

Boston Common Asset Management-Christian Brothers Investment Services- Missionary Oblates of Mary Immaculate-General Board of Pension and Health Benefits, United Methodist Church-Catholic Healthcare West-Trillium Asset Management- Tri-State Coalition for Responsible Investment- -KAIROS Canadian Ecumenical Justice Initiatives- Dominican Sisters of Hope-Mercy Investment Program-Sisters of Mercy, Regional Community of Detroit-Ursuline Sisters of Tildonk, US Province- Evangelical Lutheran Church in America-Ethical Funds Company -Domini Social Investments-KLD Research and Analytics -Pax World Funds-Adrian Dominican Sisters-Interfaith Center on Corporate Responsibility (ICCR)-Michael Jantzi Research Associates-Brethren Benefit Trust, Inc.-Jesuit Conference-MMA Praxis Fund

August 17, 2004

Mr. Peter Woicke
Executive Vice President
International Finance Corporation
2121 Pennsylvania Avenue NW
Washington, DC 20433

RE: IFC Safeguard Policy Review - Corporate Screening Process

Dear Mr. Woicke:

On behalf of 23 US and Canadian socially-responsible investors including investment firms, mutual funds, social research providers and religious investors holding \$ \$117 billion in assets, we welcome the upcoming International Finance Corporation (IFC) safeguard review process and the opportunity it presents to strengthen the IFC's environmental and social safeguard and disclosures policies, and in particular to strengthen corporate responsibilities and practice through a corporate screening approach. We would like to offer our experience and learning in this area to IFC during this policy revision process.

Why Corporate Screening?

One of the key findings in the January 2003 Compliance Advisory and Ombudsman Office (CAO) review of IFC safeguard policies was that the commitment and capacity of project sponsors was a major determinant of whether safeguard policies were applied, and ultimately whether the project delivered social and environmental benefits. The CAO review also concluded that, to maximize the potential of the IFC safeguard policies, the IFC "must move to accountability for performance, not just process compliance."

We support IFC's desire to better align its safeguard policies with its business model and to continue to provide leadership for other private sector financial institutions applying IFC standards.

As social investors, we hold up IFC's sector policies as an international benchmark for corporate social responsibility with public companies in which we invest. We view IFC safeguard policies as the global standard for project finance in emerging markets as attested by the 24 financial institutions that have adopted the Equator Principles.

We applaud IFC's leadership in providing training for the staff of Equator Principles signatories to make sure that its safeguard policies are applied effectively. We are encouraged that some of Equator Principles signatories including Citigroup have taken this a step further by developing their own corporate screening process to ensure that they have the commitment and capacity to implement IFC safeguard policies.

To enable the IFC to maintain its leadership position and to better align the safeguard policies with its business model, we would encourage the IFC to develop a corporate screening process as part of its safeguard review procedures. We understand that corporate screening is not currently part of the IFC's safeguard policies, but would be part of IFC's operational procedures. Information about these operational procedures is not currently available to the public. We would encourage you to make this information public in light of your commitment to increased transparency.

In order to further position the IFC on the cutting edge of environmental and social sustainability, corporate screening must be an integral part of its sustainability framework, not buried in its operational procedures.

What Type of Corporate Screening

We would suggest that the following key elements be part of such a corporate screening process:

1. The IFC should adopt a formal corporate screening process that includes specific minimum screening criteria for its clients to ensure their commitment and capacity to adhere to environmental and social safeguards. The screening process should demonstrate a clear policy to comply with international and local labor laws and mechanisms to insure compliance (e.g. no child, forced or prison labor), and proscribe egregious human rights violations, connections to repressive regimes, and patterns of environmental problems.
2. The current Exclusion List should be updated and expanded, and should clearly outline the conditions under which the IFC will turn away both projects and clients. Examples of this could include projects in or impacting World Heritage Sites, UN List of National Parks and Protected Areas and other intact ecosystems of global importance, infrastructure or extractive projects in frontier or primary tropical, temperate or boreal forests and, large dams with significant environmental/social impacts or large scale resettlement.
3. The corporate screening process should apply to both IFC clients and Financial Intermediaries (FIs), which command an increasing share of IFC loans. The process should also address how the IFC oversees and ensures the compliance of FIs.

4. Information on the corporate screening process should be publicly available.

Consultation with SRI Professionals

We understand that the IFC Safeguard Review policy consultation period will begin in August and conclude later this year. During that process, we would encourage the IFC to organize a stakeholder consultation with the social investment community to share experiences and knowledge. Such a consultation would provide the IFC with an opportunity to hear from and brainstorm with experienced social analysts and investors. The IFC will have a chance to examine the types of qualitative and quantitative social screens we use, our different screening approaches, and how these screens are implemented in different markets. We believe that the IFC can implement social screening in a flexible manner that allows for qualitative, relative judgment by IFC staff. Making the criteria explicit and public will encourage companies to improve their social performance and policies.

In 1998, members of the social investment community met with IFC to review how a corporate screening framework could be developed and implemented. Several of the signatories to this letter were part of that process. This idea was raised again at a recent workshop in Boston that was co-convened by the World Bank and the International Working Group of the Social Investment Forum, and attended by over 30 representatives from the social investment community.

We look forward to hearing your thoughts and ideas about what we have proposed in our letter. You can contact Lauren Compere at Boston Common Asset Management at (617) 720-5557 or lcompere@bostoncommonasset.com. Regarding our proposal to have a meeting with the IFC, Lauren will also act as our liaison to the social investment community and can help in providing you with contact information and selecting dates for any meetings or calls.

Sincerely,

Lauren Compere
Chief Administrative Officer/Global Advocacy Coordinator
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Cc: Ms. Rachel Kyte, IFC

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