



August 1, 2017

The Equator Principles Association
Railview Lofts, 19c Commercial Road
Eastbourne, East Sussex, BN21 3XE
United Kingdom

Sent by email to: secretariat@equator-principles.com

Re: Application of International Finance Corporation Performance Standards in Designated Countries

Dear Chair:

We are writing to express our support for the creation of the Equator Principles' (EPs) Designated Countries Working Group. We believe there are key risks facing Equator Principles Financial Institutions (EPFIs) undertaking project finance in Designated Countries that are not currently being mitigated. As a long-term investor in many EPFIs we believe the EPs would be strengthened by considered application of the International Finance Corporation Performance Standards (IFC PS) in both Designated and non-Designated Countries and look forward to seeing the outcome of the Working Group.

With approximately C\$6 billion in assets under management, NEI's approach to investing incorporates the thesis that companies can mitigate risk and take advantage of emerging business opportunities by integrating best Environmental, Social and Governance (ESG) practices into their strategies and operations. In practice, this means that our investment process involves the analysis of key ESG information to inform our actions as a fiduciary, from the decision to invest (or not invest) in corporate securities to our proxy voting and corporate engagement activities once we are invested. As such we see the Equator Principles (EPs) as a key environmental and social risk mitigation strategy for financial institutions that undertake project finance and believe strengthening the EPs will benefit all stakeholders, including EPFIs and their investors.

In October 2012 we provided comments on the Equator Principles III update that outlined our concern with the assumption that Designated Country laws, regulations and permits relating to environmental and social matters will always meet or exceed the requirements of the IFC PS. Specifically, we noted the gap between the IFC PS requirements around free, prior and informed consent (FPIC) for Indigenous communities and the lack of FPIC standards in many Designated Countries.¹ We continue to believe that compliance with host country laws, regulations and permits

¹ <https://www.neiinvestments.com/documents/PublicPolicyAndStandards/2012/NEI%20Equator%20Principles%20EPIII%20Final.pdf>

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should only be considered an appropriate substitute for the IFC PS where this local framework actually meets or exceeds the IFC PS. Otherwise, EPFIs will continue to face unnecessary risks, in particular as they pertain to community consultation and consent. These risks will also be borne by their investors.

Recent events regarding a project located in a Designated Country highlight the concerns we have with the current gap in application of the IFC PS and the risk to EPFIs. It is our belief that lenders should continue to expect heightened scrutiny of project finance decisions in the future, so we welcome the Equator Principles Association's attention to this pressing concern.

Contact

In conclusion, we would like to commend the Equator Principles Association for addressing a key risk to its members and look forward to learning about the outcomes of the Designated Countries Working Group. We would be glad to engage further on any of the issues covered in this letter. For follow-up, please do not hesitate to contact me at mdecordova@neiinvestments.com, 604 742 8319.

Sincerely,

NEI Investments

A handwritten signature in black ink, appearing to read "Michelle de Cordova", written in a cursive style.

Michelle de Cordova
Director, Corporate Engagement & Public Policy

cc:

Board of Directors, NEI Investments
ESG Committee, NEI Investments
Robert Walker, Vice President, ESG Services, NEI Investments
Jamie Bonham, Manager, Corporate Engagement, NEI Investments

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