

Research on the topic:

EQUATOR PRINCIPLES. HOW UZBEK BANKS CAN ADOPT EP AND BECOME A MEMBER

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What are the Equator principles?

- The Equator Principles (EP) is a set of voluntary environmental and social risk management guidelines for financial institutions that provide project financing. The principles were initially developed in 2003 by a group of 10 international banks, and have since been adopted by over 118 banks and financial institutions in 38 countries worldwide.
- The Equator Principle Financial Institutions (EPFIs) believe in the importance of promoting a sustainable environmental and social performance by identifying, assessing and managing environmental and social risks and impacts.



EQUATOR
PRINCIPLES

Description of the EP

- The Equator principles comply with the IFC Performance Standards on Environmental and Social Sustainability and the World Bank Group Environmental, Health and Safety Guidelines (EHS Guidelines), and are formed by 10 principles:



Principle 1

Review & Categorisation



Principle 2

E&S Assessment



Principle 3

Applicable E&S
Standards



Principle 4

E&S Management
System & EP Action Plan



Principle 5

Stakeholder
Engagement



Principle 6

Grievance Mechanism



Principle 7

Independent Review



Principle 8

Covenants



Principle 9

Independent Monitoring
& Reporting



Principle 10

Reporting &
Transparency

Scope of EP

- The EP requires member banks to assess and manage the environmental and social risks associated with projects they finance, including potential impacts on biodiversity, climate change, human rights, labor standards, and community health and safety. Banks must also engage with their clients to ensure that projects comply with local regulations and international standards.
 1. Project Finance Advisory Services where total Project capital costs are US\$10 million or more.
 2. Project Finance with total Project capital costs of US\$10 million or more.
 3. Project-Related Corporate Loans
 4. Bridge Loans
 5. Project-Related Refinance and Project-Related Acquisition Finance

European Experience

- The EP has helped these banks to manage risks, engage with their clients, and demonstrate their commitment to sustainability.
 - + To increase the reputation of the banks
 - + To attract these investors and gain access to a larger pool of capital and new business opportunities
 - + To avoid reputational risks associated with controversial projects
 - + To improve risk management
- These benefits have helped the banks build a more sustainable business and contribute to achieving the United Nations Sustainable Development Goals.

Comparison of Uzbek Legislation to the EP

- Uzbek laws do address issues related to environmental and ecological protection, such as pollution prevention, biodiversity conservation, and waste management. However, the laws are more general in nature and do not specifically address the requirements of the EP, such as the need for impact assessment and stakeholder engagement.
- Additionally, the Uzbek laws do not include specific provisions related to climate change, human rights, and labor standards, which are also addressed in the EP.

Comparison of Uzbek Legislation to the EP

The Constitution of Uzbekistan:

- According to Article 30 of the Constitution of the Republic of Uzbekistan: “All state bodies, public associations and officials of the Republic of Uzbekistan are obliged to provide citizens with the opportunity to familiarize themselves with documents, decisions and other materials affecting their rights and interests.”, which is similar to Principle 5 on Stakeholder engagement regarding disclosure Assessment documents on environmental or social risks and adverse impacts that may influence Affected communities, workers and other stakeholders.

Comparison of Uzbek Legislation to the EP

The Law “On Environmental Protection”:

- According to chapter VI of the law on “Environmental protection”, implementation of a project with no positive conclusion of the State ecological expertise conducted is prohibited.
- This law corresponds with Principle 3 on Applicable Environmental and Social standards regarding compliance with the host country legislation, particularly the separate law on “**Ecological expertise**” meets to some extent Principle 2 of the EP on Environmental and Social Assessment.

Comparison of Uzbek Legislation to the EP

The Law “On Water and water usage“:

- Enterprises, organizations and institutions whose activities affect the state of waters and water bodies are obliged to carry out technological, forest reclamation, agrotechnical, hydrotechnical, sanitary and technical measures agreed with the authorities for ecology and environmental protection, water management, sanitary supervision and other interested authorities.

Comparison of Uzbek Legislation to the EP

The Law “On Protection of Atmospheric Air” and Article 861 of the **Criminal code of Uzbekistan** mention the need for enterprises, institutions and organizations to regulate the use of ozone-depleting substances, equipment and technical devices containing ozone-depleting substances, as well as to keep records of ozone-depleting substances, considering their replacement with ozone-friendly substances.

- This article is similar to the requests of the Equator principles in **Annex A on Climate change**, where Alternatives analysis, Quantification and Reporting of Greenhouse Gas Emissions are required.

Process of Adoption of EP to Uzbek banks

- According to the Equator Principle Association Governance Rules Section 5 on the “Adoption of the principles” **any** financial institution is **free to implement EP**, as long as it meets the adoption requirements and promises to fulfil the ongoing reporting requirements.
- A bank applying for EPA membership have to:
 1. Examine and understand the EP requirements.
 2. Develop an internal policy complying with Equator Principles.
 3. Signing of an Agreement, involving the conduction of information disclosure.

Should EP be adopted in Uzbek banks?

- Promoting sustainable development in Uzbekistan;
- Help in protection of the environment and human rights;
- Attracting investment from international financial institutions;
- Promoting social equity and inclusivity.

CONCLUSION

The adoption of the principles would require the establishment of a national framework for environmental and social risk management, the adoption of the principles as part of financial institutions' risk management practices, and the engagement with international stakeholders to promote their adoption.

By taking these steps, Uzbekistan can become a leader in environmental and social risk management in the region while also attracting investment and promoting sustainable development.

THANK YOU FOR YOUR ATTENTION!

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