

FINDEV CANADA TRANSACTION SUMMARY

Darby International Capital Latin American Fund IV

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



Transaction Description

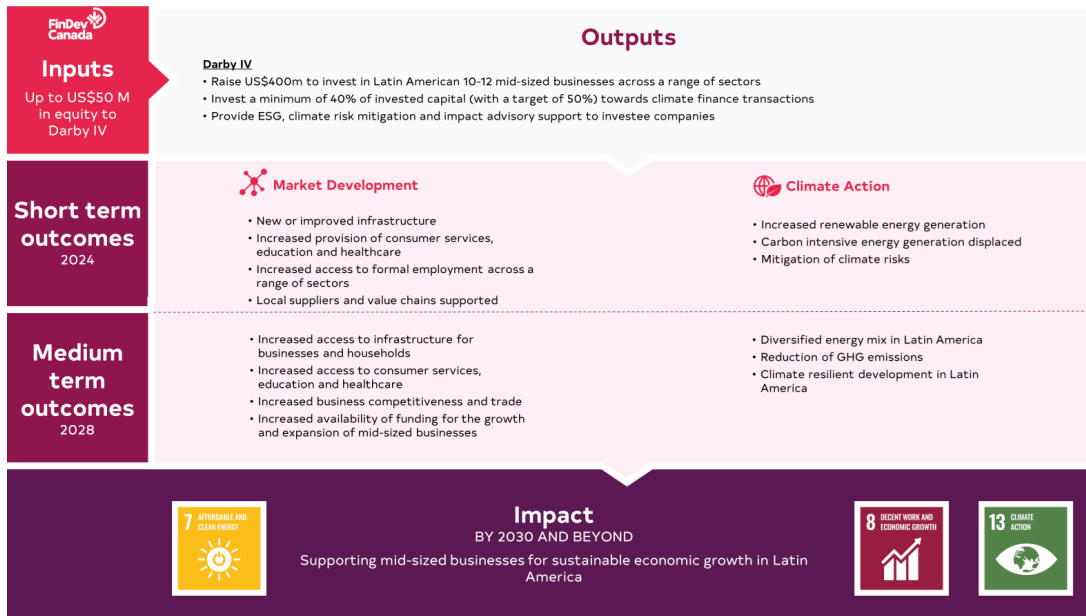
Darby International Capital Latin American Fund IV, L.P., ("Darby IV" or the "Fund"), is a private debt fund with a target size of US\$ 400M. It is managed by Darby International Capital, LLC ("Darby" or "the Manager"). Darby seeks to address the significant financing challenges faced by mid-sized companies in Latin America and the Caribbean ("LAC").

Transaction Details

COUNTERPARTY	Darby International Capital Latin American Fund IV, L.P.
DOMICILE	USA
COUNTRY(IES) OF OPERATION	LAC
FUND TERM	10 years +1, +1
SECTOR	Financial Intermediaries
E&S CATEGORY	FI-2
FINANCING PRODUCT	Equity
FINDEV CANADA TRANSACTION AMOUNT	Up to US\$ 50M
DATE OF TRANSACTION DISCLOSURE	03 August 2023
DATE OF TRANSACTION SIGNING	30 November 2023
DATE OF TRANSACTION SUMMARY PUBLICATION	07 March 2024
2X- ALIGNMENT	No

Summary of Anticipated Development Impacts

Darby IV's development impact value proposition seeks to help close the financing gap for mid-sized businesses¹ in LAC, driving economic growth and sustainable development in the region. The Fund will support sustainable economic growth by delivering tailored climate finance solutions for mid-market companies and mobilizing local and international investors' capital towards the advancement of the climate change mitigation and adaptation agenda in the region. Darby IV will provide debt financing, as well as environmental, social and governance (ESG) advisory support to 10–12 mid-sized businesses, and it is expected to contribute to job creation, local procurement, and government tax revenues. The Fund will target 50% (minimum of 40%) of the invested capital for climate finance transactions, as defined under the Multilateral Development Banks (MDBs) and the International Development Finance Club (IDFC) framework.



¹ Defined as companies with EBITDA of between \$5M and \$20M.



CLIMATE ACTION

- **Supporting low-carbon and climate-resilient growth:** The Fund seeks to target 50% of its capital towards climate finance transactions, making climate financing more readily available to support low-carbon and climate-resilient operations throughout LAC.
- **Commitment to sustainable practices:** Darby is a signatory of the Principles for Responsible Investment, and its ESG and Climate Policy were designed in accordance with internationally recognized standards including the EU Taxonomy, MDB's Common Principles for Climate Mitigation Finance Tracking and the Task Force on Climate-related Finance Disclosures (TCFD). Moreover, Darby has a climate data collection and reporting system that enables it to measure the climate performance of its portfolio investments, including scope 1 and 2 GHG emissions. Climate considerations and other ESG matters relevant to the Fund's portfolio will also be monitored through an ESG sub-committee comprising of FinDev Canada and peer ESG professionals from DFI partners.
- **Increasing climate adaptation:** As part of Darby's investment screening and monitoring process, the Manager assesses the climate risks of its portfolio companies and evaluates a potential portfolio company's climate risk management capability. The Manager also provides guidance on identifying and mitigating climate risks to their investees, enabling them to better adapt to the effects of climate change.



MARKET DEVELOPMENT

- **Supporting mid-sized businesses:** Darby was founded to address the significant challenges faced by mid-sized companies in accessing financing. The Fund will support the growth of mid-sized companies by providing tailored financial solutions, strategic guidance and ESG advisory support to its investees.
- **Contributing to economic growth:** Darby's investees are expected to positively contribute to their local economy through the generation of local employment opportunities, increased local procurement, and government tax revenues.

Summary of Environmental and Social Assessment and Related Risk Mitigation Measures

This review has been completed in accordance with FinDev Canada's Environmental and Social Policy. The transaction is rated Category FI-2, given the low to medium risk sectors of the projected portfolio, which is expected to have exposure to adverse E&S risks or impacts that are few in number, typically site-specific, generally reversible, and readily addressed through mitigation measures. This is the client's first transaction with FinDev Canada; Darby has worked with several development finance institutions (DFI) in previous funds.

FinDev Canada's E&S risk due diligence was undertaken between April 12, 2023 – May 20, 2023 and consisted of track record searches, direct engagement with the client's representatives and E&S consultants, a review of E&S documentation, and discussions with other DFI partners.

The primary risks associated with the Fund's future portfolio companies will be project and sector specific. These include risks generally associated with energy projects, manufacturing, agriculture operations, and other potential portfolio companies listed in the pipeline, such as occupational health and safety, emissions to air & water, environmental site contamination, supply chain issues (including human rights risks), land use, resettlement/land acquisition, ecosystems, and client protection for vulnerable borrowers at financial institutions. Other risks also include gender-based violence and harassment (GBVH) and emerging solar supply chain risks that are respectively associated with agriculture/manufacturing activities and renewable energy projects.

To manage E&S risks, the Manager has implemented a fit-for-purpose ESG & Climate Policy with associated tools that provides the framework for consideration of E&S risks throughout the investment cycle, from deal origination through investment and monitoring, and is reviewed bi-annually. The Fund's policies and tools are aligned with the IFC Performance Standards, the Task Force on Climate-related Finance Disclosures and the MDB's Common Principles for Climate Mitigation Finance Tracking as well as national laws. The Fund also applies a transaction exclusion list, including Category A activities, companies with GHG emissions over 1 million MTCO_{2e} and certain fossil fuel sectors, such as thermal coal plants, any power generation project not meeting EIB's emission standard (550 g CO₂/kWh-e) and upstream oil & gas exploration and development, mining projects. In addition, Darby collects gender disaggregated data from its portfolio companies and plans to incorporate gender considerations within its ESG and Climate Policy, including referencing the 2X Challenge to promote gender equality with its investees, as well as gender-based violence and harassment risk assessment and monitoring practices at the portfolio level.

The following IFC PS were applied in FinDev Canada's assessment in addition to host country requirements and the IFC Interpretation Note on Financial Intermediaries:

- IFC PS 1: Assessment and Management of Environmental and Social Risks and Impacts.
- IFC PS 2: Labor and Working Conditions

For further information on Darby's commitment to Sustainability and ESG matters, visit <https://darbyinternational.com/sustainability>.