

Recipients: Amit Puri, Equator Principles Association Chair (Standard Chartered); Equator Principles Association Steering Committee

CC: All Equator Principles Financial Institutions (EPFIs); Courtenay Smith, Equator Principles Association Secretariat

November 18, 2021

Subject: Expectations on climate, biodiversity and human rights during the EPA's AGM

Dear Equator Principles Steering Committee and Chair,

We are writing to you during your Annual General Meeting 2021 to outline the expectations of civil society on how the Equator Principles Association should act upon the outcomes of both the CBD COP15 in Kunming and the COP26 in Glasgow, in line with the commitments made in the Preamble of the Equator Principles.

You will recall that, prior to the Kunming and Glasgow COPs, we kindly requested the EPA to publish a position statement on how the commitments made in the Preamble of the Principles will translate into concrete action from all EPFIs. Unfortunately, the [statement](#) published by the Chair on 1st November 2021 fell far short of our expectations, providing no details on how the EPA and EPFIs plan to implement concrete changes on climate, biodiversity or human rights.

During COP26 we saw over 100 countries taking the pledge to [stop deforestation by 2030](#) and to reduce [methane emissions](#), with a further 39 governments and financial institutions pledging to [stop financing fossil fuels abroad](#). The final COP26 text agreed upon falls far short of what needs to be done to stay within 1.5 degrees of warming, however it does include a [historic reference to fossil fuels](#). The urgency of a “phase-down of unabated coal power and inefficient fossil fuel subsidies” was reiterated in the Glasgow Climate Pact in Article 36, and Article 19 re-emphasises the need for “financial institutions and the private sector to enhance finance mobilization...to achieve climate plans”.

Despite a number of climate commitments being announced by banks during the course of COP26, none included a concrete fossil fuel phase out plan including an immediate end to finance for all new fossil fuel projects, which is what science clearly demands as the climate crisis escalates. In October this year, [La Banque Postale](#) became the first bank to commit to a complete exit from oil and gas, both conventional and unconventional, by 2030. However, this move has not been replicated by any other Equator bank to date.

The undersigned civil society organisations firmly believe that the credibility of the Equator Principles as an effective risk management framework is at stake if the EPA does not draw far reaching lessons from the outcomes of both COPs (acknowledging that the Kunming process is not yet finished).

If the Equator Principles are to shield banks from the risks associated with accelerating climate change and the rapid destruction of the planet's remaining intact ecosystems, there must be a shift from narrowly focusing on specific projects risks to instead embracing a broader concept of risk, which accounts for the global, systemic impacts of biodiversity loss, climate change, and on

human rights in the widest sense, such as the human rights of everyone now impacted by the climate crisis, as these impacts are in part driven and exacerbated by projects financed under the Equator Principles.

We therefore expect that your annual meeting will thoroughly reflect on the outcomes of the Glasgow Summit and ongoing Kunming process, and translate the commitments made in the Preamble of EP4 into concrete changes on how the Principles can be better implemented with urgency, not only in *how* projects are being financed, but also *which* and *where* projects will continue to be financed under the Principles.

Concretely, we expect:

(1) Exclusions from finance

- In line with the dire warning from the [IPCC](#) on the impacts of the climate crisis, and the conclusion from the [IEA](#) that new fossil fuel developments are out of line with the Paris goal to keep the average global temperature rise to no higher than 1.5 degrees, the Equator Principles should no longer allow any direct financing for new fossil fuel exploration and extraction projects, and no financing for companies expanding fossil fuel extraction and infrastructure along the whole fossil fuel value chain.¹
- In line with the commitment to protect biodiversity, and in light of the acute threat to remaining intact ecosystems, the Equator Principles should adopt a “No Go” policy that strictly protects biodiverse areas from harmful direct and indirect financing.² Banks play an essential role in incentivizing, mitigating, or preventing the major drivers of biodiversity loss. The businesses of infrastructure development, urbanization, energy, agricultural production, and mining industries are closely related if not synonymous with the common drivers of environmental degradation, infringement of local and Indigenous Peoples’ rights, and biodiversity loss. Banks can accelerate or slow down these drivers based on their financing decisions and portfolios. This is why banks need to strengthen exclusionary lists in order to prevent negative biodiversity, climate, and social impacts.

(2) No false solutions

- The Equator Principles should not allow financing for carbon and biodiversity offsets as part of impact mitigation of EP financed projects, even if based on the “no net loss” concept.³
- EPFIs must go beyond current “net-zero” commitments and put in place concrete fossil fuel phase-out plans.⁴

¹ [“Equator Compliant Climate Destruction: How banks finance fossil fuels under the Equator Principles”](#), BankTrack, October 2021

² <https://banksandbiodiversity.org/the-banks-and-biodiversity-no-go-policy/>

³ [“Fools Paradise: How biodiversity offsets don’t stop biodiversity loss”](#), Friends of the Earth US, October 2021

⁴ [“Global Call on Banks”](#), Fossil Banks No Thanks (BankTrack); [“Chasing Carbon Unicorns: the deception of carbon markets and ‘net zero’”](#), Friends of the Earth International, February 2021; [“Too Many \(Loop\)holes in the Net: “Net-Zero” Promises Ring Hollow Without “Zero Fossil Fuel” Pledges”](#), Centre for International Environmental Law, August 2021

- EPFIs must focus on ending financial support to the root drivers of the climate and biodiversity crisis rather than relying on the vague, ineffective and often problematic, “nature-based solutions” approach to solving these twin, global challenges.⁵

(3) Respect for human and Indigenous rights

- The EPA must ensure that the Equator Principles no longer allows financing for projects that abuse human and Indigenous rights.
- The EPA and EPFIs must ensure the proper implementation of Free, Prior and Informed Consent (FPIC) processes for all Indigenous Peoples and local communities.⁶

As an association of over 120 financial institutions, including some of the world’s largest commercial banks, a strong commitment from the EPA to tackle the climate and biodiversity crises and protect human and Indigenous rights would have significant impact in the finance sector. This set of expectations represents the necessary first steps towards ensuring that finance under the Equator Principles exclusively supports projects that help transition to a renewables-based economy whilst ensuring the protection of biodiversity and respect for human and Indigenous rights.

In order to further discuss these expectations and the outcomes of the EPA’s AGM, we would like to schedule a call with the Chair and the Steering Committee within the first two weeks of December.

Yours sincerely,

Hannah Greep, Equator Principles Campaign Coordinator, BankTrack

Osprey Orielle Lake, Executive Director, Women’s Earth and Climate Action Network (WECAN)

Katharine Lu, International Sustainable Finance Manager, Friends of the Earth US

Alison Kirsch, Research and Policy Manager, Rainforest Action Network

Eugene Simonov, Coordinator, Rivers without Boundaries International Coalition

Okereke Chinwike, Founder/CEO, The African Law Foundation (AFRILAW)

⁵ “[Nature Based Solutions: A wolf in sheep’s clothing](#)”, Friends of the Earth International, October 2021

⁶ “[FPIC Due Diligence Questionnaire](#)”, First Peoples Worldwide