Open Response to BankTrack and Colleagues

9 NOVEMBER, 2022 EP ASSOCIATION NEWS

9 November 2022

We thank BankTrack and other Civil Society Organisations (“CSOs”) for their open letter dated 14 October 2022 and provide this response which has been reviewed by the Equator Principles Association Steering Committee.

As you requested, we shared your letter with the Steering Committee prior to the Annual General Meeting and made it available to all our EPFI colleagues. The Chair and Steering Committee value the ongoing dialogue that we have established with BankTrack over recent years and recognise many of the points raised in your letter.

As you are aware, the EPs remain a risk management framework for determining, assessing and managing environmental and social risks in projects. There is no consideration to change this position and the EPs will remain ‘a common baseline and framework for financial institutions….when financing projects’. We believe this is how we can have the greatest impact; by ensuring we include the widest membership to assess, mitigate and manage environmental and social risks. In addition, we recognise that each EPFI has its own strategy and business model to manage environmental and social risks, as well as being subject to the laws and regulations of the various jurisdictions in which they operate.

At this time, an update of the EPs is not planned. Equator Principles version 4 (‘EP4’) was released in November 2019. In the intervening 3 years, the Association has produced more than 10 new or updated Guidance documents. These represent a significant step forward which has allowed for additional areas to be considered without requiring a full EP update process.
The Steering Committee is continually evaluating the Association to ensure that the EPs remain a ‘gold standard’ and relevant in a fast-moving environment. As a result, we have taken the conscious decision to concentrate on updates to our governance and management structure that will serve to enhance and strengthen our ability to support EPFIs to implement the EPs effectively.

The Association is already planning how best to use the occasion of our 20th anniversary to reflect upon both on the impact that we have had to date, as well as to consider how best to position ourselves for the next 20 years and beyond. This conversation will include, as it does each year when setting our work plan, identification of priorities to be addressed in the short and longer term. We also recognise that we form part of an ever-evolving sustainability landscape and will consider opportunities to leverage the many other global E&S initiatives.

We appreciate that you have made calls for the Association to consider a number of specific areas for action. With our diverse global membership of 138 members, we must ensure any new priorities or standards serve all our members. The EP Steering Committee believes that a collaborative and inclusive approach for environmental and social risk practitioners continues to be crucial to achieve the urgent challenges the world faces today.

With regard to some of the specific items noted in your letter:

- It remains the view of the EP Association that an exclusion list is not the most appropriate mechanism for addressing climate related issues. The EPs contain tools and guidelines to assist EPFIs to manage climate related risks, regardless of project or industry type. EPFIs commit to implement the EPs through their internal environmental and social risk policies, procedures, and standards, and EPFIs are able to set their own risk appetite policies for the projects and sectors that they will finance.
As part of our commitment to continuous improvement, the Association has recently engaged Ramboll to update our existing *Guidance on Climate Change Risk Assessments*, first published in 2020.

In relation to biodiversity, the Association believes that the requirements included in IFC Performance 6 (PS6) and its associated Guidance Note, provide an appropriate risk-based mechanism for biodiversity protection under the Equator Principles. Our recent Best Practice Note on *Biodiversity Baseline Surveys* and Guidance Note on *Effective Consistent Implementation of the EPs* support EPFI decision-making based on appropriate assessment of biodiversity risks in line with PS6.

In relation to pandemic risk, we note that IFC PS1 Guidance Note requires assessment of transboundary epidemic disease transmission. We acknowledge the increasing importance of managing emerging zoonotic disease, while at the same time recognise that science and knowledge in this area is still evolving.

On Human and Indigenous Rights, EP4 introduced new requirements for evaluating whether Free, Prior and Informed Consent was obtained, requiring a qualified independent consultant to evaluate the consultation process with Indigenous Peoples. In 2020, the Association also released Guidance on *Evaluating Projects with Affected Indigenous Peoples* and *Implementation of Human Rights Assessments*.

We respect BankTrack’s assessment that the Association is required under the UNGPs to develop an “initiative-level” (i.e. Association-level) grievance mechanism. We do not believe this is accurate and welcome the opportunity to discuss further. At this time, the Association has focused its efforts on the development of project-level tools to enhance access to grievance
mechanisms & enable effective remedy. These tools mark a significant development for the EPA in supplementing existing standards and guidance under the Equator Principles specifically in relation to human rights impacts in projects. We will continue to review the scope and effectiveness of these tools over time and reflect if further consideration is required.

We appreciate our continued dialogue with BankTrack and various CSOs as we all work together to discuss and address these issues. We look forward to continuing our regular engagement in 2023, particularly as we mark our 20th anniversaries.

Amit Puri
Chair, Equator Principles Association