



ENVIRONMENTAL AND SOCIAL (E&S) POLICY IMPLEMENTATION REPORT 2024

BACKGROUND

In addition to enabling positive development impacts, FinDev Canada aims to identify, prevent, manage, and mitigate the environmental and social risks associated with our financing and investments. Our Environmental & Social (E&S) Policy (the "Policy") articulates the principles and commitments that guide FinDev Canada's approach to ensuring that our clients have appropriate management systems in place to address potential adverse environmental and social (E&S) impacts, including with respect to human rights.

ACTIVITIES AND TIMELINE

This report provides details on the processes and controls that FinDev Canada has put in place to support us in delivering on our Policy commitments, the key areas that we want to continue strengthening, as well as data pertaining to the implementation of the Policy.

Policy Area	Policy Commitments	In place	2024	Additional Notes
1. E&S review of transactions to prevent, manage and mitigate potential adverse impacts	Pre-screen all financing and investment operations against this Policy.	X		Pre-screening occurs early in the transaction lifecycle, where information then-available is used to assess risk and identify which E&S Performance Benchmarks ¹ are likely to be applicable.
	Conduct due diligence on all transactions against applicable E&S Performance Benchmarks.	X		Due diligence occurs after pre-screening, before the transaction is presented to the Investment Committee.

¹ **E&S Performance Benchmarks:** Set of requirements that are selectively applied to clients, depending on the E&S risks identified. The International Finance Corporation (IFC) Performance Standards is our key benchmark, but clients may be subject to additional requirements beyond these, depending on their specific risk profile, sector or operating context.

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	For general corporate purpose facilities, assess the client's E&S management of its existing business activities; the quality of its E&S governance structures and management systems; and the extent of management commitment and technical capacity to implement applicable E&S Performance Benchmarks (once these have been determined).	X		These areas are assessed as part of FinDev Canada's E&S screening and due diligence review of all financial intermediaries, including general corporate purpose facilities.
	Identify potential human rights impacts and their potential severity (e.g., scale, scope, irremediability) and likelihood.	X		As part of FinDev Canada's E&S review of all transactions, client capacity to manage human rights impacts is assessed, including aspects related to effective stakeholder engagement processes and operational level grievance mechanisms.
	Develop FinDev Canada Human Rights approach, in alignment with the UN Guiding Principles on Business and Human Rights (UNGPs).		X	As part of FinDev Canada's E&S policy review, in 2023 we evaluated our policies and practices, those of our peers, and solicited stakeholders' inputs and comments, with a view to further develop our approach to appropriately prevent, investigate, and address human rights impacts emerging from our transactions. Our Human Rights approach will be included in the revised E&S Policy, to be approved by the Board in 2024.
	Communicate all exceptions to this Policy to the FinDev Canada Board of Directors as part of the financing and investment approval process.	X		A procedure is in place to ensure compliance with this requirement and annual reports to the Board are

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				submitted. No policy exceptions were recorded in 2023.
	Assign risk classification during due diligence and determine if changes to classification are necessary during asset monitoring.	X		FinDev Canada systematically applies a dynamic risk classification ² procedure as part of due diligence and asset management to monitor trends in clients' E&S risk management capacity.
	An E&S review procedure, informed by the Policy, will provide the detailed implementation framework.	X		The E&S Review Procedure, directed at internal staff, reflects the E&S Policy, and continues to be updated as necessary to ensure Policy compliance and alignment with good practice.
2. Build and share knowledge	Track and learn from good international practices and collaborate with other development finance institutions and potential co-investors to build and share knowledge pertaining to E&S.	X		FinDev Canada has many partnerships and engagements and is a member of several international E&S and impact-related forums. Our employees are active members of peer working groups on specific E&S topics, and attend webinars, trainings, and conferences to build and share knowledge.
3. Managing the asset and	Monitor client E&S Performance Benchmark compliance.	X		All financings and investments are monitored at least annually in accordance with transactional documentation

² **Risk categorization** is a static designation made at the time of financial commitment based on potential negative impacts associated with a business activity, using the IFC categories A, B, or C for projects and FI-1, FI-2 and FI-3 for financial institutions.

Risk classification is a dynamic risk rating assigned at the end of due diligence that can change over time based on factors like the transaction characteristics, client management capacity or unanticipated risks that appear after an investment has been made. Examples might include lower risk classification once a client E&S action plan (ESAP) has been completed or the construction phase of a large renewable project finished. Risk classifications might increase when a serious social or environmental complaint is made against the client or there is a loss of third-party certification.

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engaging with our clients, post signing				requirements and our E&S Policy, including regular Environmental, Social and Governance ("ESG") performance reporting, E&S incident reporting and the delivery of required E&S action plan ("ESAP") items.
	Include management of change protocols in transactional documentation and develop processes for annual monitoring of financings and investments to support implementation of management of change protocols.	X		E&S related triggers and processes to facilitate the implementation of management of change have been included in the FinDev Canada requirements for managing, overseeing, and reporting on clients. These provisions are included within the legal documentation for each client. These protocols are integrated into institutional documents as part of our Enterprise Risk Management Framework as well as within the E&S procedures.
	Support client identification and mitigation of gender risks, where appropriate.	X		FinDev Canada has leveraged work by peer lenders and investors, as well as the recommendations contained in the Criterion Institute' Roadmap for Development Finance Institutions: Strategies to Address Gender-Based Violence to support the identification and mitigation of gender risks, both for our own due diligence and asset management activities, and to support client's efforts to align with best practices in this area.

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	Support client implementation of climate mitigation and adaptation measures, where appropriate.	X		In line with FinDev Canada's Climate Change Strategy and related Action Plan, we developed a climate action technical assistance menu that includes a diagnostic tool and offerings to address business-related mitigation and adaptation needs.

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	Support client engagement with any affected stakeholders, where appropriate.	X		<p>We assess client stakeholder engagement practices as part of the due diligence review against E&S Performance Benchmarks, including the IFC Performance Standards, which require specific consideration of vulnerable groups like women and girls. We have integrated risk-based guidance into our E&S Review Procedure to trigger the use of complementary E&S performance benchmarks, and where appropriate, to identify clients that would benefit from additional support in these areas.</p>

ANNEX: DATA ON 2024 IMPLEMENTATION OF THE E&S POLICY

As of 31 December 2023

Number of investments reviewed	Common risks identified	Aggregated E&S performance of the portfolio	Number of complaints ³ received
<p>21 potential transactions were reviewed in 2023 including 100% of the transactions presented to the Investment Committee and Board.</p>	<p>Transactions assessed and closed in 2023 included corporate loans, project finance, and financing to financial institutions (FIs) and funds. For direct transactions, the risks are often sector and/or project-specific, while the risks associated with transactions with financial intermediaries (FIs and funds) are more diverse and rest with the projects, enterprises and individuals that ultimately receive the proceeds of FinDev Canada's financing or investment. Across all transactions, the key risks mitigant is generally the implementation of an adequate environmental and social management system by our clients to ensure identification and management of E&S risks in their own financing and investment activities.</p>	<p>FinDev Canada's clients have worked to fulfill their E&S commitments during 2023, including the delivery of ESAP items, reporting material E&S incidents, and regular ESG performance reporting as required in transactional documents.</p>	<p>No E&S complaints have been submitted through the Independent Accountability Mechanism nor through other stakeholder communication and public engagement channels.</p>
