Climate Investor One

This document provides an overview of the FinDev Canada transaction, including a summary of the anticipated development impacts and of the environmental, social and governance (ESG) assessment performed, potential risks identified, and related mitigation measures to be implemented.

Transaction Description

Climate Investor One (CIO) is an investment facility incubated within the Dutch Development Bank, FMO, and focuses exclusively on renewable energy projects in emerging markets across Africa, Asia and Latin America. CIO will finance up to twenty small to mid-size onshore wind, solar, and run-of-river projects typically ranging from 25-100MW. Up to ten percent of investments could be directed towards geothermal, energy from waste, or biomass projects. CIO is managed by Climate Fund Managers, a Netherlands-based joint venture between FMO and Sanlam InfraWorks, part of the Sanlam group of South Africa.

A first-of-its-kind structure, the facility comprises three distinct but interlinked funds: the Development Fund (USD 30 M), the Construction Equity Fund (USD 500 M), and the Refinancing Fund (USD 500 M). This unique structure enables CIO to bring renewable energy projects from the development stage through construction and operations and serves to mobilize a wide variety of funders from development organizations to commercial investors by offering a variety of risk and return options. FinDev Canada participates in the Construction Equity Fund.

Transaction Details

<table>
<thead>
<tr>
<th>COUNTERPARTY (FUND)</th>
<th>Cooperatief Construction Equity Fund U.A.</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOMICILE OF INCORPORATION</td>
<td>The Netherlands</td>
</tr>
<tr>
<td>DOMICILE OF OPERATIONS</td>
<td>76 potential countries in Africa, Asia and Latin America</td>
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<tr>
<td>FUND MANAGER</td>
<td>Cooperatief Climate Fund Managers U.A.</td>
</tr>
<tr>
<td>FUND TERM</td>
<td>20 years</td>
</tr>
<tr>
<td>SECTOR</td>
<td>Green Growth</td>
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<tr>
<td>IFC PERFORMANCE STANDARDS TRANSACTION CATEGORY (CATEGORY DEFINITIONS HERE)</td>
<td>Category B</td>
</tr>
<tr>
<td>OTHER CANADIAN PARTICIPATION (IF APPLICABLE)</td>
<td>N/A</td>
</tr>
<tr>
<td>FINANCIAL PRODUCT</td>
<td>Equity</td>
</tr>
<tr>
<td>PARTICIPATION AMOUNT</td>
<td>USD 20 million (~CAD 26.4 million)</td>
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<tr>
<td>PARTICIPATION AS PERCENT OF TOTAL FUND (AS OF SIGNING DATE)</td>
<td>4.0%</td>
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Summary of Anticipated Development Impacts

CIO’s primary development impact value proposition is to bring more renewable energy capacity to developing markets in a responsible and inclusive way, which in turn will contribute to climate mitigation through the avoidance of increased carbon emissions. At least 70% of the Fund’s investments will be in low-income and lower-middle income countries, where renewable energy projects are fewer and would have higher impact. The transaction is expected to drive outcomes in all three development impact areas of FinDev Canada.

**MARKET DEVELOPMENT:**

- **Creating good-quality jobs in Africa, Asia and Latin America:** CIO investments will contribute to both short-term and long-term job creation in its target markets. FinDev Canada estimates that CIO investee companies will create an estimated 870 permanent high-quality jobs in the energy sector, as well as up to 26,000 short-term construction jobs by 2035. The Fund’s activities will also contribute to indirect job creation, and FinDev Canada will support the fund manager, Cooperatief Climate Fund Managers U.A. (CFM) to model and report these indirect outcomes over the life of the Fund.

- **Economic value addition:** CIO investments in up to ~20 renewable energy projects will also generate economic value in local markets, through salary payments, taxes, and profits. FinDev Canada estimates that by 2035 the Fund’s activities may generate between USD 150 M to USD 215 M in local economic value added, such as in taxes and salaries paid.

- **Financial innovation for renewable energy projects:** The unique three-fund approach pioneered by CIO is expected to result in more project finance transactions completed, with shorter timeframes, and with less risk for investors. These outcomes will be monitored in order to gain learnings that can be shared with the wider development finance and renewable energy sectors on how to optimize investment structures for energy projects.

**WOMEN’S ECONOMIC EMPOWERMENT:**

CFM, with support from third-party experts, is developing a Gender and Social Inclusion Policy and associated Action Plan that will position the facility to incorporate best practices for gender equality at all levels of its operations, from the Fund Manager through to portfolio companies. Some of CIO’s key approaches and objectives include:

- **Empowering women in governance, leadership and employment in the Fund Manager:** CFM is committed to supporting diversity and inclusion throughout its business through various workplace policies and benefits and through the tracking of gender-disaggregated key performance indicators (KPIs) with a view to increasing women’s participation and continuing to lead in inclusive workplace practices.

- **Capacity building through community development:** CFM will support opportunities for women to participate in leadership roles, training, knowledge-sharing, and to gain access to relevant information tools and resources.
• **Incorporating gender considerations into the investment process:** As part of its standard environmental and social risk assessment process, CFM will undertake a gender analysis for each of its projects to identify potential challenges and opportunities relating to women's economic empowerment.

• **Creating good-quality jobs for women:** CFM projects will create direct and indirect employment for women through its investments in renewable energy companies and will provide practical approaches to help portfolio companies improve women's employment opportunities in the sector. This could include activities in areas such as inclusive workplace best practices on recruitment, professional development, benefits, or others.

• **Ensuring gender-aware stakeholder engagement:** CIO projects will assess barriers and opportunities for women's participation in stakeholder engagement and ensure that gender-focused solutions are incorporated into project design and management plans.

• **Contributing to improved data on gender and renewable energy:** CFM is developing a monitoring and evaluation plan that will allow CFM to accurately collect and report gender-disaggregated indicators over the life of its investments, and thus contribute to industry knowledge and learning on women's participation in the renewable energy sector.

**ENVIRONMENT AND CLIMATE CHANGE SOLUTIONS:**

• **Increasing renewable energy capacity in Africa, Asia and Latin America, thus contributing to avoided carbon emissions:** The CIO facility will finance approximately twenty small- to mid-size renewable energy projects including onshore wind, solar, and run-of-river projects with generation capacity typically ranging from 25 to 100MW each. New installed capacity of ~1,133 MW will lead to ~3.2 GWh of additional renewable energy production and contribute up to ~1.2 million tons of avoided GHG emissions (CO2 equivalent) in emerging markets by 2035.

**Summary of Environmental and Social Assessment and Related Risk Mitigation Measures**

FinDev Canada performed an assessment of the environmental and social management framework of CFM, which involved conversations with CFM managers as well as a comprehensive review of documentation including the Environmental and Social Management System (ESMS), relevant policies, and internal capacity. The assessment covered environmental and social risk relating to both the Fund Manager and with Fund transactions. The main environmental and social impacts and risks of the transaction are predominantly related to those associated with the Projects in which CIO will invest.

CIO intends to invest in greenfield projects, in which the contextual setting of each project and the potential environmental and social impacts are highly variable and subject to assessment. Typically, the projects that CIO considers are classified as Category B, and do not involve large-scale resettlement, ecologically sensitive areas, and impacts to indigenous peoples or cultural heritage. The focus of FinDev Canada's analysis was on CFM's ESMS as it pertains to the Climate Investor One (CIO) portfolio, which is the main tool used to assess and manage the environmental and social impacts related to its investments.

The potential impacts of solar, wind and run-of-river renewable energy projects are typically related (to varying degrees) to land clearance and impact to soils, flora and fauna; discharges to the natural environment; environmental noise and vibration; generation of waste; visual and landscape impact; socioeconomic impacts; community health, safety and security in particular during project construction, and labour and working conditions of the project workforce. The key risk mitigant is that CFM has designed a robust ESMS that
requires the application of international standards and covers all environmental and social risk areas deemed required. For example:

• CFM’s environmental due diligence process is aligned with that of Equator Principles Financial Institutions; a strong industry risk management framework which references the IFC Performance Standards as the benchmark standard.

• CFM requires that all Category A and B projects in which they invest undergo an environmental and social impact assessment in accordance with the IFC Performance Standards.

• CFM has developed a comprehensive ESMS that dictates how environmental and social risks and opportunities are managed across the Fund’s activities and is applicable to all Projects in which the CIO Fund invests. All third-party contracting organizations are also bound by the requirements as part of their contract.

Site specific impacts for each Fund investment were not evaluated as the Fund is in early stages of operations, however CFM has robust reporting practices to keep investors apprised of ongoing environmental and social risk management activities and portfolio performance.

Documentation Reviewed

The following is an illustrative list of key documentation that was reviewed as part of the transaction assessment.

• CFM Environmental and Social Management System (ESMS) v2(e) for disclosure, February 2018.

• CIO Gender Integration Action Plan v.5

• CFM Gender Analysis for Proxy Countries, v. 8 October 2018

• CFM Global Human Resources Management Policy v. 5 November 2018

• CFM Code of Conduct v. 5 November 2018

International Finance Corporation (IFC) Performance Standards applied in FinDev Canada assessment, in addition to host country requirements:

• IFC Performance Standard 1: Assessment and Management of Environmental and Social Risks and Impacts

• IFC Performance Standard 2: Labor and Working Conditions

• IFC Performance Standard 3: Resource Efficiency and Pollution Prevention

• IFC Performance Standard 4: Community Health, Safety, and Security

• IFC Performance Standard 5: Land Acquisition and Involuntary Resettlement

• IFC Performance Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources

• IFC Performance Standard 7: Indigenous Peoples

• IFC Performance Standard 8: Cultural Heritage

The outcomes listed represent those of the entire Climate Investor One Fund, not of FinDev Canada’s proportional investment which is approximately 4.0% of the total capital in the Construction Equity Fund at the time of signing.