

### **Investor Statement to the Equator Principles Association**

The undersigned investors, with over \$2.67 trillion total assets under management or advisement, are writing to the Equator Principles Association (EPA). Many of us signed an earlier investor statement to banks financing the Dakota Access Pipeline (DAPL). We remain concerned about the construction of DAPL despite objections from the Standing Rock Sioux Tribe (SRST), as well as other communities and landowners along its route.

Thirteen of the seventeen banks that participated in the original project loan to DAPL are signatories to the Equator Principles “EPs”, an environmental and social risk management framework utilized by ninety-one banks in thirty-seven countries. We are writing to request that measures be taken by the EPA to maintain the credibility of the EPs and ensure banks have the tools necessary to respond to situations like DAPL in the future.

Since the earlier investor statement to banks financing DAPL, a federal court ruled partially in favor of the SRST, determining that the US Army Corps of Engineers approved DAPL without adequately considering the impacts of an oil spill on hunting and fishing rights. The UN Special Rapporteur on the Rights of Indigenous Peoples’ country visit to the US found that the SRST was “denied access to information and excluded from consultations at the planning stage of the project” and that the environmental assessment for DAPL “dismissed the risks to the reservation and failed to mention any of the other tribes that traditionally used the territory.” The Foley Hoag report *Good Practice Guidance for Managing the Social Impacts of Oil Pipelines in the United States*—which was commissioned by banks financing DAPL—affirms that there may be inconsistencies between US federal law and international industry good practice. Indigenous Peoples have flagged concerns about the capacity for in-country laws to adequately protect their rights in relation to other proposed projects financed by EP’s signatory banks, such as the Keystone XL Pipeline and the Trans Mountain Pipeline.

In the wake of these developments, we reiterate our stance that banks must take measures to protect their reputation and consumer base, as well as communities impacted by their lending. We recognize that several of DAPL’s lenders are already considering various actions to enhance their due diligence for projects that impact Indigenous Peoples. However, we believe that DAPL demonstrates need for industrywide changes, and recommend that measures be taken to strengthen the ability of the EPs to identify, manage, and mitigate social risks across the banking sector.

Our first recommendation is in relation to the “Designated Country Rule” of the EPA. Designated Countries are countries “deemed to have robust environmental and social governance, legislation systems, and institutional capacity designed to protect their people and the natural environment.” The Designated Country Rule states that projects in Designated Countries may be subject to an assessment process that relies on in-country laws as an acceptable substitute for the IFC Performance Standards. We request the EPA to align the assessment process for all countries with the IFC Performance Standards, and echo requests from ten EPs signatory banks to ensure that projects in Designated Countries are developed to comply with the same environmental and social standards as in non-Designated Countries, in addition to applicable local standards. We are aware that the EPA has formed a “Designated Countries Working Group” to reexamine the distinction between Designated and non-Designated Countries.

Our second recommendation seeks to address the limited ability of banks to respond to the SRST’s request for a reroute of DAPL that avoided their treaty territory. This demonstrates the need for better alignment of the EPs with the terms and conditions of the loans that EPs signatory banks employ to

finance projects. We request the Equator Principles Association to establish a mechanism through which EPs signatory banks can facilitate the resolution of issues resulting from possible breaches of the applicable environmental and social standards. This request has also been put forth by ten EPs signatory banks, in a statement to the EPA dated May 22, 2017.

Our third recommendation is in relation to reporting on human rights and Indigenous Peoples. Principle 10 of the EPs obligates EPs signatory banks “to report publicly, at least annually, on transactions that were subject to the EPs and have reached Financial Close; and on its EPs implementation processes and experience, taking in account appropriate confidentiality considerations.” In order to protect your shareholders from risks, and meet the expectations associated with the UN Guiding Principles on Business and Human Rights, we request all EPs signatory banks to report specifically on their due diligence processes regarding human rights and Indigenous Peoples for EPs transactions.

In conclusion, we reiterate our support for the EPA’s efforts to improve the quality of projects financed by its members and encourage the EPA to adopt our recommendations. Doing so would reinforce the EPs’ position as industry best practice for environmental and social risk management, mitigate risk to EPs signatory banks, and strengthen protections for the rights of Indigenous Peoples and other local communities in countries around the world.

Date: October 23, 2017

See attached list of signatories as of October 23, 2017

## 2017 Investor Statement to the Equator Principles Association

*Signatories as of October 23, 2017*

Geeta Aiyer  
President and Founder  
Boston Common Asset Management, LLC

Matthew Smith  
Head of Sustainable Investments  
Storebrand Asset Management

Anne Simpson  
Investment Director  
California Public Employees' Retirement System  
(CalPERS)

Stina Nilsson  
Senior Engagement Manager  
GES

Tim Goodman  
Director, Engagement  
Hermes Investment Management

Jamie Bonham  
Manager, Corporate Engagement  
NEI Investments

Peter Chapman  
Executive Director  
SHARE

Kathleen Woods  
Co-Chair, Portfolio Advisory Board  
Portfolio Advisory Board  
Adrian Dominican Sisters

Danielle Fugere  
President  
As You Sow

Colette Murphy  
Executive Director  
Atkinson Foundation

Daniel Simard  
Chief Executive Officer  
Bâtirente

Scott Tibert  
Student Portfolio Manager  
Bryant University Archway Investment Fund

Denis Hayes  
President  
Bullitt Foundation

John Streur  
President & CEO  
Calvert Research and Management

Karen Shoffner  
Castellum Capital Group  
Raymond James Investment Counsel Ltd.

Sanjay Bavikatte  
Executive Director  
The Christensen Fund

Margaret Weber  
Corporate Responsibility Director  
Congregation of St. Basil

## 2017 Investor Statement to the Equator Principles Association

*Signatories as of October 23, 2017*

Karen Watson, CFA  
Chief Investment Officer  
Congregation of St. Joseph

Suzanne Benally  
Executive Director  
Cultural Survival

Sr. Jean Gove  
Chair  
The Daly Foundation

Sister Teresa George, D.C.  
Provincial Treasurer  
Daughters of Charity, Province of St. Louise

Victoria Dietel Hopps  
Managing Partner  
Dietel Partners, LLC

Mary Ellen Leciejewski, OP  
Vice President, Corporate Responsibility  
Dignity Health

Adam Kanzer  
Managing Director of Corporate Engagement  
Domini Impact Investments LLC

Mary Brigid Clingman, OP  
Promoter of Justice  
Dominican Sisters ~ Grand Rapids

Valerie Heinonen, OSU  
Director, Shareholder Advocacy  
Dominican Sisters of Hope

Kelly Litt  
Justice Promoter  
Dominican Sisters of Peace

Mary Corkery  
Chair  
The Catherine Donnelly Foundation

Kevin Leonard  
Executive Director  
Echo Foundation

Jeff Pym  
Executive Director  
Evangelical Lutheran Foundation of  
Eastern Canada

N. Kurt Barnes  
Treasurer & CFO  
The Episcopal Church

Chris Meyer  
Manager of Advocacy and Research  
Everence and the Praxis Mutual Funds

Leadership Team  
Felician Sisters of North America

Lisa Cooper  
President  
Figure 8 Investment Strategies

Holly Testa  
Director, Shareowner Engagement  
First Affirmative Financial Network

Mecky Kessler-Howell, AIF  
Financial Advisor, Partner  
FOR Investment Partners

Fred Ackerman-Munson  
Executive Director  
444S Foundation

Jeffery W. Perkins  
Executive Director  
Friends Fiduciary Corporation

Susan Ernster  
Treasurer/CFO  
FSPA

Fran Teplitz  
Executive Co-director  
Green America

Leslie Samuelrich  
President  
Green Century Capital Management

## 2017 Investor Statement to the Equator Principles Association

*Signatories as of October 23, 2017*

Johann Klaassen  
Chief Investment Officer  
Horizons Sustainable Financial Services, Inc.

Christine Jantz  
President  
Jantz Management LLC

Jeffrey Scales, CFP®, AIF®  
Managing Principal  
JSA Financial

Regan Pritzker  
Investment Committee Chair  
The Libra Foundation

Cathy Rowan  
Corporate Responsibility Coordinator  
Maryknoll Sisters

Lisa Heinz  
CFO  
Mennonite Education Agency

Jerry Judd  
Senior Vice President and Treasurer  
Mercy Health

Valerie Heinonen, OSU  
Director of Shareholder Advocacy  
Mercy Investment Services

Barbara Meyer  
Principal  
Meyer Family Enterprises.com

Barbara Jennings, CSJ  
Coordinator  
Midwest Coalition for Responsible Investment

Luan Jenifer  
Chief Operating Officer  
Miller/Howard Investments, Inc.

Barbara McCracken  
Mount St. Scholastica

Michael Kramer  
Managing Partner  
Natural Investments

Mari Schwartzner  
Assistant Director of Shareholder Activism,  
Engagement, and Social Research  
NorthStar Asset Management, Inc.

Judy Byron, OP  
Director  
Northwest Coalition for Responsible Investment

Susan White  
Trust Enrollment Director  
Oneida Nation – Trust Enrollment Committee

Julie Gorte  
SVP for Sustainable Investing  
Pax World Funds

Rob Fohr  
Director of Faith-Based Investing  
and Corporate Engagement  
Committee on Mission Responsibility Through  
Investment of the Presbyterian Church U.S.A.

Mark Peters  
Director of Justice, Peace and Reconciliation  
Priests of the Sacred Heart, U.S. Province

Jo Marie Chrosniak, HM  
Coordinator  
Region VI Coalition for Responsible Investment

Maria Egan  
Portfolio Manager and Shareholder  
Engagement Manager  
Reynders, McVeigh Capital Management

Ethel Howley, SSND  
Social Responsibility Resource Person  
School Sisters of Notre Dame  
Cooperative Investment Fund

Mary Beth Hamm, SSJ  
Coordinator: Peace, Justice and  
Integrity of Creation  
Sisters of Bon Secours USA

Sr. Barbara Aires  
Coordinator of Corporate Responsibility  
in Investments  
Sisters of Charity of Saint Elizabeth

## 2017 Investor Statement to the Equator Principles Association

*Signatories as of October 23, 2017*

Denece Billesberger, SEJ  
Treasurer  
Sisters of Instruction of the Child Jesus

Tom Bennigson  
President  
Tikva Grassroots Empowerment Fund

Jo Ann Showalter, SP  
Provincial Councilor  
Sisters of Providence, MJP

Jonas Kron  
Senior Vice President  
Trillium Asset Management LLC

Sr. Colleen Dauerbach, SSJ  
Social Justice Coordinator  
Sisters of Saint Joseph  
of Chestnut Hill, Philadelphia

Richard E. Walters  
Director, Corporate Social Responsibility  
The Pension Boards - UCC, Inc.

Sr. Joan Agro, OP  
Congregational Secretary  
Sisters of St. Dominic of Blauvelt, New York

Katie McCloskey  
Director, Social Responsibility  
United Church Funds

Sr. Patricia A. Daly, OP  
Corporate Responsibility Representative  
Sisters of St. Dominic of Caldwell NJ

Erik Mathiesen  
Chief Financial Officer  
United Church of Canada

Elizabeth Cawley, CSJ  
Justice Promoter  
Sisters of St. Joseph of Boston

Marcus Robertson  
Pension Board Chair  
Pension Plan of The United Church of Canada

Denise Granger, SSJ  
Coordinator, Office of Justice and Peace  
Sisters of St. Joseph of Springfield

Thomas G. Kemper  
General Secretary  
General Board of Global Ministries  
The United Methodist Church

Sr. Mary Ellen Holohan  
Congregational Leadership Team Member  
Sisters of the Holy Names

Harriett Olson  
Chief Executive Officer/General Secretary  
United Methodist Women

Sr. Carol Anne Smith, HM  
Community Treasurer  
Sisters of the Humility of Mary

Valerie Heinonen, OSU  
Director, Shareholder Advocacy  
Ursuline Sisters of Tildonk, U.S. Province

Kyle Wright  
CEO  
Stardust

Derek Gent  
Executive Director  
Vancity Community Foundation

Stephen Whipp  
Managing Director  
Stephen Whipp Financial  
Leede Jones Gable Inc.

Dermot Foley CFA  
Portfolio Manager - ESG Analysis  
Vancity Investment Management Ltd.

Terrence Meck  
President  
Threshold Foundation

Patricia Farrar-Rivas  
CEO  
Veris Wealth Partners

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*Signatories as of October 23, 2017*

Hans-Martin Buhlmann  
CEO  
VIP (Vereinigung Institutionelle Privatanleger)  
Association of Institutional Shareholders

Aaron Ziulkowski  
Manager, ESG Integration  
Walden Asset Management

Kirsty Jenkinson  
Managing Director-Sustainable  
Investment Strategist  
Wespath Investment Management

Sheila Whelan, GSIC  
Treasurer  
Youville Provident Fund

Sonia Kowal  
President  
Zevin Asset Management