought insights into claims of adopting the EPs as an illustration of the practical effort of CSR in the Canadian banking sector. The study found that pragmatic and self-interested business motivations were the factors behind the adoption and implementation of the EPs in Canadian banks, which was consistent with the findings of Conley and Williams (2011) on the role soft factors played in the adoption of the EPs. The findings of Osellame (2013) likewise stressed how banks adopted the EPs as they were perceived as being good for business and banks could use them in their own self-interest, to manage reputational risks in some of their lending activities.

Worsdorfer (2017) stated that respect for human rights within the EP framework is closely related to environmental protection and socio-environmental stewardship, along with the fulfilment of corporate environmental and social responsibility. According to the Equator Principles III (2013) a list of potential socio-environmental and human rights issues, tackled by the EPs, include:

- Protection and conservation of biodiversity;
- Sustainable resource management and use of renewable natural resources;
- Management and use of dangerous substances as well as chemical waste management;
- Efficient production, delivery and use of energy;
- Pollution prevention and waste minimization;
- Prevention, mitigation and management of adverse human rights impacts;
- Labour and occupational health and safety issues;
- Participation and consultation of affected stakeholders in the project
- Socio-economic impacts;
- Impacts on affected communities and disadvantaged/vulnerable groups;
- Gender impacts;
- Land acquisition and involuntary resettlement;
- Impacts on indigenous peoples; and
- Protection of cultural property and heritage

Chonco (2009) assessed the adoption of the EPs by South African banks and found that all banks, in the study, agreed that there was a need to manage environmental and social risks associated with project financing. A summary of the key factors found in this study that were considered by South African banks in their decision to adopt the EPs is as follows:

Driving factors and benefits:

- Environmental and social responsibility
- State of legislation in project host countries and risk management
- Peer pressure
- Improved financial and reputational risk management
- Improved reputation
- Participation in syndication loans acquiring funds from Development Finance Institutions

Constraining factors and costs:

- Problems associated with demonstrating a business case
- Implementation costs
- Increased scrutiny from NGOs and public pressure
- Costs of losing business to non-Equator Principles signatory competitors

The constraining factors have a relatively lower influence when compared to the driving factors, which could explain the decision of South African banks to adopt the EPs (Chonco, 2009). In a later study, in the same context, Baloyi (2020) likewise found that the benefits of the EPs far outweighed the challenges as the framework allowed for responsible investment that consequently promotes the reputation of the institution.

Grey areas within the Equator Principles framework and challenges with its implementation will be focused on in the following section. This was an attempt to explore the topic and highlight challenging areas identified by literature, which could also be challenges experienced in South Africa Equator Principles signatory institutions.

2.2.2 Shortcomings of the Equator Principles

In an early study conducted by Amalric (2005) it was found that if banks use the EPs to screen projects for social and environmental risks, the initiative will only make a small contribution to sustainable development. It was suggested that NGOs and EP banks should work closely together to refine the EP standards to ensure that projects don’t undermine sustainable development (Amalric, 2005). According to Dubois and Dubois (2012), the major stakeholder groups, including regulators, investors, employees and consumers, are likely to notice gaps in the commitment to environmental sustainability and it is such gaps that could lead the efforts of the organisation to be perceived as whitewashing, or in this case “greenwashing”.

Worsdorfer (2017) claimed that the EPs are not directly equipped for a positive, leverage-based CSR concept, thus impeding the ability of the guideline to bring about positive impacts and value creation. The various shortcomings of the EPs were identified according to Worsdorfer (2017), who further recommended that these shortcomings be addressed to strengthen the EP framework. These shortcomings are summarised as follows:

- There are multiple grey areas the Principles. The EPs imply no legal obligations which enable the EPFI and their clients to circumvent the Principles.
- The EPs are a non-binding governance system, as the disclaimer (EP Association) does not create any rights or liabilities. The Principles, therefore, rely solely on self-regulation and self-enforcement as no mechanisms are in place to ensure accountability and liability.
- The guidelines of the EPs exist without appropriate accountability, monitoring and auditing systems.

- The ineffectiveness of a self-regulatory EP regime brings forth questions as to whether the EPs have enough legal stance so that institutions that fall behind on their voluntary Environmental and Social commitments are held accountable and penalised.

Schepers (2011) found that the EPs require strengthening and the variance regarding capacity building and implementation coupled with low disclosure would leave EPFIs open to criticism relating to poor industry performance. In a different study, Osellame (2013) stated that voluntary CSR initiatives, such as the EPs, are bound to gain criticism due to the lack of necessary compliance and enforcement measures. It was suggested that banks make greater efforts in promoting transparency in their EPs reporting and compliance to avoid being branded as ‘free-riding’. In a later study, Baloyi (2020) found that despite its benefits, the EPs lacked capacity, policies, funds and structure, which led to reasons why companies do not adopt the principles and incorporate them into their decision-making, in South Africa.

A review of this section revealed many benefits that accompany the adoption of the Equator Principles. On the other hand, some literature also points out shortcomings of the process of implementation which leaves room area for improvement, which could then enhance corporate value creation. The following section focuses on EIA follow-up. This subject was pivotal in this research as EIA follow-up was explored as a link to enhance corporate value for South African Equator Principles financial institutions.

2.3 EIA follow-up

An EIA follow-up can be described as the monitoring and evaluation of the impacts of a project, which has been subject to EIA, for the purpose of management of, and communication about, the environmental performance of that project (Morrison-Saunders & Arts, 2004). Thus, EIA follow-up is an essential part of determining the outcomes of the EIA (Morrison-Saunders *et al*., 2007) and should occur as a component of the EIA process to prevent it from being a *pro forma* exercise (Marshall *et al.,* 2005).

Arts *et al*. (2001) identified four essential activities for EIA follow up: monitoring; evaluation; management; and communication. According to Marshall *et al.* (2005), follow-up links the pre-decision and post-decision stages of the practice of EIA and further allows for the bridging of the implementation gap, as shown in the diagram in Figure 2.

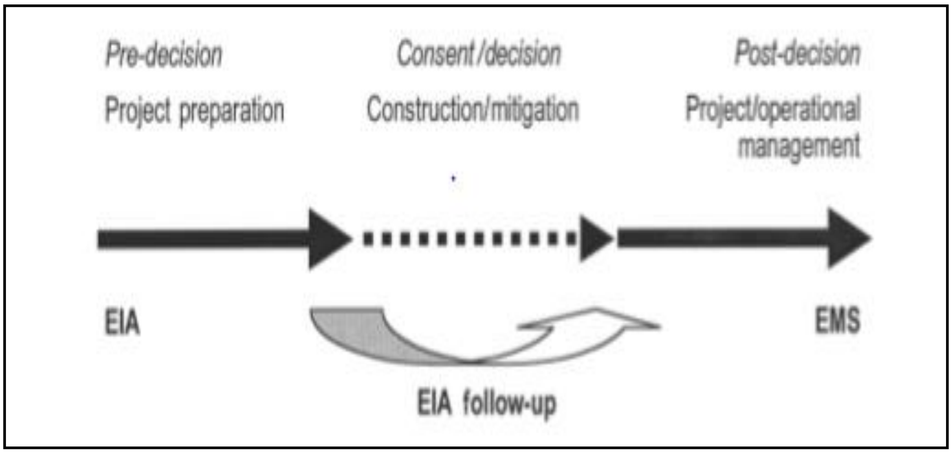


Figure 2: EIA follow-up bridging the implementation gap. Adopted from Marshall (2004).

Seeing as this study gathered perceptions from individuals in the South African Equator Principles financial institutions, the following section incudes literature reviewing perceptions of the EIA and EIA follow-up process. The perceptions have been categorised and includes inputs from a range of role players in the EIA/EIA follow-up process.

2.3.1 Perceptions of EIA follow-up

The EIA community consists of a range of practitioners and experts across various disciplines and includes government officials, consultants, and other professionals. It is this diversity, according to Morgan *et al*. (2012), that opens up the possibility for diverse perceptions and practices with regard to the EIA system. It is believed that the consideration of the individual traits of managers emphasises the need for deeper investigations into corporate sustainability, in an attempt to paint a more holistic view of sustainability management and facilitate greater awareness of its importance (Visser and Crane, 2010). To ensure a holistic view on companies and their environment, Kiesnere and Baumgartner (2019) explored change agents as a descriptive aspect of sustainability management, in practice, and found that sustainability implementation is easier when sustainability values are aligned with organisational, as well as personal values. Support from top management was among the top five factors that were frequently recognised as drivers of sustainability implementation, which are rooted in personal and organisational values (Kiesnere & Baumgartner, 2019). Keeping this in mind, literature was reviewed with specific focus on EIA professionals' perceptions of the EIA system, with particular attention paid to EIA follow-up.

2.3.1.1 General perceptions of the EIA system and follow-up activities

In an early study undertaken by Abebe *et al.* (2007), interviews gathered opinions and perceptions of specialists, the community and management bodies on the critical factors affecting the successful implementation of EIA mitigation measures. Analyses compared the different perceptions of the stakeholders, and it was found that weaknesses in implementing EIA mitigation measures was based on the following:

- Lack of an organised action plan
- Different opinions of the people involved
- No environmental specialist involved
- Lack of accountability and responsibility

Jha-Thakur (2011) found that perceptions of EIA follow-up are largely influenced by regional variation as a result of environmental, social, economic, political and managerial factors. Table 2 below further presents a summary what each of these aforementioned factors is influenced by**.**

Table 2: Factors influencing perceptions on EIA follow-up. Adopted from Jha-Thakur (2011).

Factor	Influences
Environmental	Geographic characteristics of an area Landscape and geo-mining conditions
Social	Cultural values of people Occupational characteristics Social awareness Environmental consciousness Attitudes Educational and population identity
Economic	Existing stable infrastructure Resources Company profits Economic health of affected population
Political	Local politics State governance State regulatory bodies Corruption levels
Managerial	Organisational culture

The influence of organisational culture on EIA follow-up perceptions was only declared by a few respondents in the study; however, it was stressed that this indeed had a strong influence.

2.3.1.2 Perceptions of the legal aspect of EIA follow-up

Sandham *et al*. (2013) claimed that the South African EIA system had its legal basis restructured in 2006, which, while this resulted in the system being generally sound, implementation was still lacking. The authors explored whether EIA quality improved after the restructuring of the EIA legislation but found that it had not. Therefore, it was stated that improvements should be sought in other ways including the training of EIA role players and better good practice guidance (Sandham *et al*., 2013). In a later study conducted by Ndlovu (2015), it was mentioned that the South African Environmental Management legislation is not known for its EIA follow-up as this process is still considered to be a weak area within the EIA system. The notion of EIA follow-up being a weak aspect of the EIA process is echoed by numerous other authors (Appiah-Opoku & Bryan, 2013; Arts *et al.*, 2001; Gwimbi & Nhamo, 2016; Jalava *et al*., 2015; Nadeem & Hameed,2010).

Arts *et al.* (2012) captured the responses of professionals in the United Kingdom and the Netherlands as to their perceptions on EIA effectiveness. The study found that both countries highlighted the importance of governance mechanisms regarding EIA and follow-up. Governance mechanisms were considered to be fairly important albeit still limited in both countries (Arts *et al*., 2012). The study of Jha-Thakur and Fischer (2016) further investigated whether the survey participants merely viewed EIA as a legal obligation. Results showed that very few stakeholders thought that this was the case and both the experienced and the less experienced thought that having a legal obligation to conduct EIA and follow-up was often or always the case. Jones and Fischer (2016) aimed at identifying the level to which follow-up is being undertaken in the United Kingdom and to further understand the perceptions of the practitioners on barriers and challenges in regard to EIA follow-up. The findings support criticism that environmental benefits of follow-up are in fact not being translated into practice (Jones & Fischer, 2016). It was highlighted by the practitioners that enforcement and legislation were the most pressing challenges to EIA follow-up.

Khosravi *et al*. (2018) determined that there were certain contextual factors which led the EIA system to not having a positive effect on decision making, in a developing country such as Iran. The first factor mentioned was the legal basis in Iran. The legal system was described as not being strong enough to support action taken against EIA offenders and there is a lack of penalties for violations regarding EIA activities. These findings were similarly echoed in the study of Clarke and Vu (2021). The participants in this study stated that a lack of clarity on legislation for post EIA activities hinders the monitoring and auditing of these activities. This study also found that most respondents were of the view that penalties for non-compliance were too low and, therefore, there is a lack of incentive for EIA follow-up activities. The lack of political determination to improve the efficiency of the EIA system in Iran was noted as another contextual factor affecting the EIA system. As a result of this, certain parts of government and decision-makers perceive that approval pf EIAs cause delays to developments which are vital and necessary. The final contextual factor revealed in this Iranian study was the change in party policies. Most Iranian politicians believe that considering the environment leads to an unnecessary delay in development in the country. Conservative governments tend to focus less on environmental matters when compared to moderate governments and it was this change that affected the overall EIA system and its value in decision-making (Khosravi *et al*., 2018).

Based on facts gathered by Khosravi *et al*. (2019), it was concluded that weaknesses in the Iranian EIA system, including weaknesses in its follow-up activities, were linked with weak EIA legislation. Legislation rarely triggers action against EIA offenders in Iran (Khosravi *et al*., 2019). The study further found that all participants were of the view that there was a need for explicit legislation regarding EIA activities but that they also believed that this would be difficult to achieve practically due to the current state of laws and culture of the politicians in the country. Overall, the studies of Sandham *et al*. (2013) and Khosravi *et al.* (2019) each revealed that respondents perceived EIA legislation as an important building block in establishing an effective EIA system but that they also believed that legislation would not accomplish anything in isolation.

In South Africa, a duty of care section exists in the National Environmental Management Act (NEMA) which stipulates that every person who causes, has caused or may cause significant pollution or degradation to the environment, must take practical measures to prevent its occurrence or, if it cannot be avoided, minimise and rectify such pollution or degradation (Nupen *et al.,* 2019). These authors state that the purpose of this administrative enforcement is to provide a contravening party the opportunity to comply, by correcting their offensive actions. The authors refer to 'lender liability' as those who, under the provisions of the duty of care, can be held liable for significant pollution or degradation caused by the borrower. The net liability can therefore be extended to include persons who 'indirectly' contribute to, or benefit from, degradation or pollution. This is due to the lender being the responsible body for taking the necessary steps to avoid such pollution or degradation (Nupen *et al*., 2019).

Considering this statement, the perceptions of how legal aspects influence the South African banks consideration of EIA follow-up as one of the necessary steps to avoid pollution and degradation of the environment will be explored in the project financing activities.

2.3.1.3 Perceptions of the role of EIA in decision-making.

Jha-Thakur and Fischer (2016) conducted a Strengths, Weaknesses, Opportunity and Threat (SWOT) analysis of the EIA system in the UK and made use of a survey designed to explore effectiveness of the system as perceived by EIA stakeholders. The survey captured professional details of each participant as well as their experience which allowed efficient interpretation and discussion of the overall results obtained. There were very few participants who believed that EIA had no effect on project planning nor decision making. Results from the study further showed that the more experienced participants were, to some extent, more pessimistic than the lesser experienced. Interestingly, the stakeholders whose organisations related to the natural environment shared more optimistic response with regards to the EIA system and its influence in decision-making.

Jones and Morrison-Saunders (2017) concluded that the EIA process, including follow-up activities, had a positive influence on persuading participants to value environmental protection, which is evident in their mission statements and their internal decision-making procedures over a period of time. Several studies have focused on the idea of the EIA process facilitating more transparent decision-making and most of these involve interviews or questionnaires, which use a form of discourse analysis in order to recognise ways of improving participation of the public as well as stakeholder interaction (Loomis & Dziedzic, 2018).

2.3.1.4 Perceptions of the role of EIA in environmental management

For decades, banks have acknowledged the reputational risk associated with investing in businesses, or projects, that depend on natural resources for their operation and according to Ward and Naude (2019), it is these reputational risks which bring forward questions on legitimacy. Basah (2012) suggested that the implementation of strategies for management of the environment, in credit financing in Malaysia, is predominantly influenced by secondary stakeholders. These findings imply that environmentalist groups such as NGOs, the greater community, as well as the media all have important roles to play in ensuring better implementation of strategies in Malaysia's banking sector. Furthermore, these findings suggest that the implementation of environmental management strategies were also greatly influenced by other banks' environmental policies.

A good proportion of the professionals in the study conducted by Zvijáková *et al*. (2014) perceived the main purpose of the EIA system as being a tool to reduce impact on the environment. Despite the importance of monitoring and post EIA follow-up pointed out in this study, it was found that very little importance is given to these activities in Slovakia. Cele

(2016) made use of semi-structured interviews to explore participant's perspectives of EIA follow-up to provide valuable insights into their attitudes, as well as an indication of their fulfilment of their roles regarding follow-up practices. In general, most participants understood the purpose of EIA follow-up as a tool for sound environmental management, during development activities, which allowed them to cooperate with all procedures relating to EIA follow-up. On the other hand, the study found that some participants perceived environmental protection as a mere obligation to legislation, which contributed to their feelings of disregard towards environmental protection. The study also found that participant awareness of their roles and responsibilities facilitated accountability and contributed to the overall success of EIA follow-up. While overall, EIA follow-up procedure was commended, participants suggested improvements and further stressed the need to address weaknesses of the procedures involved in follow-up (Cele, 2016).

2.3.1.5 Perceptions of capacity building

Capacity building is noted as one of the mechanisms to improve EIA systems in many countries (Kirchhoff, 2006; Kolhoff *et al*., 2018). In addition to this, human capacity was pointed out as being one of the challenges hindering an effective EIA system, while most of the participants of the study perceived capacity building to be a more urgent requirement than explicit EIA legislation (Khosravi *et al*., 2019). There was also the pressing fact that there was inadequate staff and equipment required for monitoring and inspections. In an earlier study conducted by Khosravi *et al*. (2018), human capacity was noted as an additional contextual factor influencing the role of EIA in decision making in Iran. Participants of the study further believed that staffing of the EIA authority depended on the allocated funding and follow-up was not considered as there were no requirements to do so.

A study carried out by Fonseca *et al.* (2017) responded to a call for research in order to facilitate a better understanding and to hopefully reform the EIA process in Brazil, whose EIA system was under pressure to change. The critics of the EIA system, over its three decades, included industry associations, civil society and scholars who had pointed out areas of improvement in the EIA system which also include improvements in its follow-up control of licensed projects. The study sequentially collected and triangulated data from three sources: online surveys, focus groups and content analysis. The main issues identified reflected a general perception of ineffectiveness in the Brazilian EIA system stemming from low levels of institutional capacity and governmental procedures, which are time consuming. The low institutional capacity in Brazilian EIA agencies was attributed to a lack of financial as well as human resources (Fonseca *et al*., 2017). Low levels of institutional capacity were also pointed out by EIA practitioners in the UK, which was revealed in the study of Jones and Fischer (2016). This study additionally highlighted lack of funds as a barrier to efficient EIA follow-us, echoing the findings reported by Fonseca *et al*. (2017).

The next section forms a crucial part of this study as this allowed the development of criteria of what is considered as expectations for EIA follow-up. The criteria derived from this review, answered research sub-question 1 and furthermore, allowed for the determination of the extent to which EIA follow-up is considered in project financing activities in South African Equator Principle financial institutions (research sub-question 2). These criteria are presented in the results chapter of this dissertation (Table 4).

2.3.2 EIA follow-up as best practice

Marshall *et al*. (2005) formulated best practice guiding and operating principles for EIA follow-up, as listed in Table 3 below. These authors suggested that EIA follow-up offers more than just being a convenient way of agreeing development terms but also forms a link between EIA and subsequent environmental management practices. Frameworks for follow-up, applied through self-regulation, can improve stakeholder acceptance and reduce opposition to proposals for development. Thus, EIA follow-up plays a valuable role in good development practice and further contributes to corporate reputation (Marshall, 2005).

Paliwal and Srivastava (2012) pointed out that the role of EIA and associated follow-up is crucial in a developing country like India, given the challenges relating to environmental protection in the country. These authors further stated that a properly formulated follow-up process would increase awareness of environmental protection, among stakeholders and encourage enforcement and compliance.

More recently, Jalava *et al*. (2015) conducted a study in order to analyse the potential benefits, as well as usefulness, of follow-up activities in the context of the EIA. Their study identified conditions under which the requirements to strengthen the systematic aspects of follow-up would add value to environmental management. The theoretical rationale and contextual factors for EIA follow-up were summarized and conceptualised in a diagram that, firstly, lists contextual factors regarding EIA - how EIA requires wide consideration of a project's consequences and furthermore, how it supports knowledge gathering as well as follow-up planning. Then, authors list objectives of follow-up including identification of actual impacts; learning from actual impacts; creation of an information base for further management strategies (both on the project level and for the general EIA system); management of uncertainties and risk; evaluation of effectiveness of mitigation measures; and discussions relating to whether a project is achieving its set environmental objectives or not.

Table 3: International principles of best practice EIA follow-up. Adapted from Marshall et al. (2005, pp.178-180).

Guiding Principles	1. Follow-up is vital for the determination of EIA outcomes 2. Transparency and openness are vital components of EIA follow-up 3. A commitment to follow-up should be included in the EIA 4. The EIA follow-up should be culturally and socially appropriate 5. Cumulative effects and sustainability should be considered in EIA follow-up 6. EIA follow-up should be adaptive, timely and action orientated
Operating Principles	7. Proponents of change must agree to take responsibility for implementing EIA follow-up 8. EIA follow-up should be ensured by regulators 9. There should be the involvement of the community in EIA follow-up 10. All parties should cooperate without prejudice in EIA follow-up 11. The EIA follow-up process should promote continuous learning from experiences and improve practices in the future 12. EIA follow-up should have a clear division of roles, responsibilities and tasks 13. EIA follow-up should be goal-oriented, and objective led 14. EIA follow-up should be fit for purpose 15. Clear performance criteria should be included in EIA follow-up 16. EIA follow-up should be sustained over the entire life of the activity 17. There should be adequate resources provided for EIA follow-up

After consideration of the contextual factors and the objectives of follow-up, Jalava *et al*. (2015) highlighted the important link to decision-making. Follow-up procedures provide useful information to determine whether the environment is being adequately protected and further plays a vital role in decision-making (Jalava *et al.,* 2015).

The shortcomings of EIA follow-up are focused upon next in this review which likewise tries to identify the problem areas highlighted by previous studies. These shortcomings were considered applicable to the South African Equator Principle financial institutions (seeing as the EIA is an important process in project financing activities) and explored in depth in this study.

2.3.3 Shortcomings of EIA follow-up

According to Arts *et al.* (2001), literature pertaining to EIA follow-up suggests that insufficient attention is given to the actual effects of the project once the EIA is approved. In a study conducted by Nadeem and Hameed (2010), the international principles of best practice EIA follow-up (see Marshall *et al*., 2005) was used to evaluate the practice of EIA follow-up in the context of a developing country such as Pakistan. The examination of the EIA system in this country when compared to these international principles, assisted in forming a basis for determining the potential and constraints to successful follow-up. The study found that overall, EIA follow-up is lagging far behind the best practice principles and reasons for this could possibly be due to:

- The Environmental Management Programs (EMPs) are prepared by EIA consultants, and these generally lack considerations of public input
- Lack of technical and financial resources
- Reactive and spontaneous reactions to EIA follow-up as opposed to proactive and consistent reactions to EIA follow-up
- No accountability of regulators and proponents

Nadeem and Hameed (2010) stated that similar constraints could be expected in other developing countries and consistent with these findings, Appiah-Opoku and Bryan (2013) stated that while many African countries have gained good experience and success in Environmental Assessment opportunities, the follow-up factor remains absent or underdeveloped. One of the challenges that this latter study found was the lack of a standard procedure for follow-up and monitoring.

Gwimbi and Nhamo (2016) conducted a study to evaluate the effectiveness of EIA follow-up as a tool for sound environmental management in the context of Zimbabwean platinum mines. The authors state that there is a need to access various dimensions of the effectiveness of EIA follow-up so as to determine the extent to which the goals of mitigation in EIA are achieved. The study further found that much needs to be done to bridge the current gap between the state of EIA follow-up in the Zimbabwe and international best practices of EIA effectiveness.

Alers (2016) aimed to measure the performance of EIA follow-up in terms of best practice principles within a South African context. Despite the claim that Appiah-Opoku and Bryan

(2013) made about follow-up being a missing and underdeveloped factor in many African countries, Alers (2016) found that overall, the performance of follow-up in South Africa was satisfactory with only a few areas of weaknesses. The areas of weaknesses identified by Alers (2016) include:

- Poor description of EIA follow-up goals and objectives
- Lack of communication regarding feedback of EIA follow-up outcomes
- Shortage of genuine opportunities to involve communities in follow-up activities
- Failure to address sustainability issues beyond the project level

In spite of Alers (2016) who framed the EIA follow-up process as being well performed in South Africa, the author suggested that further research be conducted to cover more sectors and EIA regimes.

Jalava *et al*. (2015) found that follow-up procedures provided useful information for determining environmental protection, but it was argued that a more systematic approach be taken to enhancing procedural requirements for follow-up, within individual processes. According to these authors, this could include a more systematic consideration of follow-up needs, roles and responsibilities; issue scoping; possible methodology and tools evaluation; implementation; evaluation of results; and issue management and stakeholder consideration.

In a study conducted by Clarke and Vu (2021), monitoring and follow-up procedures are considered when exploring EIA effectiveness in Vietnam. EIA follow-up is often considered when analysing the effectiveness of the entire EIA system (Fonseca *et al*., 2017; Jha-Thakur & Fischer, 2016; Khosravi *et al*., 2019). However, as a result of insufficient government human and financial resources, compliance with regards to monitoring and follow-up was rarely conducted (Clarke & Vu, 2021) and that action was taken by environmental protection agencies only upon receiving complaints from community members. An interesting finding of the study revealed that because many EIAs were not published and their details were unavailable to the public, it made it difficult for the affected communities of a project to engage in post EIA activities such as observations and monitoring. Nonetheless, the Clarke and Vu (2021) study provided fresh insights into the EIA system in Vietnam as it captured the perceptions of those engaged in the process which has not been undertaken before. In the same regard, the present research study set out to capture perceptions of those involved in EIA and EIA follow-up in financial institutions in South Africa. Similarly, this study hoped to provide insights into the value of EIA follow-up in EPs financial institutions in South Africa, particularly because published research on this topic is limited.

It is evident from the review on the topic of EIA follow-up that the process is indeed regarded as an important one in the overall EIA process. The best practice EIA follow-up principles have been acknowledged and used worldwide. However, there is evidence of room for improvement in the process (as revealed in Section 2.3.3). The main concepts that this research was based upon was explored and a summary of the knowledge gained through this process follows.

2.4 Conclusion on literature review

The literature review highlighted aspects that are vital to the notion of corporate value creation. This emphasised the concept of materiality and its role in enhancing corporate value for organisations. The important link between ESG materiality and corporate value creation was then unpacked and followed by literature on the Equator Principles, a framework which allowed consideration of ESG issues. Reports in the literature, particularly those published by Marshall *et al*. (2005), facilitated the identification of the pertinent aspects in the field of best practice EIA follow-up and these were used to establish criteria (Table 4 in results chapter) used to answer research sub-question 1. The same criteria were used to develop the interview questionnaire and collect data to answer research sub-question 2. While the review revealed many benefits that accompanied the adoption of the Equator Principles, regarding corporate value creation, some literature also pointed out shortcomings of the process of implementation which left room for improvement. The same was revealed for the EIA follow-up process. These notions were explored in this research which allowed the development of the survey questionnaire of this study to assess these notions in the context of the South African Equator Principles financial institutions (See Annexure C).

Although this review revealed the benefits of EIA as a tool contributing to the ESG proposition of financial institutions (Banhalmi-Zakar & Larsen, 2015; Biswas, 2011; Khalid *et al*., 2012), there was limited mention of the importance of follow-up activities in this same context. The current research therefore set out to explore EIA follow-up value in the context of the South African Equator Principles financial institutions. Therefore, the next chapter of this study provides, in greater detail, the methodology that this study adopted.

Chapter 3: Research Design and Methods

In this chapter, a description of the study's research design is provided, which includes an explanation of the philosophical assumptions upon which the study was based. Thereafter, the methodology adopted in this study is explained, followed by the methods used for collecting and interpreting data for answering each of the research sub-questions. In addition to this, the steps that were taken to ensure data validity is provided and finally, ethical considerations for this study were described.

3.1 Research design

The intention of a research design is to provide an appropriate framework for undertaking a particular study and holds all the elements in a research project together (Akhtar, 2016; Sileyew, 2019). The definition of a research design stresses a systematic methodology in the collection of pertinent information for interpretation and is the "conceptual within which research is conducted' (Akhtar, 2016) and includes:

1. The blueprint for the collection of data
2. Measurement of the data and
3. Data analysis

This study employed a mixed method approach and was exploratory in nature which aimed at exploring the value of EIA follow-up within South African Financial Institutions. According to Akhtar (2016), exploratory research is the primary stage of research aimed at gaining new insights into a phenomenon and is necessary when there is little or no earlier research to which references can be made for obtaining such insights. This research approach is valuable as it aims at applying new concepts, explanations, theories and hypotheses with the expectations of offering new ways of perceiving how a segment of reality works, how it is organised, or in what way various factors relate to one another (Reiter, 2017). Considering the aforementioned, and more so the research sub-questions (found in Chapter 1), a mixed method approach was considered the appropriate research approach for this study.

Parvaiz, *et al.* (2016) stated that the approach undertaken by researchers when undertaking a study is influenced by some kind of philosophical position, which affects the way in which they see the world and, in turn, the manner in which they choose to conduct the research. Philosophy involves the use of abstract ideas and beliefs that inform research and the researcher's assumptions of philosophy are typically the first ideas when developing a study (Creswell & Poth, 2018). At every stage of a study, whether a researcher is aware of it or not, a number of assumptions will be made (Burrell & Morgan, 1979) and it is these assumptions that would inevitably shape how the research questions are understood, the choice of methodology and how the findings are interpreted (Crotty, 1998). The philosophical assumption of the present study was based on pragmatism, which guided the practice of this research. Kaushik and Walsh (2019) described paradigms as practical tools used to solve research problems with each paradigm having a different perspective on ontology, epistemology, axiology and methodology. Researchers using an interpretive paradigm based on pragmatism focus on the outcomes of the study and in practice, the researcher using this worldview will make use of multiple methods of data collection to best answer the research question and will further emphasise the importance of conducting research that best addresses the research problem (Creswell & Poth, 2018). A pragmatic research design has commonly been identified as the appropriate paradigm for conducting mixed methods research (Creswell and Planko Clark, 2011; Patton, 2002; Tashakkori & Teddlie, 1998). This justified the use of this paradigm for this study, which adopted a mixed methods approach to explore EIA follow-up value in South African EPs financial institutions. Considering that this research aimed to solve a problem identified in the real world, this paradigm also focused on the future and the consequences of actions as being more relevant than the experiences (Kaushik & Walsh, 2019). In consideration of the above, Figure 3 provides an overview of the research approach that this study followed.

Philosophical assumption:

Pragmatism

Methodology: Mixed methods approach

Research question: What are the South African EP signatories' perspectives on the value of EIA follow-up?

Sub-question 1: What are the expectations for EIA follow-up?

Methods of data collection: Literature review

Methods of data analysis: Qualitative content analysis to establish criteria (Table 4).

Sub-question 2: To what extent do South African EPs signatories value EIA follow-up in project financing activities?

Methodology: Qualitative interview strategy of enquiry

Methods of data collection: Semi-structured interviews (guided by established criteria)

Methods of data analysis: Qualitative interpretation of interview responses to judge extent

Sub-question 3: What is the perceived relationship between EIA follow-up and value creation among the South African EP signatories?

Methodology: Quantitative survey strategy of enquiry

Methods of data collection: Self-administered survey questionnaire (Section B of survey)

Methods of data analysis: Quantitative analysis of survey responses

Sub-question 4: What are the factors that might influence EIA follow-up value in South African EP financial institutions?

Methodology: Quantitative survey strategy of enquiry

Methods of data collection: Self-administered survey questionnaire (Section C of survey)

Methods of data analysis: Quantitative analysis of survey responses

Figure 3: Schematic presentation of the research approach. Adapted from "*Understanding independent Environmental Control Officers: learning from major South African construction projects*", by Wessels (2015).

3.2 Methodology

This study adopted a mixed methods approach. Mixed methods research is described as a methodology for developing better, more context-specific instruments (Creswell, 2007) and focuses on collecting, analysing and the mixing of both qualitative and quantitative data, with the overall aim of providing better understandings of the research problem (Creswell & Planko Clark, 2011). According to Creswell and Planko Clark (2011) the significance of the research problem as the key principle in mixed methods research stems from the pragmatic foundations of conducting mixed methods research, as the approach is used according to what works best to address the problem of the study. As a researcher working within the pragmatic paradigm, this study was orientated towards "solving practical problems in the real world", as stated by Kaushik and Walsh (2019). Data were sought using multiple methods of data collection in accordance with what best solved the research problem (Creswell & Poth, 2018). Data analysis, in mixed methods research, relates to the type of research strategy that was chosen by the researcher and analysis will occur both within the quantitative (descriptive and inferential numeric analysis) and the qualitative (description and content analysis) approaches (Creswell, 2009). The above-mentioned strategies for data analysis were guided by Creswell and Poth's (2018) data analysis spiral. The use of this spiral by the researcher guided the appropriate use of analytical strategies "for the goal of generating specific analytical outcomes" (Creswell & Poth, 2018). A visual representation of this spiral is shown below (Figure 4):

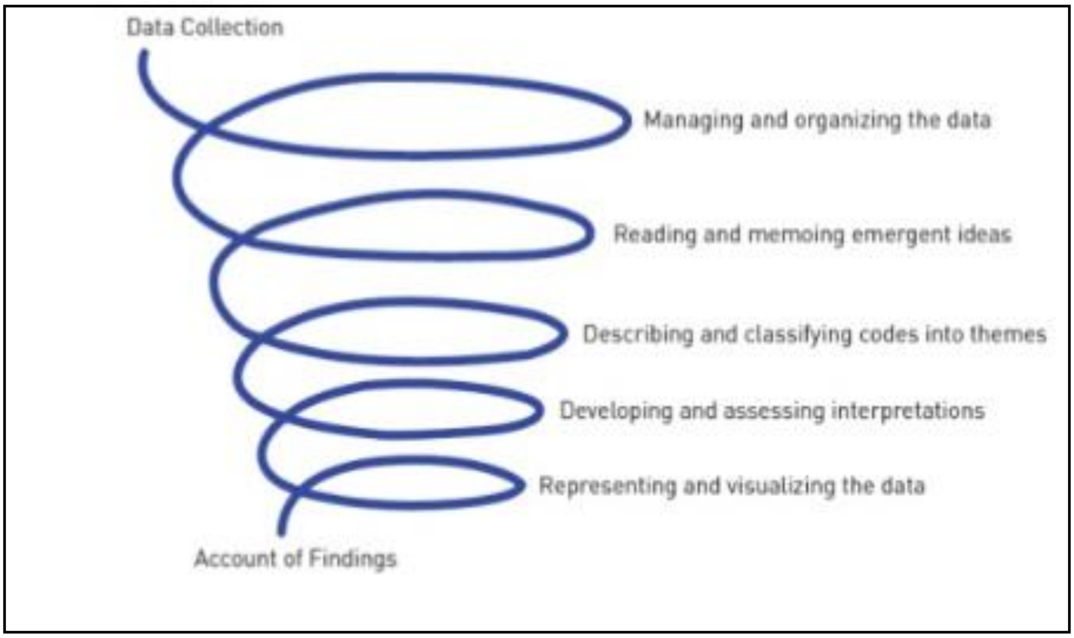


Figure 4: The data analysis spiral. Adopted from Creswell and Poth, (2018).

3.2.1 Sampling techniques and sample size selection

The unit of analysis for this study was the South African signatories of the Equator Principles which, according to the EP Association (2020), include four South African financial institutions. These institutions were referred to as Bank A, B, C and D for the purpose of respecting anonymity in this research.

According to Taherdoost (2016) sampling, in essence, depends on the type of sampling technique and can be used to make inferences about a population or generalisations about existing theory. Purposive sampling as well as snowball sampling techniques was used for the first part of the study where data were collected through semi-structured interviews with a total of eight individuals from three of the South African Equator Principle financial institutions. There were no individuals from Bank C who responded to the request to be interviewed. Maxwell (1996) defines this type of sampling as a strategy in which persons or events are intentionally selected in order to provide the relevant information that cannot be obtained from other choices. This is a non-probability sampling technique where the researcher selects units to be sampled based on their own existing knowledge or professional judgement (Foley, 2018).

The researcher therefore includes participants in the sample due to the belief that these participants warrant inclusion (Taherdoost, 2016). These eight individuals were representatives from the Equator Principles, Project Finance, Environmental and Social, and Sustainability divisions within the South African financial institutions, which have been previously identified. These specific division are chosen keeping in mind that the EPs serve as a framework for the identification, assessment and management of environmental and social risks in Project Financing activities (EP Association, 2020). Therefore, it was only fitting to gain the perspectives of the individuals involved in these specific functions which consequently justified the use of these sampling technique.

The selection of individuals to complete the survey was through the application of a snowballing sampling technique. Breweton and Millward (2001) describe this as a non-random sampling technique that uses a few cases to encourage other cases to take part in the study. The eight individuals interviewed were asked to identify relevant individuals who could complete the self-administered survey in order to make up a sample size of 36 respondents which allowed statistical analysis to be performed by a pre-appointed, qualified statistician.

3.3 Methods for collecting and interpreting data to answer the research sub-questions.

According to Taherdoost (2016), once the target population, sampling technique and sampling size has been established, the next step is the collection and interpretation of data. In short, data were captured for the purpose of answering the four research sub-questions by: conducting a review of literature (sub-question 1); administering semi-structured interviews (sub-question 2); and self-administered survey questionnaires (sub-question 3 and 4). The methods for collecting and interpreting data to answer each of the research sub-questions are described in more detail below.

3.3.1 Methods for collecting and interpreting data to answer research sub-question 1.

The means of answering sub-question 1 (*What are the expectations for EIA follow-up?)* was through the collection of secondary data i.e., conducting a review of both national and international literature on EIA follow-up. The literature review followed a rapid review approach, which is described by Grant and Booth (2009) as an assessment of what is already known about policy or practice issues and the use of systematic review methods to search and appraise existing research regarding these policies and practice issues. The examination of the literature focused on identifying expectations for EIA follow-up. The expectations which, according to the researcher, were applicable to financial institutions were identified from the literature review in order to establish criterion (Table 4 in next chapter). The aforementioned was done keeping in mind that these EP financial institutions are not in fact responsible for conducting EIA follow-up however, EIA follow-up forms an important part of the institution's project financing activities (since some projects could be subject to an EIA due to its significant environmental and social impacts). The established criteria were then used to judge the extent to which the South African EP financial institutions consider EIA follow-up in project financing activities (sub-question 2). The main search tools used to enable the review of literature included Google Scholar and Science Direct, which involved an array of relevant sources such as: peer-reviewed journal articles; books; and scholarly theses and dissertations. The search terms that were used to find the relevant published literature included: EIA follow-up; EIA/EIA follow up in financial institutions; shortcomings to EIA process; Equator Principles; corporate value creation in banks; ESG; and materiality.

3.3.2 Methods for collecting and interpreting data to answer research sub-question 2.

The primary means of collecting data for sub-question 2 was through conducting semi-structured interviews with individuals from the Equator Principles, Project Finance, Environmental and Social, and Sustainability divisions, from three out of the four financial institutions in the identified sample. There were no respondents available to be interviewed from Bank C. The interview questions consisted of mainly open-ended questions, with some closed-ended questions to judge the extent to which EIA follow-up is valued in project financing activities in these South African Equator Principle financial institutions. These questions were developed using the criteria which provided answers to research sub-question 1. Following the guidance of Creswell and Hirose (2019,) open-ended questions allowed the candidate to give short responses and resulted in the collection of qualitative data. Brinkmann and Kvale (2015) described an interview as an interaction where knowledge is constructed between the interviewer and the candidate and further explains how a qualitative interview "attempts to understand the world from a subject's point of view". According to Adams (2015), semi-structured interviews employ a blend of closed and open-ended questions and is useful when researchers are investigating uncharted territory with unknown, but potentially significant, issues and interviewers need freedom to spot and pursue useful leads.

Adams (2015) also advises that the use of semi-structured interviews can be useful as an adjunct, to enhance and add depth to other approaches, in mixed methods research. The combination of closed and open-ended questions is an attribute of the mixed methods approach (Erickson & Kaplan, 2000). The data obtained from the interviews were analysed using qualitative data analysis methods Creswell and Poth (2018) described the process of qualitative data analysis as the preparing and organising of data for analysis and then reducing the data into themes through coding for interpretation. Data analyses to answer this sub-question will involve content analysis defined by McCombes (2020) as the categorising and discussing meaning of words, phrases and sentences (see Annexure E).

The aforementioned strategies were chosen to judge the extent to which EIA follow-up is valued in the South African Equator Principle financial institutions, with regards to project financing activities. The formulation of the questions presented to the respondents in the semi-structured interview was guided by the criteria developed through the review of national and international literature (for the purpose of answering research sub-question 1). Each of the criteria's (Table 4) fulfilment was judged based on analysis of the responses gained through the interview process (see Annexure E). This judgement of each criterion was conducted against an assessment key which provided an indication of the extent to which each criterion was achieved.

3.3.3 Methods for collecting and interpreting data to answer research sub-question 3.

The answering of sub-question 3 was done by way of a self-administered survey (see Section B of Annexure C), which comprised of closed-ended questions (that generated quantitative data). These questions were formulated after a review of literature on corporate value and the Equator Principles which was applied in the context of the topic of EIA follow-up value in South Africa Equator Principle financial institutions. Closed-ended questions include items that require a check for the most fitting answer (Creswell and Hirose, 2019) and for the purpose of this study, included a Likert scale to answer each question. The Likert scale is a five-point scale which allows an individual to express his/her level of agreement with a proposed statement, with the assumption that attitudes can be measured (McLeod, 2019). For the purpose of answering sub-question 3, the respondents were required to indicate their level of agreement to a set of statements relating to both corporate value creation and EIA follow-up. The first statement was designed to capture the overall perspectives of the respondents towards the creation of corporate value in their institutions. Thereafter, various statements that were designed allowed for the exploration of the respondents' perspectives of EIA follow-up.

The responses generated quantitative data. Statistical data analysis was performed on the quantitative data. Ali and Bhaskar (2016) state that statistical methods involved in carrying out a study includes planning, designing, collecting, and then analysing data, with the aim of drawing meaningful interpretation and to ultimately report on the findings. Lastly, bivariate analysis was conducted, showing the mean scores of each bank, to examine whether there are differences in the perceptions.

3.3.4 Methods for collecting and interpreting data to answer research sub-question 4.

The self-administered survey questionnaire (mentioned above) additionally collected data for the purpose of answering sub-question 4 (see Section C of Annexure C). The various factors that might affect the consideration of follow-up value in the context of the EP financial institutions were identified from the literature review (Chapter 2; Sections 2.2 and 2.3). This served as a guide to develop this section of the survey questionnaire that comprised mostly closed-ended, Likert scale, questions (which generated quantitative data) followed by an open-ended question at the end (which aimed at generating qualitative information in the form of respondent's quotations). The diagram below (Figure 5) provides an illustration of the development of the Likert scale questions, for this section of the survey questionnaire, which aimed at answering research sub-question 4 (*What are the factors that might influence EIA follow-up value in South African EP financial institutions?).*

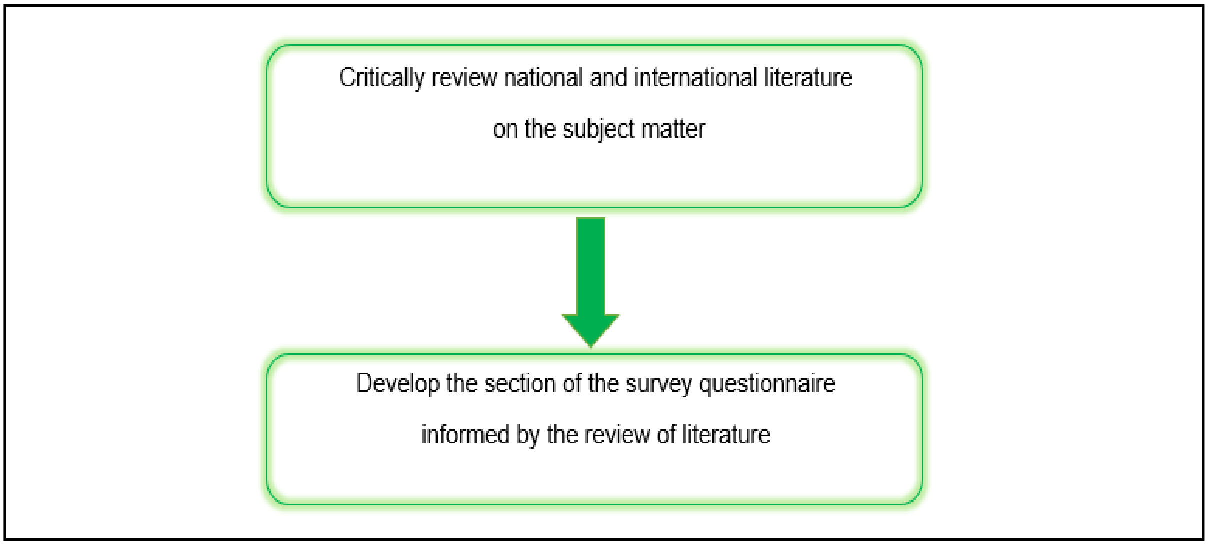


Figure 5: Schematic presentation of the development of survey questions for answering sub-question 4.

Quantitative data obtained from this section of the survey questionnaire were analysed using descriptive statistics, such as the calculation of percentages and averages, to describe the relationship between variables (in a sample or population) and which additionally summarised the collected data (Ali & Bhaskar, 2016). Similarly, for the results of Section B, bivariate analysis was performed.

3.4 Data validity

An important aspect of data analysis in using the mixed methods approach is to describe the steps taken to ensure the validity of both the quantitative data, as well as the accuracy of the qualitative findings (Creswell, 2009). According to Baksh (2012), validity refers to the issue as to whether an indicator that is intended to measure certain concept can actually measure the concept. Tashakkori and Teddlie (1998), for example, support the use of validity procedures for both the quantitative and qualitative stages of a study. The following strategies were followed to ensure the validity of the results, in each strand of data, in this study.

Validity related to the qualitative data strand

Adhering to the procedure for preparing and conducting interviews (see Creswell & Poth, 2018) ensured consistency in the interview process. Furthermore, reference to this guideline ensured that the interview enabled the effective answering of the pre-determined questions and the collection of the appropriate data, to achieve the outcomes of this study. In the process of qualitative validity, Creswell (2009) stated that the researcher should check for the accuracy of the findings using certain strategies. In this regard, the use of multiple strategies (as indicated below) is recommended to enhance the ability of accessing the findings, as well as to convince the readers of their accuracy (Creswell, 2009; Creswell & Poth, 2018).

This study was conducted while showing awareness to the threats of validity in the qualitative data analysis, including researchers bias. This was accomplished keeping Lincoln and Cuba's (1985) criteria for trustworthiness in mind, which states that data should be credible, transferable, dependable and confirmable. A brief description of the measures taken to meet the aforementioned criteria is explained below.

Credibility

Feedback was provided to the participants to ensure credibility of results. This involved taking the final report, or description of themes, back to the respondents to determine whether the respondents felt that these themes were accurate (Creswell, 2009). Lincoln and Guba (1985) consider this technique to be critical in establishing credibility. This strategy was conducted to clarify any uncertainties as to the findings and to enhance the validity of the results. It is important that participants are included as mutual constructors of the findings (Lincoln & Cuba, 1985).

Dependability

An audit trail was carried out to assess the activities of the researcher, which would include all aspects of consistency (Korstjens & Moser, 2018).

Confirmability

An audit trail for the study allowed for the assessment of conformability (Korstjens & Moser, 2018). A complete set of notes of decisions made throughout the process of the study was provided to the auditor to access conformability.

Transferability

A thorough description of the participants and the research process was provided in order to allow the reader to assess whether the findings are transferable. Sample, sample size selection, inclusion and exclusion criteria as well as interview topics and survey questions were all provided.

Validity related to the quantitative strand

According to Azeroual and Abuosba (2017), the following were noted as typical validity issues regarding quantitative data:

- Missing values
- Incorrect information caused by errors in data input, measurement or processing
- Duplicates in the dataset

The cleaning of the captured study data was conducted to ensure validity of the quantitative data analysis process and to further enhance the quality of its findings. Data cleaning, as described by Gimenez (2018), is the process of ensuring that the data is correct, consistent and usable. The statistician was further requested to use Cronbach Alpha to ensure valid findings by measuring the reliability scale (Goforth, 2015).

3.5 Ethical considerations

Creswell (2009) points out that researchers need to protect their participants in order to build a trusting relationship with them, promote integrity and guard against misconduct which may reflect on their institutions. In an attempt to adhere to these guidelines, details of this research were submitted to the ethics committee at the University of South Africa and underwent an ethical clearance process. Ethical clearance (2020/CAES_HREC/142) was granted for this research in November 2020. The following aspects were covered in the application:

Informed consent

Permission request forms were submitted to the South African Equator Principle financial institutions before the collection of data. Thereafter, individual participants were contacted, and permission was sought, after appointments were made with each participant of this study. All participants were assured that participation was voluntary and that they could withdraw from the study at any given time. The questionnaires were answered only after each respondent had understood the contents of and signed, each consent form.

Confidentiality

All participants were informed that that their privacy will be protected at all times and assured confidentiality of all information gathered.

Chapter 4: Results

This chapter provides the results of the data analysis conducted for this study. Since this was a mixed methods study, this section will consist of primary data (of qualitative and quantitative nature) as well as secondary data (from the review of literature in Chapter 2) which were all captured through various means during the data collection phase of this study. The data are presented according to the research sub-question that it intended to provide answers to. The results obtained from the data analysis process was structured as follows in this section:

- Firstly, established criterion (Table 4) were drawn from secondary data collection i.e., from conducting a literature review (Chapter 2, Section 2.3.2) on the expectations for EIA follow-up, which was inclusive of the best practice EIA follow-up, formulated by Marshall *et al.* (2005). These criteria guided the formulation of the interview questionnaire, which allowed the capturing of primary qualitative data for this study.

- The following set of results includes those obtained from capturing of data by means of a qualitative interview. The pre-established criteria (mentioned above) were used to guide the interview questions and each criterions fulfilment was judged using an assessment key and evaluation matrix.

- The results generated from interpreting data from a quantitative survey is presented next. The analysis offers graphical presentations of the data captured, followed by tabular presentations of descriptive statistics (mean and standard deviations). Lastly, bivariate analysis was conducted, showing the mean scores of each bank, to examine whether there are differences in the perceptions. This analysis was done for both Section B and Section C of the survey results.

4.1 Secondary data results

Secondary data were captured through a process of a rapid literature review identifying the expectations for EIA follow-up. International and national sources of literature, which largely included the works of Marshall *et al*. (2005) facilitated the identification of the pertinent aspects in the field of best practice EIA follow-up. This method of data collection intended to produce results to answer research sub-question 1.

4.1.1 Results for research sub question 1: What are the expectations for EIA follow-up?

Table 4 was established after conducting a literature review of the expectations for EIA follow-up. This method of secondary data collection was thereafter used to establish criteria, which guided the development of the questionnaire used in the qualitative interview process of this study (which aimed at collecting data to answer research sub-question 2). Each criterion in Table 4 was used to judge to what extent do South African Equator Principles signatories value EIA follow-up in project financing activities. The criteria are listed, along with the corresponding literature works from which it was identified. This table was set keeping in mind that financial institutions are not responsible for conducting EIA follow-up. However, the information gained through EIA follow-up is vital in project financing activities for Equator Principles signatories (as it is a requirement of the Equator Principles).

4.2 Qualitative primary data results

The qualitative data results captured for this study are presented. This includes results captured through a qualitative semi-structured interview, which comprised of questions formulated after reviewing literature (which served as a method for secondary data collection). This method of data collection intended to produce results to answer research sub-question 2. These results are discussed further in the next chapter of this study.

4.2.1 Results for research sub-question 2: To what extent do South African Equator Principles signatories value EIA follow-up in project financing activities?

This section displays the research results in relation to the research sub-question regarding the extent of South African Equator Principles signatory’s value of EIA follow-up in project financing activities. An analysis method that provided qualitative results was opted for (content analysis of interviews, and quotations of interview participants) to make sense of the limited researched field of the value of EIA follow-up in the context of the South African Equator Principle financial institutions. An assessment matrix, as developed by Wessels (2015), allowed for the categorisation of perspectives of the interview participants to determine to what extent do South African Equator Principles signatories value EIA follow-up in project financing activities. Assessment Keys, shown below, were used to provide an indication of the extent to which each criterion listed in Table 4 was achieved.

Table 4: *Expectations for EIA follow-up*

	Criteria used to evaluate aspects of EIA follow-up	Literature reference
1.	Institution requires a commitment to follow-up by clients whose projects were subject to an EIA.	Marshall *et al.* (2005)
2.	Institution ensures that EIA is follow-up is conducted by clients whose projects were subject to an EIA.	Marshall *et al.* (2005) Jones & Fischer (2016)
3.	Institution believes that EIA follow-up is essential to the entire EIA process.	Jalava *et al*. (2015) Marshall *et al. (*2005) Morrison-Saunders *et al*. (2007)
4.	Institution believes it is important to consider EIA follow-up over the entire lifespan of the project.	Marshall *et al.* (2005)
5.	Institution provides resources to enable EIA follow-up.	Fonseca *et al*. (2017) Khosravi *et al*. (2018) Marshall *et al.* (2005) Nadeem & Hameed (2010)
6.	Institution accepts accountability for financing projects where information from EIA follow-up shows serious environmental and social implications.	Abebe *et al.* (2007) Marshall *et al.* (2005) Nadeem and Hameed (2010)
7.	Institutions have implications for clients where EIA follow-up found their projects to be failing with regards to its EIA commitments.	Clarke and Vu (2021) Khosravi *et al*. (2019)
8.	Institutions believe that proper engagement with affected communities of a project is an important part of the EIA process.	Alers (2016) Marshall *et al.* (2005)
9.	Institution believes openness and transparency are vital aspects of the EIA process.	Marshall *et al.* (2005)
10.	Institution believes that EIA follow-up promotes continuous learning and would improve the future of decision-making.	Jalava *et al*. (2015) Jha-Thakur and Fischer (2016) Jones and Morrison-Saunders (2017) Marshall *et al. (*2005)

The evaluation and ranking of the data to judge the extent to which EIA follow-up is valued in project financing activities in South African financial institutions followed the guide described by Wessels (2015):

- the symbol x was used when there was very limited or no evidence available to confirm the fulfilment of the criterion.
- ½ as the halfway point to indicate that some evidence was available to conduct an analysis; and
- √ to indicate that sufficient evidence was available to indicate that the criterion was either partially or fully achieved.

Table 5: Description of Assessment Keys. Adapted from Wessels, (2015).

Key	Description
NA	Not applicable to study.
?	Status could not be established.
X	Very limited or no evidence to support achievement of criterion.
½	Some evidence to support to support achievement criterion.
√	Sufficient evidence to support achievement of criterion.

Table 6 below depicts the value component (judging the extent of EIA follow-up value) using the results obtained from this study by means of quotations from participants of the semi-structured interview (refer to Annexure D). These indications are the result of the researcher's judgement based on a critical analysis of words and phrases of each interview participant (refer to Annexure E).

Since no respondents were available from Bank C for the interview process, there were no data to allow analysis of perceptions for this bank.

Table 6: Value component matrix

Indicator of what needs to be achieved to add value		Results			
		Bank A	Bank B	Bank C	Bank D
1.	To what extent does the institution require a commitment to follow-up by clients whose projects have been subject to an EIA?	√	√		√
2.	To what extent does institution ensure that EIA is follow-up is conducted by clients whose projects have been subject to an EIA?	√	√		√
3.	To what extent does the institution believe that EIA follow-up is essential to the entire EIA process?	√	√		√
4.	To what extent does the institution believe it important to consider EIA follow-up over the entire lifespan of the project?	½	½		½
5.	To what extent does the institution provide resources to enable EIA follow-up?	√	√		√
6.	To what extent does the institution accept accountability for financing projects where information from EIA follow-up shows serious environmental and social implications?	½	X		½
7.	To what extent does the institution have implications for clients where EIA follow-up found their projects to be failing with regards to its EIA commitments?	½	½		X
8.	To what extent does the institution believe that proper engagement with the effected communities of a project is an important part of the EIA process?	√	√		√
9.	To what extent does the institution believe that openness and transparency are vital aspects of the EIA process?	X	X		X
10.	To what extent does the institution believe that EIA follow-up promotes continuous learning and would improve the future of decision-making?	√	√		√

4.3 Quantitative data results

The quantitative data for this research were captured by means of a quantitative survey administered to 36 participants; all participants who were involved either in the Equator Principles, Project Finance, Environmental and Social, and Sustainability divisions at their respective South African Equator Principles financial institutions. The intent of this method of data collection was to produce results that answer research sub-question 3 and 4. These results were evaluated according to the Likert scale options chosen by respondents of the survey and are presented graphically in this chapter. It was only options which were selected by respondents that are displayed graphically (i.e., options which were not chosen by any respondents will not be shown on graph). Tabular presentations of descriptive statics followed by bivariate analysis for each section. The results captured by Section B and Section C are discussed in greater detail in the following chapter that discusses the results of this study.

4.3.1 Results for research sub question 3: What is the perceived relationship between EIA follow-up and value creation among the South African Equator Principles signatories?

Section B of the survey (Annexure C) aimed at capturing respondents' perceptions through testing level of agreement to a set of statements (developed after a review of literature) relating to both corporate value creation and EIA follow-up. This was conducted to determine the perceived relationship between the two variables. The results to each statement in Section B is represented graphically below, along with a brief description of these results.

Figure 6 shows that 63.9% (n=23) of the respondents strongly agreed that value creation is important in financial institutions while 36.1% (n=13) agreed with this statement. None of the respondents disagreed on this aspect suggesting that they indeed believed on the importance of value creation in the financial institution.

Figure 7 indicates that 69.4% (n=25) of respondents agreed that Equator Principle financial institutions should be concerned with EIA follow-up in project financing activities, 25% (n=9) agreed while only 5.6% (n=2) remained neutral. There were no respondents who either disagreed or strongly disagreed on these aspects.

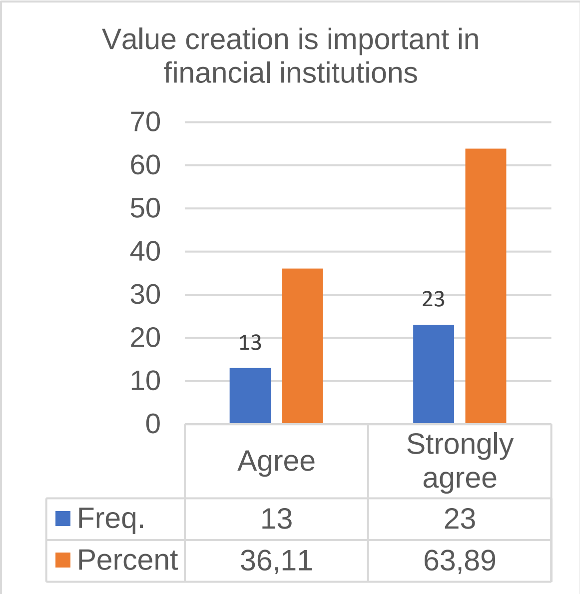


Figure 6: Value creation in financial institutions

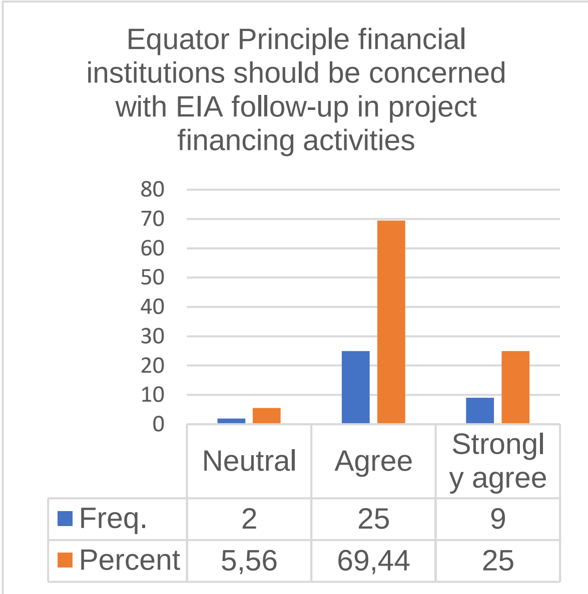


Figure 7: Concern for EIA follow-up in financial institutions

Figure 8 indicates that 66.7% (n=24) of the respondents agreed that EIA follow-up presents learning opportunities for Equator Principle financial institutions, 19.4% (n=7) strongly agreed while 13.9% (n=5) indicated a neutral response which suggested that they were uncertain whether this was true or not (doubtful).

Figure 9 indicates that 47.2% (n=17) of the respondents strongly agreed that EIA follow-up allows for better decision-making in the future of project financing activities for Equator Principle financial institutions. A similar proportion also agreed to this aspect (47.2%), while only 5.6% (n=2) remained neutral.

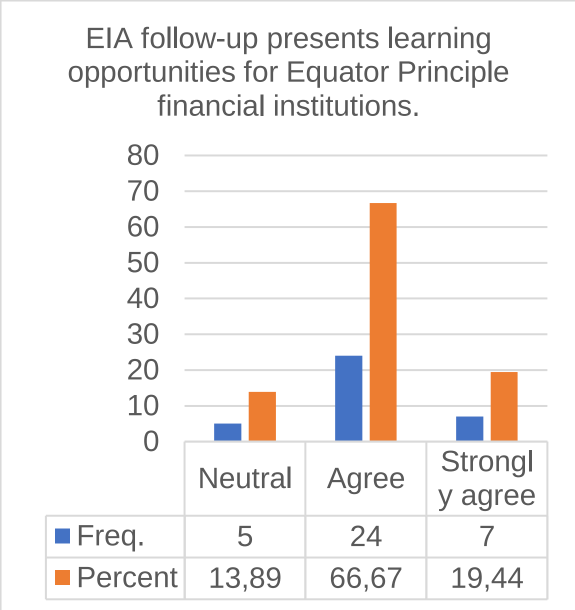


Figure 8: EIA follow-ups presents learning opportunities for EPs financial institutions.

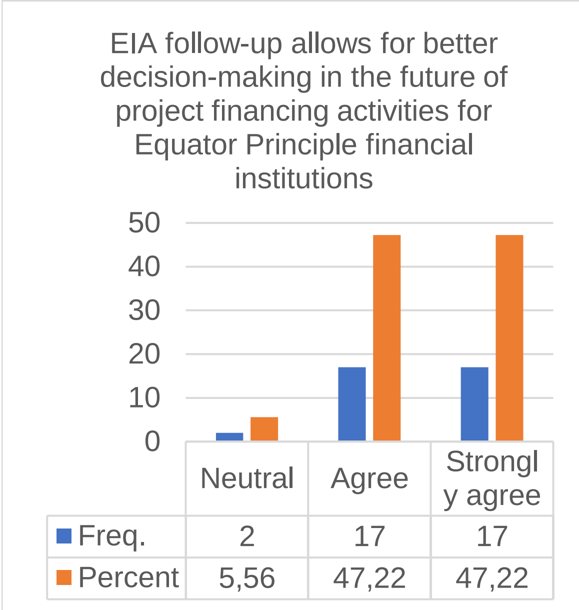


Figure 9: EIA follow-up allows for better decision-making in project financing activities.

Figure 10 indicates that 77.8% (n=28) of the respondents agreed that EIA follow-up ensures sound environmental and social protection and therefore, enhances the reputation of Equator Principle financial institutions. A portion of 19,4% of the respondents (n=7) were neutral on this aspect, while only 2.8% (n=1) strongly agreed on this.

Figure 11 indicates that 58.3% (n=21) of the respondents remained neutral on the idea that the lack of EIA follow-up would lead to stakeholder scrutiny, which could harm the institution's reputation, while a third (36.1%, n=13) agreed and only 5.6% (n=2) disagreed. These results suggest that respondents of the survey generally did not believe that the lack of EIA follow-up would lead to stakeholder scrutiny that, as a result, could harm the institution's reputation.

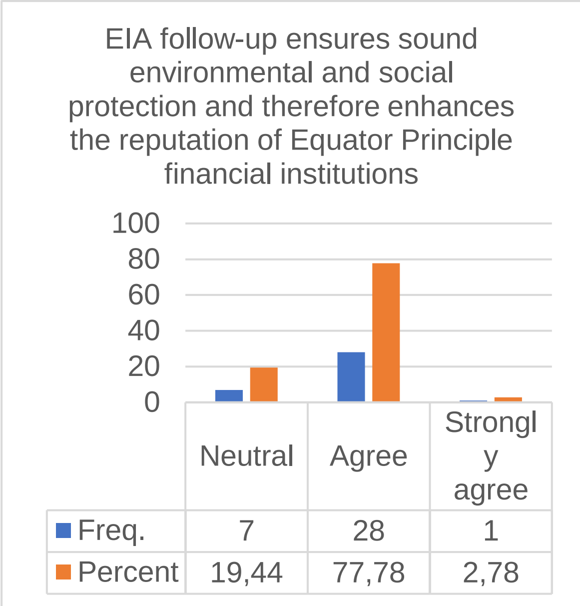


Figure 10: EIA follow-up ensures sound environmental and social protection.

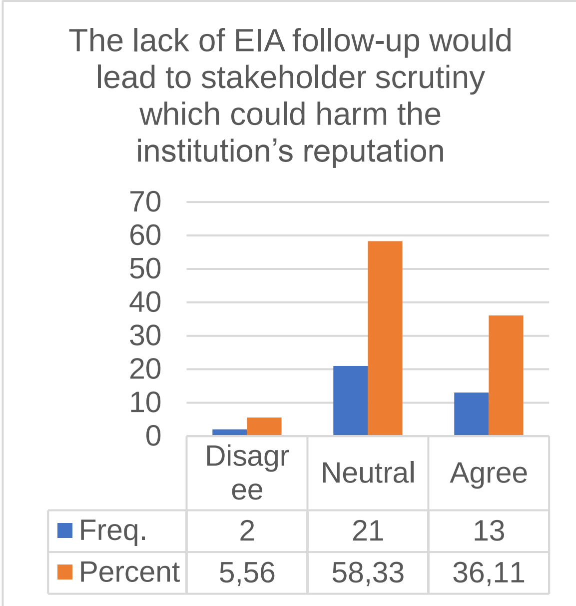


Figure 11: Lack of EIA follow-up and stakeholder scrutiny

Figure 12 indicates that 27.8% (n=10) of the respondents agreed that EIA follow-up allows for the identification of matters which are material in Equator Principle financial institutions. The majority of the respondents, the remaining 72.2% (n=26), remained neutral on this aspect.

Figure 13 indicates that the respondents agreed and strongly agreed (52.8%=agree; 8.3%=strongly agree) that EIA follow-up would enhance the Environmental and Social Governance (ESG) proposition of Equator Principle financial institutions, while 38,9% (n=14) remained neutral as to this notion.

Lastly, figure 14 shows that most of the respondents (69.4%, n=25) agreed that EIA follow-up could ultimately contribute to sustainable development at a national level, 16.7% (n=6) strongly agreed to this while 13.9% (n=5) were neutral in their responses.

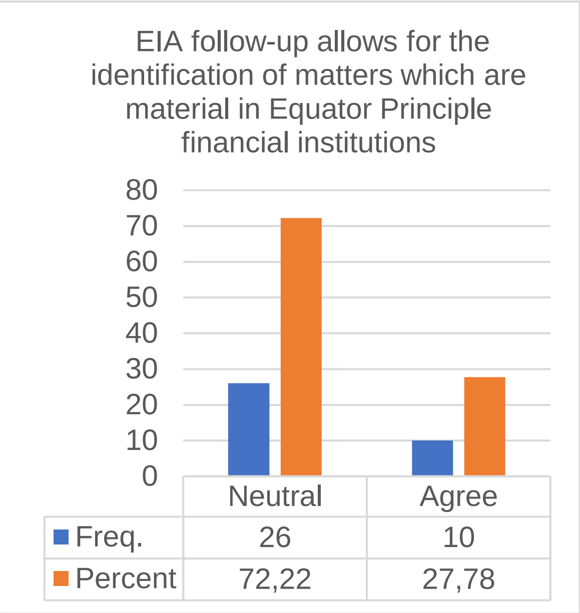


Figure 12: EIA follow-up allows for the identification of material matters.

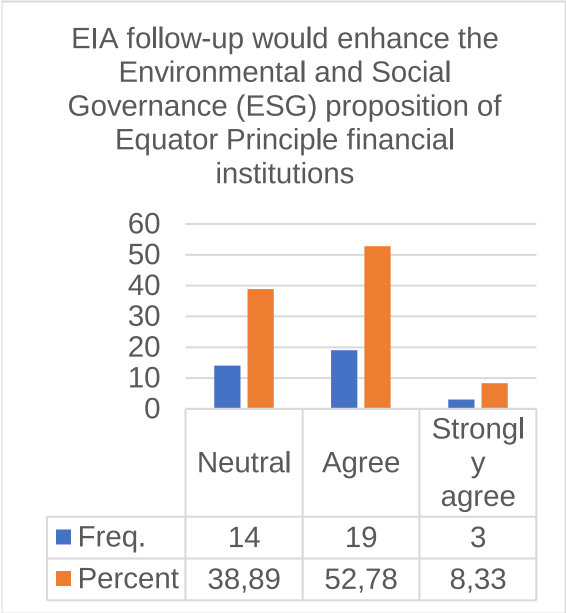


Figure 13: EIA follow-up enhances the ESG proposition of the institution.

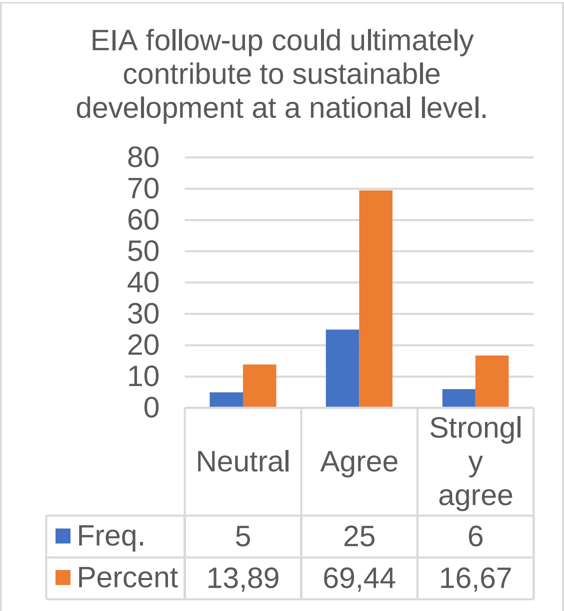


Figure 14: EIA follow-up could contribute to national sustainable development.

Table 7 below presents a summary (percentages) of the results obtained from this section of the survey.

Table 7: Summary of Section B results

Statement	Likert Scale responses (%)				
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1. Value creation is important in financial institutions.	0	0	0	36,1	63,9
2. Equator Principle financial institutions should be concerned with EIA follow-up in project financing activities.	0	0	5,6	69,4	25
3. EIA follow-up presents learning opportunities for Equator Principle financial institutions.	0	0	13,9	66,7	19,4
4. EIA follow-up allows for better decision-making in the future of project financing activities for Equator Principle financial institutions.	0	0	5,6	47,2	47,2
5. EIA follow-up ensures sound environmental and social protection and therefore enhances the reputation of Equator Principle financial institutions	0	0	19,4	77,8	2,8
6. The lack of EIA follow-up would lead to stakeholder scrutiny which could harm the institution's reputation.	0	5,6	58,3	36,1	0
7. EIA follow-up allows for the identification of matters which are material in Equator Principle financial institutions?	0	0	72,2	27,8	0
8. EIA follow-up would enhance the Environmental and Social Governance (ESG) proposition of Equator Principle financial institutions.	0	0	38,9	52,8	8,3
9. EIA follow-up could ultimately contribute to sustainable development at a national level.	0	0	13,9	69,4	16.7

Table 8 below shows the mean and standard deviation for the results from Section B of the survey and provides descriptive statistics to further describe the data collected.

Table 8: Descriptive statistics for Section B

Variable	Obs	**Mean**	Standard deviation	Min	Max
1. Value creation is important in financial institutions.	36	**4.64**	0.49	4	5
2. Equator Principle financial institutions should be concerned with EIA follow-up in project financing activities.	36	**4.19**	0.52	3	5
3. EIA follow-up presents learning opportunities for Equator Principle financial institutions.	36	**4.06**	0.58	3	5
4. EIA follow-up allows for better decision-making in the future of project financing activities for Equator Principle financial institutions.	36	**4.42**	0.60	3	5
5. EIA follow-up ensures sound environmental and social protection and therefore enhances the reputation of Equator Principle financial institutions.	36	**3.83**	0.45	3	5
6. The lack of EIA follow-up would lead to stakeholder scrutiny which could harm the institution's reputation.	36	**3.31**	0.58	2	4
7. EIA follow-up allows for the identification of matters which are material in Equator Principle financial institutions?	36	**3.28**	0.45	3	4
8. EIA follow-up would enhance the Environmental and Social Governance (ESG) proposition of Equator Principle financial institutions.	36	**3.69**	0.62	3	5
9. EIA follow-up could ultimately contribute to sustainable development at a national level.	36	**4.03**	0.56	3	5

The statistics from Table 8 are described below according to the statements which respondents: agreed (strongly agreed and agreed); remained neutral; and disagreed (strongly disagreed or disagreed) upon.

Agreement. The respondents were generally in agreement on the following statements:

1. Value creation is important in financial institutions. (Mean =4; SD=0.49).
2. Equator Principle financial institutions should be concerned with EIA follow-up in project financing activities. (M=4.2; SD=0.52).
3. EIA follow-up presents learning opportunities for Equator Principle financial institutions (M=4.1; SD=0.58).
4. EIA follow-up allows for better decision-making in the future of project financing activities for Equator Principle financial institutions (M=4.4; SD=0.6).
5. EIA follow-up could ultimately contribute to sustainable development at a national level (M=4.0; SD=0.56).

Neutral: The respondents chose to remain neutral on the following statements:

1. The lack of EIA follow-up would lead to stakeholder scrutiny which could harm the institution's reputation (M=3.3; SD=0.58)
2. EIA follow-up allows for the identification of matters which are material in Equator Principle financial institutions (M=3.3; SD=0.45).

Disagreement: The respondents were generally in disagreement on the following statements:

1. EIA follow-up ensures sound environmental and social protection and therefore enhances the reputation of Equator Principle financial institutions. (M=3.8; SD=0.45)
2. EIA follow-up would enhance the Environmental and Social Governance (ESG) proposition of Equator Principle financial institutions (M=3.7; SD=0.62).

Bivariate analysis was conducted, showing the mean scores of each bank, to examine whether there are differences in the perceptions of the respondents with regards to corporate value creation and the factors influencing EIA follow up. These results (Figure 15) show the differences across the banks in terms of the respondents' perceptions of various factors relating to corporate value creation.

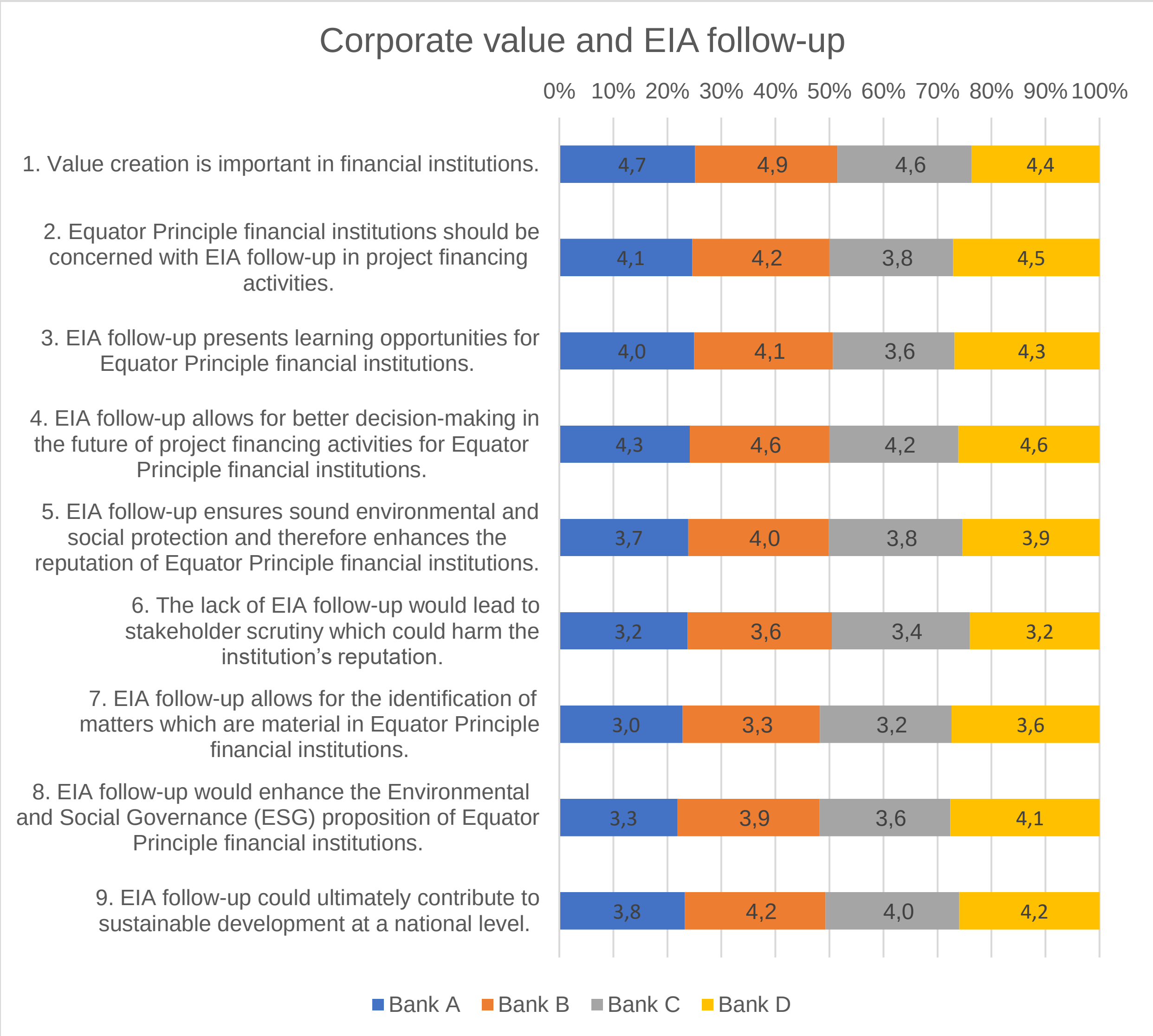


Figure 15: Bivariate analysis for Section B of survey

Respondents from all banks agreed that value creation is important in financial institutions, with Bank B having the highest mean score (M=4.9=strong agreement), followed by Bank A (M=4.7; strong agreement), then by Bank C (M=4.6; strong agreement) and lastly Bank D (M=4.4; agreement). All banks agreed that Equator Principle financial institutions should be concerned with EIA follow-up in project financing activities, with Bank D having the highest mean score (M=4.5; strong agreement), followed by Bank B (M=4.2; agreement), Bank A (M=4.1; agreement) and lastly Bank C (M=3.8; agreement).

Bank A (M=4.0), Bank B (M=4.1), Bank C (3.6) and Bank D (M=4.3) all agreed that EIA follow-up presents learning opportunities for Equator Principle financial institutions. Bank A (M=3.2), Bank C (M=3.2), and Bank D (M=3.4) all remained neutral on whether the lack of EIA follow-up would lead to stakeholder scrutiny, which could harm the institution's reputation while only

Bank B respondents agreed on this notion. Bank A(M=3), Bank B (M=3.3), and Bank C (M=3.2) were neutral whether EIA follow-up allows for the identification of matters which are material in Equator Principle financial institutions, while only Bank D respondents seemed to agree on this notion. The respondents from Bank A were neutral as to whether EIA follow-up would enhance the Environmental and Social Governance (ESG) proposition of Equator Principle financial institutions, the rest of the banks all agreed on this notion.

The next section of this chapter presents the results obtained to answer research sub-question 4 of this study.

4.3.2 Results for research sub-question 4: What are the factors that might influence EIA follow-up value in South African Equator Principles signatory institutions?

Section C of the survey (Annexure C) aimed at capturing the respondent's level of agreement to various factors that might influence the consideration of EIA follow-up value in their project financing activities. The results to each statement (which was developed after a review of literature) in Section C is presented graphically below, accompanied by a short description of these results which were obtained.

Figure 16 indicates that 80.6% (n=29) of the respondents agreed that the country's state of environmental legislation influences Equator Principle financial institutions consideration of EIA follow-up in project financing, 16.7% (n=6) strongly agreed with this, while only a single respondent chose to remain neutral on this aspect.

Figure 17 shows that just over a half (52.8%, n=19) of the respondents disagreed that corruption levels influence Equator Principle financial institutions EIA follow-up requirements. In addition, 41.7% (n=15) respondents strongly disagreed with this statement, while two (5.6%) of the respondents remained neutral.

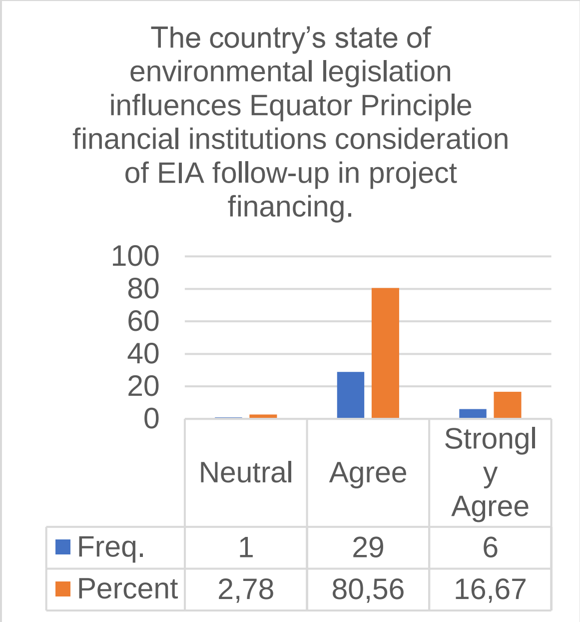


Figure 16: The influence of the state of the country laws and EIA follow-up

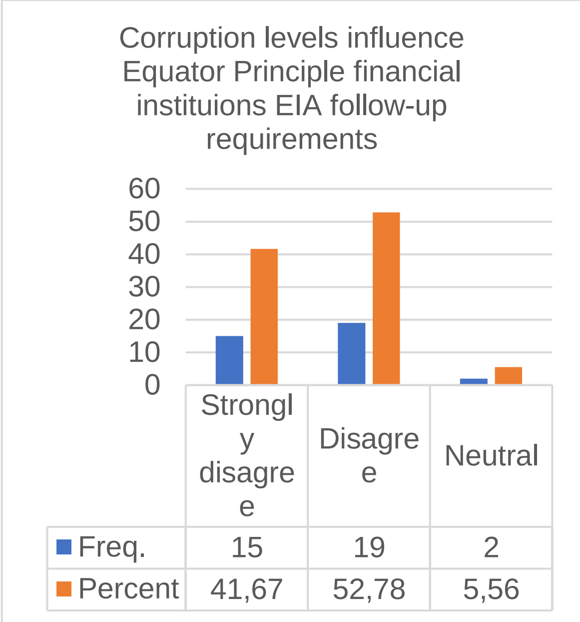
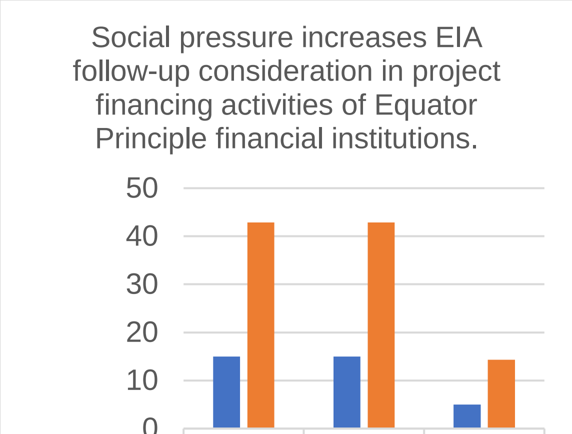


Figure 17: The influence of corruption and EIA follow-up

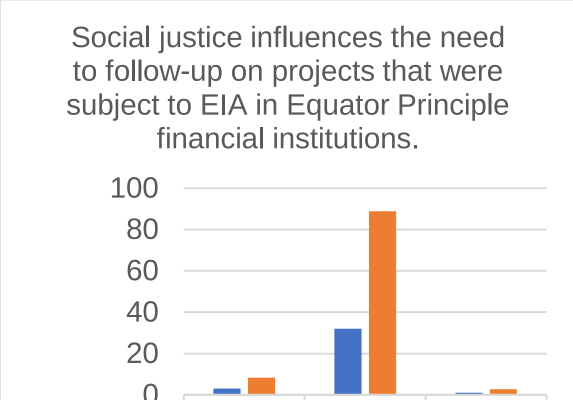
Figure 18 indicates that 42.9% (n=15) of the respondents disagreed that social pressure increases EIA follow-up consideration in project financing activities in Equator Principle. There were also 15 of the respondents (42.9%) who remained neutral on this aspect, while only 5 (14.3%) agreed.

Figure 19 indicates that most of the respondents (88.9%, n=32) agreed and 1 (2.8%) strongly agreed that social justice influences the need to follow-up on projects that were subject to EIA in Equator Principle financial institutions. Of the respondents, 3 (8.3%) were neutral on this aspect.



	Disagree	Neutral	Agree
Freq.	15	15	5
Percent	42,86	42,86	14,29

Figure 18: The influence of social pressure on EIA follow-up



	Neutral	Agree	Strongly Agree
Freq	3	32	1
Percent	8,33	88,89	2,78

Figure 19: The influence of social justice on EIA follow-up

Figure 20 indicates that most of the respondents (83.3%, n=30) disagreed and a further 4 (11.1%) strongly disagreed that occupational levels of affected population influence EIA follow-up consideration in project financing activities of Equator Principle financial institutions. This left one respondent (2.8%) who agreed and another respondent (2.8%) who remained neutral on the subject.

Figure 21 shows that 86.1% (n=31) of the respondents agreed, while the remaining respondents (13.9%) strongly agreed that environmental justice influences the need to follow up on projects. There were no respondents who disagreed with this statement, which demonstrates a positive case for this aspect.

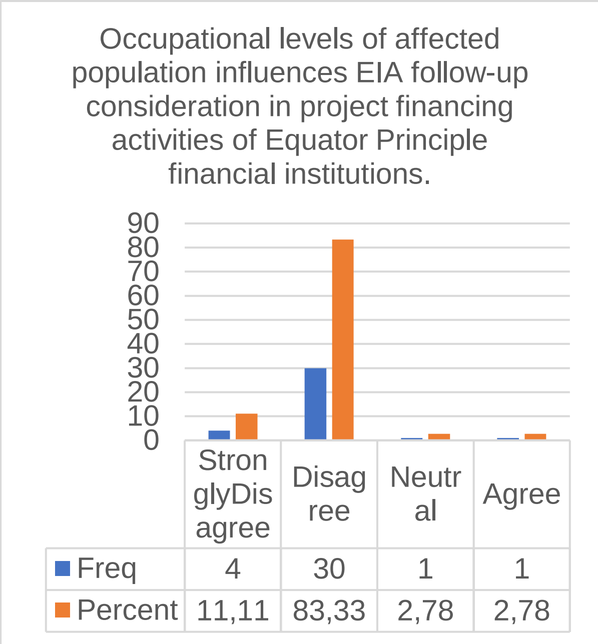


Figure 20: The influence of occupational levels of the affected population on EIA follow-up

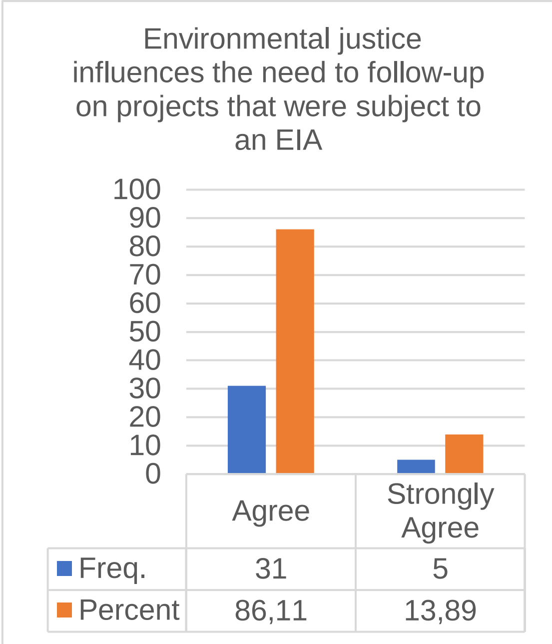


Figure 21: The influence of environmental justice on EIA follow-up

Figure 22 indicates that 55.6% (n=20) of the respondents agreed and 1 (2.8%) strongly agreed that environmental conditions of the project site would influence the need to consider EIA follow-up for projects financed by Equator Principle financial institutions. A third of the respondents (33.3%, n=12) disagreed and another respondent (2.8%) strongly disagreed. Two of the respondents (5.6%) chose neutral responses to this aspect. It is evident that there were mixed responses for this aspect.

Figure 23, on the other hand, shows that nearly 60% of the respondents (58.3%, n=21) agreed that organisational culture affects the consideration of EIA follow-up in Equator Principle financial institutions, while the remaining 15 respondents (41.7%) strongly disagreed. The responses for this statement seemed somewhat split.

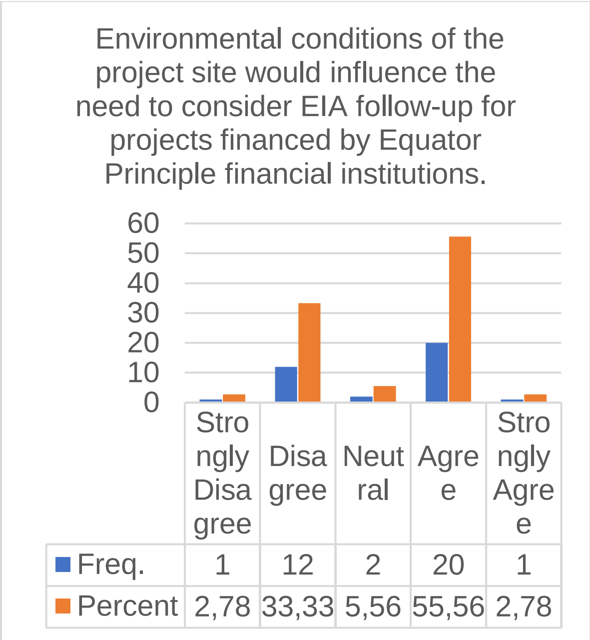


Figure 22: The influence of the environmental condition of the project site on EIA follow-up

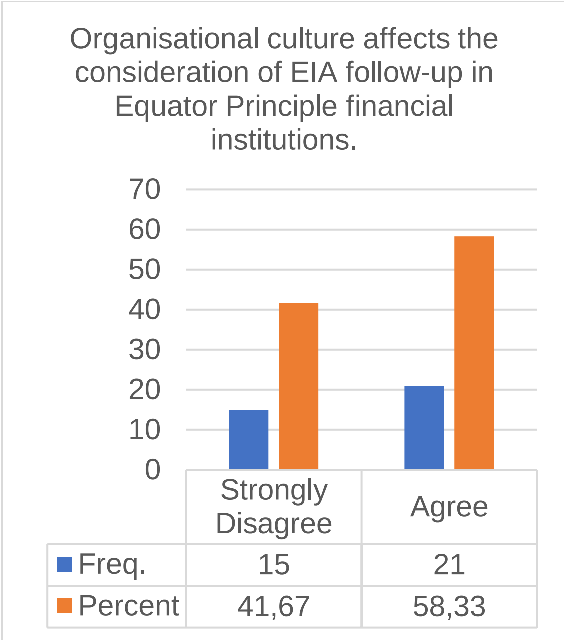


Figure 23: The influence of organisational culture on EIA follow-up

Figure 24 demonstrates that most of respondents (86,1%, n=31) disagreed, and another three respondents (8.3%) strongly disagreed that administrative costs would influence the need for Equator Principles financial institutions to consider EIA follow-up in project financing activities. The remaining respondents (5.6%, n=2) were neutral.

Figure 25 indicates that just over a half (52,8%, n=19) of the respondents agreed that the cost of losing business to non-Equator Principle financial institutions due to strict requirements of EIA follow-up, in project financing, influences the consideration of EIA follow-up in project financing activities. There was a total of eight respondents (22.2%) who disagreed with this statement, while four (11.1%) of the respondents strongly disagreed. There were five respondents (13.9%) who indicated neutral responses to this aspect.

Figure 26 shows that 75% (n=27) of the respondents disagreed and 22.2% (n=8) strongly disagreed that time spent in considering EIA follow-up for every project that was subject to EIA would influence the choice of Equator Principle financial institutions to consider EIA follow-up in project financing activities. Only one of the respondents (2.8%) agreed that this statement was true.

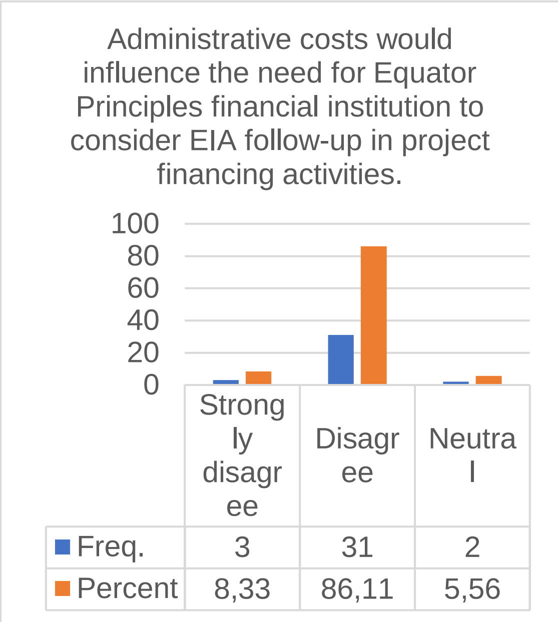


Figure 24: The influence of administrative costs on EIA follow-up

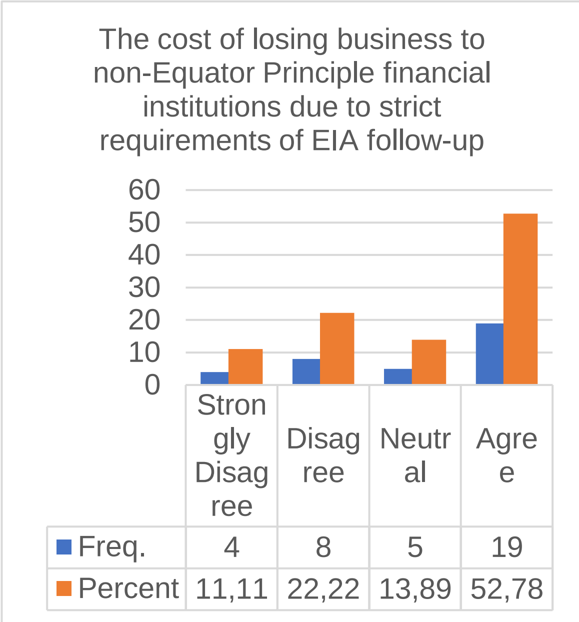


Figure 25: The influence of losing business to non-Equator Principles institutions on EIA follow-up

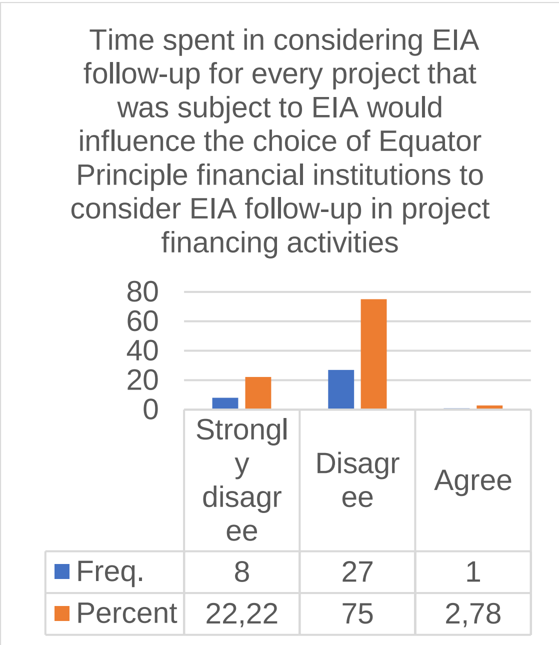


Figure 26: Influence of time on EIA follow-up

Table 9 below presents a summary (percentages) of the results obtained from Section C of the survey.

Table 9: Summary of Section C results

Statement	Likert Scale responses (%)				
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1. The country's state of environmental legislation influences EP financial institutions consideration of EIA follow-up in project financing.	0	0	2,8	80,6	16,7
2. Corruption levels influence EP financial institutions EIA follow-up requirements.	41,7	52,8	5,6	0	0
3. Social pressure increases EIA follow-up consideration in project financing activities of EP financial institutions.	0	42,9	42,9	14,3	0
4. Social justice influences the need to follow-up on projects that were subject to EIA in EP financial institutions.	0	0	8,3	88,9	2,8
5. Occupational levels of affected population influence EIA follow-up consideration in project financing activities of EP financial institutions.	11,1	83,3	2,8	2,8	0
6. Environmental justice influences the need to follow-up on projects that were subject to EIA.	0	0	0	86,1	13,9
7. Environmental conditions of the project site would influence the need to consider EIA follow-up for projects financed by EP financial institutions.	2,8	33,3	5.6	55,6	2,8
8. Organisational culture affects the consideration of EIA follow-up in EP financial institutions.	41,7	0	0	58.3	0
9. Administrative costs would influence the need for Equator Principles financial institution to consider EIA follow-up in project financing activities.	8,3	86,1	5,6	0	0
10. The cost of losing business to non-EP financial institutions due to strict requirements of EIA follow-up, in project financing, influences the consideration of EIA follow-up in project financing activities.	11,1	22,2	13,9	52,8	0
11. Time spent in considering EIA follow-up for every project that was subject to EIA would influence the choice of Equator Principle financial institutions to consider EIA follow-up in project financing activities.	22,2	75	0	2,8	0

Table 10 below shows the mean and standard deviation for the results from Section C of the survey, which provides descriptive statistics to further describe the data collected.

Table 10: Descriptive statistics for Section C

Variable	Obs	Mean	Standard Deviation	Min	Max
1. The country's state of environmental legislation influences EP financial institutions consideration of EIA follow-up in project financing.	36	4.14	0.42	3	5
2. Corruption levels influence EP financial institutions EIA follow-up requirements.	36	1.64	0.59	1	3
3. Social pressure increases EIA follow-up consideration in project financing activities of EP financial institutions.	35	2.71	0.71	2	4
4. Social justice influences the need to follow-up on projects that were subject to EIA in EP financial institutions.	36	3.94	0.33	3	5
5. Occupational levels of affected population influence EIA follow-up consideration in project financing activities of EP financial institutions.	36	1.97	0.51	1	4
6. Environmental justice influences the need to follow-up on projects that were subject to EIA.	36	4.14	0.35	4	5
7. Environmental conditions of the project site would influence the need to consider EIA follow-up for projects financed by EP financial institutions.	36	3.22	1.05	1	5
8. Organisational culture affects the consideration of EIA follow-up in EP financial institutions.	36	4.42	0.50	4	5
9. Administrative costs would influence the need for EP financial institution to consider EIA follow-up in project financing activities.	36	1.97	0.38	1	3
10. The cost of losing business to non-EP financial institutions due to strict requirements of EIA follow-up, in project financing, influences the consideration of EIA follow-up in project financing activities.	36	3.08	1.11	1	4
11. Time spent in considering EIA follow-up for every project that was subject to EIA would influence the choice of EP financial institutions to consider EIA follow-up in project financing activities.	36	1.83	0.56	1	4

The statistics from Table 10 are described below in accordance with the statements which respondents either: agreed (strongly agreed and agreed); remained neutral; or disagreed (strongly disagreed or disagreed) with.

Agreement: The respondents were generally in agreement on the following:

1. Organisational culture affects the consideration of EIA follow-up in Equator Principle financial institutions (M=4.4; SD=0.5),
2. The country's state of environmental legislation influences Equator Principle financial institutions consideration of EIA follow-up in project financing (M=4.1; SD=0.42),
3. Environmental justice influences the need to follow up on projects was subjective to follow up were subjective to follow-up on projects that were (M=4.1; SD=0.35), and
4. Social justice influences the need to follow-up on projects that were subject to EIA in Equator Principle financial institutions (M=3.9; SD=0.33).

Neutral: The respondents were uncertain on the following:

1. Environmental conditions of the project site would influence the need to consider EIA follow-up for projects financed by Equator Principle financial institutions (M=3.2; SD=1.05),
2. The cost of losing business to non-Equator Principle financial institutions due to strict requirements of EIA follow-up, in project financing, influences the consideration of EIA follow-up in project financing activities (M=3.1; SD=1.11), and
3. Social pressure increases EIA follow-up consideration in project financing activities of Equator Principle financial institutions (M=2.7; SD=0,71).

Disagreement: The respondents were generally in disagreement on the following:

1. Occupational levels of affected population influence EIA follow-up consideration in project financing activities of Equator Principle financial institutions (M=2.0; SD=0.51),
2. Administrative costs would influence the need for Equator Principles financial institution to consider EIA follow-up in project financing activities (M=2.0; SD=0.38),
3. Time spent in considering EIA follow-up for every project that was subject to EIA would influence the choice of Equator Principle financial institutions to consider EIA follow-up in project financing activities (M=1.8; SD=0.56), and
4. Corruption levels influence Equator Principle financial institutions EIA follow-up requirements (M=1.6; SD=0.59).

Figure 27 below shows the results from the bivariate analysis performed on the responses captured from Section C of the survey. These results show the differences across the banks in terms of the respondents' perceptions on various factors that might influence the need to consider EIA follow-up in project financing activities.

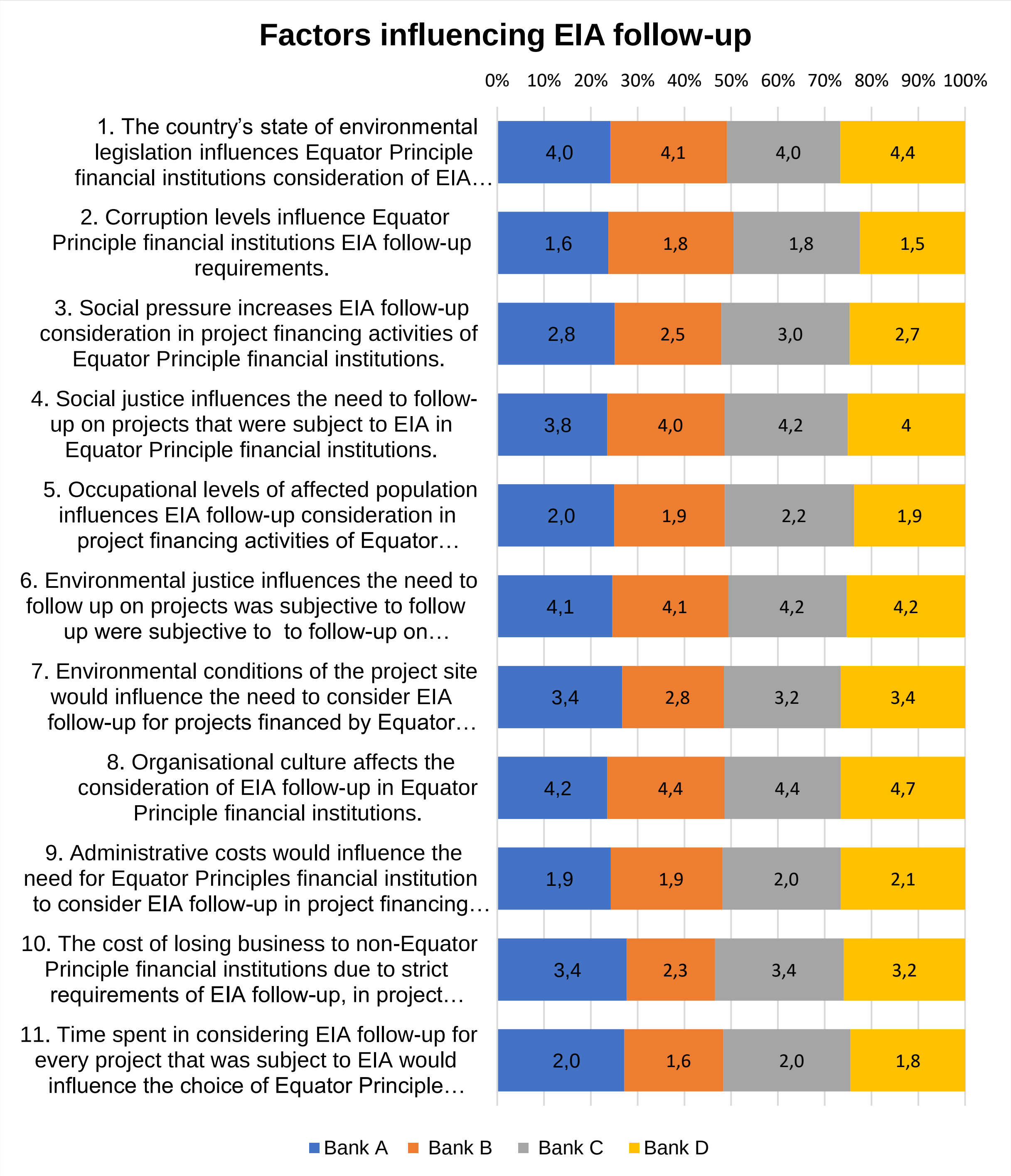


Figure 27: Bivariate analysis for Section C of the survey

Notably, Bank D (M=4.7) respondents strongly agreed that organisational culture affects the consideration of EIA follow-up in Equator Principle financial institutions while the rest merely agreed. The respondents from all the banks agreed that social justice influences the need to follow-up on projects that were subject to EIA in Equator Principle financial institutions. Respondents from all banks remained neutral whether environmental conditions of the project site would influence the need to consider EIA follow-up for projects financed by Equator Principle financial institutions. In addition to this, all remained neutral whether the cost of losing business to non-Equator Principle financial institutions due to strict requirements of EIA follow-up, in project financing, influences the consideration of EIA follow-up in project financing activities, except Bank B respondents who disagreed on this notion. The respondents from all the banks weakly disagreed that social pressure increases EIA follow-up consideration in project financing activities of Equator Principle financial institutions, while Bank C respondents were uncertain whether this was true or not.

This chapter presented the data which was collected to answer research-sub questions 1-4 for this study. These results presented will be discussed further in the chapter which follows.

Chapter 5: Discussion of Results

This chapter aims at providing a better interpretation of the results presented in the preceding section. Each research sub-question will represent the major headings of this section and the discussion of results will occur under these headings in accordance with ideas that emerged from the data analysis in context with the reviewed literature for this study.

5.1 Discussion for research sub-question 1: What are the expectations for EIA follow-up?

The review of literature revealed various expectations, which largely involved Marshall *et al*. (2005) international best practice for EIA follow-up. This research sub-question involving expectations for EIA follow-up, aided the formulation of the interview questionnaire that was used to provide answers for research sub-question 2. Considering this, along with the fact that the literature review provided answers to this research sub-question following the logical collation of secondary data, which is presented in Chapter 2 of this study. Thereafter, having the pertinent aspects identified through this method of data collection, listed in Chapter 4 (Table 4) being the results chapter, these identified expectations will be further discussed under the major headings with follow in the section below.

5.2 Discussion for research sub-question 2: To what extent do South African Equator Principles signatories value EIA follow-up in project financing activities?

The discussion below is related to each of the criteria relating to best practice EIA follow-up, which were identified by means of a literature review (Chapter 2; Section 2.3.2) and presented in the results section (Chapter 4). The fulfilment of each these criteria (listed in Table 4) was to determine to what extent do South African Equator Principles signatories value EIA follow-up in project financing activities. Judgement of the fulfilment of each criterion was done by analysing the perspectives of the respondents of the financial institutions who took part in the study. This is further discussed below.

5.2.1 Criterion 1: Institution requires a commitment to follow-up by clients whose projects have been subject to an EIA.

The review of literature revealed that one of the requirements of best practice EIA follow-up according to Marshall *et al*. (2005) stipulates that the proponent should have a commitment to conduct EIA follow-up. All the respondents of all three banks participating in this part of the study indicated that their institution does indeed require a commitment from the client to conduct EIA follow-up for projects subject to an EIA in project financing activities. Therefore, these positive responses from all the respondents indicate that this criterion was met by South African banking institutions.

5.2.2 Criterion 2: Institution ensures that EIA is follow-up is conducted by clients whose projects have been subject to an EIA.

Marshall *et al.* (2005) noted that EIA follow-up should be ensured by regulators as one of the operating principles in the list of international principles for best practice EIA follow-up. This expectation of enforcement of EIA follow-up was also later revealed as a pressing challenge in efficient EIA follow-up in the study of Jones and Fischer (2016) and was therefore explored in this study in the context of the South African Equator Principle financial institutions.

All respondents indicated that covenants get written into the loan agreements for project financing activities, which therefore indicates that a client is legally obliged to conduct EIA follow-up and produce on-going monitoring reports to the financial institutions responsible for financing the respective projects. Respondents confirmed that certain requirements are agreed on before drawing up of the loan and monitoring reports are reviewed periodically by the institution. In addition to this, Bank A stated that their institution makes use of Environmental Consultants who monitor and guide the clients in accordance with what is produced in these monitoring reports, which indicates that EIA follow-up has been conducted. The signing of the legal agreement enforces the client to carry out the conditions of the loan and therefore EIA follow-up or monitoring as it is referred to in the Equator Principles, is enforced.

5.2.3 Criterion 3: Institution believes that EIA follow-up is essential to the entire EIA process.

There is an abundance of literature pointing to the importance of EIA follow-up and its contribution towards an efficient EIA process. The aforementioned is evident from Jalava *et al*. (2015); Jones and Fischer (2016); Marshall *et al. (*2005); and Morrison-Saunders *et al*. (2007).

All participants of this part of the study had positive perceptions on EIA follow-up and its contribution in project financing activities in their institutions. One of the respondents stated: *"This is a necessary and important process. EIA itself won't be sufficient so follow-up must be done to ensure clients are still committed to their obligations".* This comment supports the statement made by Jalava *et al.* (2015) who claimed that EIA information obtained from the follow-up process, supports the main goal of the EIA itself. Another respondent stated that the institution would not have any updates on whether the project is progressing as planned if not for EIA follow-up however, interestingly pointed out that as the bank does more projects, the accumulation of these monitoring reports is viewed as a challenge to financial institutions over the years. This brings forth the notion of capacity and its impacts on an efficient EIA process as suggested by Fonseca *et al*. (2017) and Khosravi *et al*. (2019) who found that human capacity was pointed out as being one of the challenges hindering an effective EIA system. The issue of capacity was explored in the survey part of this study, as part of the factors which may influence the need for EIA follow-up in project financing activities of the financial institution and is discussed under its relevant research sub-question in this section.

Most of the respondents also recognise the management and verification benefits arising from conducting the EIA follow-up, supporting the ideas of Morrison-Saunders and Arts (2004) and Morrison-Saunders *et al*. (2007). The perceptions presented in the discussion for this criterion contribute to it being fulfilled by all respondents of all the financial institutions who took part in this study.

5.2.4 Criterion 4: Institution believes it is important to consider EIA follow-up over the entire lifespan of the project.

According to Marshall *et al*. (2005) EIA follow-up should be sustained over the entire life of the activity. It was this principle of best practice EIA follow-up that led to the exploration of this notion in the context of project financing and EIA follow-up value in the South African financial institutions.

While most of the respondents had positive perceptions towards the value of EIA follow-up in project financing activities as seen in the discussion above, the views from the respondents on the idea of financial institution's consideration of EIA follow-up over the entire life span of a project was observed to be mixed. This explains the comment that "*some evidence to support achievement of criterion"* and the "*very limited or no evidence to support achievement of criterion)"* symbols assigned to this criterion in Table 6 (Chapter 4) of this study. The respondents from Bank A and Bank B perceived that evidence of EIA follow-up, in the form of monitoring reports, provided to the financial institution responsible for financing a project is important for the lifespan of the loan and not the project itself. While both these financial institutions indicated that they do consider EIA follow-up during the operation of a project, it can only be for as long as the contractual agreement between the financial institution and the client exists. It was pointed out by one of the respondents that once the loan is repaid, this relationship ends and continuing to monitor the client's obligation to conduct EIA follow-up would be more difficult to manage.

There was very little evidence to support the fulfilment of this criterion for Bank B whose respondents stressed that the fact that financial institutions would not have leverage over the project after repayment of the loan by the client and therefore the responsibility to carry this out would be the client's.

5.2.5 Criterion 5: Institution provides resources to enable EIA follow-up.

Fonseca *et al*. (2017); Khosravi *et al*. (2018); Marshall *et al.* (2005); and Nadeem and Hameed (2010) all emphasise the need for relevant resources, namely financial, technical and human resources that affects the running of an efficient EIA system and its follow-up.

All three financial institutions that participated in this part of the study had perceptions which allowed for sufficient evidence to support achievement of this criterion. Bank B claimed that they appoint Environmental and Social consultants who play an advisory role to the institution. Bank A and D both claimed that they have teams who monitor the commitments made by their clients on an on-going basis and which is thereafter sent to the Environmental and Social Departments in the institutions. Both institutions, like Bank B, appoint environmental consultants to play an advisory role therefore acknowledging the need for sufficient human and technical resources to enable an efficient follow-up process in an EIA system.

5.2.6 Criterion 6: Institution accepts accountability for financing projects where information from EIA follow-up shows serious environmental and social implications.

Thombre (2011) stressed the fact that since the banking sector is a major source of finance to businesses and industries, a sense of responsibility and accountability is created for the sector thus, strong verification measures would need to be exercised to reduce the possible liability of irresponsible lending.

Abebe *et al.* (2007) found that one of the weaknesses in implementing a successful EIA system is the lack of accountability and responsibility of role players involved in the system. In a later study conducted by Nadeem and Hameed (2010), these findings by Abebe *et al*. (2007) were echoed in the sense that this study likewise found that there was no accountability of regulators and proponents, which contributed to the fact that overall, EIA follow-up was lagging far behind the best practice principles. In addition to this, a literature review in the field of the Equator Principles highlighted that the guidelines of the Equator Principles exist without appropriate accountability, monitoring and auditing systems (Worsdorfer, 2017).

While all the financial institutions believed that they are legally liable in ensuring that the projects financed by the institution are environmentally and socially sound, all respondents agreed that the financial institutions cannot be blamed entirely for the outcomes of a project and furthermore, believed that this responsibility would fall on the client/developer of the project. It is evident that all respondents in this part of the study were aware of the legal implications attached to irresponsible project financing activities as put forth by Nupen *et al.* (2019) and Ward and Naude (2019) however, still felt that it would be unfair to hold the financial institution entirely responsible for this. A respondent from Bank B bluntly stated that responsibility falls on the client to ensure that all environmental and social obligations are being met. An interesting point was made by one of the respondents who stated:

"There is a fine line between what the funders are responsible for and what the project itself is responsible for."

5.2.7 Criterion 7: Institutions have implications for clients where EIA follow-up found their projects to be failing with regards to its EIA commitments.

Clarke and Vu (2021) found that penalties for non-compliance related to EIA follow-up were too low and, therefore, there was a lack of incentive for EIA follow-up activities. The financial institutions in this study all mention that remedial action will firstly be taken if clients are found to be straying too far away from their environmental and social obligations, as found by EIA follow-up activities. While the cancelling of the loan was mentioned by both Bank A and Bank B, if clients were found negligent, the preferred method was engagement with the client and remedial action to rectify wrongdoings rather than resorting to taking a more punitive approach. Bank D made no mention of the implication of cancelling the loan but rather believed that clients would rather follow some sort of remedy period to rectify any negligence on their part.

It can be assumed that judging from the perspectives gained through the interviews, financial institutions don't have any serious penalties for non-compliance or negligence on the part of the client when it comes to EIA follow-up finding projects to be failing with regards to commitments made in the initial EIA. Interestingly, one respondent mentioned that it is a critical commercial imperative to manage these situations properly and therefore, remedial action is preferred to loan cancelling or any other harsh implications. It is this discussion above that led to the indication of a partial or non-fulfilment symbol for this criterion, as seen in Table 6 (Chapter 4) of this study.

5.2.8 Criterion 8: Institutions believe that proper engagement with the effected communities of a project is an important part of the EIA process.

Marshall *et al*. (2005) stressed the importance of the involvement of the community in EIA follow-up as one of the international principles for best practice EIA follow-up. While Alers (2016) found that the EIA follow-up status in South Africa was satisfactory, a few areas of weaknesses included a lack of communication regarding feedback of EIA follow-up outcomes as well as a shortage of genuine opportunities to involve communities in follow-up activities.

It was found that in this study, all financial institutions agreed on the importance of engaging with the affected communities of a project. Although financial institutions did not have much to say on this aspect, they did stress its importance and furthermore mentioned that it is an important process of the Equator Principles. A few respondents added that although it is critical and that financial institutions would monitor this obligation of proper communication and engagement with the affected communities, the responsibility of this lies fully with the client/developer of the project. Considering that financial institutions are, in fact, not responsible to conduct EIA and EIA follow-up, their positive views of the importance of community engagement led to the fulfilment of this criterion by all three financial institutions who took part in this part of the study.

5.2.9 Criterion 9: Institution believes openness and transparency are vital aspects of the EIA process.

The review of Marshall *et al.* (2005) as to international principles of best practice EIA follow-up, notes openness and transparency as vital components of EIA follow-up. This notion was explored during the interview part of the study and the respondents mostly disagreed that this should be the case regarding information about their clients' projects.

Most of the respondents were in agreement that client's confidentiality should come first and should always be respected. Interestingly, one respondent stated: *"I think that we have to again be careful that we don't prioritise one set of stakeholders over another so the trust relationship between the bank and the client is really critical*". Another respondent also claimed that it would be difficult in this case to unpack what would be necessary to disclose therefore, making this a complicated process.

Interestingly, there were a few respondents who acknowledged that the market wants transparency and the sharing of information and moreover, that there needs to be an increased level of disclosure. Despite this realisation, the respondents still felt that even though transparency and openness is growing with time, it is still a challenge to define what crucial information can be shared and that this is a difficult aspect that would need to be unpacked further.

The arguments presented above demonstrate the complexity of a broader debate regarding the need for corporate openness and transparency and on the other hand, respecting client's confidentiality and the sharing of confidential information. The responses from the interviews indicate evidence which lead to the non-fulfilment of this criterion (as shown in Table 6).

5.2.10 Criterion 10: Institution believes that EIA follow-up promotes continuous learning and would improve the future of decision-making.

The literature review revealed that EIA follow-up could promote continuous learning from experiences and improve practices into the future (Marshall *et al*., 2005). The perceptions gained for this criterion that was explored during the interview process led to the fulfilment of the criterion by all the financial institutions that participated in this part of the study.

Jalava *et al*. (2015) highlight the important link to decision-making. These findings support the findings in Jalava *et al*. (2015) and furthermore, supports the findings in Jones and Fischer (2016) whose study captured claims of optimistic responses from respondents with regards to the EIA system and its influence in decision-making. Likewise, in their study, Jones and Morrison-Saunders (2017) determined that the EIA process, which is inclusive of its follow-up activities, had a positive influence on promoting the value of environmental protection, which is evident in the organisations' mission statements and internal decision-making procedures over a period of time. The findings of this research support this latter claim.

5.3 Discussion for research sub-question 3: What is the perceived relationship between EIA follow-up and value creation among the South African Equator Principles signatories?

Section B of the survey (Annexure C) aimed at providing answers to research sub-question 3 for this study. The headings making up the discussion below all relate to the concept of corporate value creation and EIA follow-up. Each concept included in this section of the survey was done after a review of literature in the fields relating to corporate value creation (Chapter 2; Section 2.1) and the Equator Principles (Chapter 2; Section 2.2). The quantitative results obtained through Likert scale indications are presented in the preceding chapter of this study and are discussed further below.

5.3.1 Value creation in financial institutions

The first statement included in this section of the survey aimed at obtaining the respondents' general perception towards the concept of the importance of value creation in the financial institutions. This was done following the statement made by Zimmermann (2019) that studies pertaining to value creation are particularly limited in the specific case of the banking industry.

Results showed that none of the respondents disagreed on this aspect, as most either strongly agreed or just agreed on this statement, suggesting that the respondents indeed agreed on the importance of value creation in the financial institution. This provides interesting insights and so, additional factors that may influence this value creation were explored in the study, considering Kalafut and Low (2001), who suggested that the measurement of corporate performance can account for non-financial factors affecting the value creation in a corporate entity.

5.3.2 Equator Principle financial institutions and EIA follow-up

The study by Rohrbeck (2012) aimed at contributing to the understanding of value creation from corporate foresight activities and to link it to their practices and approaches and found several methods on how corporate entities could add value to their organisation. This section of the survey aimed at exploring whether individuals working in Equator Principle financial institutions perceived that their institutions should be concerned with EIA follow-up in project financing activities. The aim of this was guided by Hargarter and van Vuuren (2018) who provided insights into how banks can tackle the sustainability challenge with greater understandings of addressing conduct risk and out-of-the-box thinking for value creation in the sector.

The majority of the respondents agreed that Equator Principle financial institutions should be concerned with EIA follow-up in project financing activities. While very few were doubtful, none of the respondents disagreed on this aspect. This indicates positive views from the financial institutions in line with what is expected from Equator Principle financial institutions. These findings support Biswas (2011) who stressed that post transaction monitoring can be a strategy implemented by banks for the purpose of making informed decisions and choosing to finance certain projects. Findings also support Khalid *et al*. (2012) and Weber (2012) who claimed that the financial institutions, in their respective studies, benefited from using tools such as EIA, EIA follow-up and audit reports in order to manage environmental implications of their financing activities. This study likewise found that the South African Equator Principle financial institutions required EIA and EIA follow-up by their clients in project financing activities. These requirements play a role in ensuring sound environmental management on the part of the lender.

5.3.3 Learning opportunities presented by EIA follow-up.

Lampikoski *et al*. (2014) claimed that environmental issues play a role in pressuring executives, across various industries, to rethink their business. Mocan *et al*. (2014) explored this notion as a contributory factor to value creation in the banking industry and identified, among others, that new opportunities were one of the benefits provided for financial institutions who integrate environmental and social concerns in their decisions regarding corporate practices. This review of literature therefore guided the need to explore the concept of the EIA follow up and learning opportunities and the linkage that this concept has to value creation in the South African Equator Principle financial institutions.

The results of the study demonstrate that most of the respondents agreed that EIA follow-up presents learning opportunities for Equator Principle financial institutions, a few strongly agreed while some indicated a neutral response, which suggested that they were uncertain whether this was true or not. The responses exploring this factor were overall positive as most of the respondents either agreed or strongly agreed therefore, supporting the statement made by Mocan *et al.* (2014). This finding provided interesting insights on the concept of EIA follow-up and its potential to present learning opportunities in an under researched field of literature pertaining to financial institutions and their strategies to add value by prioritising environmental and social impacts of their operations.

5.3.4 EIA follow-up and better decision making.

This notion of EIA follow-up improving decision-making for organisations was stressed by Marshall *et al*. (2005) and several other authors including Jalava *et al*. (2015); Jha-Thakur & Fischer (2016); and Jones and Morrison-Saunders (2017).

While most of the respondents agreed on this notion, none disagreed which could imply that this was indeed one of the areas where EIA follow-up could play a role in adding value to their respective financial institutions. This notion was also explored in the interview part of this study, and it is important to note that all respondents similarly had positive perceptions of the role that EIA follow-up plays in decision making in their institutions.

5.3.5 The contribution of EIA follow-up to enhancing corporate reputation due to its role in environmental and social protection.

Lampikoski *et al*. (2014) stated that environmental issues play a role in corporate organisations influencing the way their business is conducted. There was a strong indication from the respondents of the survey part of the study who perceived that EIA follow-up ensures sound environmental and social protection and therefore, enhances the reputation of Equator Principle financial institutions. Although a few were doubtful on this notion, no respondents disagreed therefore, supporting Baloyi (2020); Osellame (2013); and Mocan *et al*. (2014) claim that the integration of environmental and social concerns are considered in the banking industry with regards to lending activities, which contributes to enhancing the reputation of these institutions.

Literature surrounding the voluntary adoption of the Equator Principles revealed that reputational risk and credit risk stem directly from environmental and social risks of projects financed by financial institutions (Amalric, 2005). Conley and Williams (2011) claimed that many institutions believed that the adoption of the Equator Principles offered good public relations and some further believed that the adoption would make them better citizens and offer good corporate citizenship. This study built on this notion and chose to explore how EIA follow-up would be perceived in ensuring sound environmental and social protection and therefore, enhancing the reputation of Equator Principle financial institutions. It can be said that overall, the findings of this study supported literature claiming that corporate value and consequently the reputation of the institution can be enhanced though the integration of environmental and social strategies, such as EIA follow-up. Furthermore, these findings support claims by Marshall (2005) who stated that EIA follow-up plays a valuable role in good development practice and further contributes to corporate reputation.

5.3.6 Lack of EIA follow-up and stakeholder scrutiny

The harm to an institution's reputation was explored in this study closely linked to stakeholder scrutiny, due to the lack of EIA follow-up. This was guided by the finding in Chonco (2009) who stated that the increased scrutiny from NGOs and public pressure was one of the constraining factors as to why banks adopt the Equator Principles. Furthermore, Conley and Williams (2011) found that financial institutions acknowledged that the loss of reputation would have direct, as well as indirect, implications which explains their adoption of the Equator Principles.

To a large extent, respondents were doubtful whether the lack of EIA follow-up would lead to stakeholder scrutiny, which could harm the institution's reputation, while many also simply disagreed on this notion. These results suggest that they generally did not believe that the lack of EIA follow-up would lead to stakeholder scrutiny which could harm the institution's reputation.

5.3.7 EIA follow-up and the identification of matters which are material.

According to Zhou (2011), the concept of materiality has been extended, concerning financial, social and environmental aspects associated with the bigger picture of sustainable development. Murninghan (2013) claimed that a wider focus on materiality would need to focus on the broadening gap relating to corporate reporting and valuation. Considering this, the notion of whether EIA follow-up could assist in the identification of material matters, which could enhance corporate value, was explored in South African Equator Principle financial institutions.

The findings of this study indicate that the majority of the respondents were doubtful whether this was true or not. There were a few respondents however, who agreed that EIA follow-up allows for the identification of matters which are material in Equator Principle financial institutions. The findings do not fully support the notion of EA follow-up allowing for the identification of matters which are material to the financial institutions.

5.3.8 EIA follow-up and enhancing ESG proposition.

The review of literature revealed that the adoption of the Equator Principles allowed for the strategic incorporation of ESG risk into lending decisions for financial institutions (Ahmed & Rahman, 2014). Furthermore, Henisz *et al*. (2019) claimed that the linkage between ESG and value creation is indeed a solid one.

When this notion was explored in this study, with EIA follow-up acting as the pivotal argument, it was found that the majority of the respondents agreed that EIA follow-up would enhance the Environmental and Social Governance (ESG) proposition of Equator Principle financial institutions, while a good portion of these respondents remained doubtful. In light of these findings, it could be claimed that overall, it was perceived that EIA follow-up could enhance the ESG proposition of the South African Equator Principle financial institutions. These findings further support the suggestion by Kalafut and Low (2001) for metrics in a corporate entity that can account for non-financial factors (including environmental and social issues) that affect the value creation in that entity.

5.3.9 EIA follow-up and sustainable development in the country.

According to Deka (2015) and Simic (2019), there are a range of global environmental issues which justifies the need for the banking sector to be proactive in ensuring sustainable development and for considering the impact that their activities have on the environment. Moreover, Sanchez and Croal (2012) suggest that there is a lack of EIA enforcement, especially as a tool to be used for achieving sustainable development. This latter notion was later emphasised by Morrioson-Saunders *et al.* (2020).

This study found that the majority of the respondents perceived that EIA follow-up could ultimately contribute to sustainable development at a national level, supporting claims by Morrison-Saunders *et al*. (2007) that EIA follow-up, which ought to occur in any EIA process, should further consider issues of sustainability.

5.4 Discussion for research sub-question 4: What are the factors that might influence EIA follow-up value in South African Equator Principles signatory institutions?

Section C (Annexure C) of the survey sought to identify possible factors that might influence EIA follow-up value in South African Equator Principles signatory institutions thus, providing answers for sub question 4 of this study. Similar to the discussion above, the main heading of this discussion represents each factor that was explored, which was guided by the review of literature in Chapter 2 (Section 2.2 and 2.3) of this study.

5.4.1 National state of environmental legislation and EIA follow-up

An abundance of literature reviewed in this study put forth claims that an inefficient EIA system (including follow-up activities) could mainly result from weak legislation in the respective countries. According to Sandham *et al*. (2013), after the 2006 reform of the legal system in South Africa, the system become generally sound, although application was still lacking and furthermore, EIA report quality had not improved after the restructuring of the EIA legislation in particular.

This notion was explored in the context of the South African Equator Principles financial institutions and interestingly, it was found that the majority of the respondents (97,3%) believed that the country's state of environmental legislation influences Equator Principle financial institutions consideration of EIA follow-up in project financing. These findings support the literature reviewed in this study, particularly that of Arts *et al*. (2012); Jones & Fischer (2016); Khosravi *et al*. (2018); and Sandham *et al*. (2013).

5.4.2 Corruption and EIA follow-up

Jha-Thakur (2011) found that, among other factors, perceptions on EIA follow-up are influenced by corruption levels. Seeing as this factor is closely related to the political factors and laws of the country, it was explored in the context of the South African Equator Principle financial institutions. It was found that the respondents in this study mostly disagreed that the corruption levels influence Equator Principle financial institutions EIA follow-up requirements. The findings of his study therefore don't highlight corruption levels as an important factor influencing the institutions who took part in the study and furthermore, it can be suggested that corruption would not impact on the need to consider EIA follow-up information in this context.

5.4.3 Social pressure, social justice, and EIA follow-up

According to Worsdorfer (2017), the respect for human rights within the Equator Principles framework is closely related to environmental protection and socio-environmental stewardship, along with the fulfilment of corporate environmental and social responsibility. In the study of Chonco (2009), public pressure was listed as a constraining factor to the adoption of the Equator Principles by South African banks. Concerning EIA follow-up, Alers (2016) found that overall, the performance of follow-up was satisfactory in the South African context but pointed out the shortage of genuine opportunities to involve communities in follow-up activities as one of the ways that this performance could improve.

In light of what was reviewed from previous literature in the field of the EIA system and social stewardship, social pressure and social justice were two factors explored in this study as possible factors influencing EIA follow-up value in South African Equator Principle financial institutions. Many of the respondents in this study either disagreed or doubted that social pressure increases EIA follow-up consideration in project financing activities of Equator Principle financial institutions, while very few agreed on this notion. With regards to social justice as a factor influencing EIA follow-up value in this context, results indicated that the majority agreed that social justice influences the need to follow-up on projects that were subject to EIA in Equator Principle financial institutions. These findings support the claims of Worsdorfer (2017).

5.4.4 Occupational levels of affected population and EIA follow-up

The proper engagement with the affected communities of a project is listed as one of the aspects of the Equator Principles (EP Association, 2020). According to Worsdorfer (2017), the impacts on affected communities and disadvantaged and vulnerable groups is one of the issues being tackled by the Equator Principles.

In this sense, this study sought to explore the perceptions of how the occupational levels of the affected populations influences EIA follow-up consideration in project financing activities of Equator Principle financial institution. The results showed that majority of the respondents of the survey disagreed on this notion. Considering these results, one can be led to assume that community engagement with the affected population of a project is a vital aspect of the Equator Principles and therefore should be encouraged by the South African Equator Principles financial institutions regardless of the demographics of the population.

5.4.5 Environmental justice and EIA follow-up

The need to promote environmental protection has been highlighted as one of the important reasons why financial institutions choose to adopt the Equator Principles. Zvijáková *et al*. (2014) found that the main purpose of the EIA system acted as a tool to reduce impact on the environment, despite the importance of monitoring and post EIA follow-up. It was further found that very little importance is given to these activities in Slovakia. In South Africa, Cele (2016) found that most participants of the study understood the purpose of EIA follow-up as a tool for sound environmental management, during developments, which allowed them to meet all procedures. Furthermore, Jones and Morrison-Saunders (2017) stated that the EIA process, including follow-up activities, had a positive influence on persuading organisations and individuals to value environmental protection.

When this notion was explored in the context of the South African Equator Principles financial institutions, it was found that the majority of the respondents agreed, and none disagreed that environmental justice influences the need to follow-up on projects that were subject to an EIA. Insights of this study therefore support the findings from Cele (2016) and Jones and Morrison-Saunders (2017). In addition to this, these insights further support the claims of Conley and Williams (2011) and Worsdorder (2017) regarding the environmental stewardship offered by the Equator Principles (with EIA follow-up as a key mechanism used to attain such stewardship).

5.4.6 Environmental conditions of the project site and EIA follow-up

This study wished to explore the respondents' views on how the conditions of a project site would influence the need to consider EIA follow-up in project financing activities. Considering the abundance of literature highlighting the lack of EIA follow-up in South African and globally, this notion was explored as a possible factor which could affect EIA follow-up in financial institutions project financing activities. Interestingly, the results of this study found that more than half of the respondents agreed that environmental conditions of the project site would influence the need to consider EIA follow-up for projects financed by Equator Principle financial institutions. Many disagreed while there were very few who were uncertain about this notion.

5.4.7 Organisational culture and EIA follow-up

Kiesnere and Baumgartner (2019) claimed that the support from top management was among a range of factors frequently recognised as drivers of sustainability implementation. The authors further stated that these drivers are rooted in personal and organisational values.

The notion that organisational culture affects the consideration of EIA follow-up in Equator Principle financial institutions was explored in this study and it was found that a little more than half of the respondents agreed, while the rest disagreed. These mixed responses are in support of Jha-Thakur (2011) who found that while it was stressed that organisational culture indeed has an influence on perceptions EIA follow-up, it was only mentioned by a few respondents.

5.4.8 Costs and EIA follow-up

In this study, two areas were explored involving the factor relating to cost, which could have influenced the consideration of EIA follow-up in South African Equator Principle financial institutions. The first one involves the administrative costs that could influence the need for Equator Principles financial institutions to consider EIA follow-up and the second was the cost of losing business to non-Equator Principle financial institutions, due to strict requirements for EIA follow-up in project financing. Both the aforementioned factors were identified in the study of Chonco (2009) as constraining factors influencing the decision to adopt the Equator Principles by some South African financial institutions. These factors were further explored in this study, attempting to identify their influences on the consideration of EIA follow-up in the context of the same financial institutions as that in Chonco (2009).

The results indicate that the majority of the respondents disagreed that administrative costs would influence the need for Equator Principles financial institutions to consider EIA follow-up in project financing activities. With regards to the cost of losing business to non-Equator Principle financial institutions, it was found that half of the respondents agreed on this notion, while the rest either disagreed or were doubtful. The findings of this study somewhat support the idea presented by Chonco (2009) in that the cost of losing business to non-Equator Principle financial institutions was perceived as a factor possibly influencing the need to consider EIA follow-up in project financing activities. On the other hand, the results from this study do not support the idea of administrative costs as a factor influencing the consideration of EIA follow-up in project financing activities in the South African Equator Principle financial institutions.

5.4.9 Lack of time and EIA follow-up

Capacity building is noted as one of the mechanisms to improve EIA systems in many countries (Khosravi *et al.,* 2018; Kirchhoff 2006; Kolhoff *et al*., 2018). With regards to the Equator Principles themselves, Schepers (2011) found that the Principles require strengthening and variance regarding capacity building and implementation. There was also the pressing fact that there were inadequate staff and equipment required for monitoring and inspections, as found by Khosravi *et al*. (2019).

According to Fonseca *et al*. (2017), a general perception of ineffectiveness in the Brazilian EIA system stemmed from low levels of institutional capacity and governmental procedures, which were thought to be time consuming. Considering the importance placed on the capacity needed for an efficient EIA system (including EIA follow-up), this study explored the time spent in considering EIA follow-up for every project that was subject to EIA as a factor that could influence the choice of Equator Principle financial institutions to consider EIA follow-up in project financing activities.

The study found that the majority of the respondents disagreed on this notion which could lead to the assumption that the South African Equator Principle financial institutions have enough human capacity to not consider time as a constraining factor, influencing the consideration of EIA follow-up in project financing activities.

This chapter provided a discussion of the results, presented in Chapter 4, in accordance with relevant literature works on the topic. The final chapter of this research follows.

Chapter 6: Conclusion and Recommendations

This study explored the South African Equator Principles signatories' perspectives on EIA follow-up value. In order to achieve this, four research sub-questions were formulated and answers to these questions were determined by means of a literature review, interview questionnaire and survey. In the preceding chapters, the results of this study were presented followed by an in-depth discussion on these results. In the current chapter, the key research findings of this research with be pointed out in order to provide concluding remarks on each of the research sub-questions. Recommendations for the relevant stakeholders and future research will be provided in this chapter. Furthermore, limitations to this study are also mentioned in an attempt to improve future research on this topic.

6.1 Concluding remarks on research sub-questions.

Concluding comments of this research are presented below in accordance with the research sub-questions making up the main heading for the comments.

6.1.1 Concluding remarks on research sub-question 1: What are the expectations for EIA follow-up?

The review of literature found various aspects related to what is considered as best practice EIA follow-up. Significant literature judged EIA follow-up as critical particularly based on Marshall *et al*. (2005) international best practice for EIA follow-up. This served as a guide to establish criteria that could judge the extent of EIA follow-up value in project financing activities within the South African Equator Principle financial institutions. There were various available sources of literature available directly related to the topic of best practice EIA follow-up. In particular, the areas that stood out in the review included the role that EIA follow-up plays in good development practice; the value it adds to environmental management; the transparent disclosure of activities relating to the process; and its vital role in learning from experience. The review, moreover, highlighted that the lack of enforcement of penalties and human capacity were seen as additional pressing challenges to best practice EIA follow-up and consequently, an effective EIA system overall. Although rarely mentioned, the review noticed various literature pointing out the lack of responsibility and accountability from institutions regarding EIA follow-up as well as the lack of environmental specialists involved in the process, which led to an overall inefficient EIA system. This presents an opportunity to justify thorough exploration of these factors for the purpose of enhancing EIA follow-up in financial institutions.

6.1.2 Concluding remarks on research sub-question 2: To what extent do South African Equator Principles signatories value EIA follow-up in project financing activities?

The value component metric (Table 6) shows the extent to which various criteria relating to best practice EIA follow-up, were fulfilled in the context of the South African Equator Principle financial institutions. In essence, this section of the concluding chapter provides certain linkages between what was found for the purpose of answering this research sub-question to the previous literature reviewed in Chapter 2. The following criteria were partially fulfilled by the financial institutions:

- Institution accepts accountability for financing projects with serious environmental and social impacts.
- Institution believes it to be important to consider EIA follow-up over the entire lifespan of the project financed by the institution.
- Institutions pose implications to clients where follow-up have proved them to be failing with regards to their EIA commitments.

The criterion regarding the importance of openness and transparency of the information gained from EIA follow-up reports was unfulfilled by the financial institutions who participated in this study, despite its importance highlighted in previous literature. It can be said that most of the criteria used to judge the extent of EIA follow-up value in these financial institutions were fulfilled (aside from the aforementioned) which demonstrates a positive case for the value of EIA follow-up in project financing activities within the respective financial institutions. It became evident that EIA follow-up in project financing activities is an important aspect of the credibility of the Equator Principles, which was more than often pointed out by some of the participants of this study and moreover, emphasized in literature.

6.1.3 Concluding remarks on research sub-question 3: What is the perceived relationship between EIA follow-up and value creation among the South African Equator Principles signatories?

When respondents were presented with questions on corporate value creation and EIA follow-up, there were none who disagreed on any of the statements relating to either of the two concepts. This again confirms a positive case for EIA follow-up and its possible link to corporate value creation in the South African Equator Principle financial institutions. However, there were certain notions which had left the respondents doubtful. This included the notion of the lack of EIA follow-up would lead to stakeholder scrutiny which in turn could harm the institutions reputation and the notion that EIA follow-up allows for the identification of matters which are material in Equator Principle financial institutions. Despite literature encouraging the identification of material matters and non-financial aspects of an organisation, which affects corporate value, the South African Equator Principle financial institutions who took part in this study were doubtful whether EIA follow-up could act as a tool for this. Given the importance of EIA follow-up and its relevance in Equator Principle financial institutions, this should warrant more importance and could allow for more of a long-term appraisal of material matters in the institutions.

6.1.4 Concluding remarks on research sub-question 4: What are the factors that might influence EIA follow-up value in South African Equator Principles signatory institutions?

In an attempt to find out what factors could influence the consideration of EIA follow-up in project financing activities in the South African Equator Principle financial institutions, a list of statements was presented to respondents of this study's survey. It was agreed that organisational culture; the state of the country's environmental legislation; environmental justice; and social justice are all factors that affect the need to consider EIA follow-up in project financing activities. Interestingly, the respondents were doubtful whether the environmental conditions of the project site would influence this need. In addition to this, they were also doubtful about the cost of losing business to non-Equator Principle financial institutions due to strict EIA follow-up requirements. Social pressure was also found to not be a driving factor influencing the need to consider EIA follow-up in these institutions.

6.2 Recommendations for policy, practice, and future research

The following recommendations are based on the results of this study and aim to enhance the environmental soundness of South African Equator Principles signatories through EIA follow-up and for related future research purposes.

6.2.1 Recommendations for stakeholders

While many of the respondents acknowledged the importance of openness and transparency as a growing requirement from the markets, particular importance was placed on client confidentiality and the ethics regarding the sharing of confidential information about a project. Considering that openness and transparency is universally accepted as best practice EIA follow-up, and the fact that most projects and developments occur in the public domain, it is recommended that South African Equator Principle financial institutions promote the sharing of information about a project (within the constraints of the Protection of Personal Information Act) while placing efforts to continuously honour client confidentiality. It is also recommended that South African Equator Principle financial institutions put in place stricter penalties for non-compliances when it comes to EIA follow-up. This could lead to EIA follow-up being taken more seriously by clients responsible for major projects and developments. In addition to this, it is highly recommended that these institutions consider requiring EIA follow-up reports from clients involved in major projects, even after the loan is repaid by the client. Depending on the severity of the environmental and social impacts of a project, a special category of projects could be developed, justifying the long-term need for these EIA follow-up reports.

6.2.2 Recommendations for future research

Considering that this study was carried out at a time when strict COVID-19 national restrictions were in place, the gathering of the required sample of respondents for this study was challenging. Therefore, it is recommended that future research should entail a wider range of experienced, relevant professional within the South African Equator Principle financial institutions industry to aid in building on the findings of this study. This could entail an increase in the sample size for interviews and surveys for the purpose of data collection. In addition to this, more detailed research could assist in verifying the findings of the extent of the EIA follow-up value in project financing activities of the South African Equator Principle financial institutions (research sub-question 2). This could involve a more detailed interview questionnaire which could allow a thorough investigation into policy and practice within the financial institutions. Future research on this topic can also involve document analysis from the South African Equator Principle financial institutions regarding their EIA follow-up process and requirements. This is also for the purpose of further verification of this study's findings. Lastly, an international comparative study can be conducted to gather valuable information from learning for the purpose of enhancing the EIA follow-up process within project financing activities for Equator Principle financial institutions.

6.3 Concluding summary on EIA follow-up value in South African Equator Principle financial institutions.

The definitive conclusion related to the main question of this research is that EIA follow-up is indeed considered as a vital process and furthermore, viewed as a positive tool in project financing activities in the South African Equator Principle financial institutions. This conclusion is made after exploring the perspectives from the Equator Principles signatories. As a result, EIA follow-up can be noted as a pertinent tool used to add value to such activities however, there are a few areas that require strengthening. The areas that require strengthening include improving the openness and transparency policies related to projects and developments which directly affect the public; penalties for non-compliance of EIAs follow-up activities by clients; and establishing a category of high-risk projects which would require EIA follow-up reports over long the term and not only until the loan of the project is repaid. It is therefore imperative that such areas be improved to strengthen the value of EIA follow-up and to ultimately enhance the corporate value and ESG proposition of the institutions. While EIA follow-up is valued in these institutions, it is hoped that this exploratory research will serve as an initial guide to enhance this value in South African Equator Principle financial institutions.

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Annexure A: Research Permission Letter

Ethics clearance reference number: 2020/CAES_HREC/142

Research title: Exploring EIA follow-up value in South African financial institutions: perspectives from Equator Principles signatories

My name is Ruvishka Chetty and I am doing research under the supervision of Professor J A Wessels of the Department of Environmental Science. My research is towards an MSc in Environmental Management at the University of South Africa.

EIA follow-up is currently a missing component of the EIA process and research regarding its value in the context of the South African Financial Institutions is limited. Should EIA follow-up be explored in South African financial institutions, vital information could be gained which could potentially be used to better EIA follow-up consideration in project financing activities. This would contribute to sound environmental management and would further strengthen the ESG proposition and valuation of the institution. Considering that the EIA is central to the Equator Principles, the aim of this study is to explore EIA follow-up value in South African Equator Principle financial institutions. Perspectives from the South African Equator Principle signatories would aim to achieve the study's objectives.

Objectives of the proposed study:

- Determine the extent to which South African Equator Principle financial institutions value EIA follow-up in project financing activities.
- Determine the perceived relationship between EIA follow-up and value creation among the South African Equator Principle financial institutions.
- Identify any factors that might influence EIA follow-up value in South African Equator Principle financial institutions.

In an attempt to achieve the above, I hereby request permission to conduct:

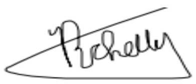
- Semi-structured interviews of a 30-45-minute duration per participant, with a total of 3 participants, from the Equator Principles, Project Finance, Environmental and Social, and Sustainability divisions division of your institution.

- Surveys of a 10-minute duration per participants, with a total of 8-10 participants, from the project finance as well as any other relevant division (identified through the implementation of a snowballing sampling technique) at your institution.

Your inputs are much appreciated, and I trust you will assist me in the pursuit of this research by granting me permission. Thank you for your time and I look forward to your timely feedback.

Your sincerely

Ruvishka Chetty



ruvishkachetty@gmail.com

Master’s candidate

Annexure B: Semi-Structured Interview Guide

Research conducted by:

Ms R Chetty

Email: 65772636@mylife.unisa.ac.za

I am currently a master's student in Environmental Management at the University of South Africa, with research titled "*Exploring EIA follow-up value in South African financial institutions: perceptions of Equator Principles signatories*", under the supervision of Professor Jan-Albert Wessels.

EIA follow-up is currently a missing component of the EIA process and research regarding its value in the context of the South African Financial Institutions is limited. Should EIA follow-up be explored in South African financial institutions, vital information could be gained which could potentially be used to better EIA follow-up consideration in project financing activities. This would contribute to sound environmental management and would further strengthen the ESG proposition and valuation of the institution. Considering that the EIA is central to the Equator Principles, the aim of this study is to explore EIA follow-up value in South African Equator Principles financial institutions. The objectives of this study are to:

- Determine the extent to which South African Equator Principles financial institutions value EIA follow-up in project financing activities.
- Determine the perceived relationship between EIA follow-up and value creation among the South African Equator Principles financial institutions.
- Identify any factors that might influence EIA follow-up value in South African Equator Principles financial institutions.

Please note the following:

- This is an anonymous interview. The answers you give will be treated as strictly confidential as you cannot be identified in person based on the answers you give. Participation is for persons over 18 years only.
- If at any time you want to withdraw from this interview, you may do so with no penalties involved.
- This interview should not take more than one hour of your time.
- With your permission, this interview will be recorded, and the results will and used for academic purposes.

Thank you for taking the time to participate in this interview. Please contact the researcher if you have any questions or comments regarding the study.

<u>Interview questions</u>

- How long have you been working in the Project financing division?

- Does your institution encourage a commitment to follow-up by clients whose projects have been subject to an EIA?

  YES/NO

- What does your institution do to ensure that clients honour this commitment to follow-up?

- What are your general thoughts on follow-up for projects which have been subject to EIA?

- What are your thoughts regarding financial institutions consideration of EIA follow-up over the entire life span of the project (which was subject to an EIA)?

- Does your institution provide any resources for EIA follow-up?

- Do you believe that financial institutions funding a polluting project/development should accept accountability for the environmental and social deterioration caused by this project/development?

  YES/NO

- What are the implications for projects where follow-up has found it to be failing with regards to its environmental and social commitments?

- What are your thoughts regarding the engagement of the affected communities after a project has reached its financial close?

- Do you believe that financial institutions should be open and transparent, regarding crucial information gained through the process of following up, on projects financed by the institution?

- Do you believe that EIA follow-up promotes continuous learning from experience and would improve future project financing decisions for your institution?

  YES/NO

Annexure C: Survey Questionnaire

I am currently a master's student in Environmental Management at the University of South Africa, with research titled "*Exploring EIA follow-up value in South African financial institutions: perceptions of Equator Principles signatories*", under the supervision of Professor Jan-Albert Wessels.

EIA follow-up is currently a missing component of the EIA process and research regarding its value in the context of the South African Financial Institutions is limited. Should EIA follow-up be explored in South African financial institutions, vital information could be gained which could potentially be used to better EIA follow-up consideration in project financing activities. This would contribute to sound environmental management and would further strengthen the ESG proposition and valuation of the institution. Considering that the EIA is central to the Equator Principles, the aim of this study is to explore EIA follow-up value in South African Equator Principles financial institutions. The objectives of this study are to:

1. Determine the extent to which South African Equator Principles financial institutions considered EIA follow-up in project financing activities.
2. Determine the perceived relationship between EIA follow-up and value creation among the South African Equator Principles financial institutions.
3. Identify any factors that might influence EIA follow-up value in South African Equator Principles financial institutions.

Your inputs are much appreciated, and I thank you for taking the time to complete this survey questionnaire.

Yours sincerely

Ruvishka Chetty

Section A: Demographic data

1. What is your position in your relevant department?	
Senior manager	
Manager	
Line staff	
Other	

2. How many years have you worked in this department?	
Under 5 years	
Over 5 years	

3. How is your knowledge on Environmental Impact Assessment follow-up?			
No knowledge		**Limited knowledge**	
Good knowledge		**Excellent knowledge**	

Section B: Corporate value and EIA follow-up

Please indicate your level of agreement to each of the following statements.

	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1.	Value creation is important in financial institutions.	**1**	**2**	**3**	**4**	**5**
2.	Equator Principle financial institutions should be concerned with EIA follow-up in project financing activities.	**1**	**2**	**3**	**4**	**5**
3.	EIA follow-up presents learning opportunities for Equator Principle financial institutions.	**1**	**2**	**3**	**4**	**5**
4.	EIA follow-up allows for better decision-making in the future of project financing activities for Equator Principle financial institutions.	**1**	**2**	**3**	**4**	**5**

	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
5.	EIA follow-up ensures sound environmental and social protection and therefore enhances the reputation of Equator Principle financial institutions.	**1**	**2**	**3**	**4**	**5**
6.	The lack of EIA follow-up would lead to stakeholder scrutiny which could harm the institution's reputation.	**1**	**2**	**3**	**4**	**5**
7.	EIA follow-up allows for the identification of matters which are material in Equator Principle financial institutions?	**1**	**2**	**3**	**4**	**5**
8.	EIA follow-up would enhance the Environmental and Social Governance (ESG) proposition of Equator Principle financial institutions.	**1**	**2**	**3**	**4**	**5**
9.	EIA follow-up could ultimately contribute to sustainable development at a national level.	**1**	**2**	**3**	**4**	**5**

Section C: Factors influencing EIA follow-up

Please indicate your level of agreement to each of the following statements.

	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
1.	The country's state of environmental legislation influences Equator Principle financial institutions consideration of EIA follow-up in project financing.	**1**	**2**	**3**	**4**	**5**
2.	Corruption levels influence Equator Principle financial institutions EIA follow-up requirements.	**1**	**2**	**3**	**4**	**5**
3.	Social pressure increases EIA follow-up consideration in project financing activities of Equator Principle financial institutions.	**1**	**2**	**3**	**4**	**5**
4.	Social justice influences the need to follow-up on projects that were subject to EIA in Equator Principle financial institutions.	**1**	**2**	**3**	**4**	**5**
5	Occupational levels of affected population influences EIA follow-up consideration in project financing activities of Equator Principle financial institutions.	**1**	**2**	**3**	**4**	**5**
6.	Environmental justice influences the need to follow-up on projects that were subject to EIA.	**1**	**2**	**3**	**4**	**5**

	Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
7.	Environmental conditions of the project site would influence the need to consider EIA follow-up for projects financed by Equator Principle financial institutions.	**1**	**2**	**3**	**4**	**5**
8.	Organisational culture affects the consideration of EIA follow-up in Equator Principle financial institutions.	**1**	**2**	**3**	**4**	**5**
9.	Administrative costs would influence the need for Equator Principles financial institution to consider EIA follow-up in project financing activities.	**1**	**2**	**3**	**4**	**5**
10.	The cost of losing business to non-Equator Principle financial institutions due to strict requirements of EIA follow-up, in project financing, influences the consideration of EIA follow-up in project financing activities.	**1**	**2**	**3**	**4**	**5**
11.	Time spent in considering EIA follow-up for every project that was subject to EIA would influence the choice of Equator Principle financial institutions to consider EIA follow-up in project financing activities.	**1**	**2**	**3**	**4**	**5**

Please indicate any other factors (driving and/or constraining) which you think could influence financial institutions consideration of EIA follow-up in project financing activities.

Annexure D: Transcribed Interviews

The transcripts of the interviews conducted for this study are captured in this Annexure. The highlighted texts are the quotations of each response used during the process of content analysis in order to judge the extent of EIA follow-up value in project financing activities of each institution (research sub-question 2).

<u>Interview 1</u>

Date of interview: 07/12/2020

Time of interview: 8:15 am

Duration of interview: 11 minutes 35 seconds

Brief overview of study was given.

Interviewer: So, my first question to you would be how long have you been working in your current position at the financial institution?

Participant 1: I've been at Standard bank for eleven years and I've been in my current position for six.

Interviewer: The next question just requires a yes or no response from you. Does your institution require a commitment to conduct EIA follow-up by clients whose projects have been subject to an EIA?

Participant 1: Yes

Interviewer: Ok and what does your institution do to ensure that clients honour this commitment to follow-up?

Participant 1: So, we write it into the loan agreement, it is a condition of the loan, what we call a covenant. Its part of the loan covenant and if its not followed through then its like a bridge of contact almost, with the bank.

Interviewer: What are your general thoughts on follow-up for projects which have been subject to and EIA? So, any of your personal thoughts?

Participant 1: Its absolutely critical because people will promise a lot of things upfront to get a loan but you have to be able to make sure that they are actually living up to what they promised and also I mean, an EIA upfront wont necessarily anticipate everything and there may be things that happen along the way that were not foreseen or are worse than what was foreseen or issues that get raised by communities and civil society once the project gets underway. So, its really really important and its for the credibility of the Equator Principles actually.

Interviewer: What are your thoughts regarding financial institutions consideration of EIA follow-up over the entire lifespan of the project, so even after the construction phase, while the projects is in its operational phase, do you still think it is necessary to require feedback from the EIA follow-up?

Participant 1: I think that's trickier to manage because what, on what basis are you going to require that once the loan has been repaid, your relationship with that client could terminate, could come to an end. And there are a number of other mechanisms that can be used to hold the client accountable so one would expect that its own stakeholders would do that. I think, we have to be careful it's a very fine line to tread between what we hold the funders responsible for and what we hold the actual company that's doing the project responsible for.

Interviewer: Does your institution provide any resources for EIA follow-up?

Participant 1: So, what we will often do is if we are concerned, we sometimes appoint our own specialists, our own sort of E&S specialists/consultants to do sort of an independent piece of work for us that we would then look at. So, we don't always just take what we are provided by the client and often these kinds of big projects there's quite an abundance of syndicates for loans so its rarely just one bank that provides usually there is a group of banks funding a big project and that syndicates of lenders would often appoint their own advisors, their own sort of E&S risk specialists to advise them.

Interviewer: The next two questions also just require a yes or no from you. Do you believe that financial institutions funding a polluting project or development should accept accountability for the environmental and social deterioration that is caused by this project or development?

Participant 1: Well, in terms of South African law there's legal liability that falls to the lender and you have to rehabilitate the environment or the land if you have done that so, again I don't think it's a simple yes or no answer. It depends on the project, it depends to the extent to which you have proper E&S risk processes in place and so on but I think that by putting all responsibility and liability on the lender what you will do is lenders will either want very high interest rates or they wont fund big infrastructure projects so I think we have to tread the fine line between what the funders are responsible for and what the project itself is responsible for.

Interviewer: What are the implications for projects where follow-up has found it to be failing with regards to its environmental and social commitments?

Participant 1: Just tell me a little bit more of what you mean by that?

Interviewer: So I'm saying if follow-up does find it to not be committing to its commitments that was found in the EIA, does the financial institution impose penalties, do you report it to any authority?

Participant 1: Ya, the clients have to take remedial action to fix the problem and that's the best-case scenario so, you want to partner with your clients to help them meet their obligations rather than taking a punitive approach. But ultimately if they don't take these things seriously its quite likely that they don't take other things seriously and they won't be able to pay back the loan, so it really is a critical commercial imperative to manage these things properly.

Interviewer: What are your thoughts on the role that EIA follow-up plays in decision-making for the financial institution and subsequently sound environmental management?

Participant 1: I think that follow-up could be used as a good learning tool because you can feed the lessons back into future projects so you and learn from mistakes about what work and what didn't work etc..

Interviewer: Do you believe that the financial institution should be concerned with the proper engagement with the effected communities of the project or development. Or do you think that ones lies purely on the project company?

Participant 1: Again. The primary accountability lies with the clients with the projects. There may be times when the financial institution wants to do its own engagement and interact with the affected communities but primarily, it has to be the clients that does that.

Interviewer: Do you believe that the institution should be open and transparent regarding crucial information gained through the process of following-up on projects that have been financed by the institution?

Participant 1: Well, I think the basis of banking is client confidentiality and so client confidentiality has to come first. You know, no one of us would want our banks revelling information about our financial comings and goings like if we've got a home loan and the banks felt like we weren't maintaining the property correctly, we wouldn't want that to be made public and I know its not kind of comparing apples and apples but I think that we have to again be careful that we don't prioritise one set of stakeholders over another so the trust relationship between the bank and the client is really critical. Without that, banking doesn't work anymore so there's again, the ones is on the client to be transparent they're the ones who need to uphold their grievance mechanisms, reporting's in their annual reports and those kinds of things but for a bank to do that for every single project it finances I think will again were going to fight in terms of what we hold banks accountable for.

Interviewer: And the last question is also just a yes or no but I think you've answered it already when you answered another question. Do you believe that EIA follow-up promotes continuous learning from experience and would improve the future of project financing decisions for your institution?

Participant 1: Yes. Definitely.

Interviewer: Thank you [redacted], that was the end of the interview. Thank you so much for your time.

Brief discussion then interview ends.

Interview 2

Date of interview: 14/01/2021

Time of interview: 3:30 pm

Duration of interview:

Brief overview of the study given.

Interviewer: My first question to you is how long have you been working in your current position at your financial institution?

Participant 2: Well, depends on what you mean. I've worked in the bank for about twelve years, but I've worked in different roles so, I cant say. I mean at the moment I don't necessary deal purely with environmental and social assessment, I cover the whole of sustainable finance, so I guess I don't know what you're trying to work out whether I senior or junior, I guess its senior.

Interviewer: Would you say senior, ok. That is just fine and does your institution encourage a commitment to conduct EIA follow-up by clients whose projects have been subject to an EIA?

Participant 2: So, this is where your questions and banking are going to diverge a bit, is that are you talking about Equator Principles?

Interviewer: Yes, so my study looks at perspectives from the Equator Principles signatories.

Participant 2: Ok, but you need to understand that when you ask a question, you need to say in relation to project finance and then relate it to Equator Principles. Because a bank finances hundreds of thousands of people on an annual basis. A lot of them are from mining companies or whatever that are not Equator Principles or project finance, but they might be an EIA on them or something like that, but banks don't look at it like that. But in a project financing, Equator Principles respected, yes, we would do what you call follow-up, but we would call on-going monitoring.

Interviewer: Okay. What does your institution do to ensure that clients honour this commitment to follow-up, and this is with regards to project finance?

Participant 2: They are legally obliged.

Interviewer: Excuse me?

Participant 2: They are legally obliged so in other words, what I do, I draft legal terms into the contract of their loan that they have to do it. So, they have to allow follow-up on an ongoing basis. So, it's an obligation, a legal obligation.

Interviewer: Ok and what are your general thoughts on follow-up for projects which have been subject to an EIA with project finance?

Participant 2: What are my general thought? What does that mean?

Interviewer: Do you feel like it is critical to conduct follow-up for EIAs for projects which have been..

Participant 2: Yes ok, yes, I do think it is critical because I think in most instances you know, an EIA the essential implementation of the action, sometimes there's an action plan that needs to be followed. That can take a few years and you need to make that it's actually actively been implemented because otherwise some companies tend not to follow it. So, yes, I mean I think and that's one of the reasons why the Equator Principles have an obligation for on-going monitoring.

Interviewer: And what are your thoughts regarding financial institutions consideration of EIA follow-up over the entire life span of a project, which has been subject to an EIA?

Participant: So, I'm not sure I fully understand your question. Are you saying that what is my view on follow-up, following an EIA over the life span of a project?

Interviewer: Yes, so I can give you an example. So, after the construction phase of a project, would you feel like the financial institution would require information even throughout the operational phase with regards to its environmental and social impacts?

Participant 2: Yes, and we do.

Interviewer: Okay.

Participant 2: So, you must understand that the obligation for what we call monitoring, your calling it follow-up but I would call it monitoring so at least align it with the factors, is that you are going to monitor during the construction and you're going to monitor during operation. But a bank will only monitor it throughout the life of the loan, not over the life of a project. You need to understand that. They cannot monitor it over the life of the project because they are not involved in the life of the project, they don't have leverage over the life of a project.

Interviewer: Does your institution provide any resources for EIA follow-up?

Participant 2: When you mean resources for EIA follow-up?

Interviewer: Do you have any in house specialists that could provide certain services?

Participant 2: Yes, we have a team of E& S specialists that do that as well as we hire external consultants.

Interviewer: The next question just requires a yes or no response. Do you believe that financial institutions funding a polluting projector development should accept accountability for the environmental and social deterioration caused by the project or development?

Participant 2: I think it is very difficult for a financial institution to accept accountability for that because they're not the operator, they're not the day-to-day operator. So, you can't take part of that legal obligation on to that financial institution.

Interviewer: What are, or should be the implications for projects where follow-up has found it to be failing with regards to its environmental and social commitments?

Participant 2: Well, there's got to be remedies So, there's normally action. If we work with a client and they have with follow-up there's an issue, we would follow some type of remedy period and as I said they are legally obliged to deal with it. So, we would force them to remedy that.

Interviewer: Do you believe that financial institutions should be concerned with proper engagement with the affected communities of a project or development?

Participant 2: Yes, they should be.

Interviewer: The next question is, do you believe that financial institutions should be open and transparent regarding crucial information gained through the process of following-up on projects financed by the institution?

Participant 2: So basically, what you're trying to say is that when you're doing your follow-up and if you find anything wrong you need to disclose it publicly? I think there needs to be an increased level of disclosure, but I don't think you need to disclose everything because you know, its like anything it all the ongoing operations there's issues on an on-going basis to just disclose that there's going to be issues with your clients. So, I don't know, I think it's difficult to question and needs to be unpacked it can't just be you're going to disclose everything, that won't work.

Interviewer: The last question is also just a yes or no. Do you believe that EIA follow-up promotes continuous learning from experience and would improve the future project financing decisions of the institution?

Participant 2: Yes, but were doing it anyway so ye, were doing it anyway. I mean if you're asking me whether EIA follow-up results in continuous improvement, yes it does but were doing it.

Interview: Ok that was the interview. Thank you, [redacted], for your time.

General discussion then interviews ends.

<u>Interview 3</u>

Date of interview: 08/02/2021

Time of interview: 2 pm

Duration of interview: 17 minutes and 23 seconds

Brief overview of study was given.

Participant 3: How many banks are you going to be interviewing?

Interviewer: With my sample size, because all the people that I'm interviewing perform the same job functions, I'm looking at a maximum of twelve because that's when my answers will just start reaching a saturation point. So, I'm looking to interview at least three people from each of the Equator Principle signatories in South Africa so not more than twelve.

Participant 3: So, when you say each of the signatories, you're going to each bank and getting three people?

Interviewer: At least three people yes, from each bank.

Participant3: Ok that's interesting and have you spoken to any from Absa yet?

Interviewer: Not as yet, I've actually been struggling a little with Absa, Because of the lockdown now and since everyone's working from home it's been a bit difficult. I know when I go to the banks, they're always more than willing to help or try to get me in contact with the right people but it's taking a bit longer so I've actually just resorted to using LinkedIn and try to find participants through that platform. I know sometimes it could be a bit intrusive, but I have no other option it's a bit of a delay now I thought that by this time Id actually be done with my data collection but that's not the case.

Participant 3: Ya, its always hard to get hold of people I think that's just a general issue. That's the real world (laughs)

Interviewer: I've also spoken to someone from the IFC and they're also trying to get me a few participants and they seem to be quite interested in the study I think, So, they're also looking out for me which is a bit helpful as well. So [name], these questions are really just your perspectives, I know that some of them might seem pretty obvious to you because you deal with it mostly on a daily basis but they're not to me, the researcher, or to the general public and this is why…

Participant 3: No problem, and you're not going to be quoting separate people hey (laughs)?

Interviewer: No

Participant 3: So you're not trying to catch Absa where they…

Interviewer: No, definitely not. So like I said, its an exploratory study so not much information is available on this exact topic and all of the interviews are anonymous so I would never say which bank said what. No, that's not going to happen.

Participant 3: Ok, lets go for it.

Interviewer: How long have you been working in your current position at the financial institution?

Participant 3: So, in environmental its eleven years. Since we've adopted the EP really.

Interviewer: Does your institution encourage a commitment to conduct EIA follow-up by clients whose projects have been subject to an EIA?

Participant 3: Yes

Interviewer: What does your institution do to ensure that client honour this commitment to follow-up?

Participant 3: So, we've got monitoring reports, which our clients need to provide to us. We're talking project now hey so, it depends on what the project is what we would agree the frequency of these reports be annual, it might even be monthly and that is actually when we sign up with our clients, we sign contracts, and those contracts agree on this commitment. Often, we'll use environmental consultants as well who combine those reviews for us, they do the follow-up of the EIA. So, we agree on specific requirements with our clients and then the consultants let us know how the clients are doing.

Interviewer: What are your general thoughts on following up which have been subject to an EIA?

Participant 3: So generally, I'd say it's helpful because it provides us with comfort that these projects are progressing as planned, that our clients are meeting their commitments that they have made to the bank environmentally and socially and it also helps us to review which otherwise wouldn't have been if we didn't have any updates. But obviously as the bank does more and more projects there's an accumulation of monitoring reports, that's really one of the challenges that banks would have over the years you going to be having many more reports especially as the banks finance more. Does that make sense?

Interviewer: Yes, it does thank you. So, what are your general thoughts also on the consideration of EIA follow-up over the entire life span of a project. So here I'm talking about like when a project is done with its construction phase and its actually in its operational phase, do you think that the information from EIA follow-up is necessary for the financial institution?

Participant 3: Ok, so we do continue with reviews as well, it's not only during construction so yes, it is necessary, but I think an important point to note is that it is, even the relationship with the client, is contractual. So, let's say the bank or the client decides to refinance with another bank then obviously, you know the bank would be much more in a difficult position if it wanted to continue to monitor your projects because now the bank is no longer involved, so there does need to be that relationship with the client that continues, generally it would be over the lifespan of the project but once the financing term has come to an end, of its not refinanced, then it obviously makes it both financially and practically difficult to continue that monitoring.

Interviewer: The next question is, does your institution provide any resources for EIA follow-up, I know that you made mention of environmental consultants previously. Are there any more resources that you offer apart from that?

Participant 3: I'm not sure if you are saying resources to the client but internally, we have a team that also monitors the commitments that our clients have made ya, to make sure the clients are producing the reports and they would send it through to the environmental and social department in bank.

Interviewer: Do you believe that financial institutions that fund a polluting project/development should accept accountability for the environmental and social deterioration caused by this development?

Participant 3: Ya, so this is a very difficult one because of the definition of you know, if you understand the environmental field, I would say its only really where the financial institution continuously supports environmental pollution. So if you look at developing countries like basically in South Africa, we've got a large reliance on fossil fuels for energy, socio-economic development my view is that it won't be great to hold the financial institution accountable for a project, especially if they're trying to support the government, country development objectives I think we have to acknowledge that the financial institution's got leverage to a clients operations but they're not actually the operator or the developer so to be completely accountable, for environmental and social deterioration I think that's a difficult one to say that the banks would be accountable and like I said the banks would still have a responsibility from a reputational perspective you know, they need to do their due diligence etc.. But to be held accountable in let's say thirty-four years' time for let's say having supported a coal mine or a coal plant, you know from sixty years ago from when the environment was very different, I don't know it becomes a very philosophical and complex area to manage. Its not a quick yes or no answer.

Interviewer: What do you think should be some of the implications for projects where follow-up has found it to be failing with regards to its environmental and/or social commitments?

Participant 3: So, obviously we do have incidents where clients fall short of their commitments so in extreme case, the banks would call a default on the facility so that they can actually request clients to repay the facility. That would be the worst-case scenario. Then most cases what happens is that there's engagement with the client to try to understand what the state of the issue is and what would be the appropriate action to reduce them failing on non-compliance in the agreed time. That's generally the process we follow.

Interviewer: Do you believe that financial institutions should be concerned with the engagement with the affected communities of the project?

Participant 3: Definitely, I mean it's part of the normal EP process so the answer there would be yes.

Interviewer: Ok just the last two questions. Do you believe that financial institutions should be open and transparent regarding any crucial information that is gained through the process of following-up on projects that have been financed by your institution?

Participant 3: So, again Ruvishka I think this we know that the market wants transparency and the sharing of information but I think we need to define what is that crucial information in how transparency is defined because that's what actually determine, you know, whether the banks should try to actually start collecting that information for disclosure because obviously there is costs in gathering and obtaining and sharing that information with the public and agreeing what that information should be. Disclosure doesn't really work there's a risk with the banks. There are challenges like client confidentiality and that must be respected as well so, the openness, I think it's growing over time and obviously transparency is growing over time as well as information is shared but to define what that crucial information is that is shared, I think that's really the challenge and then also often you need to respect the clients confidentiality and understanding of you know, who they are and understanding what the matter may be.

Interviewer: Ok perfect, just the last question and this is also just a yes or no response from you. Do you believe that EIA follow-up promotes continuous learning from experience and would improve the future of project finance decisions of your institution?

Participant 3: Yes. The more EIAs you review the more you're going to learn.

Interviewer: [redacted] thank you so much for your participation, I really do appreciate it

General discussion then interview ends.

<u>Interview 4</u>

Phone call date: 17/02/2021

Time: 2 pm

Brief overview of study was given.

Interviewer: How long have you been working in your current position at the financial institution?

Participant 4: I've been at the bank for 10 years and in this position for seven.

Interviewer: Does your institution encourage a commitment to conduct EIA follow-up by clients whose projects have been subject to an EIA?

Participant 4: Yes

Interviewer: What does your institution do to ensure that client honour this commitment to follow-up?

Participant 4: It's called covenants and is written into the loan agreement of the loan so therefore, that stands as a legal document in which client need to abide by.

Interviewer: What are your general thoughts on following up which have been subject to an EIA?

This is a necessary and important process. EIA itself won't be sufficient so follow-up must be done to ensure clients are still committed to their obligations. It is also a big process of the EPs and should therefore be honoured by EP organisations.

Interviewer: What are your general thoughts also on the consideration of EIA follow-up over the entire life span of a project?

Participant 4: We do this; however, I think it's important to consider for how long this would need to be done. Remember loans are contractual agreements and after a client repays the loan, their relationship with the bank is no more. So that's an important factor to consider. We also have so many projects so to be following up on each of these for the entire lifespan would be a little more challenging. So, I would say that to an extent it is important for banks to take this into consideration however, it can be difficult and maybe impossible after relationship ends.

Interviewer: Does your institution provide any resources for EIA follow-up?

Participant 4: With regards to project financing, we have a team that assists with all monitoring reports ad this can serve as a supporting system. These are reviewed by our environmental department.

Interviewer: Do you believe that financial institutions that fund a polluting project/development should accept accountability for the environmental and social deterioration caused by this project/development?

Participant 4: Not entirely, no. I think that banks have a responsibility to ensure that their loaning activities are environmentally and socially sound however, they cannot take the entire blame. Responsibility to ensure thorough management of development is on developer/client.

Interviewer: What are (should be) the implications for projects where follow-up has found it to be failing with regards to its environmental and social commitments?

Participant 4: So usually there will be engagement with the client to try to establish what the matter is and then a plan for the way forward. What happens is that we usually try to assist clients rather than taking harsh decisions. But also, of course, loan cancelling on the part of the bank could happen if clients found to be bluntly negligent.

Interviewer: Do you believe that financial institutions should be concerned with proper engagement with the affected communities of a project/development?

Participant 4: Yes. I do.

Interviewer: Do you believe that financial institutions should be open and transparent regarding crucial information gained through the process of following-up on projects financed by the institution?

Participant 4: Well, we are banks so in this case I would think what's important here would be respecting client's confidentiality. It also could just depend on what kind of information is shared but overall, I don't think banks can just publish information on their clients' activities.

Interviewer: Do you believe that EIA follow-up promotes continuous learning from experience and would improve future project financing decisions for your institution?

Participant 4: Yes.

Interviewee was thanked and interview ended.

<u>Interview 5</u>

Phone call date: 19/03/2021

Time: 10 am

Brief overview of study was given.

Interviewer: How long have you been working in your current position at the financial institution?

Participant 5: It would be 5 years now.

Interviewer: Does your institution encourage a commitment to conduct EIA follow-up by clients whose projects have been subject to an EIA?

Participant 5: Yes

Interviewer: What does your institution do to ensure that clients honour this commitment to follow-up?

Participant 5: All in loan agreement which signed off by client when applying for loan from the bank. There are certain obligations that is expected from clients, and this is all stipulated in the agreement.

Interviewer: What are your general thoughts on follow-up for projects which have been subject to EIA?

Participant 5: EIA follow-up is very critical. It gives us an idea or update about the performance of the development from the environmental and social perspective. It is also an important process which is part of the EPs that states that monitoring reports are required from the developer. So, it provides us with important information and keeps us updated.

Interviewer: What are your thoughts regarding financial institutions consideration of EIA follow-up over the entire life span of the project (which was subject to an EIA)?

Participant 5: I think its important to determine for how long would that be. Although banks are involved in this, we cannot do it forever for practical reasons. I would that that in my opinion the client should be more responsible for this.

Interviewer: Does your institution provide any resources for EIA follow-up?

Participant 5: We appoint environmental consultants who play an advisory role.

Interviewer: Do you believe that financial institutions funding a polluting project/development should accept accountability for the environmental and social deterioration caused by this project/development?

Participant 5: Hmm, I should be careful when I answer this. In my opinion, banks are financing the project therefore they are to an extent liable...the term we use is legally liable. However, full blame cannot be put on banks. Banks have responsibility yes, but not entirely responsible for development. Other stakeholders would also need to play a role here like the developer themselves are one of the major role players who would need to be held responsible. So, I can't simply say yes or no with this question. But I definitely don't think full responsibility to ensure no environmental and social deterioration should only fall on financial institutions.

Interviewer: What are (should be) the implications for projects where follow-up has found it to be failing with regards to its environmental and social commitments?

Participant 5: If clients found to be straying too far away from obligations, the harsh action would be taken against them such as the cancelling of the loan. But also, there would be engagement with the client before any harsh and final decisions are taken. This would be done by the environmental and social department or even environmental consultants that we appoint.

Interviewer: Do you believe that financial institutions should be concerned with proper engagement with the affected communities of a project/development?

Participant 5: It is important and necessary. The client, however, would be the ne responsible for this process and the banks would monitor this obligation as it is remember, part of the EPs. Community engagement remains a priority process.

Interviewer: Do you believe that financial institutions should be open and transparent regarding crucial information gained through the process of following-up on projects financed by the institution?

Participant 5: We are all aware of the need for openness and transparency but in our case, it will depend on the kind of information that gets shared and if its still in keeping in line with our client's confidentiality. So, this is highly dependable I'd say.

Interviewer: Do you believe that EIA follow-up promotes continuous learning from experience and would improve future project financing decisions for your institution?

Participant 5: Yes. For sure.

Interviewee was thanked and interview ended.

Completed interview questionnaires.

Interview 6

Date interview was completed: 22/03/2021

How long have you been working in your current position at the financial institution?

This would be my tenth year.

Does your institution encourage a commitment to conduct EIA follow-up by clients whose projects have been subject to an EIA?

YES/NO

What does your institution do to ensure that clients honour this commitment to follow-up?

By contractual agreements and also monitoring reports. Clients would need to abide by these requirements.

What are your general thoughts on follow-up for projects which have been subject to EIA?

I believe that it is an efficient way to keep track of the client's obligations and also a way to access if they are noncompliant in any way. Often you get cases where you find that clients would not honour what was stipulated in the initial agreements regarding the loan and therefore, this follow-up is a good process to keep track of this and hopefully rectify it going forward.

What are your thoughts regarding financial institutions consideration of EIA follow-up over the entire life span of the project (which was subject to an EIA)?

It is necessary and we do carry this out. There are some instances though where this would become a little more difficult, but I'd say that as long as the client is financed by the bank, it is necessary to consider information from follow-up for as long as possible.

Does your institution provide any resources for EIA follow-up?

Yes. We have environmental consultants.

Do you believe that financial institutions funding a polluting project/development should accept accountability for the environmental and social deterioration caused by this project/development?

I don't believe that banks should be solely responsible for this. I do think that majority of the responsibility of ensuring minimal environmental and social deterioration should come from the client's side. Banks should perform their financing activities in the most responsible way but to say that they should accept full responsibility would be unreasonable.

What are (should be) the implications for projects where follow-up has found it to be failing with regards to its environmental and social commitments?

Sometimes we would cancel financing, and this would be the worst case. We would also try to understand and fix the problem first though.

Do you believe that financial institutions should be concerned with proper engagement with the affected communities of a project/development?

Yes, I do.

Do you believe that financial institutions should be open and transparent regarding crucial information gained through the process of following-up on projects financed by the institution?

This is a tough one as client confidentiality should also be respected and honoured first. I mean potential clients wouldn't really want to deal with banks that give out any of their confidential information and this would be bad for the bank as well. So no, I believe that client confidentiality should come first.

Do you believe that EIA follow-up promotes continuous learning from experience and would improve future project financing decisions for your institution?

YES/NO

Interview 7

Date interview was completed: 23/03/2021.

How long have you been working in your current position at the financial institution?

7 years

Does your institution encourage a commitment to conduct EIA follow-up by clients whose projects have been subject to an EIA?

YES/NO

What does your institution do to ensure that clients honour this commitment to follow-up?

They have a legal obligation. They sign it off in the loan agreement.

What are your general thoughts on follow-up for projects which have been subject to EIA?

I believe it is critical for projects that underwent the initial EIA process. This would be important for communication and monitoring of the project as well. Therefore, the information gained through follow-up would be critical to evaluate whether clients are honouring their obligations and so forth.

What are your thoughts regarding financial institutions consideration of EIA follow-up over the entire life span of the project (which was subject to an EIA)?

This would be a little more difficult as one has to remember that the loan agreement is only valid for a certain period of time. The relationship between the bank and client is contractual and after loan is repaid then that relationship comes to an end. While we still do consider the project while its operating, I feel more of the responsibility would fall on the client once the relationship terminates.

Does your institution provide any resources for EIA follow-up?

We outsource Environmental and Social consultants who oversee this process and who can validate any information obtained through following-up. These consultants play an advisory role for the bank.

Do you believe that financial institutions funding a polluting project/development should accept accountability for the environmental and social deterioration caused by this project/development?

Absolutely not. I know that the concept of legal liability has surfaced over the past decade however, I believe it would be simply unfair to hold the bank accountable. The bank is not the developer of such a project. If it has been proven that a bank has chosen to finance a such a project blindly, then maybe they should be held more accountable. But in my opinion, responsibility in on the client to ensure that all environmental and social obligations are being met.

What are (should be) the implications for projects where follow-up has found it to be failing with regards to its environmental and social commitments?

Monitoring reports would reveal if this is happening and then remedial action will be take. Sometimes cancelling of the loan will occur.

Do you believe that financial institutions should be concerned with proper engagement with the affected communities of a project/development?

Yes, I do think it is important as it is a big part of the EIA process and just the EPs itself. I also think that this should be carried out and is the responsibility of the developer/client.

Do you believe that financial institutions should be open and transparent regarding crucial information gained through the process of following-up on projects financed by the institution?

Client confidentiality would not be respected in this instance therefore, no.

Do you believe that EIA follow-up promotes continuous learning from experience and would improve future project financing decisions for your institution?

YES/NO

Interview 8

Date interview was completed: 25/03/2021.

How long have you been working in your current position at the financial institution?

For almost eight years now.

Does your institution encourage a commitment to conduct EIA follow-up by clients whose projects have been subject to an EIA?

YES/NO

What does your institution do to ensure that clients honour this commitment to follow-up?

Through contractual agreements. It is written into the loan this contract is then signed by the client. Therefore, it is a legal obligation.

What are your general thoughts on follow-up for projects which have been subject to EIA?

I believe it is a necessary process for management as well as verification purposes. The banks are involved in this process and it provides us with valuable information about the status of the development and more importantly, whether the client is abiding by their contractual agreement. Follow-up is therefore critical for this.

What are your thoughts regarding financial institutions consideration of EIA follow-up over the entire life span of the project (which was subject to an EIA)?

Although banks do monitor and consider EIA follow up after construction of the project or development, the important factor to consider here is time. At some point and throughout the lifespan of the development, it is the developer that would need to take accountability for this. While banks do provide for finances for the development to be constructed, the relationship with the developer (which is the client in this context) only will last as long as the bank is financing the project. Once the loan gets repaid, the relationship between the two has ended. So even though the banks do look to EIA follow-up information while the project is in operation and functioning, for how long should this be done. It's a bit more difficult and challenging.

Does your institution provide any resources for EIA follow-up?

Yes, we have in-house E&S risk specialist/staff, and we also outsource Environmental and Social consultants from time to time.

Do you believe that financial institutions funding a polluting project/development should accept accountability for the environmental and social deterioration caused by this project/development?

I do not think that banks can be held fully responsible for environmental and social deterioration caused by a project. I believe that banks have a responsibility in ensuring that their project financing activities are environmentally sound however, responsibility to ensure minimal environmental and social decay will be on the developer. Banks cannot take the full blame for this.

What are (should be) the implications for projects where follow-up has found it to be failing with regards to its environmental and social commitments?

First there will be a review to understand where the client fell short and remedial action will take place to try and rectify the shortcomings. This is the preferred approach.

Do you believe that financial institutions should be concerned with proper engagement with the affected communities of a project/development?

Yes, definitely. I believe that this process is required in the Equator Principles and it is something that the bank takes seriously. The responsibility lies on the developer to ensure this process is carried out efficiently.

Do you believe that financial institutions should be open and transparent regarding crucial information gained through the process of following-up on projects financed by the institution?

I believe that this is a complicated topic. Its not just a simple yes or no answer. It will depend greatly on the type of information that is shared but also keeping in mind that our client's confidentiality still needs to be respected. I acknowledged that openness and transparency is something that is increasingly becoming very popular aspects of operations dealing with Environmental and Social Governance issues however context in this case would be important to consider. It would be unfair of banks to share confidential information about their clients.

Do you believe that EIA follow-up promotes continuous learning from experience and would improve future project financing decisions for your institution?

YES/NO

Annexure E: Data Evaluation Matrix

This Annexure demonstrates how data from the interviews in the preceding Annexure were critically analysed using a data evaluation matrix.

Table 11: Data evaluation matrix

Best practice EIA follow-up i.e., Criteria	**Interview questions**	**Bank**	**Evidence indicating extent to which criterion is fulfilled**	**Appraisal**
Institution requires a commitment to follow-up by clients whose projects have been subject to an EIA.	Does your institution encourage a commitment to follow-up by clients whose projects have been subject to an EIA?	**A**	All respondents indicated “Yes”.	√
		B	All respondents indicated “Yes”.	√
		D	All respondents indicated “Yes”.	√
Institution ensures that EIA is follow-up is conducted by clients whose projects have been subject to an EIA.	What does your institution do to ensure that clients honour this commitment to follow-up?	**A**	“monitoring reports”; “sign contracts”; “contracts agree on this commitment”; “Often, we’ll use environmental consultants. they do the follow-up of the EIA.; agree on specific requirements”; “consultants let us know how the clients are doing”. “covenants are written into the loan agreement”; “legal document in which client need to abide by”. “contractual agreements”; “monitoring reports”; “requirements”.	√
		B	“legal obligation”; “loan agreement.”	√

		D	“loan agreement”; “condition of the loan, what we call a covenant; not followed through then its like a bridge of contact almost, with the bank.” “They are legally obliged”; “I draft legal terms into the contract of their loan that they have to do it”; “So, they have to allow follow-up on an ongoing basis”. “So, it’s an obligation, a legal obligation.” “loan agreement which signed off by client”; “certain obligations that is expected from client and this is all stipulated in the agreement.” “contractual agreements”; “loan”; “legal obligation.”	√
Institution believes that EIA follow-up is essential to the entire EIA process.	What are your general thoughts on follow-up for projects which have been subject to EIA?	**A**	“helpful because it provides us with comfort that these projects are progressing as planned”; “clients are meeting their commitments, environmentally and socially:”; “helps us to review:; “otherwise wouldn’t have been if we didn’t have any updates”; “But obviously as the bank does more and more projects there’s an accumulation of monitoring reports, that’s really one of the challenges that banks would have over the years”. “Necessary and important process”; “EIA itself won’t be sufficient so follow-up must be done to ensure clients are still committed to their obligations”; “It is also a big process of the EPs and should therefore be honoured by EP organisations”.	√

			"efficient way to keep track of the client's obligations"; "access if they are noncompliant"; "keep track"; "rectify it going forward".	
		B	"critical for projects"; "important for communication"; "monitoring of the project"; "evaluate whether clients are honouring their obligations."	√
		D	"absolutely critical"; "living up to what they promised"; "EIA upfront won't necessarily anticipate everything and"; "credibility of the Equator Principles." "I do think it is critical"; "That can take a few years and you need to make that it's actually actively been implemented because otherwise some companies tend not to follow it"; "I think and that's one of the reasons why the Equator Principles have an obligation for on-going monitoring." "very critical"; "idea or update about the performance of the development from the environmental and social perspective"; "important process which is part of the EPs"; "it provides us with important information and keeps us updated." "necessary process for management"; "verification purposes"; "valuable information about the status of the development"; "client is abiding by their contractual agreement"; "critical."	√
Institution believes it is important to consider EIA follow-up over the	What are your thoughts regarding financial institutions consideration of EIA follow-up over the entire life span of the	**A**	"we do continue with reviews"; "it is necessary, but I think an important point to note is that it is, even the relationship with the client, is contractual"; "generally it would be over the lifespan of the project but once the financing term has come to an end, of	½

entire lifespan of the project.	project (which was subject to an EIA)?		its not refinanced, then it obviously makes it both financially and practically difficult to continue that monitoring". "important to consider for how long";" loans are contractual agreements and after a client repays the loan, their relationship with the bank is no more"; "entire lifespan would be a little more challenging"; "difficult and maybe impossible after relationship ends". "Necessary and we do carry this out"; "difficult"; "necessary to consider information from follow-up for as long as possible".	
		B	"remember that the loan agreement is only valid for a certain period of time". "The relationship between the bank and client is contractual"; "loan is repaid then that relationship comes to an end"; "we still do consider"; "responsibility would fall on the client."	½
		D	"trickier to manage"; "on what basis are you going to require that once the loan has been repaid, relationship with that client could terminate"; "expect that its own stakeholders would do that"; "what we hold the funders responsible for and what we hold the actual company that's doing the project responsible for." "So, you must understand that the obligation for what we call monitoring is that you are going to monitor during the construction and you're going to monitor during operation"; "But a bank will only monitor it throughout the life of the loan, not over the life of a project"; "They cannot monitor it over the life of the	½

			project because they are not involved in the life of the project, they don't have leverage over the life of a project." "important to determine for how long that would be"; "cannot do it forever for practical reasons"; "client should be more responsible for this." "important factor to consider here is time"; "developer that would need to take accountability"; "Once the loan gets repaid, the relationship between the two has ended; difficult and challenging."	
Institution provides resources to enable EIA follow-up.	Does your institution provide any resources for EIA follow-up?	**A**	"team that also monitors the commitments that our clients have made"; "send it through to the environmental and social department in bank". "team that assists with all monitoring reports ad this can serve as a supporting system"; "reviewed by our environmental department". "environmental consultants".	√
		B	"outsource Environmental and Social consultants";" consultants play an advisory role."	√
		D	"own specialists, our own sort of E&S specialists/consultants"; "their own sort of E&S risk specialists to advise them." "we have a team of E& S specialists"; "as well as we hire external consultants."	√

			“appoint environmental consultants who play an advisory role.” “in-house E&S risk specialist/staff”; “outsource Environmental and Social consultants.”	
Institution accepts accountability for financing projects where information from EIA follow-up shows serious environmental and social implications.	Do you believe that financial institutions funding a polluting project/development should accept accountability for the environmental and social deterioration caused by this project/development?	**A**	“only really where the financial institution continuously supports environmental pollution”; “won’t be great to hold the financial institution accountable for a project”; “acknowledge that the financial institution’s got leverage to a clients operations but they’re not actually the operator or the developer; banks would still have a responsibility from a reputational perspective”; “due diligence; very philosophical and complex area to manage”. “banks have a responsibility to ensure that their loaning activities are environmentally and socially sound”; “they cannot take the entire blame”: “Responsibility to ensure thorough management of development is on developer/client”. “I don’t believe that banks should be solely responsible for this”. “I do think that majority of the responsibility of ensuring minimal environmental and social deterioration should come from the client’s side”; “activities in the most responsible way:”; “unreasonable”.	½
		B	“concept of legal liability”; “unfair to hold the bank accountable”; “responsibility in on the client to ensure that all environmental and social obligations are being met.”	X

		D	“South African law there’s legal liability that”; “depends on the project, it depends to the extent to which you have proper E&S risk processes in place”; “lenders will either want very high interest rates or they won’t fund big infrastructure projects”; “fine line between what the funders are responsible for and what the project itself is responsible for.” “I think it is very difficult for a financial institution to accept accountability for that because they’re not the operator; they’re not the day-to-day operator so, you can’t take part of that legal obligation on to that financial institution.” “careful when I answer this”; “banks are financing the project therefore they are to an extent liable”; “legally liable”; “full blame cannot be put on banks”; “not entirely responsible for development.” “Other stakeholders would also need to play a role”; don’t think full responsibility to ensure no environmental and social deterioration should only fall on financial institutions.” “I believe that banks have a responsibility in ensuring that their project financing activities are environmentally sound”; “responsibility to ensure minimal environmental and social decay will be on the developer.”	½

Institutions have implications for clients where EIA follow-up found their projects to be failing with regards to its EIA commitments.	What are the implications for projects where follow-up has found it to be failing with regards to its environmental and social commitments?	**A**	"request clients to repay the facility"; "engagement with the client"; "appropriate action to reduce them failing on non-compliance in the agreed time." "engagement with the client; plan for the way forward; assist clients rather than taking harsh decisions"; "loan cancelling on the part of the bank could happen if clients found to be bluntly negligent." "cancel financing"; "try to understand and fix the problem."	½
		B	"remedial action"; "cancelling of the loan will occur."	½
		D	"clients have to take remedial action to fix the problem"; "partner with your clients to help them meet their obligations rather than taking a punitive approach";" critical commercial imperative to manage these things properly." "Well, there's got to be remedies"; "So, there's normally action"; "If we work with a client and they have with follow-up there's an issue, we would follow some type of remedy period and as I said they are legally obliged to deal with it. So, we would force them to remedy that." "If clients found to be straying too far away from obligations, the harsh action would be taken against them such as the cancelling of the loan"; "engagement with the client"; "done by the	X

			environmental and social department or even environmental consultants that we appoint.” “review to understand where the client fell short”; “remedial action”; “rectify the shortcomings. “	
Institutions believe that proper engagement with the effected communities of a project is an important part of the EIA process.	What are your thoughts regarding the engagement of the affected communities after a project has reached its financial close?	**A**	“Definitely”; “part of the normal EP process.”: “Yes, I do.” “Yes”	√
		B	“important as it is a big part of the EIA process and the EPs”; “responsibility of the developer/client.”	√
		D	“primary accountability lies with the clients with the projects.” “Yes, they should be.” “important and necessary”; “client, however, would be the one responsible”; “banks would monitor this obligation”; “Community engagement remains a priority process.” “required in the Equator Principles”; “responsibility lies on the developer to ensure.”	√
Institution believes openness and transparency are vital aspects of the EIA process.	Do you believe that financial institutions should be open and transparent, regarding crucial information gained through the process of following up, on	**A**	“market wants transparency and the sharing of information”; “define what is that crucial information in how transparency is defined because that’s what actually determine”; “Disclosure doesn’t really work there’s a risk with the banks”; “There are challenges like client confidentiality and that must be respected	X

	projects financed by the institution?		as well so, the openness”; I think its growing over time and obviously transparency is growing over time as well as information is shared but to define what that crucial information is that is shared”; “challenge to respect the clients confidentiality.” “important here would be respecting client’s confidentiality”; “depend on what kind of information is shared but overall, I don’t think banks can just publish information on their clients’ activities.” “client confidentiality”;” bad for the bank”; “client confidentiality should come first.”	
		B	“Client confidentiality would not be respected in this instance therefore, no. “	X
		D	“basis of banking is client confidentiality”; “client confidentiality has to come first”; “be careful that we don’t prioritise one set of stakeholders over another so the trust relationship between the bank and the client is really critical”; “the client to be transparent they’re the ones who need to uphold their grievance mechanisms, reporting’s in their annual reports.” “I think there needs to be an increased level of disclosure, but I don’t think you need to disclose everything”; “there’s going to be	X

			issues with your clients"; "I think it's difficult to question and needs to be unpacked, it can't just be you're going to disclose everything, that won't work." "aware of the need for openness and transparency"; "will depend on the kind of information"; "still in keeping in line with our client's confidentiality." "Complicated; depend greatly on the type of information"; "client's confidentiality still needs to be respected"; "becoming very popular aspects of operations dealing with Environmental and Social Governance issues"; "unfair of banks to share confidential information about their clients."	
Institution believes that EIA follow-up promotes continuous learning and would improve the future of decision-making.	Do you believe that EIA follow-up promotes continuous learning from experience and would improve future project financing decisions for your institution?	**A**	All respondents indicated "Yes".	√
		B	All respondents indicated "Yes".	√
		D	All respondents indicated "Yes".	√

Annexure F: Ethical Clearance Certificate

UNISA-CAES HEALTH RESEARCH ETHICS COMMITTEE

Date: 09/11/2020

NHREC Registration # : REC-170616-051
REC Reference # : 2020/CAES_HREC/142
Name : Ms R Chetty
Student #: 65772636

Dear Ms Chetty

Decision: Ethics Approval from 05/11/2020 to 31/10/2023

Researcher(s): Ms R Chetty
65772636@mylife.unisa.ac.za

Supervisor (s): Prof JA Wessels
wessej@unisa.ac.za; 011-471-2084

Working title of research:

Exploring EIA follow-up value in South African Financial institutions: perspectives from Equator Principles signatories

Qualification: MSc Environmental Management

Thank you for the application for research ethics clearance by the Unisa-CAES Health Research Ethics Committee for the above mentioned research. Ethics approval is granted for three years, **subject to submission of yearly progress reports. Failure to submit the progress report will lead to withdrawal of the ethics clearance until the report has been submitted.**