

# CORPORATE PLAN SUMMARY

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# 2023-2027







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## Executive Summary

FinDev Canada (the Corporation) is Canada's Development Finance Institution (DFI), a Crown corporation with the mandate to provide financial solutions to the private sector and mobilize private investment in developing countries to achieve development goals in a manner consistent with Canada's international development priorities. Our overarching goals are to economically empower women, develop markets, and combat or adapt to climate change.

In its first five years, FinDev Canada has experienced significant successes, with 33 clients in its portfolio for a cumulative total of commitments of U.S. \$529 million.<sup>1</sup> We have built a team of recognized experts, established ourselves as a leader in investing with a gender lens and successfully adjusted to the COVID-19 crisis to continue supporting impactful businesses in times of acute need.

Since FinDev Canada was established in 2018, the world has experienced significant changes.

The urgency to fight the existential threat of climate change is increasing. It is anticipated that the impact of climate change could push an additional 100 million people below the poverty line by 2030. Natural disasters, receding coastlines and rising temperatures have led to increased food and water insecurity, damage to infrastructure, and disruption of supply chains. Those most impacted are in developing countries, and are the least equipped to address its consequences, among them women.

The effects of the COVID-19 pandemic continue to bring disruption and uncertainty. Low-income countries are being especially affected, economically and socially. Governments' fiscal capacity has been drained by their response to the health crisis, which has curtailed their ability to address economic challenges. Further, women are disproportionately impacted by the effects of climate change and COVID-19.

The Russian invasion of Ukraine continues to send ripple effects across the globe, affecting commodity markets, trade and financial flows. Prices for commodities such as energy, wheat and fertilizers are climbing sharply. Rising food and energy prices are in turn exacerbating poverty in developing countries, making food insecurity a notable concern and raising the potential for further geo-political instability.

FinDev Canada's strategy for the period 2023-2027 seeks to respond to these global challenges. It builds on our successes to date and on our greater financial and operational capabilities to embrace an agenda of *"growth with purpose"*.

We anticipate a steady portfolio growth over the planning period, reaching \$3,968 million by the end of 2027. This growth will allow us to pursue high development outcomes for women's economic empowerment while increasing our impact in climate action and market development, and to contribute significantly to the Government of Canada's development assistance priorities.

To achieve our objectives, in 2022 we conducted an in-depth review and update of our Corporate Strategy based on the three pillars of our business strategy, our operating model and our people & culture.

The business strategy builds on our priorities to date and expands the scope of our activities for greater impact. We will continue our efforts to support the financial sector in developing markets, as a conduit to reach smaller beneficiaries who remain inadequately served. The progressive reopening of markets post-pandemic will however allow us to rebalance our portfolio towards our other sectors of focus. We will expand our presence in sustainable infrastructure, critical for achieving the United Nations Sustainable Development Goals (SDGs) and Paris Agreement commitments in developing and emerging markets, with a particular focus on mid-size projects where considerable needs remain unmet and where other players are not as active. We will continue to pursue opportunities in the agri-business and forestry supply chains, a sector which plays a key role in food security and with considerable potential to advance gender equality.

We will continue to deepen our presence in our existing geographies of Sub-Saharan Africa (SSA) and Latin America and the Caribbean (LAC). The corporation will also begin to expand into the Indo-Pacific Region in 2023, consistent with the Government of Canada's Indo-Pacific Strategy.

More than ever, the world looks to private capital mobilization to help humanity achieve the SDGs and commitments under the Paris Agreement. FinDev Canada is committed to implementing a mobilization strategy to strengthen and scale our approach. Building on the successful launch of the 2X Canada facility in 2021, we will seek to expand our presence in blended finance.

Our Technical Assistance Facility will continue to play a critical role in shoring up the capabilities of our clients and of the communities we serve, and we will seek to secure its long-term funding to accompany the next phase of our growth.

As we grow our business, we need to ensure that we have a sturdy foundation to do so by enhancing our operating model. During the planning period, we will continue to evolve and strengthen key elements of our operations. To that effect, we will update our Impact Management Framework to reflect the evolution of our strategy and ensure that our impact objectives remain embedded in our business model. We will strengthen and expand the scope of our Enterprise Risk Management Framework, with a particular emphasis on operational and strategic risks and invest in the implementation of our digital roadmap, enhancing our digital capabilities and introducing new tools and practices to support the effectiveness and improve the productivity of our business lines. We will continue to leverage our Service Model Agreement with our parent, Export Development Canada (EDC), and ensure it evolves with the growth of our capabilities to meet our specific needs.

Our success hinges on our people and our culture. Our team has grown rapidly since inception and we expect this trend to continue as we build up our capabilities. Moving forward we will focus on talent acquisition and career development to ensure our bench strength keeps pace with our business. We will also pursue additional efforts to ensure our employees thrive in a healthy workplace, with wellness an important measure of our success. As an organization with a global focus and a mandate to support inclusion, we place a high priority on diversity, equity and inclusion within our own team.



## 1.0 FinDev Canada at a Glance

### 1.1 Corporate Overview

FinDev Canada is Canada's Development Finance Institution (DFI). Our mandate is "to provide, directly or indirectly, development financing and other forms of development support in a manner that is consistent with Canada's international development priorities" (*Export Development Act 10.1.c*). As such, we play a unique role within the Government of Canada's International Assistance portfolio.

We were established under the *Canadian Business Corporations Act* as a wholly-owned subsidiary of Export Development Canada (EDC) and began operations in early 2018, headquartered in Montreal.

Our focus is on impact, particularly on market development, women's economic empowerment and climate action. We provide support through financial services such as investments, loans and guarantees, and through our technical assistance facility that helps private sector entities become more proactive and inclusive agents in their respective markets; and advance initiatives which address broader constraints to inclusive and sustainable economic growth.

We aim to be financially sustainable by generating returns on our loans and investments, and generate economic and social impact in the communities where our clients operate. Our vision is to help build a more sustainable and inclusive world, where women contribute to, and benefit from economic opportunities

## 1.2 Development Impact Priorities

Development impact is at the core of what we do and drives our decision-making. We designed a development impact framework around three priorities: **market development**, **women's economic empowerment**, and **climate action**. These development impact priorities align with the challenges facing our priority markets, the United Nations Sustainable Development Goals and commitments under the Paris Agreement.



Figure 1: Development Impact Goals

**Market development:** FinDev Canada contributes to market development by financing, investing in, and providing advisory services to the private sector in order to **develop capital markets, strengthen local enterprises** that provide decent employment, **deliver quality services, grow local value chains**, and **contribute to local government revenues and gross domestic product (GDP)** through salary payments, tax contributions and profits.

**Women's economic empowerment:** Aligned with Canada's Feminist International Assistance Policy (FIAP), FinDev Canada is guided by its Gender Equality Policy and its Gender Equality Strategy to integrate and promote gender equality and women's economic empowerment across our portfolio and within our organization. Working through the private sector, we apply a gender lens to four vectors of women's economic empowerment: **women's entrepreneurship**; women's **access to leadership** positions; women's **access to employment**; and women's **access to and control over basic services** and economic empowerment tools such as water, financial services, energy and technology.

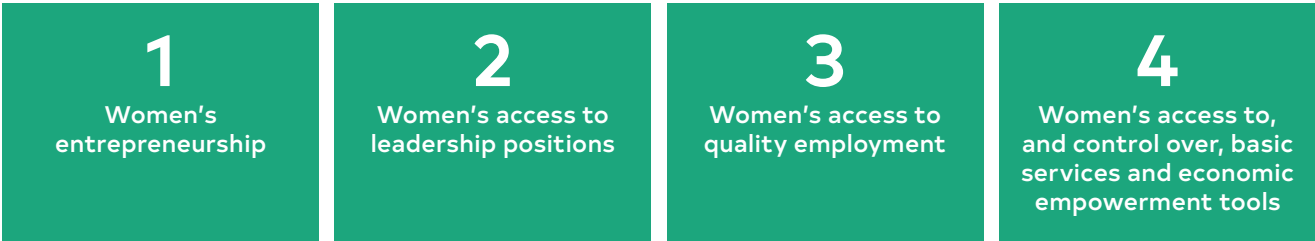


Figure.2: The Four Vectors of Women's Economic Empowerment

**Climate action:** FinDev Canada is committed to an investment approach that is aligned with the objectives of the Paris Agreement, and consistent with a net-zero greenhouse gas emissions pathway. Our Climate Change strategy, underpinned by our Climate Change Policy articulates our guiding principles and commitment to climate action based on three strategic considerations - **gender & climate-smart investing, driving net-zero emissions** and **enabling climate resilience** - and promotes climate action through our investments and operations.

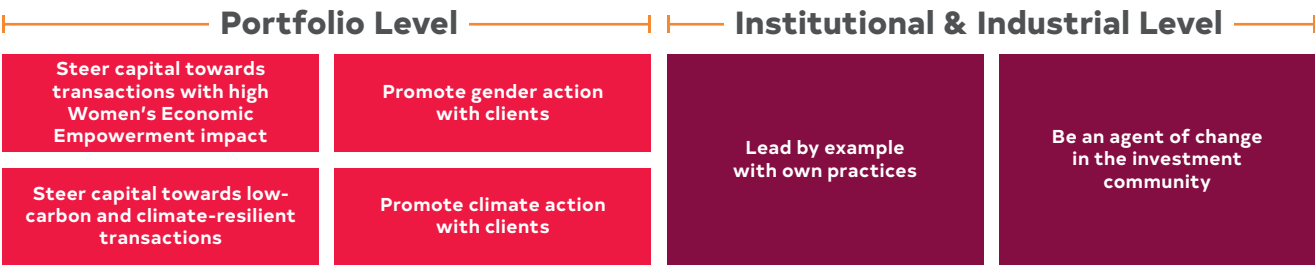


Figure 3: Priority Action Areas of Findev Canada's Gender Equality and Climate Change Strategies

# 1.3 Our Business Focus

## PRIORITY MARKETS

To date FinDev Canada has focused its activities and developed its expertise in two broad regions: Latin America and the Caribbean, and Sub-Saharan Africa. These regions include countries at varying degrees of development and income levels, and face diverse issues and opportunities.

FinDev Canada's Eligible Countries Development Impact Rankings

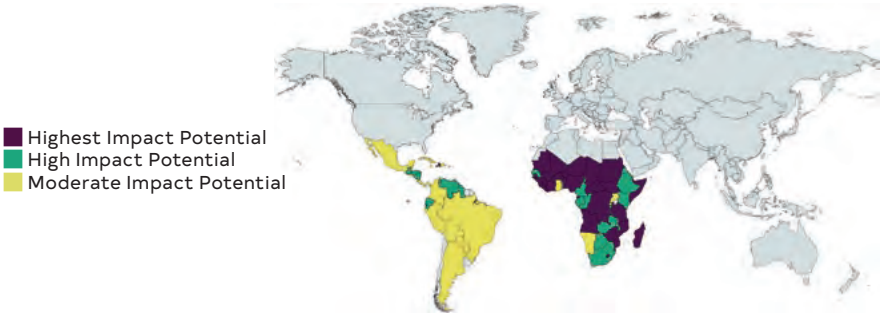


Figure 4: Geographic Focus



Financial Intermediaries



Sustainable Infrastructure



Agribusiness Value Chains

Figure 5: Sector Focus

## PRIORITY SECTORS

FinDev Canada invests across sectors that are key for sustainable economic growth and development: **Financial Intermediaries**, including banks, non-banks and investment funds; **Sustainable Infrastructure**, including subsectors such as water, power, transportation digital infrastructure and related manufacturing and services; and **Agribusiness Value Chains**, including private sector entities engaged in the agriculture and forestry supply chains, from inputs, processing, packaging, manufacturing, distribution, to recycling and related services.

### CLIENT PROFILE: MFX

MFX Solutions is a company that supports impact investing in emerging and developing markets through affordable hedging products and risk management education. Established in 2009, MFX gives impact investors the ability to protect themselves against the risk of currency movement. Its growing client base of impact investors operates in sectors such as renewable energy, agriculture, Micro- and Small-and-Medium Size-Enterprises (MSMEs) and housing.

# 1.4 Solutions Offering

## FINANCING AND INVESTMENT

FinDev Canada aims to deliver value and generate development impact outcomes by providing financial solutions that contribute to our clients' long-term success, while complementing and not competing with commercial financial service providers. To do so, we deploy a broad range of financial tools: lending, including corporate loans, structured and project financing, and guarantees; and equity investments, either directly or through investment funds. FinDev Canada has built a reputation as a nimble organization, able to differentiate itself from competition by responding to its clients' needs in a timely fashion.



CONCESSIONAL FINANCE

To be a more effective development finance partner to the private sector in the markets we serve, in 2021 FinDev Canada added blended finance to its suite of solutions. In April 2021 we established *2X Canada: Inclusive economic recovery* ("2X Canada"), a \$76 million concessional finance facility funded by Global Affairs Canada (GAC), that aims to enhance the socio-economic well-being of underserved, vulnerable populations, particularly women, primarily in Latin America, the Caribbean and Sub-Saharan Africa. By mobilizing additional public and private investment, this facility expands the reach of Canada's development finance capabilities, and contributes to a gender-smart economic recovery.

CLIENT PROFILE: LOCFUND NEXT

Locfund Next provides much-needed financing in local currencies to small and medium-sized microfinance institutions across Latin America and the Caribbean. In collaboration with Global Affairs Canada, FinDev Canada leveraged concessional capital to provide a USD 15 million investment, U.S. \$7.5 million of which came from a 2X Canada equity investment. LocFund Next is recognized by the 2X Collaborative, a leading body in gender lens investing, as a 2X Flagship Fund for its focus on building a gender balance through its portfolio of 2X-eligible microfinance institutions and at a Fund Manager level.

TECHNICAL ASSISTANCE

The objective of FinDev Canada's Technical Assistance (TA) Facility, funded by GAC, is to enable our private sector clients and other market players to build capabilities, deepen their development outcomes and scale sustainably. TA is an important tool to complement financing and investment activities and foster more holistic relationships with our clients and relevant market players.

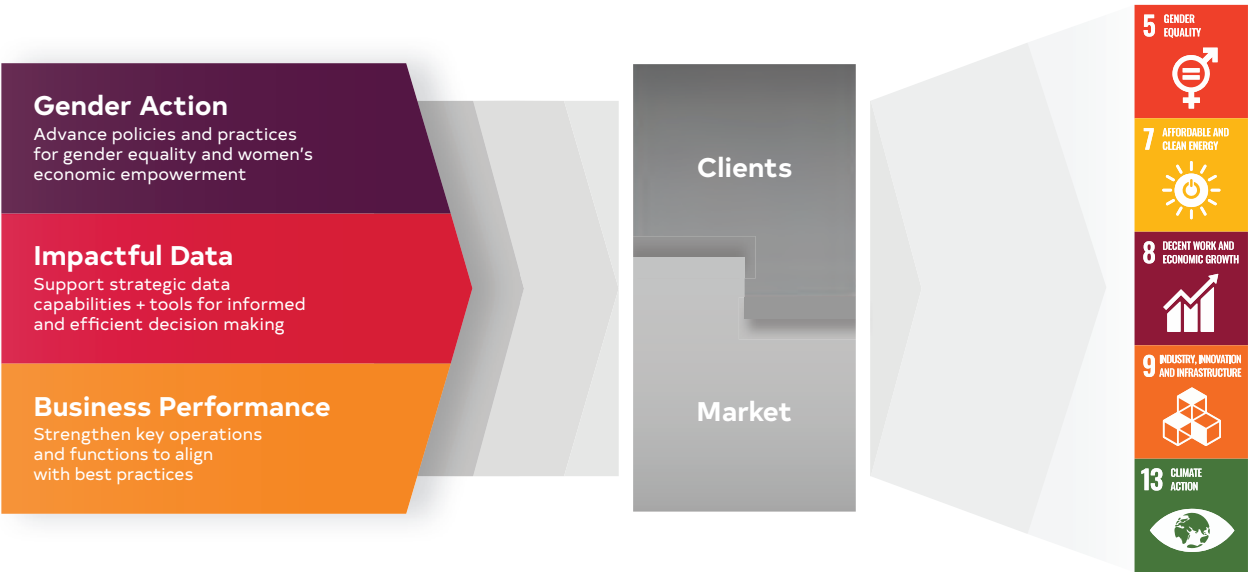


Figure 6: Technical Assistance Overview

TA CLIENT PROFILE: ECOENTERPRISES PARTNERS III

EEF III is a women-led and -managed private equity fund offering capital and guidance to innovative sustainable businesses in Latin America. FinDev Canada's TA Facility approved a project aimed at enhancing the Fund Manager's Environmental and Social (E&S) risk management capabilities, while also supporting their portfolio companies' capabilities on gender equality, E&S risk management, and business performance, including climate action.

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## 1.5 Our Commitment to High Standards

### ENVIRONMENTAL AND SOCIAL PRACTICES

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FinDev Canada designed an environmental and social (E&S) policy that governs our approach to respecting the environment and people and guide decision-making in the transactions we support. It is informed by, and aligned with industry best practices and international frameworks.

As part of the transaction lifecycle, we identify and manage risks associated with our clients' operations and, when required, provide guidance and monitor progress against action plans or recommendations. Given that our clients and countries of investment face different E&S challenges and capacity constraints, we recognize that compliance should be progressive and based on reasonable timelines. As such, we support our clients to ensure E&S gaps are identified and addressed appropriately.

### BUSINESS INTEGRITY

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Business Integrity (BI) underpins our commitment to high standards of ethical business conduct, for us and for the companies we support and is fundamental to our ability to carry out our mandate in a socially responsible manner. To that effect, throughout the transaction lifecycle, we assess financial crime risks and ethical, and integrity concerns that could present risks for local populations and reputational risks for us and propose mitigation strategies in close collaboration with potential clients to ensure transactions meet our legal obligations and the high standards we expect of our clients.

### TRANSPARENCY AND DISCLOSURE

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FinDev Canada is committed to transparency around our operations, strategies and policies. Our Disclosure Policy sets out a framework to disclose information pertaining to our business in a manner that balances the confidentiality required by our customers with the information sought by the public. Reflecting best industry practices and stakeholder consultations, it is intended to provide clarity for all audiences including our employees, clients, civil society and the public about the work we do.

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## 1.6 Partnerships

Since its inception, FinDev Canada has adopted a partnership-preferred philosophy, to build networks and expertise, share learnings, and increase effectiveness by combining its strengths with those of like-minded organizations. We have built partnerships with a variety of organizations including the European association of DFIs (EDFI), individual DFIs and multilateral development banks in order to source co-financing opportunities, share and advance expertise, and develop industry-wide strategies around issues of common interest.

FinDev Canada is a member of various associations and coalitions, including:

- ➔ A founding member of the **2X Challenge** – now the 2X Collaborative, a global industry body launched during the G7 Charlevoix Summit in June 2018 with the objective to promote and scale up gender lens investments that empower women as entrepreneurs, business leaders, employees and consumers.
- ➔ The **Operating Principles for Impact Management** (OPIM), a nine-principle framework used by investors to help ensure that impact considerations are integrated throughout the entire investment lifecycle.
- ➔ The **G7 DFI Alliance**: initially launched in the spring of 2019, as a joint initiative of EDFI, the Development Finance Corporation of the United States (US-DFC) and FinDev Canada, it was expanded in 2021 to other G7 DFIs. Its goal is to act as a common voice and channel for action on issues of common interest.
- ➔ The **Canada Forum for Impact Investment and Development** (CAFIID), a platform bringing together Canadian individuals, organizations and investors working in developing countries to learn, share, collaborate and act as a collective voice to strengthen the value and the volume of impact investment.

By participating in these organizations in Canada and abroad, we can learn from and contribute to industry development and best practices, identify business opportunities, and maximize our impact potential.

## 1.7 Achievements to Date

FinDev Canada began operations in early 2018 and since that time our portfolio has grown quickly. In each year, the number of new commitments has increased by more than 50%. In 2021, with an unprecedented need for financing by companies struggling to recover from the impacts of the COVID-19 epidemic, our transactions almost tripled (from U.S. \$97 million to U.S. \$288 million). This was achieved predominantly through Financial Intermediaries, to channel capital where it was most needed. Today, our cumulated commitments exceed U.S. \$500 million. At the end of August 2022 we had 33 clients in our portfolio.

Development impact is critical for our organization. We apply an impact lens in our decision-making throughout the investment process, from pre-screening, due diligence and approval through to monitoring and reporting and are proud of the real impact that our financing and investments have had on peoples' lives around the world. We invested in financial institutions and funds that support more than 160,000 MSMEs, of which more than 35% are women-owned or led. In addition, our clients create and support more than 12,500 jobs, 39% of which are held by women. More broadly, because of the work of our clients, almost 3.6 million people today enjoy access to tools or services that contribute to improving their lives. With a fifth of our investment going to climate finance, financed projects have produced almost 1.4 GWh of clean energy and sequestered 350,000 tonnes of CO<sub>2</sub>.

	Clients in Portfolio	33
	Total Commitments in Portfolio (Million U.S.\$)	\$529
	2X Investments	69%
	Investments in Climate Finance	20%
	Investments in Least Developed Countries	14%

Figure 7: Activity Dashboard at August 31, 2022 (Cumulative Since Inception)



## 2.0 Operating Environment

FinDev Canada has consistently adjusted its business to adapt to the economic, environmental, social and political environment in which we operate. Since FinDev Canada's inception five years ago, the world has changed considerably and with it the nature and magnitude of the challenges we are mandated to address.

This section analyzes the state of the global economy and the trends that are expected to shape the planning period, with a particular focus on our target markets and the implications for our potential clients.

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### 2.1 Global Context

Until early in 2022, the global economy was poised for a more robust growth path as the world re-opened following two years of COVID-19 lockdowns.

However, the impact of Russia's invasion of Ukraine has spread across regions, commodity and financial markets, and has impeded growth. China's zero-COVID-19 policy has caused further disruptions to global supply chains. Together, these factors are resulting in rising commodity prices which continue to spur global inflationary pressures and curtail growth, particularly in emerging markets. Overall growth expectations for the global economy have been revised down, with current forecasts of 2.7% in 2022, followed by modest growth of 3.3% in 2023. Persistent or worsening volatility in food prices is likely to increase the risks of political instability in several countries.<sup>2</sup>



Interest rates are expected to continue increasing globally as central banks attempt to tame inflation. When coupled with financial market concerns over global growth resulting in flight to safety, global currencies are expected to be under pressure from a strong US dollar. This will require vigilance and adjustments when implementing strategies.

In addition to these unforeseen events, the global economic and political environment is characterized by mounting challenges that shape FinDev Canada's strategy, as we seek to achieve impact goals in our target regions: current geopolitical tensions, climate change and the continued repercussions of the COVID-19 pandemic have all contributed to a climate of uncertainty which requires vigilance and adaptability.

**Geopolitical tensions**, particularly the Russian invasion of Ukraine, are impacting the global economy and heightening concerns around food insecurity. The war is triggering global ripple effects through multiple channels, including commodity markets, trade, financial flows, and market confidence. Prices for commodities that are typically exported by Ukraine and by Russia, including energy, wheat, fertilizers, and some metals, are climbing sharply.<sup>3</sup> In many emerging markets and developing economies, such as Sub-Saharan Africa, rising food and energy prices are exacerbating poverty and food insecurity, and heightening inflationary pressures that were already building.<sup>4</sup> The United Nations estimates that the high cost of staple foods has already increased the number of people facing food insecurity by 440 million, to 1.6 billion, with nearly 250 million on the brink of famine. If the war drags on and supplies from Ukraine and Russia continue to be limited, hundreds of millions more people could fall into poverty.

Moreover, the fiscal response from local governments and international donors that would typically help mitigate the situation is under serious strain, having been overtaken by pandemic-relief spending since 2020 and now the dire humanitarian crisis and conflict in Ukraine. Increasingly cash-strapped governments will be under considerable pressure to preserve the significant development gains made in their countries over the past 15 years, while also avoiding major unrest as their populations struggle to meet their most basic needs..

**Climate change is an existential threat.** The urgency to address climate change and take action continues to gain momentum globally. The World Bank estimates that the impact of climate change could push an additional 100 million people below the poverty line by 2030.<sup>5</sup> Most of those impacted are in developing countries, including all our target regions, which are the least equipped to address its consequences. Women and children bear the brunt of these effects, deepening the already existing social and economic inequalities.

Natural disasters, receding coastlines and rising temperatures have led to increased food and water insecurity, damage to infrastructure, and the disruption of supply chains. Latin America and the Caribbean are experiencing increased droughts, hurricanes, and seasonal shifts. The World Bank estimates that 17 million people in Latin America will be forced to relocate within the next 30 years as a result.<sup>6</sup> The region must also contend with food insecurity with an estimated 20% reduction of crop yields for beans and maize in Central America and the Caribbean.

A report by the Intergovernmental Panel on Climate Change (IPCC) states that agricultural productivity in Africa has been reduced by 34% since 1961, more than any other region, and that future global warming will impact food systems by shortening growing seasons and increasing water stress. The report also highlights that by 2030, 108 to 116 million people in Africa will be affected by rising sea levels, increasing to 190 to 245 million by 2060. Without adaptation measures, 12 coastal cities could suffer from U.S. \$5 billion to 86.5 billion in damages.<sup>7</sup>

In order to reduce the adverse effects of climate change and meet the 1.5 degree Celsius warming limit goal as per the Paris Agreement, the world will need to increase renewable energy supply 26-fold in this decade. Renewable energy sources will need to account for nearly 60% of the world's energy supply by 2050.<sup>8</sup>

The global community is increasingly united to fight global warming by supporting economic diversification and development of sustainable infrastructure. At COP26, developed countries reiterated their commitment made at COP 15 in 2009 to mobilize U.S. \$100 billion each year towards climate finance. Institutions such as the World Bank Group have continued to provide technical and financial support, particularly regarding clean energy, forest restoration, climate-smart agriculture, and urban resilience.<sup>9</sup> However, to meet the Nationally Determined Contributions (NDCs) set forth in the Paris Agreement,<sup>10</sup> more support to transition to a clean and sustainable economy is needed.

**COVID-19 reversed decades of progress in developing countries**, disproportionately affecting women and exacerbating inequalities while reducing the fiscal capacity of the public sector. Growth in Sub-Saharan Africa is projected to decelerate from 4% to 3.6% in 2022, and 3.9% or 4.2% in 2023 and 2024 respectively.<sup>11</sup> Latin America and the Caribbean regional Gross Domestic Product (GDP) is expected to grow by 2.3% in 2022 and a further 2.2% in 2023, with most countries reversing GDP losses from the pandemic crisis. However, these modest projections place regional performance among the lowest in the world.<sup>12</sup> These projections continue to be revised down to reflect the effects of the invasion of Ukraine by Russia.

The loss in revenue has a direct impact on national revenue generation making it difficult for countries to invest in other priority areas and recover economically, as labour markets suffer and public debt remains high.<sup>13</sup> These increased levels of debt are cause for concern regarding sustainability, with the United Nations reporting that 44% of low-income and least developed countries (LDCs) are at “high risk of external debt distress or already in debt distress”. This poses a major risk to global financial stability and undermines efforts to finance the SDGs.<sup>14</sup>

The dire effects of COVID-19 are still reverberating across the world, particularly in our target markets, where gender and economic impacts are felt the most. As governments squeeze public budgets and re-direct funds towards healthcare and other priority sectors, alternate funding sources to revitalize these economies have become critical.

**Urgent need for private sector mobilization:** In response to the above global challenges, and as the world is falling short on the SDGs and Paris Agreement commitments, the international community has identified the mobilization of private sector capital as a priority area for action. According to the United Nations,<sup>15</sup> ‘the world is on course to miss the environmental dimensions of the 2030 Agenda for Sustainable Development’.

The global development community estimates the investment needs in developing countries to achieve the SDGs and climate objectives to be around U.S. \$4 trillion per year. That said, currently there are insufficient domestic financial resources within developing countries to self-finance the SDGs. The UN estimates actual investment levels around \$1.4 trillion leaving a \$2.5 trillion SDG investment gap annually. These investments will need to be aligned with the Addis Ababa Action Agenda<sup>16</sup> and the SDGs.

Now more than ever, the development industry is looking to the private sector, which currently holds more than U.S. \$379 trillion of global financial assets,<sup>13F</sup> for support to achieve the ambitions set out in the Paris Agreement and Agenda 2030.<sup>17</sup> In 2015, in a bid to find innovative ways to crowd in the private sector Multilateral Development Banks (MDB), DFIs and other development finance organizations launched various mechanisms including the modern mobilization and blended finance agendas. However, in 2021, data found that private finance mobilization had not increased tangibly beyond 2015 levels, with most of the resources going to middle-income countries where projects are easier to realize. Key barriers highlighted by the development finance community include slower acclimatization by the private sector to the regulatory and operating environment in developing countries - unfamiliar and sometimes unclear policies as well as risks, whether perceived or actual - hindering greater participation in development investments.

Collaboration with the private sector is now critical and presents an opportunity for MDBs and DFIs to innovate in deal structuring and share knowledge, in order to increase the private sectors’ confidence to invest in impactful development projects.

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## 2.2 The Canadian Context

**Gender equality and climate action are priorities for the Canadian government.** The Government’s international assistance efforts are guided by its Feminist International Assistance Policy. The FIAP recognizes that supporting gender equality and the empowerment of women and girls is the best way to build a more peaceful, inclusive and prosperous world. In 2021, at the G7 meeting at Carbis Bay, the Government also announced that it would double its previous commitment to international climate finance to \$5.3 billion over five years, including increased funds for adaptation and biodiversity.<sup>18</sup>

**Increased availability of concessional finance:** in recent years, the Government has increased the range of development finance tools it deploys in order to mobilize new streams of capital for sustainable development in climate and other action areas. It is making increasing use of blended finance - the strategic use of concessional finance to mobilize private capital flows to emerging and developing markets to contribute to sustainable and inclusive development.

Concessional capital is often required to develop structures that meet the risk-return expectations of private capital. Combined with technical assistance or advisory support, concessional capital has the potential to attract private capital, particularly in markets that experience climate vulnerabilities and that are not conducive to scale such as small island developing states.

FinDev Canada, as a public policy instrument of the Government, is well positioned to contribute to achieving these objectives. The availability of funding structures such as blended finance, creates significant opportunities to scale investments in our target markets and generate greater impact through private sector growth. By implementing the 2X Canada facility, FinDev Canada is able to demonstrate the potential for concessional capital to support private sector solutions that advance women’s economic empowerment.



## 3.0 Corporate Objectives and Initiatives

### 3.1 Introduction

Our corporate strategy towards 2030, the horizon of the SDGs, is centred around our ability to anticipate and respond to the needs of our clients while remaining nimble and responsive to the economic, social, environmental and political environments. As outlined in the Operating Environment (section 2), the world has changed considerably since we began operations.

After five years of operations, FinDev Canada has become an influential player in the market. We have gathered learnings and forged relationships. In early 2022, guided by our growing experience, a renewed ambition to help resolve some of the world's most pressing issues and the priorities of the Government, we undertook a thorough review of our strategy, .

Our **reviewed strategy** reflects our increasing maturity and understanding of the changing needs of the markets we serve, and we are **poised for growth**. Moving forward, we plan to expand our capacity, expertise and reach, in order to drive greater impact.



**Growth with purpose** is FinDev Canada's ambition for this planning period.

The strategy is structured around three priority areas:

- ➔ Implementing a **business strategy** that targets and seizes opportunities that will have the greatest impact in the markets we serve.
- ➔ Consolidating an **operating model** that drives effectiveness and nimbleness.
- ➔ Investing in our **people** as the most critical factor in our success.

This Corporate Plan (the Plan) presents the initiatives we will pursue over the planning period in each of these areas.



Figure 8: Strategic Priority Areas

### 3.2 Our Business Strategy

FinDev Canada's business strategy is guided by the development outcomes we seek to generate and by the needs of our clients in the markets we serve; it targets the areas of the market where we can make the most difference.

Section 1.3 of the Plan describes FinDev Canada's three impact pillars. Building on our successful first five years in operations, we will seek to expand our impact across all three pillars and gain further depth and breadth in how we fulfill our mandate. Our plans to grow our portfolio over the planning period will allow us to pursue high development outcomes in **Women's Economic Empowerment** and **Market Development** while also growing our impact in **Climate Action**. Our updated Development Impact Framework (see section 3.3.1) will reaffirm our clear and ambitious commitment to impact. It will guide our decisions and provide the tools required to do so effectively.

We advance our impact agenda through a business strategy that has three components: Financing and Investment, Technical Assistance, and Partnerships & Thought Leadership.

#### 3.2.1 Financing and Investment

Our financing and investment strategy, launched in 2019, outlined a gradual approach to build our portfolio as the organization grew. In 2020 we revised the strategy to adapt to the sudden change in landscape brought about by the COVID-19 pandemic. This included a greater cooperation with partners, and a greater focus on financial intermediaries, which reflected the needs of our markets at the time. Our new approach proved very successful, and we were able to continue growing our assets during the period, despite a challenging business environment.

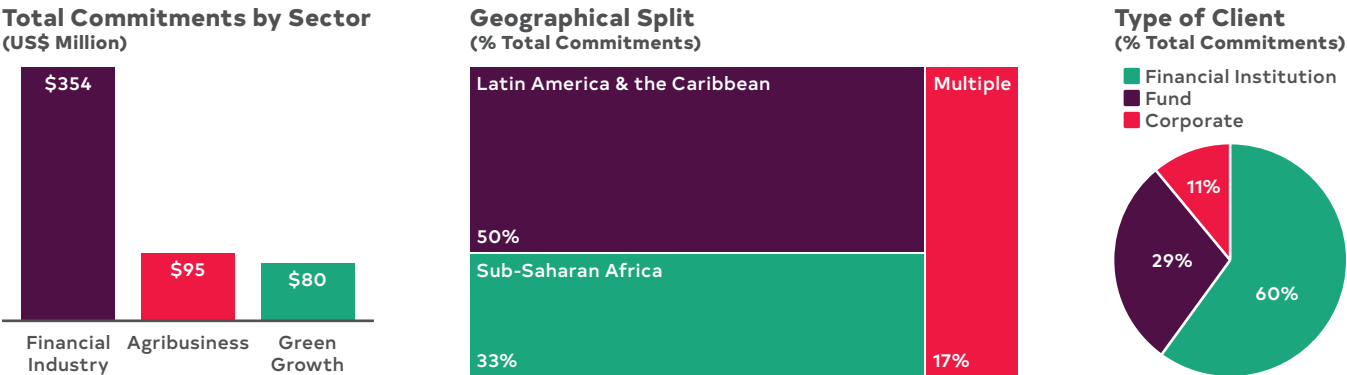


Figure 9: FinDev Canada Portfolio Distribution as of August 2022



Over the 2023-2027 planning period we intend to diversify our portfolio and, through growth, better fulfill our mandate by increasing our transaction volumes in the Sustainable Infrastructure and Agribusiness value chains sectors. In addition to associated development impacts, transactions in these sectors, which generally have longer tenors than those with Financial Intermediaries, will extend the average life of our portfolio, and result in a more balanced portfolio. This, in turn, will lead to an increase in the development impact of our transactions.

Our continued growth during the last two-and-a-half years of pandemic-related restrictions positions us very well as markets start to reopen and business activity picks up. Our team is now larger and more experienced, we have earned credibility in the market and our balance sheet gives us greater financial capacity. Our investment strategy for the next five years, as presented in this Plan, builds and expands on this momentum.

We are forecasting important growth in our financing and investment volumes as a response to the growing needs for development finance in our markets (figure 10).

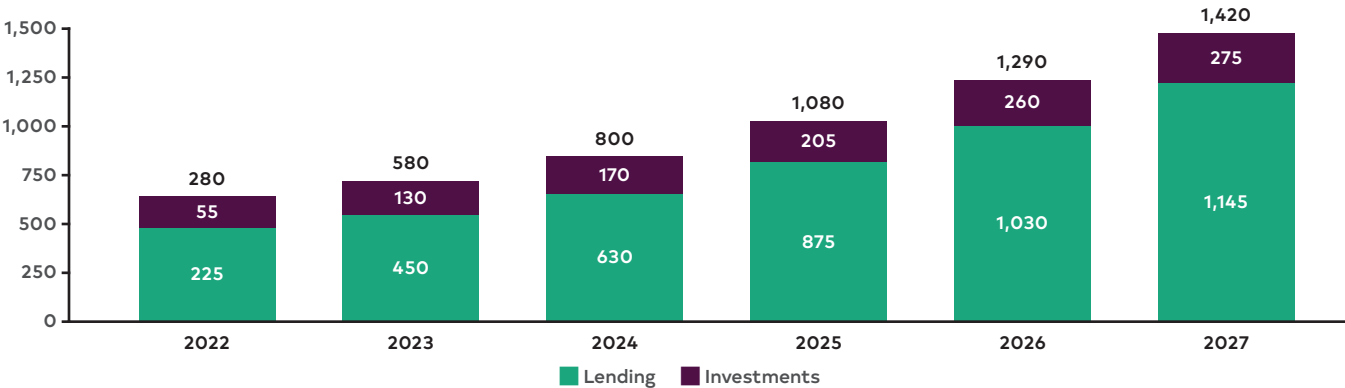


Figure 10: Projected Annual Signing Volumes (in \$ Million)

The Financial Plan (section 5 and appendix 4) provides a detailed view of the forecast business volumes over the next five years. At the time of writing, we anticipate that 2022 will be a very strong year due in part to a gradual reopening of markets. As such we are forecasting \$280 million of business signed.

With expected growth in our financing and investment activities over the planning period, we anticipate total signings of \$580 million in 2023, gradually climbing to \$1,420 million in 2027.

The nature of our business is also anticipated to evolve: as we continue to build our internal capabilities, we will seek to gradually expand our role from being primarily a participant in our partners' transactions to playing a greater role in structuring transactions. We will build on our credibility with our partners to exert increasing influence at an earlier stage of transaction development.

### MANAGING A GROWING PORTFOLIO

As we grow our assets we will expand our portfolio management activities (section 3.3.2) in order to drive towards – and address the challenges of - achieving both our key objectives of development impact and financial sustainability.

Managing a portfolio effectively is also a matter of building the required capacity. While our initial years were focused on originating new business, the number and diversity of our assets require that we dedicate increasing resources to monitoring and active management. FinDev Canada's Portfolio Management function serves critical risk and impact management roles and is instrumental in the quality of our service to our clients.

### INVESTMENT PRIORITIES

#### SEGMENTS

FinDev Canada's primary focus is the "missing middle" – sustainable businesses or projects that do not have the scale to access commercial finance and investment. It is a segment generally underserved and where significant opportunities exist across our target markets.

Through our indirect channels – Financial Intermediaries and funds – we will reach clients that we cannot efficiently or effectively support directly, primarily MSMEs.

## GEOGRAPHIES

Since its establishment, FinDev Canada's geographical focus has centred on Sub-Saharan Africa and Latin America and the Caribbean, consistent with Canada's international development priorities. The deployment of core capital, concessional finance (via 2X Canada) and technical assistance (TA) have enabled FinDev Canada to establish a strong reputation in these markets for delivering development finance and impact. Over the planning period, these regions will continue to form an important part of FinDev Canada's business given the scope of development challenges and the opportunities to deliver finance and impact in the areas of climate action, women's economic empowerment and local market development.

In November 2022, the Government of Canada announced its strategy for the Indo-Pacific region which is intended to position Canada as a more engaged and active partner in the region in a variety of areas related to peace and security, trade and investment, and sustainable infrastructure. As part of the strategy, the Government of Canada has decided to inject an additional \$750 million of capital into FinDev Canada to enable the corporation to expand to the region, building on its success in Sub-Saharan Africa and Latin America and the Caribbean. This capital will better position FinDev Canada to take on more of a leadership role in the development finance in all sectors of focus, including sustainable infrastructure. With respect to the latter, FinDev Canada's efforts to mobilize private capital will help support the Indo-Pacific region in its transition to a sustainable, low-carbon, climate-resilient future.

During the planning period, beginning in 2023, we will execute against our strategy in all geographies of focus, including the Indo-Pacific. Later in the planning period we will also start to assess the opportunities, challenges and resource requirements to establish a local presence in our regions of operations, directly or indirectly, and in collaboration with EDC, and with the Government's network of missions and the Trade Commissioner Service.

Additional information related to the financial implications of the additional capital is presented in the Finance Plan.

## SECTORS

FinDev Canada focuses its activities on sectors with the greatest potential to achieve our development impact goals. This focus helps build knowledge, partnerships and internal capabilities to enable effective transaction origination, and portfolio management. As a result of our strategy review, we have refined our sectoral priorities to better meet the needs of the markets we serve and maximize our impact.

Over the planning period, we will continue to expand our reach in our three priority sectors.

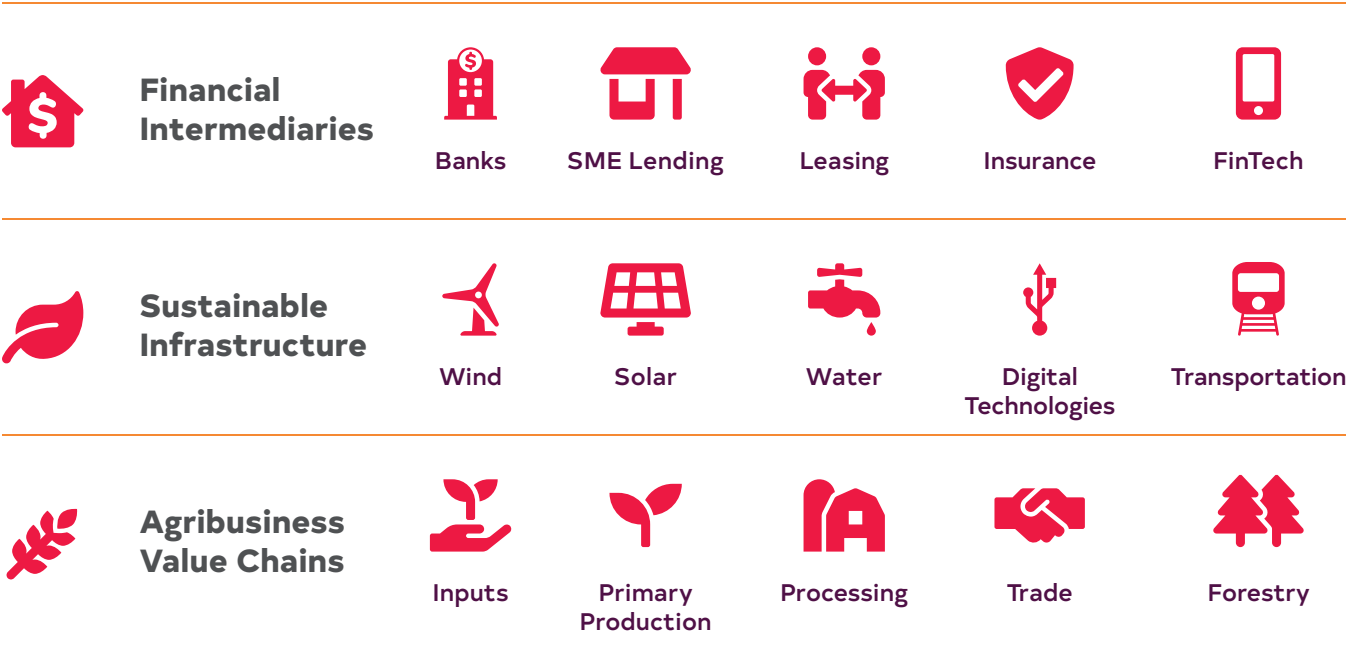


Figure 11: Sector and Subsectors of Focus

**Financial Intermediaries (FI):** FIs play a fundamental role in supporting the private sector and households in developing countries. For FinDev Canada, they are a conduit to supporting key private sector players that we cannot effectively reach directly such as MSMEs. During the COVID-19 pandemic, we reoriented our business primarily towards FIs to address liquidity issues. Throughout the planning period we will maintain a strong level of activity in the sector, although its relative share of our portfolio will progressively rebalance as we resume normal direct corporate lending and investment activities.

**Sustainable Infrastructure:** The infrastructure investment gap is estimated to be U.S. \$15 trillion by 2040 and is proportionately larger for the Americas (47%) and Africa (39%). Increasing investments in this sector will enable us to expand the provision of basic services and help bridge the massive infrastructure gap that impedes economic development, social progress and climate action in our target markets.

As we deepen our reach, we will focus on the following sub-sectors: Renewable Energy (e.g. wind, solar and mini-hydro generation projects, mini grids), transportation (e.g. electric mobility such as light rail, efficient and less polluting vehicle fleets, and extension of basic infrastructure), water (e.g. water and sanitation infrastructure expansion, desalination projects) and digital infrastructure solutions (e.g. installation or improvement of existing telecom infrastructure, continued support to access of digital services). This focus will also include related services such as logistics or technology solutions. These sub-sectors align with our three impact goals and will allow us to leverage our underwriting experience and build on our expertise. Preliminary analysis indicates potential in these sectors; with over U.S. \$7 trillion in investment opportunities in our priority markets of SSA and LAC. As such we have begun our efforts to grow our network and build a pipeline of transactions.

Within the sector, we will continue to operate within our preferred segment, looking at small to mid-size infrastructure – often overlooked by larger players and investors – to help close the widening infrastructure service and investment gaps, in keeping with our commitment to climate action, and ensure these industries remain sustainable over time.

**Agribusiness Value Chains:** This sector has a critical role to play in addressing the food security crisis, climate action, and women's economic empowerment. Climate change has only underscored the importance of agriculture and food systems and the necessity to preserve and expand the world's natural capital, such as forests. Given that women perform between 40% and 60% of the world's agricultural labour, the climate and gender dimensions of agribusiness and forestry have been amplified. FinDev Canada will continue to support the long-term resilience and sustainability of the agriculture and forestry supply chains, including related transformation industries, manufacturing, distribution – both wholesale and retail – and other related services. Over the course of 2023-2027, we will seek opportunities to provide support to the full supply chain, "from seedlings to store shelf".

## LEVERAGING CONCESSIONAL CAPITAL

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Our 2X Canada facility (section 1.5) is now operational with several assets in its portfolio, a growing pipeline, and a comprehensive approach to assessing and managing blended finance projects.

We plan to approve several new investments under 2X Canada in both 2023 and 2024. By the end of 2024, 2X Canada will have a fully executed portfolio with up to ten transactions, with the potential to generate high development outcomes.

Beyond 2X Canada, over the planning period we will explore other concessional funding opportunities, by:

- Identifying potential third-party sources of concessional finance and developing a plan to access them.
- Leveraging third-party sources of concessional capital, engage in blended finance transactions to extend our reach and impact to business opportunities that exceed our corporate risk appetite.
- Establishing – and play a leading role in – blended finance platforms to achieve mobilization and impact at a greater scale than individual transactions
- Growing our reputation and leadership through best practices, procedures and guidelines for blended finance.

FinDev Canada will continue to work closely with the Government to fulfill our role as Canada's leader in development finance for private sector growth and investment

## ENHANCING OUR MOBILIZATION EFFORTS

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One of FinDev Canada's core objectives is to leverage our expertise in emerging markets to mobilize targeted private sector investors in Canada and abroad. Our early focus was to build the organization and its balance sheet, at a time when we had limited capacity to mobilize others. As we grow our balance sheet, our expertise and credibility, we anticipate generating more opportunities to mobilize private capital.

While we understand the challenges of mobilization we are confident that FinDev Canada will develop the expertise to unlock more capacity. We will develop a value proposition for FinDev Canada as a solutions provider and source of knowledge to bring in private capital. This will take time to build and scale. Through a phased approach for implementation, beginning in 2023, we will focus on:

- ➔ Identifying the segments of various private capital financiers and investors;
- ➔ Developing and refining a strategy to prioritize segments and potential partners and how we manage our relations with our existing DFI and MDB peers; and
- ➔ Leading or co-leading on developing other enabling factors to help make FinDev Canada an attractive co-financing partner, including new products, streamlined documentation, local currency offerings, and withholding tax registrations in various countries.

During the planning period, FinDev Canada will continue to drive private sector mobilization through our core capital, building on experience in recent transactions. We will also leverage our participation in various initiatives including the 2X Collaborative where, alongside our peer organizations, we actively participate in the development of mobilization opportunities and approaches.

Replicability and scaling are important factors of success for mobilization efforts. Over the planning period, FinDev Canada intends to develop models of platforms that can be adapted to different mobilization opportunities. We are currently working on the design of such platform, alongside leading institutional investors and commercial financial institutions with anticipated launch in 2023. This platform would constitute an innovative model to unlock funding for investments in projects primarily targeting climate adaptation in developing countries. This would fill a significant gap, with the potential to generate high development outcomes, as funding for climate adaptation currently falls far short of the needs. This aligns very well with the mandate of the Minister of International Development to support the provision and mobilization of climate finance for adaptation, mitigation and resilience.

The platform would also innovate by concentrating its efforts on commercially viable projects developed with, or relying on revenue streams from, municipal or other sub-sovereign entities. By broadening partnership to new categories of players, the initiative seeks to expand the array of tools and opportunities available to mobilize at scale. Through this and/or other platforms, FinDev Canada seeks to develop innovative approaches to scale private capital.

### 3.2.2 Technical Assistance

The Technical Assistance (TA) function continues to grow, with 20 projects in our current portfolio. Looking ahead to 2023, the TA Facility's priorities will include:

**Growing the portfolio:** As the Facility enters its third year in 2023, we will continue to develop and implement impactful client-facing and market development projects. Moving forward we will focus on areas that align with our *growth with purpose* strategy, such as the nexus of gender and climate impact, and sustainable infrastructure. This could include supporting innovation in climate finance, supporting women-owned and/or operated SMEs, or other opportunities which explicitly target gender equality in the face of climate change.

**Developing a Climate Action TA menu:** The TA Facility will develop a Climate Action Technical Assistance Menu, to outline the range of interventions we can offer to clients and grow our portfolio of climate TA projects. Slated for rollout in 2023, interventions in the menu will be based on private-sector demand, as well as proven approaches that help companies strengthen their climate adaptation and mitigation practices. By 2025, we expect that our clients will fully benefit from this TA offering, which will help them reduce GHG emissions and adapt to climate change.



**Designing a long-term funding strategy:** With an increase in commitments towards TA projects as well as a growing pipeline, the original funding from GAC was forecasted to have been fully committed by 2023. An extension to the current Administrative Arrangement is being considered to facilitate disbursements, expected to run through 2025. In 2023, we will work on securing long-term funding to ensure we can continue to address market needs in a sustainable manner.

### 3.2.3 Partnerships & Thought Leadership

By leveraging partnerships with DFIs, multilateral organization and coalitions, as well as the private sector, we will increase our visibility and expertise in areas aligned with our key impact goals. We will continue to foster these partnerships as we implement our *growth with purpose* strategy.

FinDev Canada seeks to position itself as a thought leader in the development finance space by undertaking new initiatives and creating value for stakeholders.. We are committed to conducting and sharing research and learnings and contributing to the SDGs through gender-lens investing, climate action and market development. Building on the Monitoring, Evaluation and Learning (MEL) plan and internal portfolio analyses undertaken in 2022, we will develop a MEL strategy by 2023, to enhance our ability to collect and disseminate meaningful data and knowledge.

FinDev Canada is working, within the 2X Collaborative, on the role DFIs can play in taking into account the care economy, which is increasingly recognized as a central component to a gender-smart COVID-19 recovery.<sup>19</sup> We will continue to explore, with our peers and in line with the Minister of International Development's mandate letter, the implications of care work on women's economic empowerment and consider opportunities to provide support, for example by enabling private companies to address issues related to paid and unpaid care work in their activities.

As Canada's DFI, FinDev Canada aligns itself with the priorities of the Government of Canada, in particular its international assistance and climate change objectives, and strives to help increase the visibility of the "Canada" brand. This relationship with the Government also extends to Canada's participation in the G7 and the G20 for which we will contribute to commitments to the Partnership for Infrastructure and Investment.<sup>20</sup> With a view to Canada's G7 Presidency in 2025, we will partner with the Government to continue to strengthen Canada's leadership in development finance and build on G7 2018 legacy initiatives such as the Charlevoix commitment on innovative financing for development.<sup>21</sup>

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## 3.3 Operating Model

The third pillar in achieving our *growth with purpose* strategy is to have a robust operating model designed to foster effectiveness, efficiency and delivering quality service to our customers. Over the planning period, we will refine our processes, policies and frameworks, develop new systems and tools, and update existing ones to support our growth.

### 3.3.1 Impact Management

FinDev Canada's Development Impact Framework, established in 2018, defines the strategic impact objectives and describes how the organization measures and manages impact. The Framework governs the assessment of current and potential impact contributions of client operations and guides our investment decisions and reporting, to ensure that impact is integrated in each step of the investment cycle.

As part of our refreshed strategy, in 2023 we will update our Development Impact Framework and underlying tools to determine where we can add value and establish ambitious impact commitments for our *growth with purpose* strategy. We will bring more focus to advancing our impact agenda by strengthening our impact strategy, research and learning functions. We will integrate learnings from our portfolio, industry best practices and considerations specific to our sectors of focus. As part of this exercise, we will develop a sectoral market development approaches to strengthen our ability to assess and evaluate the market contributions of clients, building on our current approach which focuses on employment, MSMEs and local economic value addition.

### 3.3.2 Building Out Our Portfolio Management Capabilities

As FinDev Canada's portfolio grows, we will need to increase asset management capabilities. Beginning in late 2022 we will create an enhanced Portfolio Management team to play a more active role in managing our growing assets, including more in-depth monitoring and analysis from both a risk and a development impact perspectives while preserving FinDev Canada's client-centric approach. The build-out of the function will extend throughout the planning period, beginning in early 2023 in the following areas:

- Refine guidelines, policies and procedures. to reflect the increased capabilities and responsibilities of the new Portfolio Management team;
- Design and implement an asset management database to centralize transaction-related data, ensure data integrity and facilitate management reporting; and
- Conduct accurate mapping of the deal processes related to origination, closing and management of transactions.

### 3.3.3 Bolstering Our Risk Management

Managing our financial and non-financial risks is key to implementing our strategy. We continue to mature our Enterprise Risk Management (ERM) practices, to build a culture of risk awareness and integrate risk management practices into everything we do. We have established a Three Lines of Defense (3LD) governance model along with various policies, standards, guidelines, procedures and associated frameworks.

Our risks are categorized across three main areas: financial, strategic and operational. Through a phased approach, we have implemented our financial risk framework and, in 2023, will implement strategic and operational risks management. This will entail regular tracking of those risks, and adjusting their definition, measures and limits to take into account our evolving environment. By early 2023, this exercise will lead to enhancements to the existing Risk Appetite Framework. As part of good governance, the ERM Framework is reviewed on an annual basis by the Board of Directors and adjusted to take into account changes in internal and external factors.

### 3.3.4 Enhancing Our Digital Capabilities

In order to stay relevant in today's technology-driven global marketplace and effectively manage operational risk we must continue to investing in our digital infrastructure. We remain committed to providing customized digital solutions that meet our business needs across three areas: systems availability and support, information security and data integrity. As such, Information Technology expenditure is our second largest spending category after human resources.

In 2023, we will complete the initial phase of a new Transaction Management System, which will provide us with the tools needed to adequately manage our portfolio over the planning period. This will provide immediate benefits in terms of productivity and data integrity. It will also lay the foundation for the implementation of Customer Relationship Management (CRM) functionalities by 2026, bring automation, financial tracking, and data management to our transactions in line with the growth of our portfolio.

In 2024 and beyond, we will continue to build the digital solutions that contribute to the growth of our business, support risk management, improve customer experience and enhance the integrity of our data.

We will develop our overall architecture in close collaboration with EDC. As EDC continues to modernize its own systems and shifts to cloud-based solutions we will assess the implications and opportunities that this represents for FinDev Canada, particularly for the applications we currently share with EDC, such as Human Resources Management, Finance and Accounting and Procurement. We expect that the future state will include a mix of applications developed jointly to serve the needs of both organizations, and others developed to serve the specific needs of each.

The prioritization process for this work will leverage the digital governance established in 2022.

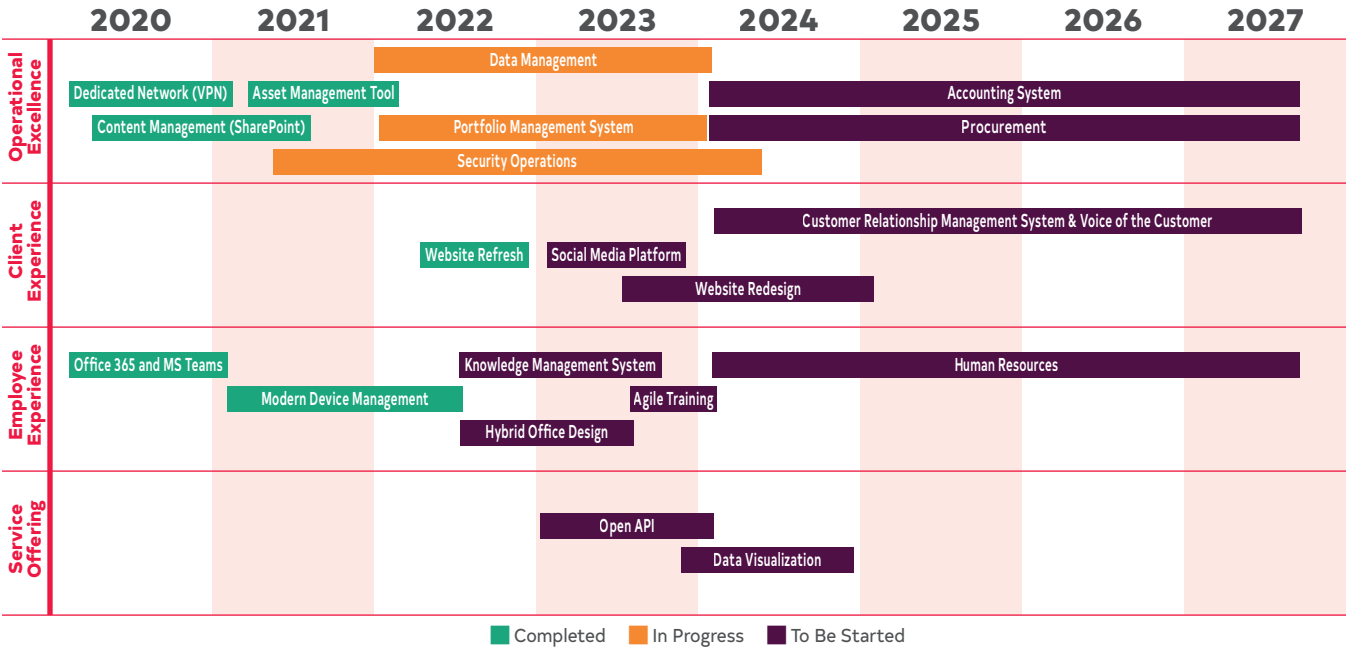


Figure 12: Digital Strategy Roadmap

### 3.3.5 Transparency and Disclosure

In 2022, FinDev Canada’s revised its Transparency & Disclosure Policy in consultation with various stakeholders, and established a new Independent Accountability Mechanism (IAM) with associated Policy and Procedures.

FinDev Canada’s Transparency & Disclosure Policy ensures transparency and accountability around the use of public funds. It is part of a suite of measures to ensure accountability and fairness to our stakeholders as we execute our mandate.

The IAM was developed to provide a channel for an independent and impartial review of complaints and enable complainants to seek redress and remedy. This mechanism will enhance FinDev Canada’s ability to fulfill its mandate.

These policies will be implemented in 2023 and 2024 and will be revised after three years.

### 3.3.6 A Collaborative Model With EDC

As our capabilities, portfolio and team grow, we continue to leverage the expertise of our parent company EDC in areas where it would not be cost effective to develop our own, particularly in specialized corporate services such as treasury operations, corporate finance and compliance and ethics.

Since inception however, FinDev Canada has internalized several functions that were initially delivered under Service Level Agreements (SLA). Moving forward we expect to continue doing so. The decision to internalize a function is driven, among other criteria, by EDC’s own capacity and by FinDev Canada’s specific needs. Where FinDev Canada has internalized a function, close collaboration with EDC continues under domain-specific “communities of practice”. In some areas, such as Human Resources, internalization of a service is progressive, with continued leverage of EDC’s infrastructure and expertise.

The services that EDC provides to FinDev Canada are governed by a Master Service Level Agreement (MSLA)., In 2022 we conducted a biennial review of the MSLA, with another scheduled for 2024. Each review is an opportunity to align the services to our level of maturity and growth ambitions. Moving forward, we will seek to leverage additional agreements in areas such as project finance, corporate lending and Information Technology, as our needs evolve and we build our internal capacity.

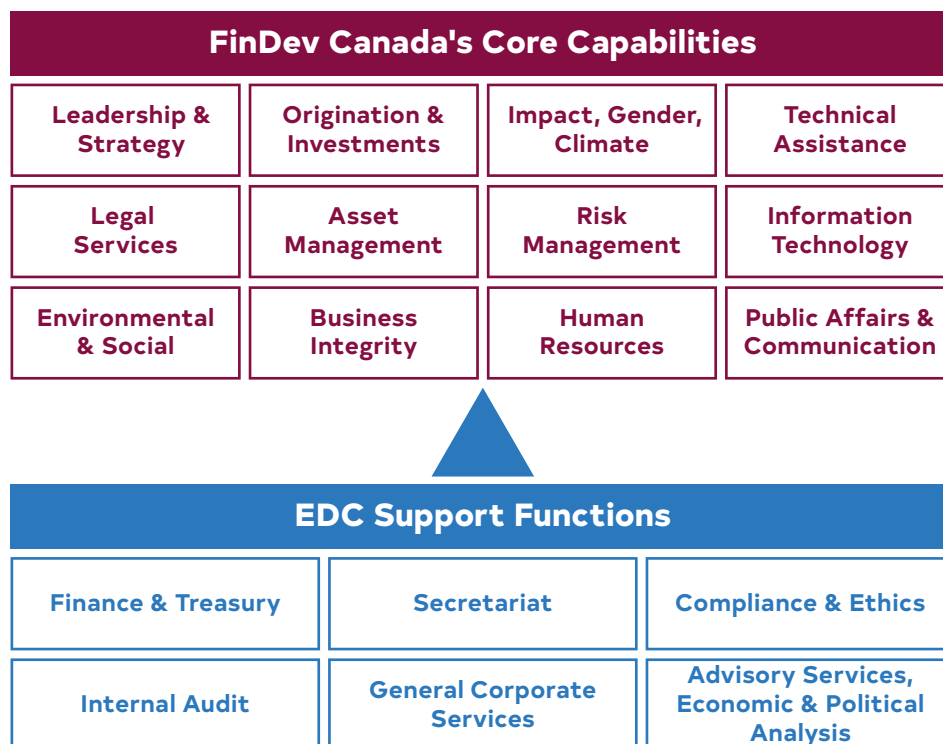


Figure 13: Shared Services Model With EDC

As this relationship matures, we will explore secondment opportunities and exchange arrangements beyond the established SLAs (see section 3.3.6). We also have the potential to provide learning opportunities to EDC employees, in areas of our own expertise.

## 3.4 Our People

The success of our strategy is underpinned by the strength of our team, and our ability to grow at the right pace and incorporate needed capabilities. We will continue to build an efficient and effective team while fostering a healthy work place.

In 2022, we internalized a Human Resources (HR) position within FinDev Canada to support the growth of our team and lead the design and implementation of a fit-for-purpose People Strategy. We will deliver this strategy in 2023 and implement it throughout the planning period, as follows.

### 3.4.1 Building a Healthy Workplace

FinDev Canada is committed to its people. In recent years, our employees have had to demonstrate considerable resilience in the face of two converging pressures: the fast pace of a young and growing organization, and the ever-changing constraints imposed by public health restrictions due to the COVID-19 pandemic. We recognize the stress this has placed on our employees and their families, and we will continue to prioritize wellbeing in the workplace in order to sustain our productivity and performance for the long term.

We will continue to promote a healthy work environment and self-care by helping our people establish flexible work schedules, implementing and encouraging work-life boundaries through time management best practices and through a culture of collaboration and respect.



## 3.4.2 Talent Acquisition and Management

As FinDev Canada positions itself to deliver more impact in the markets we serve, we must continue to recruit top talent and add capacity throughout the organization. In keeping with our growth we plan to increase our workforce in both 2022 and 2023. Capacity additions will be driven by business needs, particularly the growing financing and investment activities, and in consideration of our absorptive capacity.

Our ability to attract the right resources in a tight labour market may impact the growth of our workforce. Our biggest challenges continue to be finding the appropriate development finance skills within Canada while remaining competitive when hiring internationally. We are developing a talent acquisition strategy to maximize access to candidate pools with appropriate skill sets and experience.

We will look to establish a talent-sharing program and seek opportunities to develop internships and secondments in order to attract the required skillsets and provide growth opportunities within and outside of Canada. We will do so in partnership with EDC and other DFIs or MDBs.

Our People Strategy will also focus on onboarding, training, performance management, total rewards, career progression and succession planning, all critical to ensuring employee satisfaction and retention.

## 3.4.3 Inclusion, Diversity and Equity

FinDev Canada continues to build an inclusive workplace culture; one that is diverse and welcoming and where all employees - regardless of their gender, race, ethnicity, sexual orientation, ability or experience - are valued and supported throughout the employment lifecycle, with equal opportunities, and transparency and fairness embedded into all policies, strategies, processes and practices. EDC and FinDev Canada received a Gold Parity Certification as a result of the gender assessment conducted by Women in Governance, reflecting our commitment to women's economic empowerment, as well as the calibre of our gender practices, strategies, policies and programs. Established in 2021, our Inclusion, Diversity and Equity (ID&E) Committee plays a key role in promoting ID&E to reflect the voice of our diverse employees and continuing to improve our practices.

In accordance with the *Accessible Canada Act*, FinDev Canada is taking all necessary steps to ensure our external and internal tools are accessible to everyone. Beginning in 2023, we will implement a three-year plan that will identify, remove and prevent barriers to access. This will be completed and reviewed in 2025.

## 3.4.4 Our Culture

Two years of pandemic-related restrictions have forced corporations worldwide to reimagine how and where work is conducted in an effort to maintain a cohesive organizational culture. During that period, FinDev Canada more than doubled the size of its team and was able to function efficiently, while delivering impact in the markets we serve, which has led to a rethinking of the Future of Work in our organization.

As we evolve our corporate culture to support the Future of Work, we will strive to balance the advantages of remote work with the benefits of in-person gatherings. As always, employee safety and wellness remain at the core of our efforts.

In the fall of 2022, FinDev Canada will launch its first employee survey, independent of EDC's, designed to account for its operating context and distinct culture. This will enable us to measure factors such as employee engagement, their feeling of belonging, and their trust in the organization.

In 2023, FinDev Canada will continue to monitor trends, collect data and assess impacts on productivity and employee engagement. FinDev Canada will also design programs and activities that build morale and promote collaboration across the organization.



## 4.0 Corporate Scorecard





At FinDev Canada we measure the success of our activities based on the performance of our portfolio, as well as our contribution to achieving the SDGs, according to the impact data reported by our clients. From inception until **December 31, 2021**, we achieved the following cumulative results:

	Clients in Portfolio	31
	Total Commitments in Portfolio (Million U.S.\$)	\$479
	2X Investments	66%
	Investments in Climate Finance	24%
	Investments in Least Developed Countries	16%

Figure 14: Portfolio Performance From Inception Until December 31, 2021

## CONTRIBUTION TO THE SDGs

The transactions in our portfolio in turn generated the following results as reported by our clients

	Decent Work and Economic Growth	12,530 jobs supported and 161,727 MSMEs financed
	Gender Equality	4,858 jobs for women and 57,755 women-owned MSMEs financed
	Affordable and Clean Energy	3,662,649 people with access to clean energy
	Climate Action	1,401 GWh of clean energy produced

These development impact indicators will continue being reported on regularly on our website and through our Annual Report. They will also continue to be refined as we review our Development Impact Framework.

Looking forward, building on these strong results and in line with our revised strategy, our scorecard will continue to track our portfolio and corporate performance, according to the indicators below. Employee compensation is in part tied to this scorecard which therefore drives behaviours; it ensures we deliver on our development mandate and create value for our customers, while balancing risks and return.

Category	Metrics and Purpose
Impact Management	<p>FinDev Canada's ability to be an agent of change is assessed along each of our key impact objectives. It measures the proportion of business meeting set impact targets in the following areas:</p> <ul style="list-style-type: none"> <li>→ Women's Economic Empowerment: proportion of 2X challenge-eligible transactions in our portfolio.</li> <li>→ Climate Action: proportion of qualified Climate Finance transactions in our portfolio</li> <li>→ Market Development: proportion of transactions supporting clients in Least Developed Countries (LDCs) in our portfolio</li> </ul>
Investment Activity	The ability to generate a diversified portfolio is integral to FinDev Canada's success. The scorecard measures the strength of our investment activities by the total volume of transactions
Private Sector Mobilization	FinDev Canada is increasing its efforts in support of mobilization over the planning period. We will measure the level of private sector mobilization facilitated by our investments
Financial Sustainability	We manage our activities along a path to financial sustainability. As such we track our revenues and expenses against our corporate plan objectives
Employee Engagement	The level of employee engagement is critical to the success of the corporation; FinDev Canada is developing the tools to measure this engagement in a consistent and reliable way over time.





## 5.0 Financial Overview

### 5.1 Summary

Key items to highlight in the Financial Plan are as follows:

- FinDev Canada is funded by capital injections from its parent company, Export Development Canada (EDC). An initial injection of \$100 million occurred in 2018, followed by injections of \$100 million in 2019 and 2020. Further capital injections of \$1,050 million are expected over the Plan period, including \$750 million announced as part of Canada's Indo-Pacific Strategy, bringing total share capital to \$1,350 million in 2027.
- FinDev Canada is projecting net income of \$8 million in 2022, an increase of \$19 million when compared with the 2022-2026 Corporate Plan net loss of \$11 million. The increase is mainly due to unrealized gains in the Corporation's investments portfolio.
- Loans receivable are projected to be \$454 million in 2022 and are expected to grow to \$2,903 million over the Plan period.
- Investments are projected to be \$170 million in 2022 and are expected to grow to \$1,065 million by the end of the Plan period.
- To support its continuing growth, FinDev Canada intends to borrow from EDC during the Corporate Plan period. FinDev Canada is expected to have outstanding borrowings of \$343 million by the end of 2022 and \$438 million by the end of 2023. Outstanding borrowings at the end of 2027 will total \$2,428 million.



It is currently anticipated that EDC will engage in any borrowing, investing and hedging activities on behalf of FinDev Canada. FinDev Canada may consider revisiting this arrangement at a later date should an opportunity arise to engage in these activities on its own, as determined by the growth of the organization.

The Financial Plan will first present the key business assumptions which were used to derive the projected financial results followed by a discussion of its projected operating expenses and planned capital expenditures. Projected financial statements are also included.

## 5.2 Key Business Assumptions

A series of key assumptions, including business volume, risk profile of business volume, foreign exchange and interest rates and yields, all of which have an impact on FinDev Canada's business activity and financial performance, drive the Financial Plan. Using these assumptions, which align with its business strategy and economic outlook, projected financial statements are developed for the planning period, including a forecast to the end of the current fiscal year. Any changes to the business strategy or to the underlying assumptions may materially affect the projections over the planning period.

### BUSINESS VOLUME

The level of business volume for each program is presented in the table below.

**Table 1: Projected Level of Business Volume**

<i>(in millions of Canadian dollars)</i>	<b>2021 Actual</b>	<b>2022 Plan</b>	<b>2022 Fcst</b>	<b>2023 Plan</b>	<b>2024 Plan</b>	<b>2025 Plan</b>	<b>2026 Plan</b>	<b>2027 Plan</b>
<b>Business Volume</b>								
Lending	285	184	225	450	630	875	1,030	1,145
Investments	76	61	55	130	170	205	260	275
	361	245	280	580	800	1,080	1,290	1,420

### 2022 FORECAST

The 2022 lending and investments business volume is projected to be \$280 million, which is slightly higher than the \$245 million forecast in the 2022 Corporate Plan due to changes in foreign exchange rates.

### 2023 TO 2027

With firmer visibility of its growth potential attributable to the strategy review undertaken in 2022, coupled with the anticipated Indo-Pacific growth, FinDev Canada is now projecting business volumes in the lending and investments programs that exceed that of its prior Corporate Plan. In 2023 and 2024, respective business volumes of \$580 million and \$800 million are projected, increases of \$335 million and \$525 million respectively from the prior Corporate Plan. Thereafter, annual increases are anticipated. These volumes reflect recovery in FinDev Canada's traditional markets following the pandemic, expansion into the Indo-Pacific region, as well as continued growth from ongoing business development efforts in sectors and markets of developmental importance.

### RISK PROFILE OF BUSINESS VOLUME

FinDev Canada is projecting that the lending and investment business it undertakes will be largely non-investment grade due to host developing country environments and its high-impact strategy. The risk profile of the financing portfolio undertaken in accordance with FinDev Canada's Board-approved Risk Appetite Framework and prudential limits remains one of the key drivers of both the provision for credit losses and capital demand for credit risk.

### FOREIGN EXCHANGE

The Financial Plan uses a month-to-date average rate as the U.S. dollar foreign exchange rate assumption for the remainder of 2022 and all subsequent years. This methodology removes the volatility associated with yearly exchange rate fluctuations and ensures more easily comparable projections. The rate used in this Plan, as represented by the average rate for October 2022, is U.S. \$0.73.

## INTEREST RATES

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This forecast uses the same assumptions as EDC. It is based on Bloomberg financial market data and is driven by supply and demand as well as market expectations for interest rates.

The London Interbank Offer Rate (LIBOR) is being discontinued as announced by the UK Financial Conduct Authority in March 2021.

## OTHER KEY ASSUMPTIONS

Due to the volatility and difficulty in estimating fair value gains or losses on marketable securities and derivative instruments, no forecast for these items is included in the Corporate Plan financial results.

Despite the volatility in estimating fair value gains or losses on FinDev Canada's investments portfolio, direct and through funds, an estimate of annual appreciation of 2.0 per cent of the value of these assets has been incorporated in the financial forecasts from 2023 to 2027.



## 6.0 Appendices

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### Appendix 1: Statement of Priorities and Accountabilities

Pursuant to the *Export Development Act* (ED Act), the Minister of Small Business, Export Promotion and International Trade, in consultation with the Minister of International Development, is responsible for providing direction to EDC regarding FinDev Canada, as per the annual Statement of Priorities and Accountabilities (SPA).

# Appendix 2: Corporate Governance Structure

## MANAGERIAL AND ORGANIZATIONAL STRUCTURE

FinDev Canada, through EDC, reports to Parliament through the Minister of Small Business, Export Promotion and International Trade in consultation with the Minister of International Development.

Established under the *Canadian Business Corporations Act* (CBCA), Development Finance Institute Canada (DFIC) Inc. / Institut de financement du développement Canada (IFDC) Inc. – operating as FinDev Canada - is governed by an independent Board of Directors, appointed by EDC's Board of Directors. The Board, chaired by EDC's President and Chief Executive Officer (CEO), is composed of members of the EDC Board of Directors, as well as independent members with expertise and experience regarding the facets of our business and markets.

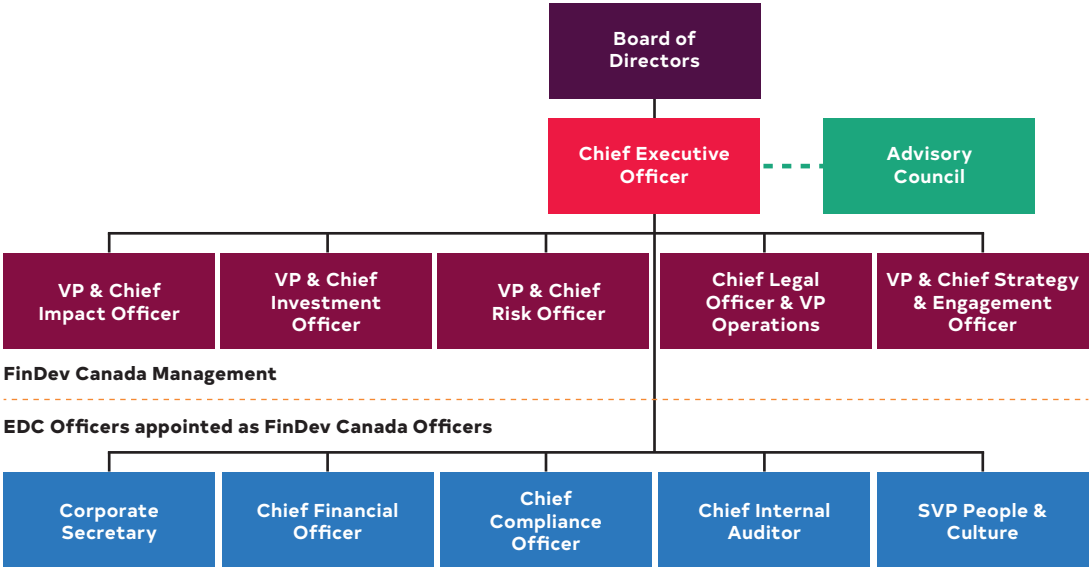


Figure 15: FinDev Canada's Organization Structure



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## Appendix 3: Chief Financial Officer Attestation

In my capacity as Chief Financial Officer at FinDev Canada, accountable to the Board of Directors of FinDev Canada through the Chief Executive Officer, I have reviewed the financial projections provided in FinDev Canada's 2023-2027 Corporate Plan. It is in all material respects, in accordance with International Financial Reporting Standards, based on information available at the time of the preparation of this submission, that I considered necessary, as of the date indicated below. Based on this due diligence review, I make the following conclusions:

- The nature and extent of the proposal is reasonably described and assumptions having a significant bearing on the associated financial requirements have been identified and are supported. Significant risks having a bearing on the financial requirements, the sensitivity of the financial requirements to change in key assumptions, and the related risk-mitigation strategies have been disclosed.
- Financial resource requirements have been disclosed and are consistent with the assumptions stated in the proposal, and options to contain costs have been considered.
- Funding has been identified and is sufficient to address the financial requirements for the expected duration of the proposal.
- The proposal is compliant with relevant financial management legislation and policies, and the proper financial management authorities are in place or are being sought through the proposal.
- Key financial controls are in place to support the implementation and ongoing operation of the proposal.

In my opinion, the financial information contained in this proposal is sufficient overall to support decision-making.

The Corporate Plan 2023-2027 was approved by FinDev Canada's Board of Directors on December 6, 2022.

I, therefore, recommend that you endorse this submission for the Minister for International Trade's approval.



Marsha Acott  
Chief Financial Officer  
FinDev Canada

December 6, 2022

## Appendix 4: Financial Statements and Budgets

### 4.1 Financial Statements and Notes

#### STATEMENT OF COMPREHENSIVE INCOME

Table 2: Projected Statement of Comprehensive Income

<i>for the year ended December 31 (in millions of Canadian dollars)</i>	<b>2021 Actual</b>	<b>2022 Plan</b>	<b>2022 Fcst</b>	<b>2023 Plan</b>	<b>2024 Plan</b>	<b>2025 Plan</b>	<b>2026 Plan</b>	<b>2027 Plan</b>
<b>Financing and Investment Revenue</b>								
Loan	7	18	20	59	82	112	151	198
Investments	-	-	1	-	-	-	-	-
Total financing and investment revenue	7	18	21	59	82	112	151	198
Interest expense	-	1	3	18	20	25	47	80
Transaction costs	-	-	1	1	1	1	1	1
<b>Net Financing and Investment Income</b>	<b>7</b>	<b>17</b>	<b>17</b>	<b>40</b>	<b>61</b>	<b>86</b>	<b>103</b>	<b>117</b>
<b>Donor Contributions</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>-</b>
<b>Other (Income) Expense</b>	<b>4</b>	<b>-</b>	<b>(14)</b>	<b>(4)</b>	<b>(5)</b>	<b>(7)</b>	<b>(10)</b>	<b>(16)</b>
<b>Administrative Expenses</b>	<b>13</b>	<b>21</b>	<b>16</b>	<b>29</b>	<b>38</b>	<b>46</b>	<b>53</b>	<b>60</b>
<b>Income (Loss) before Provision</b>	<b>(9)</b>	<b>(2)</b>	<b>17</b>	<b>17</b>	<b>30</b>	<b>48</b>	<b>61</b>	<b>73</b>
<b>Provision for Credit Losses</b>	<b>7</b>	<b>9</b>	<b>9</b>	<b>17</b>	<b>24</b>	<b>35</b>	<b>42</b>	<b>49</b>
<b>Net Income (Loss)</b>	<b>(16)</b>	<b>(11)</b>	<b>8</b>	<b>-</b>	<b>6</b>	<b>13</b>	<b>19</b>	<b>24</b>
Other Comprehensive income	-	-	-	-	-	-	-	-
<b>Comprehensive income (Loss)</b>	<b>(16)</b>	<b>(11)</b>	<b>8</b>	<b>-</b>	<b>6</b>	<b>13</b>	<b>19</b>	<b>24</b>

#### 2022 FORECAST VERSUS 2022 CORPORATE PLAN

FinDev Canada is forecasting net income of \$8 million for 2022, an increase of \$19 million from the 2022 Corporate Plan. Items of note regarding this forecast are as follows:

- ➔ Other income has increased by \$14 million primarily due to the volatility associated with FinDev Canada's financial instruments carried at fair value through profit or loss, resulting in unrealized gains in the investments portfolio. While year-to-date gains may be attributed to a number of investments in the portfolio, the increase is mainly driven by the appreciation of a single investment in FinDev Canada's direct investment portfolio.
- ➔ Administrative expenses are projected to be lower than Plan by \$5 million mainly due to the following:
  - ➔ Human resource costs are expected to be lower than Plan as a result of 2021 headcount being lower than anticipated in the Plan and the majority of expected 2022 hiring taking place in the second half of the year.
  - ➔ Projected decreases in professional services costs particularly in strategic projects and information technology (IT) consulting due to the delayed implementation of the digital roadmap.

## 2023 CORPORATE PLAN VERSUS 2022 FORECAST

FinDev Canada is forecasting to breakeven in 2023. Items of note are as follows:

- ➔ Net financing and investment income is expected to increase by \$23 million, largely as a result of earnings from anticipated business volume in 2023.
- ➔ Due to the anticipated growth in the loan portfolio, the provision for credit losses is expected to increase by \$8 million compared to 2022.
- ➔ Other income is expected to decrease by \$10 million as the Corporation does not anticipate the level of unrealized gains on investments to reoccur in 2023.
- ➔ Administrative expenses are expected to increase by \$13 million mainly due to:
  - ➔ Additional headcount to support the continued growth of the organization. Costs related to human resources will then account for approximately 58 per cent of the total administrative expenses;
  - ➔ An increase in professional services, primarily in IT consulting, as the Corporation implements its digital roadmap. Costs related to IT consulting will then account for approximately 7 per cent of the total administrative expenses; and
  - ➔ An increase in systems costs as the organization continues to grow. Costs related to systems costs will account for approximately 4 per cent of the total administrative expenses.

## 2024 TO 2027

As a result of strong growth in the portfolio, FinDev Canada is anticipating earning net income in all years of the Plan.

## STATEMENT OF FINANCIAL POSITION

**Table 3: Projected Statement of Financial Position**

<b>as at December 31</b> <b>(in millions of Canadian dollars)</b>	<b>2021</b> <b>Actual</b>	<b>2022</b> <b>Plan</b>	<b>2022</b> <b>Fcst</b>	<b>2023</b> <b>Plan</b>	<b>2024</b> <b>Plan</b>	<b>2025</b> <b>Plan</b>	<b>2026</b> <b>Plan</b>	<b>2027</b> <b>Plan</b>
<b>Assets</b>								
Cash	25	7	7	7	7	7	7	7
Marketable securities	12	10	12	10	8	7	6	6
Derivative instruments	1	5	-	-	-	-	-	-
Loans receivable	261	449	454	789	1,172	1,699	2,291	2,903
Allowance for losses on loans	(9)	(18)	(20)	(35)	(53)	(76)	(103)	(132)
Investments	98	105	170	250	369	536	797	1,065
Other assets	4	2	6	6	6	6	6	6
Property, plant and equipment	-	-	-	-	1	-	-	-
Intangible assets	-	1	-	-	-	1	1	1
Right-of-use asset	1	1	1	1	1	-	-	-
<b>Total Assets</b>	<b>393</b>	<b>562</b>	<b>630</b>	<b>1,028</b>	<b>1,511</b>	<b>2,180</b>	<b>3,005</b>	<b>3,856</b>
<b>Liabilities and Equity</b>								
Accounts payable and other credits	3	13	2	2	2	2	2	2
Loans payable	120	313	343	438	563	815	1,612	2,428
Owing to Export Development Canada	1	2	2	6	7	9	17	25
Deferred revenue	13	-	11	9	7	6	5	5
Derivative instruments	1	-	11	11	11	11	11	11
Lease liability	1	1	1	1	1	1	-	-
Allowance for losses on loan commitments	2	-	-	1	4	7	10	13
<b>Total Liabilities</b>	<b>141</b>	<b>329</b>	<b>370</b>	<b>468</b>	<b>595</b>	<b>851</b>	<b>1,657</b>	<b>2,484</b>
<b>Equity</b>								
Share capital	300	300	300	600	950	1,350	1,350	1,350
Deficit	(48)	(67)	(40)	(40)	(34)	(21)	(2)	22
<b>Total Equity</b>	<b>252</b>	<b>233</b>	<b>260</b>	<b>560</b>	<b>916</b>	<b>1,329</b>	<b>1,348</b>	<b>1,372</b>
<b>Total Liabilities and Equity</b>	<b>393</b>	<b>562</b>	<b>630</b>	<b>1,028</b>	<b>1,511</b>	<b>2,180</b>	<b>3,005</b>	<b>3,856</b>

## 2022 FORECAST VERSUS 2022 CORPORATE PLAN

Loans receivable are expected to be \$454 million, which is consistent with the Plan of \$449 million. Additionally, investments are forecasted to end the year at \$170 million compared to a Plan of \$105 million. We expect to end the year with loans payable of \$343 million compared to a Plan of \$313 million.

## 2023 CORPORATE PLAN VERSUS 2022 FORECAST

Partially influenced by the anticipated underwriting of loans in a newer asset class for our organization, sustainable infrastructure, coupled with anticipated business in the Indo-Pacific region, loans receivable are expected to reach \$789 million in 2023. Investments, mainly fueled by growth in our funds business, are expected to reach \$250 million.

## 2024 TO 2027

Enabled by rapidly expanding business volumes, we expect continued growth in both the loans and investments portfolios over the planning period. By the end of 2027, total assets of \$3,856 million are anticipated, approximately six times the expected 2022 ending position.

FinDev Canada is funded by capital injections from its parent company, EDC. After the initial capital of \$300 million was consumed in early 2021, FinDev Canada began borrowing from EDC to support its portfolio growth. Further borrowings are expected over the Plan period, for such amounts, terms and conditions as EDC and FinDev Canada may agree. EDC will engage in any borrowing, investing and hedging activities on behalf of FinDev Canada.

Additional capital injections are planned in 2023, 2024, and 2025 for a combined increase in share capital of \$1,050 million. A capital commitment increase of \$300 million was confirmed by the April 2021 Federal Budget and an additional \$750 million was confirmed as part of the Government of Canada's Indo-Pacific Strategy to enable the corporation's expansion into the region.

Once the additional capital injections are consumed, the sustained rapid growth of the portfolio will be made possible by continued reliance on FinDev Canada's financial leverage capacity. Prudential limits framework is in place to ensure that financial leverage remains within adequate boundaries.

## STATEMENT OF CHANGES IN EQUITY

**Table 4: Projected Statement of Changes in Equity**

<i>for the year ended December 31 (in millions of Canadian dollars)</i>	<b>2021 Actual</b>	<b>2022 Plan</b>	<b>2022 Fcst</b>	<b>2023 Plan</b>	<b>2024 Plan</b>	<b>2025 Plan</b>	<b>2026 Plan</b>	<b>2027 Plan</b>
<b>Share Capital</b>								
Balance beginning of year	300	300	300	300	600	950	1,350	1,350
Shares issued	-	-	-	300	350	400	-	-
Balance end of year	300	300	300	600	950	1,350	1,350	1,350
<b>Equity</b>								
Balance beginning of year	(32)	(56)	(48)	(40)	(40)	(34)	(21)	(2)
Comprehensive income (loss)	(16)	(11)	8	-	6	13	19	24
Balance end of year	(48)	(67)	(40)	(40)	(34)	(21)	(2)	22
<b>Total Equity at End of Year</b>	<b>252</b>	<b>233</b>	<b>260</b>	<b>560</b>	<b>916</b>	<b>1,329</b>	<b>1,348</b>	<b>1,372</b>
<b>Return on Equity</b>	<b>-14.5%</b>	<b>-4.6%</b>	<b>3.1%</b>	<b>0.0%</b>	<b>0.8%</b>	<b>1.2%</b>	<b>1.4%</b>	<b>1.8%</b>



## STATEMENT OF CASH FLOWS

Table 5: Projected Statement of Cash Flows

<b>for the year ended December 31 (in millions of Canadian dollars)</b>	<b>2021 Actual</b>	<b>2022 Plan</b>	<b>2022 Fcst</b>	<b>2023 Plan</b>	<b>2024 Plan</b>	<b>2025 Plan</b>	<b>2026 Plan</b>	<b>2027 Plan</b>
<b>Cash Flows from (used in) Operating Activities</b>								
Net income (loss)	(16)	(11)	8	-	6	13	19	24
Adjustments to determine net cash from (used in) operating activities								
Provision for credit losses	7	9	9	17	24	35	42	49
Depreciation and amortization	-	-	-	-	-	1	1	1
Changes in operating assets and liabilities								
Change in fair value of investments and accrued interest on loans receivable	3	-	(15)	(6)	(13)	(16)	(16)	(21)
Change in derivative instruments	6	-	(8)	-	-	-	-	-
Other	12	(1)	(20)	(8)	(3)	(4)	(11)	(9)
Loan disbursements	(180)	(173)	(201)	(418)	(504)	(716)	(876)	(1,033)
Loan repayments	22	25	34	90	126	192	284	416
Net cash used in operating activities	(146)	(151)	(193)	(325)	(364)	(495)	(557)	(573)
<b>Cash Flows from (used in) Investing Activities</b>								
Disbursements for investments	(35)	(27)	(51)	(76)	(114)	(160)	(250)	(253)
Receipts from investments	2	-	3	-	-	-	-	-
Purchases of marketable securities	(8)	-	(54)	(300)	(350)	(400)	-	-
Sales/maturities of marketable securities	8	2	69	300	350	400	-	-
Purchases of intangible assets	-	(1)	-	-	-	-	-	-
Net cash used in investing activities	(33)	(26)	(33)	(76)	(114)	(160)	(250)	(253)
<b>Cash Flows from (used in) Financing Activities</b>								
Issue of long-term loans payable	119	176	206	273	160	345	1,071	1,005
Repayment of long-term loans payable	-	-	-	(178)	(34)	(93)	(273)	(187)
Increase (decrease) in amount due to EDC	-	1	1	4	1	2	8	8
Issuance of share capital	-	-	-	300	350	400	-	-
Net cash from financing activities	119	177	207	399	477	654	806	826
Effect of exchange rate changes on cash and cash equivalents	-	-	-	-	-	-	-	-
Net increase (decrease) in cash and cash equivalents	(60)	-	(19)	(2)	(1)	(1)	(1)	-
<b>Cash and cash equivalents</b>								
Beginning of year	97	7	37	18	16	15	14	13
End of year	37	7	18	16	15	14	13	13
<b>Cash and cash equivalents are comprised of:</b>								
Cash	25	7	7	7	7	7	7	7
Cash equivalents included within marketable securities	12	-	11	9	8	7	6	6
	37	7	18	16	15	14	13	13
<b>Operating Cash Flows from Interest</b>								
Cash paid for interest	-	1	2	14	18	24	40	72
Cash received for interest	5	16	11	51	71	100	137	183

## ACCOUNTING POLICIES AND FUTURE ACCOUNTING CHANGES

The accounting policies used in the preparation of this Financial Plan are in accordance with International Financial Reporting Standards (IFRS) currently in effect. The earnings of the Corporation are not subject to the requirements of the *Income Tax Act*.

## AMENDED AND EVOLVING STANDARDS

The following amendment issued by the IASB has been assessed as being relevant to FinDev Canada. The changes were adopted for the annual report period beginning on January 1, 2021.

### INTEREST RATE BENCHMARK REFORM — PHASE 2

In August 2020, the IASB issued amendments to IFRS 9 - Financial Instruments, IAS 39 - Financial Instruments: Recognition and Measurement, IFRS 7 - Financial Instruments: Disclosures and IFRS 16 - Leases to address the reforms related to the interest rate benchmark.

The amendments include changing the effective interest rate of financial instruments to reflect the change to the alternative benchmark rate, as well as additional disclosures about new risks arising from the reform and how we are managing the transition to alternative benchmark rates. For financial assets and financial liabilities measured at amortized cost, the amendments introduce a practical expedient that allows the change in contractual cash flows to be accounted for as an update to the effective interest rate, as opposed to immediately recognizing a gain or loss, provided that the modification is made on an economically equivalent basis and is a direct consequence of interest rate benchmark reform.

## CAPITAL MANAGEMENT

### CAPITAL ADEQUACY POLICY (CAP)

FinDev Canada manages its capital through the Board-approved Capital Management Policy in order to meet the demands of current and future business while maintaining the ability to withstand future, unpredictable risks. The policy serves to define a prudent level of borrowing, given its actual capital base and anticipated portfolio.

FinDev Canada's approach to capital management introduces the concept of Economic Capital, which is the amount of equity needed to absorb losses over a certain time horizon while maintaining a target solvency. This approach is rooted in Basel III principles and aligns with practices in place at most regulated international commercial financial institutions. It has also been designed to ensure alignment with its parent, EDC. Like EDC, FinDev Canada's target solvency rating has been set to AA.

## 4.2 Operating Budget and Notes

### ADMINISTRATIVE EXPENSES

Table 6: Projected Administrative Expenses

	2021	2022	2022	2023	2024	2025	2026	2027
(in millions of Canadian dollars)	Actual	Plan	Fcst	Plan	Plan	Plan	Plan	Plan
Salaries and benefits	8.3	12.1	10.4	17.0	24.7	32.0	38.5	44.1
Administration costs	1.2	1.6	1.4	1.5	1.7	1.9	2.0	2.2
Professional services	1.2	2.6	1.7	4.5	4.5	4.4	4.3	4.6
Impact projects	0.7	0.9	0.5	1.2	0.9	0.5	0.2	0.1
Marketing and communications	0.5	0.8	0.5	0.9	1.0	1.1	1.2	1.3
Travel, hospitality and conferences	-	0.3	0.5	1.3	1.6	2.0	2.2	2.4
Other	1.4	2.2	1.3	2.9	3.3	3.8	4.4	4.8
Total administrative expenses	13.3	20.5	16.3	29.3	37.7	45.7	52.8	59.5

## 2022 FORECAST

Administrative expenses are expected to be lower than projected in the 2022 Plan primarily due to lower ending headcount for 2021 and delayed hiring in 2022.

## 2023 CORPORATE PLAN

FinDev Canada is targeting administrative expenses of \$29.3 million for 2023. Items of significance in the administrative expense projections for 2023 are as follows:

- Salaries and benefits are projected to increase as new employees are hired to support FinDev Canada's business. Headcount increase of approximately 35 employees is anticipated in 2023.
- Professional services are expected to grow in 2023, primarily due to higher IT consulting fees. These costs relate to the implementation of the Corporation's digital roadmap.
- Systems costs and information services costs are forecasted to increase as the Corporation continues to grow.
- The 2023 administrative expenses are partially offset by grant revenue of \$2.2 million, primarily related to the 2X Canada facility.

**Table 7: Travel and Hospitality Expenses**

<i>(in thousands of Canadian dollars)</i>	2021 Actual	2022 Plan	2022 Fcst	2023 Plan	2024 Plan	2025 Plan	2026 Plan	2027 Plan
Travel	24	289	438	1,259	1,567	1,926	2,123	2,280
Hospitality	-	24	5	36	37	38	39	41
Conferences	-	30	30	45	45	47	48	50
<b>Total</b>	<b>24</b>	<b>343</b>	<b>473</b>	<b>1,340</b>	<b>1,649</b>	<b>2,011</b>	<b>2,210</b>	<b>2,371</b>

**Table 8: Travel and Hospitality Expenses as a Percentage of Total Administrative Expenses**

<i>(in thousands of Canadian dollars)</i>	2021 Actual	2022 Plan	2022 Fcst	2023 Plan	2024 Plan	2025 Plan	2026 Plan	2027 Plan
Total travel, hospitality and conferences expenses	24	343	473	1,340	1,649	2,011	2,210	2,371
Total administrative expenses	13,258	20,509	16,291	29,279	37,663	45,677	52,798	59,539
Travel and hospitality as a % of total expenses	0.2%	1.7%	2.9%	4.6%	4.4%	4.4%	4.2%	4.0%

## 4.3 Capital Budgets and Notes

### CAPITAL EXPENDITURES

**Table 9: Projected Capital Expenditures**

<i>(in millions of Canadian dollars)</i>	2021 Actual	2022 Plan	2022 Fcst	2023 Plan	2024 Plan	2025 Plan	2026 Plan	2027 Plan
Facilities	-	0.4	-	0.3	0.3	0.2	0.2	0.2
Information technology	-	0.8	0.1	0.3	0.3	0.1	0.1	0.1
<b>Total capital expenditures</b>	<b>-</b>	<b>1.2</b>	<b>0.1</b>	<b>0.6</b>	<b>0.6</b>	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>

*Facilities capital expenditures include leasehold improvements, furniture and equipment. Information technology capital expenditures include hardware, internally developed and purchased software.*

No capital expenditures during the Plan period meet the requirements for disclosure per the value and risk tests.

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## Appendix 5: Borrowing Plan

### BORROWING AUTHORITY

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Pursuant to EDC's expanded mandate under section 10(1)(c) of the amended Export Development Act, EDC has incorporated Development Finance Institute Canada (DFIC) Inc., trade name FinDev Canada, as a wholly owned subsidiary of EDC.

### BORROWING STRATEGY

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FinDev Canada is currently forecasted to have outstanding borrowings from EDC of \$438 million at the end of 2023 and \$563 million at the end of 2024. These are viewed as the corporation's baseline borrowing requirements. As FinDev Canada is still in a growth phase, we are requesting the ability to have an additional contingency amount approved to support this growth. The Corporation is requesting a contingency limit of US \$100 million (CAD \$136 million) for both 2023 and 2024.

EDC Treasury will leverage its expertise to undertake all borrowing, investing, hedging and foreign exchange activities on behalf of FinDev Canada. The Corporation may look to revisit this arrangement at a later date should an opportunity arise to engage in these activities on their own as determined by the growth in the organization.

As at October 31, 2022 the balance of the loan payable to EDC was \$250 million. The balance is expected to increase to \$343 million at the end of the year, which is within the currently approved limit of the borrowing facility. All loans outstanding were made on commercial terms including a market interest rate.

### RIGHT OF USE ASSETS

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#### UPCOMING AND FUTURE LEASES

We currently have no leases starting in the coming year that require Ministerial approval nor are we contemplating signing any leases that will require approval.

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## Appendix 6: Compliance With Legislative and Policy Requirements

FinDev Canada is subject to a diverse range of legislation, regulations, international agreements and treaties, Government policies, directives, and compliance with industry standards across multiple jurisdictions. Our suite of policies addresses the legislative and policy requirements relevant to our operations in order to protect the company, our employees, and the Government from potential exposure to legal, reputational and financial consequences.

To manage the risk of non-compliance with our obligations and policies, FinDev Canada aligns its practices with those of EDC, whenever relevant to our mandate and operating environment. This is the case for directives that are issued to EDC under Section 89 of the *Financial Administration Act* (FAA). Furthermore, EDC monitors new bills tabled in Parliament, to ensure that EDC and FinDev Canada are in compliance with new federal requirements.



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## Appendix 7: Government Priorities and Direction

### TRANSPARENCY AND OPEN GOVERNMENT

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FinDev Canada is committed to trust and accountability, including accurate and timely disclosure of information. As such, we continue to evolve our Transparency & Disclosure Policy<sup>22</sup> approved by the Board of Directors in 2017, in response to an evolving operating environment.

FinDev Canada's provides access to information while maintaining the commercial confidentiality of our customers. The Policy, which governs how we publicly release information on transactions, places FinDev Canada in a leading position, with pre-signing disclosure of transactions we consider entering into.

FinDev Canada also reports on our aggregate activities, including development impact performance, and information on all transactions entered into. FinDev Canada also makes the following information publicly available on our website:

- ➔ Travel and Hospitality expenses;
- ➔ Annual Reports on the Administration of the *Access to Information Act*;
- ➔ Information about EDC's function, programs, activities and information holdings (Info Source); and,
- ➔ Any disclosure reports of wrongdoing under the *Public Servants Disclosure Protection Act*.

FinDev Canada engages with stakeholders and civil society through consultations and by participating in events to discuss issues of mutual concern and solicits feedback on our own practices. FinDev Canada will continue these efforts over the planning period.

### GENDER-BASED ANALYSIS PLUS

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Gender equality is an important part of FinDev Canada's priorities. This applies to our activities as a DFI and to our own corporate practices. We strive to lead by example in our management practices regarding gender equality, to create a culture of equal opportunity and advancement.

### DIVERSITY AND EMPLOYMENT EQUITY

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Diversity and inclusion are core aspects of FinDev Canada's practices in support of businesses in developing countries. In collaboration with industry partners, we work with our clients to develop customized action plans that address inequality gaps in their operations.

FinDev Canada recognizes the importance of an inclusive workplace environment where everyone can feel safe and be their best self (see section 3.4 - Diversity and Inclusion). We rely on the support of EDC Human Resources management and benefits from their experience. FinDev Canada's Gender Lead sits on the EDC Diversity and Inclusion Committee, a platform for raising awareness of issues and employee concerns and developing inclusive solutions.

### INDIGENOUS ISSUES

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FinDev Canada operates primarily outside of Canada. Through our Environmental and Social due diligence process, we continue to monitor the impact of our clients' activities on local communities in the markets where we operate, including indigenous communities. Through our support to local businesses, we also seek to maximize benefits to the poorest communities, including indigenous ones.

# Endnotes

- 1 As at August 31, 2022  
In this document, \$ refers to Canadian dollars and U.S. \$ to United States dollars
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- 12 The World Bank. "The World Bank in Latin America and the Caribbean". The World Bank, 2022. [Latin America and Caribbean Overview: Development news, research, data | World Bank](#)
- 13 United Nations. "UN Analysis Shows Link Between Lack of Vaccine Equity and Widening Poverty Gap". 2022. <https://news.un.org/en/story/2022/03/1114762>.
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- 15 UN Environment Program (UNEP). "World Set to Miss Environment-Related Sustainable Development Goals". UNEP, 2021. [World set to miss environment-related Sustainable Development Goals – UN report \(unep.org\)](#)
- 16 United Nations. "Addis Ababa Action Agenda of the Third International Conference on Financing for Development". United Nations, 2015. [https://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA\\_Outcome.pdf](https://www.un.org/esa/ffd/wp-content/uploads/2015/08/AAAA_Outcome.pdf)
- 17 Global Investors for Sustainable Development (GISD Alliance). "Increasing Private Finance Mobilization: Recommendations for Development Banks and the Global Development Community". GISD Alliance, 2021) [Dokument0.pdf \(gisdalliance.org\)](#)
- 18 Government of Canada. "Building back: A fairer, cleaner, and more prosperous future for all". Government of Canada, 2021. [Building back: A fairer, cleaner, and more prosperous future for all | Prime Minister of Canada \(pm.gc.ca\)](#)
- 19 Lemma, Alberto et al. The Catalytic Effects of DFI investment – Gender Equality, Climate Action and the Harmonisation of Impact Standards. London: ODI and EDFI, 2021. [https://cdn.odi.org/media/documents/ODI\\_EDFI\\_essay\\_series\\_final.pdf](https://cdn.odi.org/media/documents/ODI_EDFI_essay_series_final.pdf)
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