

Environmental and Social Risk Policy

CONTROL SHEET

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1. Purpose

FinDev Canada is Canada's bilateral development finance institution (DFI) established in 2018 to support development through the private sector in emerging markets and developing economies (EMDEs). FinDev Canada provides financing, investment, blended finance solutions, technical assistance, and knowledge to support private enterprise and mobilize private capital, both domestic and international, in and into Sub-Saharan Africa, Latin America & the Caribbean, and the Indo-Pacific. FinDev Canada promotes sustainable and inclusive growth in alignment with the United Nations Sustainable Development Goals (SDG) and Paris Agreement commitments, in a manner consistent with Canada's international development priorities.

Institutional framework. This Environmental & Social (E&S) Risk Policy (the "E&S Risk Policy" or "this Policy") sets out FinDev Canada's commitment to identify, assess, mitigate, monitor and manage the potential negative environmental or social impacts across FinDev Canada's financing and investment activities. As part of this commitment, FinDev Canada requires its clients to have appropriate management systems in place to address potential adverse environmental and social, including Human Rights, impacts. This E&S Risk Policy is an integral part of the overarching policy framework at FinDev Canada and is complemented by the Development Impact Policy, the Gender Equality Policy, and the Climate Change Policy.

Having a dual mandate to achieve both development impact and financial sustainability, FinDev Canada is guided by its three impact goals of climate and nature action, gender equality, and market development. In addition to assessing the positive development impact of all transactions, FinDev Canada will conduct an E&S Risk review of each transaction to assess, mitigate, monitor and manage potential adverse environmental impacts and social impacts. FinDev Canada's oversight of E&S Risk and impacts continues throughout the investment lifecycle, as outlined in Annex I. Other credit and non-credit risks, including governance risks related to financial crimes, sanctions, corporate governance, and business ethics are assessed and managed in accordance with FinDev Canada's Enterprise Risk Management Framework and are outside the scope of the E&S Risk Policy.

E&S Performance Benchmarks. Successful financing and investment outcomes depend on FinDev Canada clients attaining a level of environmental and social risk management performance that, at a minimum, mitigates and manages against the adverse environmental impacts and social impacts of their operations. Performance expectations for clients are collectively termed the "E&S Performance Benchmarks" and are described in more detail in Section 3.3. FinDev Canada's expectation is that clients have sufficient E&S governance practices in place to demonstrate compliance with the E&S Performance Benchmarks agreed for the transaction. Compliance timelines are detailed in Section 2.4.

Financing and investment risk and potential adverse impacts. To fulfil its development mandate, FinDev Canada is committed to advancing development impact through the private sector in markets and sectors that may come with differing degrees of inherent E&S Risk. Rather than seek to eliminate every identified E&S Risk, at the outset, the purpose of this policy is to set the framework, which is expected to enable our clients to recognize, evaluate and, where required, identify opportunities for enhanced approaches to manage the identified E&S Risks. This can include the implementation of a time-bound action plan agreed with the client to minimize and manage potential adverse impacts or identification of opportunities for FinDev Canada to use Leverage. Annex I provides further detail.

2. Scope and Application

Financing and investment activities. This Policy applies to E&S Risks related to FinDev Canada's financing and investment activities¹. FinDev Canada's financial products, include (i) Debt – which can range from short-term unsecured lending to 20+ year project finance structures as well as a variety of quasi-equity (mezzanine capital, subordinated loans, convertible loans) instruments;; (ii) Equity – which can range from direct equity investments in companies to indirect equity exposure through the use of private equity funds; and (iii) Guarantees – credit enhancements mechanisms or risk-sharing guarantees tailored to meet the specific needs of the borrower and targeted creditors. FinDev Canada also deploys concessional capital with differentiated risk, return and impact propositions.

Harmonized Requirements. For transactions involving multiple lenders and/or investors, FinDev Canada may choose to leverage reliance models or to apply standards to the transaction other than those identified in the E&S Performance Benchmarks (Section 3.3) to harmonize requirements with other lenders and investors and streamline compliance requirements for clients. In such cases, FinDev Canada must confirm, in its opinion, that such standards are: (i) suitable for the transaction, (ii) at least equivalent to the E&S Performance Benchmarks, and (iii) that gender, climate and other material E&S matters, including Human Rights, are given appropriate consideration.

¹E&S risks in other areas of FinDev Canada's business, including those related to its workers, procurement activities and offices are addressed in relevant human resources, procurement, and facilities policies.

3. Principles

3.1. Overarching Principles

This policy elaborates and puts into practice FinDev Canada's E&S commitments. It is informed by good international practice, recognizes the importance of environmental and social considerations across the investment cycle and that E&S requirements must be proportionate to the inherent risks and potential adverse impacts associated with a transaction.

In implementing this policy and commensurate to their business operations, FinDev Canada expects its clients to align with good international practice, including meeting their responsibility to respect internationally recognized Human Rights standards². FinDev Canada acknowledges that clients in its countries of financing and investment may face different E&S challenges and capacity constraints, and that a reasonable timeframe for compliance might be required. This recognition does not, however, change the applicable E&S Performance Benchmarks, nor the respective responsibilities of FinDev Canada and its clients. Overall, an open and collaborative approach to assessment and management of E&S performance is necessary to in turn support positive development impact and outcomes. FinDev Canada recognizes that its clients' risk management systems will vary in complexity; be informed by their size; context of their operations; scale of risk and adverse impacts; be ongoing; and adaptive.

FinDev Canada acknowledges that there may be linkages between Human Rights, nature and climate related risks and impacts. For example, the loss of nature and physical risks caused by climate change may impede the realization of a community's right to life, health, water, and housing. FinDev Canada's comprehensive environmental and social due diligence approach is adaptive and strives to identify and manage these interlinkages.

FinDev Canada is committed to tracking, continually learning from and contributing to the development of good international practice and international standards by collaborating with other development finance institutions (DFIs), multilateral development banks (MDBs) and other financial institutions, including co-lenders and co-investors, to build and share knowledge.

3.2. International Frameworks and Standards

FinDev Canada uses the International Finance Corporation (IFC) Performance Standards³ on environmental and Social Sustainability (IFC PSs) as a key benchmark which is applied to clients to support the implementation of this Policy (see 'E&S Performance Benchmarks' in section 3.3 below).

FinDev Canada also acknowledges that it has a responsibility to respect internationally recognized Human Rights and that the United Nations Guiding Principles on Business and Human Rights (UNGPs) are the leading internationally recognized framework for businesses to meet their responsibilities.

FinDev Canada's overall approach to this Policy is further guided by the following:

- International Bill of Human Rights
- International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work
- Organisation for Economic Co-operation and Development (OECD) Guidelines on Multinational Enterprises

Guidance for the application of this Policy may also be derived from the UN Declaration on the Rights of Indigenous Peoples, the UN Convention on the Elimination of All Forms of Discrimination Against Women and the ILO Convention on Violence and Harassment.

² For purposes of this policy, FinDev Canada will be guided by the International Bill of Human Rights and the eight core conventions of the International Labour Organization.

³ 2012 Performance Standards.

3.3. Environmental & Social Risk Assessment in the Investment Cycle

This policy applies to all financing and investment activities and applies throughout the entire investment cycle. FinDev Canada is committed to applying rigorous E&S risk assessment and monitoring approaches throughout the lifecycle of its engagement with clients, from screening, due diligence, monitoring, and exit. During screening, an initial E&S risk assessment is conducted to determine the initial E&S Risk Category and which E&S Performance Benchmarks are likely to be applicable to the transaction. At due diligence, the E&S Risk Category is confirmed, and a review of clients' E&S risk management performance is conducted to identify potential risks and/or areas for improvement, including risks related to Human Rights and gender. For transactions in portfolio, E&S Risks and clients' performance are monitored on an annual basis (or more frequently, if required). Annex I provides further information on E&S risk management in the investment cycle.

E&S Performance Benchmarks. The E&S requirements that are applied to clients are collectively referred to as E&S Performance Benchmarks throughout this Policy. The IFC PSs are the principal benchmarks adopted by FinDev Canada, but clients may be subject to additional benchmarks beyond these, depending on their specific risk profile or operating context. Other benchmarks may also be required in response to emerging risks as well as new financing and investment contexts. As outlined in section 3, FinDev Canada may choose to harmonize requirements with other lenders and investors and streamline compliance requirements for clients.

FinDev Canada's expectation is that clients commit resources and develop capacity to demonstrate compliance to their applicable E&S Performance Benchmarks. Without limiting the client's commitment, FinDev Canada may provide implementation guidance and may consider other support, including through technical assistance.

3.4. Alignment

FinDev Canada works with clients around the globe, recognizing that each of them faces different environmental and social challenges with varying levels of capacity to manage those challenges. As a result, alignment with applicable E&S Performance Benchmarks will often need to be progressive and based on defined and measurable steps over a timebound period. This recognizes that a reasonable timeframe for alignment is needed but does not change the applicable E&S Performance Benchmarks nor the respective responsibilities of FinDev Canada or the client. FinDev Canada may collaborate with the client in setting this timeframe, which will take into account governance structures already in place, the significance of identified risks and potential adverse impacts as well as the country context. FinDev Canada will include in financing and investment documentation the nature of this process and the timeframe over which implementation will be expected.

Where alignment may not be obtainable, FinDev Canada will consider the significance of the E&S Risks and potential adverse impacts that may result from the lack of alignment, the operating context of its clients, and their actions to remedy any potential or known harms resulting from the lack of alignment.

3.5. Positive Impact

In line with its Development Impact Policy, FinDev Canada advances development impact through the private sector by supporting clients that have the potential for positive and measurable impacts at the point of investment and enabling them to realise this potential for positive impacts during the investment period. FinDev Canada is guided by its three impact goals of climate and nature action, gender equality and market development. In every transaction, we aim to achieve positive impact in at least one, and wherever possible in more than one of these goals, recognising that the goals are interconnected and synergistic.

It is recognised that promotion of positive development impacts does not serve to offset E&S Risks and adverse impacts, and that offsetting is not an appropriate remedy for adverse Human Rights impacts. FinDev Canada also considers E&S risk factors that could disrupt or undermine potential development impact through its E&S review process.

4. Implementation

Integration of E&S considerations. E&S Risks and potential adverse impacts are not considered in isolation: they are integrated into FinDev Canada's overall investment process and portfolio management framework. E&S aspects are included alongside reviews of financial, climate and business integrity risks as well as positive development impact opportunities to support FinDev Canada's financing decisions.

Gender. FinDev Canada's commitment to Gender Equality is detailed in its Gender Equality Policy and Gender Equality Strategy. As a gender lens investor, FinDev Canada seeks to support clients to identify and mitigate adverse or disproportionate gender differentiated impacts which may result from the client's business operations. This will include support to clients to identify, at a minimum, elements of the host country, environment, sector, and company-specific context which may carry additional or differentiated risks for women potentially affected by the financing, as well as support for developing and implementing appropriate mitigation measures. Particular attention will be paid to identifying and addressing gender-based violence and harassment risks, as well as to encouraging women's equal voice and participation in stakeholder engagement and other consultative processes and supporting gender-inclusive governance structures which may be well equipped to efficiently identify and address risks that particularly or disproportionately affect women and girls.

Human rights⁴. FinDev Canada may be connected to Human Rights risks and adverse impacts through its financing and investment activities. FinDev Canada embeds Human Rights risk assessment and due diligence in its existing E&S risk review process via the application of the principal E&S Performance Benchmark. The process is also informed by the UNGPs. Where actual or potential severe Human Rights risks and adverse impacts are identified, FinDev Canada will assess the need for clients to have appropriate processes in place, including requirements for clients to carry out additional impact assessments aimed at better understanding the risks and potential adverse impacts of their business activities. FinDev Canada will also assess the need to apply appropriate E&S benchmarks which address relevant Human Rights issues and encourage clients to implement specific responses to these risks to identify, avoid, minimize, reduce, and mitigate risks and adverse impacts, and where significant residual impacts remain, to remediate those identified impacts. Additional due diligence requirements will reflect the severity of the potential adverse Human Rights impacts, and may include the commissioning of studies, impact assessments, and enhanced forms of stakeholder engagement.

Other FinDev Canada policy instruments support the organization's Human Rights commitments, including:

- I. List of Excluded Activities
- II. Gender Equality Policy
- III. Transparency and Disclosure Policy
- IV. Independent Accountability Mechanism

Climate change, nature, and biodiversity. FinDev Canada's commitment to climate action is detailed in its Climate Change Policy and Climate Change Strategy. In addition, FinDev Canada has developed a climate-related risk assessment approach, which is complementary to the E&S Performance Benchmarks governed by this E&S Risk Policy. Reporting on the alignment of FinDev Canada's own institutional, governance and risk management practices with international best practices on climate action is part of FinDev Canada's annual climate-related disclosure. As international good practice and standards regarding nature and biodiversity related risks and opportunities in the financial sector continue to evolve, FinDev Canada will review opportunities to further align and consider the inclusion of specific references in future iterations of this Policy.

Stakeholder engagement and Vulnerable Peoples or Groups. FinDev Canada will use its influence with its clients to encourage them to engage with any affected stakeholders, including Human Rights and nature defenders, in a structured and culturally appropriate manner and in accordance with the applicable E&S Performance Benchmarks.

FinDev Canada expects clients to identify Vulnerable Peoples or Groups (see definition in Section 8) who may be disproportionately impacted by the client's activities. FinDev Canada's intention is to encourage the identification and implementation of appropriate mitigation measures so that Vulnerable Peoples or Groups do not face disproportionate adverse impacts. FinDev Canada seeks to promote practices address and incorporate the needs and concerns of women and girls throughout the engagement process and risk mitigation measures. FinDev Canada expects clients to ensure stakeholder engagement is free from any interference, manipulation, intimidation, coercion, discrimination, or retaliation in relation to the participation of affected stakeholders.

⁴ FinDev Canada's approach to Human Rights is defined in this section and is recognized by Export Development Canada (EDC), its parent company, as FinDev Canada's own Human Rights Policy.

General Corporate Purpose facilities. FinDev Canada may use financing structures - such as corporate finance or an equity position - where the defined use of its funding is not known at the time of the financing or investment decision. In such circumstances, the approach to due diligence will be to assess: the client's E&S management of its existing business activities; the quality of its E&S governance structures and management systems; and the extent of management commitment and technical capacity to implement applicable E&S Performance Benchmarks (once these have been determined) as described in more detail in Annex I.

Financial Intermediaries. FinDev Canada leverages E&S Performance Benchmarks such as the IFC Guidance Note on Financial Intermediaries to guide the identification, mitigation, management and monitoring of E&S Risks and potential adverse impacts for transactions involving financial institutions, funds, and other specialized institutions such as leasing companies, insurance providers and microfinance institutions. This includes a review of the potential E&S Risks and impacts associated with the financial intermediaries' lending or investment portfolio and categorization of such risks based on their anticipated significance. FinDev Canada requires financial intermediaries to develop and operate Environmental and Social Management Systems which are proportional to identified risks of their portfolios and which align with applicable E&S Performance Benchmarks. Frameworks to identify, manage and mitigate risks related to labour and working conditions are also assessed for all potential clients, including financial intermediaries, against applicable E&S Performance Benchmarks.

Management of change. FinDev Canada recognizes that E&S Risks and their mitigation are subject to change over the life of a transaction. FinDev Canada manages its financing and investment operations accordingly and determines if any modification is required to address such change. Management of change includes collaboration with clients to take appropriate steps to address new or previously unidentified impacts. Management of change protocols are included in financing and investment documentation. Annual monitoring of investments supports the implementation of management of change protocols.

Enhanced client and sector support. FinDev Canada will make an effort to support its clients in developing their governance and management systems to deliver against the applicable E&S Performance Benchmarks to manage the E&S Risks and adverse impacts that they may be connected to through their business operations. Based on available resources, this is done through appropriately targeted interventions including technical assistance, guidance, and collaboration with third parties, etc. Where FinDev Canada may ask clients to adopt E&S Performance Benchmarks beyond those that are normally adopted in the host country market or business sector, it will assess the need to provide appropriate support to stimulate broader adoption of those standards.

Proportionality and flexibility. Given the variety of sectors, geographic regions, and E&S Risk contexts applicable to FinDev Canada's clients, requirements are determined by FinDev Canada commensurate with transaction risk, scale, and complexity, with allowances for flexibility and judgment. The principle of proportionality means that in higher risk circumstances, E&S Risk identification and management requirements are likely more substantial than in lower risk transactions. The financial and human resources, as well as the time required, for these activities may also be higher, commensurate to the technical competency and effort required to complete them. For financing and investment activities with minimal or no environmental or social risks and/or adverse impacts, E&S requirements may be minimal.

5. Accountability

Transparency. FinDev Canada believes that appropriate disclosure of information can contribute to improved E&S performance, accountability, and development outcomes. In providing disclosure of E&S information, adequate consideration will be given to the need to balance public accountability, client confidentiality, and the ability of FinDev Canada to execute its mandate. Disclosures will be made via the FinDev Canada website and according to its policies. FinDev Canada's full disclosure commitments can be found in its Transparency and Disclosure Policy.

Reporting requirements. To understand the way in which this policy impacts E&S outcomes, FinDev Canada will report publicly on its website, as well as to the Board of Directors, on a regular basis on its implementation. Other internal reports and notices will be provided to relevant audiences as summarized in the table below.

Report Type	Description	Distribution	Frequency
Annual E&S Policy Implementation Report	Information to be reported will include the number of transactions reviewed, common risks identified, aggregated E&S performance of the portfolio, and number of complaints received via FinDev Canada's Independent Accountability Mechanism (IAM).	Distributed by: Policy Owner or Policy Monitor Distributed to: Board of Directors Published on FinDev Canada website	Annually
Management Reporting	Management reporting consists of information on the implementation of the E&S Risk Policy, changes in FinDev Canada's exposure to E&S Risk, and changes to the enabling environment for senior management.	Distributed by: Policy Owner or Policy Monitor Distributed to: Relevant Senior Management-level Committee(s)	As necessary
Integrated Risk Reporting	Information to be reported includes KPIs to track compliance with E&S Risk Policy commitments related to financing and investment activities.	Distributed by: Risk Management Team Distributed to: Risk Management Committee and Board of Directors	Quarterly

Grievance and Remedy. FinDev Canada acknowledges that persons or entities may have concerns or complaints about its financing and investment activities. As part of its application of the E&S Performance Benchmarks, FinDev Canada uses its available Leverage to encourage clients to implement effective grievance mechanisms accessible to workers and the wider community as a means of achieving remedy. Additionally, FinDev Canada's Independent Accountability Mechanism (IAM) is in place to address the concerns of individuals or communities who believe actual or potential harm has arisen or may arise from a failure by FinDev Canada to follow its own policies relating to a transaction. The process for submitting complaints and seeking remedy is elaborated in the IAM's Policy and Procedures.

6. Roles and Responsibilities

Board of Directors. FinDev Canada's Board of Directors has oversight and accountability for approving this Policy and monitoring the effective management of E&S Risk on an on-going basis.

Senior Management. Senior Management is accountable for the execution and effectiveness of this Environmental and Social Risk Policy, including ensuring that there are adequate resources in terms of people, data management system and budget to manage E&S Risks related to financing and investment activities.

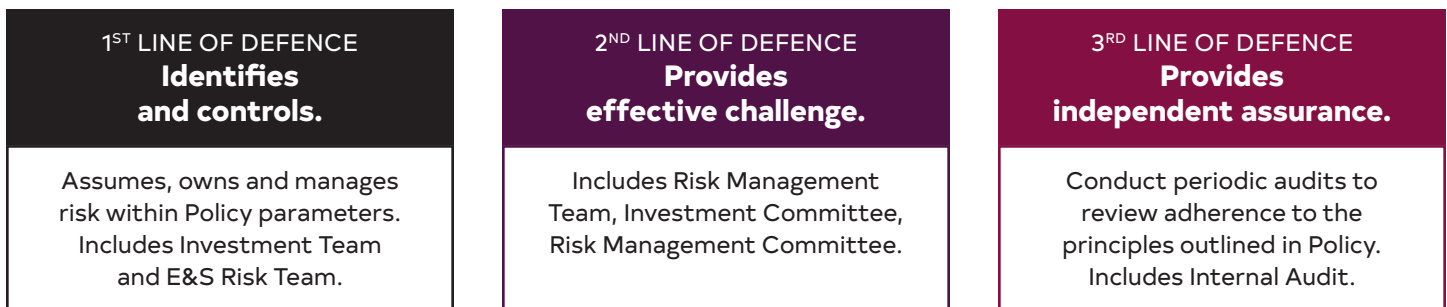
Policy Owner. The VP and Chief Impact Officer is the Policy Owner and plays the role of reporting to FinDev Canada's Board of Directors.

Policy Monitor. The Director, Environmental, Climate and Social Risk as the Policy Monitor is responsible for general operations and maintains oversight of this policy's development, implementation, and maintenance.

Enterprise Risk Management Framework. FinDev Canada has embedded risk management best practice across the Corporation, leveraging its Enterprise Risk Management Framework, and its internal Risk Management Team. The E&S Risks related to financing and investment activities and addressed by this Policy are captured as part of the Operational Risk Management Framework which sets out the governance and oversight of these risks as well as the processes to manage them in a manner aligned with the organization's Risk Appetite Framework. Risk measures reflective of E&S have been developed and are included in the Integrated Risk Report, shared on a regular basis with the Board of Directors.

FinDev Canada follows a three lines of defence model for its Enterprise Risk Management Framework. Figure 1 outlines the roles involved in E&S Risk management.

FIGURE 1: E&S RISK MANAGEMENT – THREE LINES OF DEFENCE MODEL



7. Review and Revisions

This Policy will be reviewed regularly – at least every three (3) years – to determine if changes or revisions are required. Where appropriate, this review will be accompanied by an engagement with relevant stakeholders.

Document	Review & Recommend for Approval, Revision (or Rescinding)	Approval	Approval Cycle
E&S Risk Policy	VP and Chief Impact Officer, Director, Environmental, Climate and Social Risk	Board of Directors (endorsed by Senior Management-level committee)	Every three (3) years, unless deemed otherwise by the Board of Directors

8. Escalation and Exceptions

All exceptions or instances of non-compliance with this Policy are assessed by the Policy Monitor and escalated to the Policy Owner for resolution or approval. Requests for Policy exceptions or instances of non-compliance must: (a) Identify the applicable section(s) of the Policy to which the exception applies; (b) Assess the risk(s) that arises from the proposed exception(s); (c) If applicable, outline the appropriate controls to mitigate these risks; and (d) Specify the review or effective period of the Policy exception. Exceptions to this Policy will be disclosed to the Board of Directors where relevant, as part of the transactional approval process. The potential risks arising from the exception(s) and, if applicable, the appropriate controls to mitigate these risks, will be documented and included in the disclosure of information related to the transaction that is published on FinDev Canada's website in accordance with the requirements of the Transparency and Disclosure Policy.

9. Definitions

Capitalized terms are defined terms, as set out below.

Terminology	Definition
Board of Directors	FinDev Canada's Board of Directors is a recognized group of people who jointly oversee the activities of FinDev Canada.
Climate Change Policy	This policy sets out FinDev Canada's goals to promote climate mitigation and adaptation through FinDev Canada's financing and investment activities, as amended from time to time and available on FinDev Canada's website.
Development Impact Policy	This Policy sets out FinDev Canada's strategic impact objectives and intent to advance development impact across FinDev Canada's financing and investment activities.
E&S Performance Benchmarks	Set of requirements that are selectively applied to clients, depending on the E&S risks identified, as defined in Section 3.3.
E&S Risk Category	Categorization provided as part of the review of environmental and social risks and potential adverse impacts of a proposed transaction, to reflect the magnitude of risks and impacts.
E&S Risk Classification	A dynamic risk rating assigned at the end of due diligence that can change over time based on factors like the transaction characteristics, client management capacity or unanticipated risks that appear after an investment has been made.
E&S Risks	Environmental and social aspects of the overall risk assessment of a transaction, which, at a minimum, include risks related to Gender Equality, Human Rights, climate change, pollution prevention, resource use efficiency, labour and working conditions (including occupational safety and health), community health, safety, and security, land acquisition and involuntary resettlement, biodiversity conservation, nature, and sustainable management of living natural resources, indigenous peoples, and cultural heritage.
Environmental impacts	Impacts which may affect climate, and nature, and impacts to living nature and elements related to living nature such as biological diversity, natural resources, air, soil, water, ecosystem services and communities' relationship with them.
Environmental and Social Action Plan	A time-bound action plan that describes the environmental and social mitigation and monitoring actions, the criteria for their successful implementation and organisational measures to be implemented.
Environmental and Social Management System	The set of policies, procedures, tools and internal capacity to identify and manage exposure to the environmental and social risks of business activities.
Gender Based Violence and Harassment	Violence and harassment directed at persons because of their sex or gender or affecting persons of a particular sex or gender disproportionately and includes sexual harassment.
Gender Equality	the equal rights, responsibilities and opportunities of women and men and girls and boys. FinDev Canada recognizes that women do not form a homogenous group, and that the inequalities they face may differ or be compounded by factors such as ethnicity, poverty, disability, age, religion, sexual orientation, or gender identity.

Terminology	Definition
Gender Equality Policy	Policy which sets FinDev Canada's goals to promote Gender Equality and women's economic empowerment through FinDev Canada's investments and operations, as amended from time to time and available on FinDev Canada's website.
Human Rights	The basic rights and freedoms that belong to every human in the world regardless of race, sex, nationality, ethnicity, location, language, religion, ethnic origin, or any other status, which are described in the International Bill of Human Rights.
Independent Accountability Mechanism (IAM)	The policy and procedures of FinDev Canada in place to address the concerns of individuals or communities who believe actual or potential harm has arisen or may arise from a failure by FinDev Canada to follow its own policies relating to a transaction.
IFC Performance Standards (IFC PS)	The International Finance Corporation (IFC) is the private sector lending arm of the World Bank Group. IFC has established the Performance Standards on Environmental and Social Sustainability (referred to as the Performance Standards) to provide guidance to companies on how to identify risks and impacts, and are designed to help avoid, mitigate, and manage risks and impacts as a way of doing business in a sustainable way, including stakeholder engagement and disclosure obligations of the client in relation to project-level activities. Initially launched in 2006, the IFC Performance Standards were revised in January 2012. FinDev Canada uses the January 2012 version as its principal benchmark
Leverage	The ability of an organization to effect changes in or influence the practices of its clients, whose practices are causing or contributing to an adverse Human Rights impact. This might include financial leverage, legal leverage, capacity building, or leverage exercised in coordination with other institutions.
Social impacts	Social impacts may affect people, communities and/or workers and may include issues related to local populations, the economic environment, natural resource management and land use, social services, vulnerable groups, cultural property, and labour.
Transparency and Disclosure Policy	Policy which sets out FinDev Canada's commitment to a regime of transparency and establishes the framework for the routine, proactive disclosure of information of FinDev Canada's business activities, as amended from time to time and available on FinDev Canada's website.
Vulnerable Peoples or Groups:	people or groups who may be particularly or disproportionately affected by financing and investment impacts because of characteristics such as their gender, gender identity, sexual orientation, religion, race, ethnicity, national origin, indigenous identity, community dependency on natural resources, age, physical or mental disability, political opinion, socio-economic status, and/or migrant, refugee, or internally displaced status.

10. Annex I: E&S risk in the investment cycle

Financing and investment risk is dynamic – influenced by a mix of operational, economic, political, environmental, human, and contextual factors. As a sub-set of financing and investment risk, environmental and social risks are influenced in the same way. FinDev Canada recognizes that if E&S risks are dynamic, their management must be likewise. This annex outlines how E&S risk assessment and monitoring is integrated in FinDev Canada's financing and investment decision making process and in portfolio management. Wherever possible, opportunities will be identified for collaboration and coordination with other due diligence and monitoring activities, including in relation to business integrity and development impact assessments.

Screening. FinDev Canada will assign an initial E&S Risk Category at the transaction screening stage, based on the known risk factors at that time. Both direct and financial intermediary investments will be assigned a risk category according to the likelihood of the risk occurring, the nature of the adverse impact and the likely effectiveness of mitigation measures.

During screening, FinDev Canada will take into account relevant contextual risks, such as the type, location, sensitivity and scale of the project, business or investment portfolio; the nature and magnitude of the potential environmental and social risks and impacts; stability, conflict or security aspects of the host country; Human Rights situation; strength of E&S governance in the host country and at this early stage, what is known about client commitment and capacity. The initial E&S Risk Category and the risk factors identified during screening will signal the extent and complexity of E&S due diligence that will likely be required.

Due Diligence. At the due diligence stage, in addition to investigating and verifying the risks identified at screening stage, FinDev Canada will assess the extent to which the client has the E&S governance framework, management commitment, and systems capacity to deliver against the applicable E&S Performance Benchmarks, commensurate to the risks and impacts identified during screening and verified during due diligence. Deficiencies will be captured in an Environmental and Social Action Plan (ESAP) that will be integrated into the financing and investment documentation, in order to improve the risk management capacity of a client. At this stage, an E&S risk classification is assigned based on the identified risk factors and the client's commitment and capacity. The due diligence E&S risk assessment is integrated in an investment recommendation memorandum for internal committee review and consideration.

Monitoring. As part of portfolio management for signed transactions, FinDev Canada will review client performance against the applicable E&S Performance Benchmarks, the ESAP and the risks underpinning the E&S Risk Classification. Changes to those risks – or the identification of new risks or adverse impacts – as well as changes to the clients' management capacity will prompt a review of the E&S Risk Classification. If the E&S Risk Classification is changed, supervision strategies may be adjusted accordingly. Where actual or potential adverse impacts are identified, FinDev Canada will assess its clients' management actions, including through their alignment with applicable E&S Performance Benchmarks and where reasonable and applicable, work with them to identify corrective actions.

Responsible Exit. In cases of chronic client underperformance in any or all aspects of the finance agreement, with poor prospect of deficiencies being remedied in a satisfactory manner, FinDev Canada may withdraw its financing or investment support, in a manner consistent with good international practice, and subject to the requirements of law and contractual undertakings.