



Environmental and Social Risk Policy

**Summary of Stakeholder
Comments and
FinDev Canada Response**

OCTOBER 2024

Environmental & Social Risk Policy Review: Stakeholder Consultation

Background

FinDev Canada is Canada's bilateral Development Finance Institution (DFI), supporting development through the private sector by providing financing, investment, and blended finance solutions, as well as technical assistance and advisory, to support sustainable and inclusive growth in emerging markets and developing economies (EMDEs) aligned with the Sustainable Development Goals (SDGs) and Paris Agreement commitments.

In March 2020, FinDev Canada's first environmental and social commitments were set out in an Environmental and Social (E&S) Policy (the Policy) that was approved by the Board of Directors, following stakeholder consultations.

In 2023, FinDev Canada initiated the review of the E&S Policy and solicited stakeholder feedback through a public consultation process. Relevant materials, including a [Discussion Paper](#), were made available on [FinDev Canada's website](#) with an open invitation to submit comments between October 20 and December 15, 2023.

Over the course of the 56-day public comment period, FinDev Canada met with officials from Global Affairs Canada and independent experts on the policy review. In addition, the corporation received comments from three organizations: the Accountability Counsel, the Danish Institute for Human Rights (DIHR), and the Office of the United Nations High Commissioner for Human Rights (OHCHR)¹.

The policy review process also included benchmarking against peer DFI policies, including their environmental and social policies, and human rights commitments.

An updated policy was presented to and approved by FinDev Canada's Board of Directors on May 2, 2024.

Jan 23	Feb 23	Mar 23	Apr 23	May 23	Jun 23	Jul 23	Aug 23	Sep 23	Oct 23	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24	
Project scoping and competitive selection process for external consultant to support Policy revision			Peer benchmarking and research, executive workshop				Draft discussion paper, preparation for consultations		Direct engagement: FinDev Canada hosted a series of workshops to capture feedback from key external and internal stakeholders. Public comments accepted via website			Additional internal consultations, draft updated E&S Risk Policy			Board review and Approval		Policy launch preparation, publication on findevcanada.ca				

 **Discussion paper published October 2023**

 **Publish updated policies, October 2024**

 **Consultations Oct 20–Dec 15 2023**
Expert (Oct 2023), GAC and Internal Workshop (Nov 2023)

The following provides a summary of the key themes that emerged from the consultation process and FinDev Canada's responses. Note that the analysis focuses on salient stakeholder feedback and recurring themes and does not purport to include all stakeholder comments and policy revisions.

¹The DIHR and the OHCHR have published their submission to the consultation on their websites. You may consult [Submission to the consultation on the review of FinDev Canada's Environmental and Social Policy](#) | The Danish Institute for Human Rights and [ohchr-comments-findev-e-s-policy-20231215.pdf](#).

Key Themes and FinDev Canada's Response

Summary overview

Stakeholder feedback focused on consideration of emerging risks in the E&S **Risk** Policy, and particularly on FinDev Canada's approach to human rights risks.

Based on this feedback, updates were made to the Policy including in the following areas:

1. Changing the policy title from "E&S Policy" to "E&S **Risk** Policy" to better communicate its focus on potential risks and adverse impacts, as compared to other E&S topics such as Development Impact.
2. Providing additional information on FinDev Canada's approach to financing and investing in financial intermediaries and the scope of application of E&S Performance Benchmarks in this context.
3. Providing additional content such as a statement that the promotion of positive impacts does not serve to offset adverse impacts, more detailed definitions, and an expanded description of the mitigation risk hierarchy.
4. Revising the section on Positive Impact, including updated language and references to development impact goals (i.e., gender equality, climate and nature action) and related policy instruments.
5. Replacing references to the EDC Human Rights Policy in text and the appended document with a description of FinDev Canada's approach to human rights, appropriate for our distinct context and aligned with current DFI practice.
6. Updating section on grievances and complaints to account for FinDev Canada's Independent Accountability Mechanism (IAM), which was established in June 2023.

Stakeholder Comments and FinDev Canada Responses

STAKEHOLDER COMMENT

Stakeholders expressed positive comments about several aspects of FinDev Canada's E&S Policy and commitments, including:

- the development of FinDev Canada's Independent Accountability Mechanism (IAM)
- the reference to responsible exit from investments
- the references and commitments to gender equality and gender differentiated impacts

FINDEV CANADA RESPONSE

We welcome these positive comments.

Policy Scope

STAKEHOLDER COMMENT

Stakeholders provided feedback on the scope and coverage of FinDev Canada's E&S Policy commitments, including clarifying the range of human rights impacts and business relationships which are addressed by the Policy. This includes clarifying coverage of downstream vs. upstream client operations, as well as impacts beyond "primary suppliers."

FINDEV CANADA RESPONSE

The scope of FinDev Canada's E&S Risk Policy commitments is broadly aligned with peer institutions and are clarified through the application of client E&S performance benchmarks. The International Finance Corporation's Performance Standards (IFC PS) are the principal benchmarks adopted by FinDev Canada. FinDev Canada's Policy also recognises that clients may be subject to additional benchmarks depending on their specific risk profile or operating context (see section 3.3 of the Policy).

To emphasise the necessity of applying appropriate E&S performance benchmarks and approaches, section 3.3 of the Policy has been revised to indicate that "Other benchmarks may also be required in response to emerging risks as well as new financing and investment contexts, and regulatory developments." Additionally, Section 4 on human rights now states that "FinDev Canada will also assess the need to apply appropriate E&S benchmarks which address relevant Human Rights issues and encourage clients to implement specific responses to these risks to identify, avoid, minimize, reduce, and mitigate risks and adverse impacts, and where significant residual impacts remain, to remediate those identified impacts".

Due Diligence Approach

STAKEHOLDER COMMENT

Stakeholders provided comments on the nature and extent of human rights due diligence approaches, including:

- That human rights due diligence be routinely required and not limited to high-risk circumstances.
- That contextual risk assessments include human rights considerations.

Provide more information about how the Policy is implemented when financing or investing in financial intermediaries.

FINDEV CANADA RESPONSE

FinDev Canada's E&S Policy recognises the UN Guiding Principles on Business and Human Rights (UNGPs) as the leading internationally recognized framework for businesses to meet their responsibility to respect Human Rights. As such, the UNGPs inform FinDev Canada's E&S risk review process. The E&S Risk Policy acknowledges that risks (including human rights risks) are not static. Appropriate E&S performance benchmarks should respond to changing contexts and emerging risks. Existing provisions on "Management of Change" (Section 4) also recognise that E&S risks and their mitigation are subject to change over the life of a transaction, and that management approaches must therefore change accordingly.

The Policy has been revised to further clarify:

- Human rights: Existing policy language on human rights has been expanded to acknowledge the relevance of human rights to FinDev Canada's financing and investment activities, and to clarify that appropriate E&S benchmarks will be applied based on an assessment of relevant human rights considerations. The Policy also identifies other institutional policies and procedures that support FinDev Canada's Human Rights commitments, including its List of Excluded Activities, Gender Equality Policy, Transparency and Disclosure Policy, and Independent Accountability Mechanism (IAM).
- Contextual risk assessment and routine nature of due diligence: Annex I: E&S risk in the investment cycle clarifies that FinDev Canada considers relevant contextual risks during screening, including the human rights situation relevant to a particular investment, sector, or geography.
- Financial intermediaries: Further information on approach when financing or investing in Financial Intermediaries has been added in Section 4 for more clarity. This includes references to relevant E&S benchmarks including IFC's Guidance Note on Financial Intermediaries, assessment approach, and requirement for FIs to develop and operate Environmental and Social Management Systems that are proportional to the identified risks of their portfolios.

Emerging Risks

STAKEHOLDER COMMENT

Stakeholders provided feedback on specific E&S risks and issues which may be salient or emerging, including related to climate, digitalization, gender equality and 2SLGBTQI+ rights.

FINDEV CANADA RESPONSE

By recognising the dynamic nature of E&S risk, the E&S Risk Policy enables FinDev Canada to address new and emerging risks such as risks posed by digitization, when appropriate. In some cases, the Policy addresses specific risks, such as gender related risks and client engagement with vulnerable groups² as well as an updated section on climate change, nature and biodiversity risks.

² Defined in section 9 of the Policy as People or groups who may be particularly or disproportionately affected by financing and investment impacts because of characteristics such as their gender, gender identity, sexual orientation, religion, race, ethnicity, national origin, indigenous identity, community dependency on natural resources, age, physical or mental disability, political opinion, socio-economic status, and/or migrant, refugee, or internally displaced status.

Remedy

STAKEHOLDER COMMENT

Stakeholders provided comments on the topic of remedy, including:

- Greater clarity on definitions of remedy and concept of leverage
- Expanded reference to mitigation hierarchies and explicitly recognize the inappropriateness of off-setting human rights impacts
- Reflect the UNGPs “involvement framework” in the E&S Policy

FINDEV CANADA RESPONSE

Formalisation and approval of an Independent Accountability Mechanism (IAM) in June 2023 was a significant development since FinDev Canada’s last E&S Policy iteration, providing a framework for accountability and remedy.

Specific stakeholder comments and questions pertaining to considerations beyond the E&S Risk Policy, such as the policies and working practices of the IAM were considered outside the scope of this policy revision and will be considered during the next IAM review in June 20283.

Remedy is recognised as an important topic in the updated Policy:

- Grievance and remedy: A revised section, now entitled “Grievance and Remedy”, addresses the role of FinDev Canada as it relates to grievance and remedy. This includes explicit reference to the IAM as well as how FinDev Canada uses its available leverage to encourage clients to implement accessible grievance mechanisms as a means of achieving remedy.
- Mitigation hierarchies and off-setting: The revised section on human rights (Section 4) has an expanded reference to risk hierarchy (additions in **bold**), specifies that mitigants will be developed to “**identify**, avoid, **minimise**, **reduce**, and mitigate risks or adverse impacts, and where significant residual impacts remain, to remediate those identified impacts”. Section 3.5 on “Positive Impact” has been revised to specify that “promotion of positive development impacts does not serve to offset E&S risks and adverse impacts, and that offsetting is not an appropriate remedy for adverse Human Rights impacts.”

Responsible Exit

STAKEHOLDER COMMENT

Stakeholders highlighted positively the reference to responsible exit, highlighting the importance of E&S considerations in the context of responsible exit, and the need to ensure that exit approaches align with human rights principles and international good practice.

FINDEV CANADA RESPONSE

We welcome these positive comments.

In addition, we have revised the following:

Annex I: E&S risk in the investment cycle has a revised section on exit (now entitled “Responsible Exit”). The updated section includes a recognition that exit may occur in cases of chronic client underperformance, in a manner consistent with good international practice and subject to the requirements or law and contractual undertakings.

³For example, revisions to the IAM’s guiding principles, the development of a remedy fund and requirements for financial intermediary clients to disclose the existence of the IAM to project affected communities.