

Boston Common Asset Management – MMA Praxis Fund - Missionary Oblates of Mary Immaculate - Adrian Dominican Sisters - Domini Social Investments - Tri-State Coalition for Responsible Investment - The Sisters of St. Dominic of Caldwell, NJ - Jesuit Conference - Dominican Sisters of Hope - Mercy Investment Program - Sisters of Mercy, Regional Community of Detroit - Ursuline Sisters of Tildonk, U.S. - Evangelical Lutheran Church in America

April 29, 2005

Ms. Rachel Kyte
Director, Environment and Social Development Department
International Finance Corporation
2121 Pennsylvania Avenue NW
Washington, DC 20433 U.S.A.

Re: Comments from Social Investors on Draft Performance Standards

Dear Ms. Kyte:

We appreciate the opportunity to comment on the International Finance Corporation's Policy on Social and Environmental Sustainability and Performance Standards. We are submitting these comments on the draft policy and standards that summarize recommendations previously submitted to the IFC by a group of U.S. and Canadian social investors that have not been fully integrated in the public summary of comments. We have also submitted two additional recommendations; (1) to fully incorporate all the EIR Recommendations adopted by the World Bank related to extractive industry projects and (2) to comprehensively and pro-actively address climate change both at the policy level and in the Performance Standards.

Below is a Summary of Recommendations previously submitted in an August 17, 2004 letter (copy enclosed) by 23 U.S. and Canadian socially responsible investors representing \$117 billion in assets:

- 1. Corporate Screening and Minimum Standards** - Implement a screening process for IFC clients to ensure they have the organizational commitment and capacity to adhere to the Performance Standards, especially those related to human rights, fair labor conditions and the environment. This would include minimum standards, or screens, related to compliance with international and local labor laws, proscribing to egregious human rights violations, connections to repressive regimes and patterns of environmental problems.
- 2. An Exclusion List - A set of No-Go Circumstances for projects in which the IFC would not invest.** As part of the consultation meeting on November 2, 2004 in Washington, D.C. with the IFC, a group of social investors submitted a list of No-Go Circumstances which the IFC had previously included in the original Safeguard Policies as an Exclusion List. The amended list includes several additional No-Go Circumstances based on changing social and environmental practices among private financial institutions including some Equator Banks and other development banks like the ERBD. Some of the recommendations include not funding projects that allow the use of riverine and submarine tailing disposal and projects that are located

in World Heritage Sites or IUCN Protected Areas I-IV. We have enclosed a copy of the No-Go Circumstances List that was submitted at the November 2nd meeting.

3. **Performance Standards Should Reflect Best Current Policies and Practices** – We encourage the IFC to ensure that the revised Performance Standards reflect the best practices and policies of today. In our November 2nd meeting, we shared with the IFC a set of policies representing higher standards than those found in the proposed guidelines used by other private financial institutions and entities like the ERBD. We believe if the IFC is to uphold itself as the premier lender in the developing world, it must reflect the best current policies and practices vis a vis environmental and social standards. **We also specifically recommended that the IFC include a comprehensive policy framework for addressing human rights and climate change within the Performance Standards.** This includes providing right to know protections for local communities and workers.

4. **No Weakening of Existing Standards** – During our November 2nd meeting, we encouraged the IFC not to weaken existing policies. This includes not backing away from independent assessments and monitoring and maintaining the IFC's categorization system for projects.

Below are Additional Recommendations:

1. **Incorporating EIR Recommendations** – Several policies that were part of the final EIR Recommendations accepted by the World Bank were not even mentioned in the IFC policies, including:

- Designation of no-go zones where extractives projects should not be supported due to high biodiversity
- Defining quantitative thresholds for significant conversion or degradation
- Monitoring of poverty indicators associated with projects
- Requirement for comprehensive health assessments, health insurance and legacy issues
- Performance bonds or insurance for resettlement
- Human rights issues, including corporate screens for human rights

2. **Climate Change and Greenhouse Gas Emissions** - The IFC should have a comprehensive climate strategy that applies both to new projects under consideration and to the IFC portfolio as a whole. The climate strategy should include the direct and indirect greenhouse gas emissions of all IFC-financed projects, including industrial and manufacturing deals, new construction, and projects financed through financial intermediaries. Signatories to this letter are shareholders and many are members of the Investors Network on Climate Risk and CERES. We represent pension funds, socially responsible investment firms, religious organizations and other concerned investor groups. Many of the undersigned have also filed shareholder resolutions with

companies in a variety of sectors seeking disclosure of climate risks as they relate to shareholder value.

As investors, our experience has been that climate change presents at least five specific risks to companies, depending on their sector and geographic location.

1. **Regulatory Risk:** Corporations involved in electric power, manufacturing, oil and gas and the transportation sectors are high GHG emitters. We believe future regulation aimed at reducing GHG emissions, such as the Kyoto Protocol and the Emission Trading Scheme in the European Union, are inevitable and that these sectors face the most significant risk.
2. **Physical Risk:** Direct consequence of climate change such as drought and rising sea levels present significant risk to sectors such as agriculture, forestry, health care, insurance and water.
3. **Litigation Risk:** Many of America's largest electric power companies have already faced lawsuits demanding a reduction in carbon dioxide emissions. We expect the frequency and damages sought in such lawsuits will increase in the future.
4. **Competitiveness Risk:** Companies that are proactive in their response to climate change mitigation create a competitive advantage for themselves, to the disadvantage of those who prefer to maintain the status quo.
5. **Reputational Risk:** Consumer backlash could potentially result against companies viewed negatively with respect to their policy stance on climate change or on their direct pollution

Developing countries will suffer disproportionately from climate change, as poorer countries will be less able to adapt to the problems caused by rising sea levels and severe weather events. Populations in coastal areas and those on island nations will be the hardest hit.

We believe the IFC should commit to significantly increasing investments in renewable energy and energy efficiency projects to reduce competitiveness risk. In its Policy on Social and Environmental Sustainability and Performance Standards, the IFC should include project-specific climate measures, while committing to addressing climate change in its portfolio as a whole in the section on the IFC's own Roles and Responsibilities.

In the Performance Standards, the IFC should:

- Require project sponsors to estimate greenhouse gas emissions and include those emissions in the environmental assessment for the project
- Require and implement mitigation options assessments for projects with significant greenhouse gas emissions, including projects financed by financial intermediaries
- Require sponsors to monitor and measure greenhouse gases throughout the life of projects

Under Roles and Responsibilities, the IFC should:

- Commit to assess the climate impacts of its entire portfolio and commit to significantly reducing the footprint of its portfolio over time
- Set specific goals, targets and timelines to increase financing for renewables and energy efficiency and phase out funding of fossil fuel projects
- Commit to adapting its strategies and financial services, in cooperation with other sources of financing, to encourage potential borrowers to propose projects with lower climate impacts

Thank you for your consideration of these suggestions. We feel that the IFC is in a strong position to be the premier lender in the developing world but must ensure that the Performance Standards reflect best current policies and practices and must provide a policy framework for addressing human rights and climate change to fulfill its poverty alleviation and development mandate.

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 with your questions and response.

Sincerely,

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