# The Equator Principles - Summary

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| Scope | - Location: All Locations<br>- Sectors: All Sectors<br>- Business Type: A new project, expansions or upgrades of an existing project with potential significant environmental or social impacts, and the underlying project financed in accordance with the Equator Principles framework which is under construction phase<br>- Products: (1) Project Finance Advisory Services (FA), (2) Project Finance (PF) (as defined by Basel II), (3) Project-Related Corporate Loan (PRCL), (4) Bridge Loan (BL), (5) Project-Related Refinance and Project-Related Acquisition Finance<br>- Thresholds: (1) FA - Total project cost of US$10 million or more<br>(2) PF - Same as above<br>(3) PRCL - Total aggregate loan amount and the EPFI's individual commitment (before syndication or sell down) are at least US$50 million<br>(4) BL - Same as PF/PRCL thresholds<br>(5) Refinance/Acquisition - Same as PF/PRCL thresholds |
| Pre-Financing | The clients are expected to meet the requirements in accordance with Category A, B or C, classified based on the magnitude of potential environmental and social risks and impacts. |

| Category | Impact | Requirements for Client (e.g.) |
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| A | Projects with potential significant adverse environmental and social risks and/or impacts that are diverse, irreversible or unprecedented. | a. Prepare an environmental and social impact assessment report (ESIA)<br>b. Human Rights Risk Assessment<br>c. Climate Change Risk Assessment (Physical risk)<br>d. Climate Change Risk Assessment (Transition risk, when GHG emission is more than 100,000 tons of $CO_2$ equivalent annually)<br>e. Conduct an alternatives analysis (when GHG emission is more than 100,000 tons of $CO_2$ equivalent annually)<br>f. Prepare an Action Plan (AP)<br>g. Establish an environmental & social management system<br>h. Conduct a stakeholder engagement with the project-affected communities<br>i. Establish a grievance mechanism<br>j. Disclose the environmental and social impact assessment report online<br>k. Disclose the GHG emissions quantification (for projects emitting more than 100,000 tons of $CO_2$ equivalent annually)<br>l. Share Project specific biodiversity data (required when applicable)<br>m. Require an independent expert to review on the above items a-i. |

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| B | Projects with potential limited adverse environmental and social risks and/or impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures | a. Prepare an environmental and social impact assessment report (ESIA)<br>b. Climate Change Risk Assessment (Transition risk, when GHG emission is more than 100,000 tons of $CO_2$ equivalent annually)<br>c. Conduct an alternatives analysis (when GHG emission is more than 100,000 tons of $CO_2$ equivalent annually)<br>d. Prepare an Action Plan (AP)<br>e. Establish an environmental & social management system<br>f. Conduct a stakeholder engagement with the project-affected communities<br>(The following are required, where applicable)<br>g. Human Rights Risk Assessment<br>h. Climate Change Risk Assessment (Physical risk)<br>i. Establish a grievance mechanism<br>j. Disclose the environmental and social impact assessment report online<br>k. Disclose the GHG emissions quantification (for projects emitting more than 100,000 tons of $CO_2$ equivalent annually)<br>l. Share Project specific biodiversity data (required when applicable)<br>m. Require an independent expert to review on the above items a-i. |
| C | Projects with minimal or no adverse environmental and social risks and/or impacts. | a. Climate Change Risk Assessment (Transition risk, when GHG emission is more than 100,000 tons of $CO_2$ equivalent annually.<br>b. Conduct an alternatives analysis (when GHG emission is more than 100,000 tons of $CO_2$ equivalent annually) |

**<u>ESIA report describes</u>:**

- The issues related to 25 items illustrated in Exhibit II of the Equator Principles
- Compliance with the relevant host country laws, regulations and permits
- Compliance with the IFC Performance Standards and World Bank Group EHS (Environmental, Health, and Safety) Guidelines
- Assessment of potential adverse Human Rights impacts and Climate Change risks

**<u>Action Plan contains</u>:**

- Mitigation measures, corrective actions, monitoring measures and their priority to comply with the Equator Principles

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| Covenants | For all projects, the client will covenant in the financing documentation:<br>a) To comply with all relevant host country environmental and social laws, regulations and permits in all material respects<br>For Category A and B projects, the client will also covenant in the financing documentation:<br>b) To comply with the ESMPs and EPAP (where applicable) during the construction and operation of the project in all material respects<br>c) To provide periodic reports prepared by in-house staff or third party experts, that (i) document compliance with the ESMPs and EPAP (where applicable), and (ii) provide representation of compliance with the relevant local, state and host country environmental and social laws, regulations and permits<br>d) To decommission the facilities in accordance with an agreed decommissioning plan |

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| Post-Financing | (1) Equator Principles Financial Institutions (EPFI) may require appointment of an independent environmental and social consultant to conduct further monitoring, if applicable.<br>(2) Where the client is not in compliance with its environmental and social covenants, EPFI will work with the client on remedial actions to bring the project back into compliance to the extent feasible.<br>(3) If the client fails to re-establish compliance within an agreed grace period, the EPFI reserves the right to exercise remedies (including calling an event of default), as considered appropriate. |
| Disclosure | - The client will disclose (i) ESIA online, and (ii) GHG emission level, depending on the category of the project.<br>- Project name reporting including Project name, Year of Financial Close, Host country and Sector (i.e. Mining, Infrastructure, Oil and Gas, Power, Others) for PF, PRCL, Refinance and Acquisition Finance will be published on the Equator Principles Association website subject to obtaining client consent.<br>- Each EPFI will report and publish annually on its website all data and implementation reporting as required under the Equator Principles, Annex B. |