

# **Equator Principles 4 Presentation to AAMEG 19 October 2020**

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# **EQUATOR PRINCIPLES**

**112 EPFI's  
38 Countries**

**Risk Management  
Framework**

**Minimum  
Standards**

**Environmental &  
Social  
risks/impacts**



## Shareholders pressure major banks on climate policy

Sarah Simpkins — 1 minute read

24 October 2019

## Eco-activists target banks on climate

Aaron Patrick Senior Correspondent



Sep 26, 2019 — 12:00am

Save

Share



## Gas companies defend climate actions, defy shareholder activists' push

By Cole Latimer

May 2, 2019 — 2:04pm

## How activists pushed CBA out of coal in five years

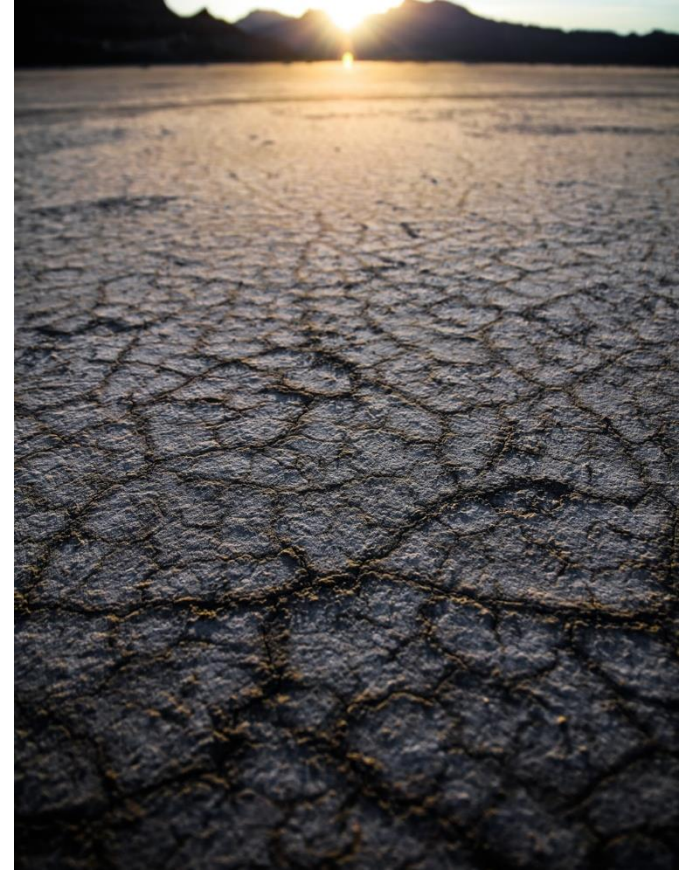
*A small group of radical activists was able to use the corporate world's rules against itself, in one of the remarkable stories of the Australian environmental movement.*

# Expansion in Scope and Standards

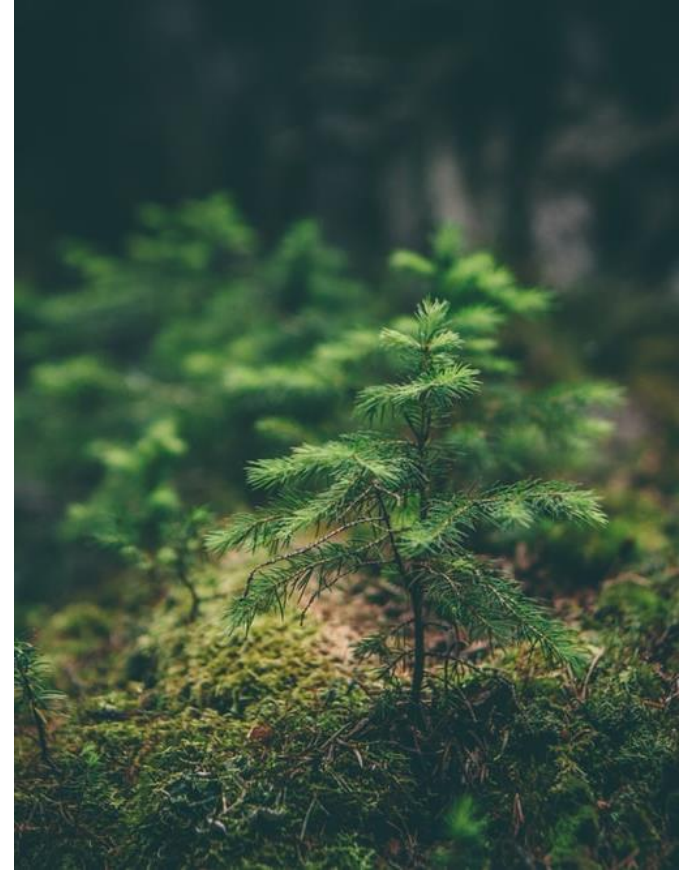


# Climate Change

- Climate change assessment will **include**:
  - Consideration of relevant **physical** risks
  - Consideration of relevant **transition** risks (when Scope 1 & 2 Emissions > 100,000 tonnes of CO2 annually)
  - Completion of an **alternatives analysis**

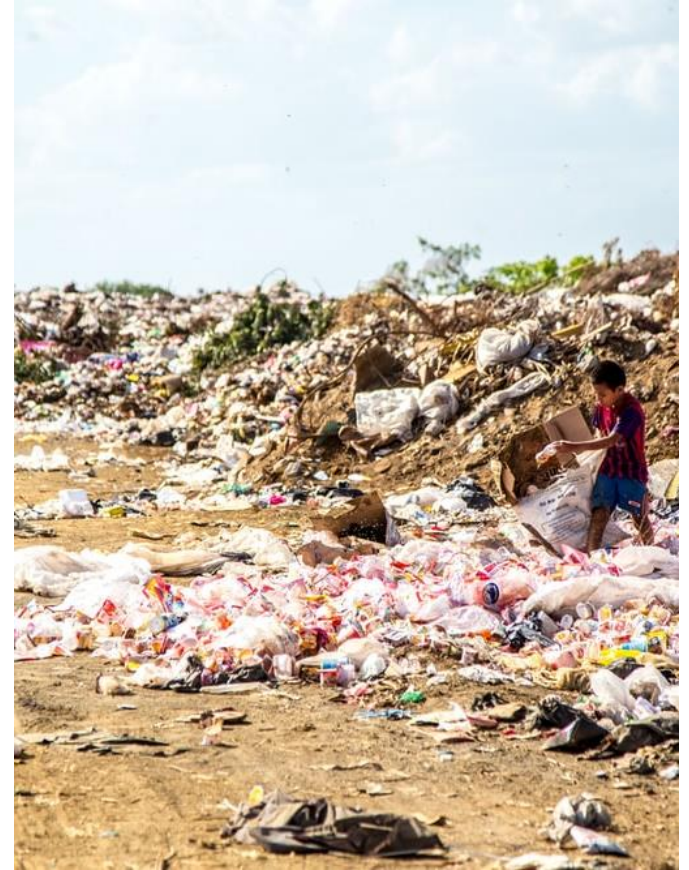


# Biodiversity

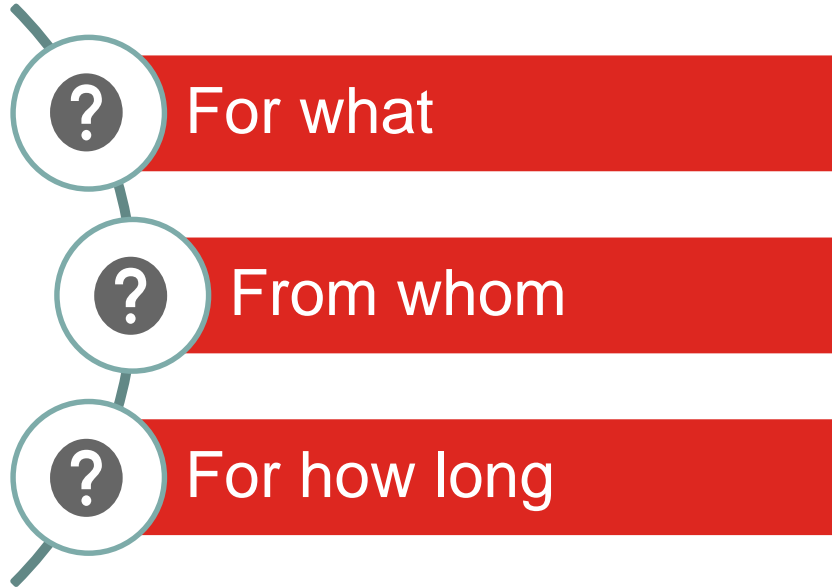


# Human Rights

## UNITED NATIONS GUIDING PRINCIPLES ON BUSINESS & HUMAN RIGHTS



# Free Prior Informed Consent





# Summary of main changes introduced by EP4

## • Wider scope

- threshold for project-related corporate loans lowered from \$100 million in aggregate project financing to \$50 million
- Application to project-related refinance and acquisition finance

## • Climate change

- climate change risk assessment now needs to identify and mitigate transition and physical risks as defined in the recommendations of the Task Force on Climate-related Financial Disclosures

## • Human rights assessment

- assessment of human rights impacts based on the UN Guiding Principles on Business and Human Rights (paragraphs 17-21) must be included

## • FPIC

- IFC PS7 FPIC requirements now apply in designated countries as well
- if unclear whether FPIC has been achieved, check if there is a justified deviation and whether additional corrective action is necessary

## • Biodiversity

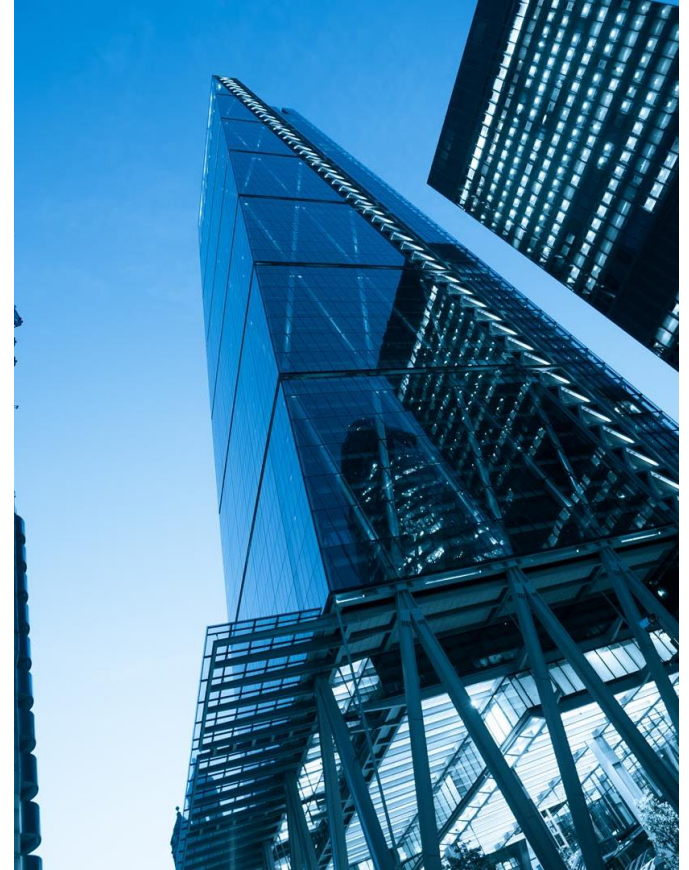
- EPFIs to encourage their clients to share certain non-sensitive biodiversity information with the Global Biodiversity Information Facility

# Financing under the Equator Principles

- Impact on Due Diligence;
- Greater scrutiny on Environment & Social Assessments, Action Plans and Management Plans;
- Impact on lending covenants;
- Requirement for ongoing transparent monitoring & review;
- Will this create a more conservative or a more robust lending sector?

# What next

- Ensure your organisation's awareness and understanding of EP4's increased scope and heightened obligations
- Expect more detail in drafted lending covenants
- Assessment processes
- Audit/Compliance
- Managing grievances and disputes





# Questions



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