



FinDev Canada's 2024 Climate-related Disclosure

Climate and nature action is one of FinDev Canada's three development impact goals and is central to our dual mandate: delivering meaningful development outcomes while ensuring financial sustainability. We recognize climate change as a global systemic challenge that disproportionately affects developing countries, especially women and other vulnerable populations. To meet the urgency of the climate crisis and advance the goals of the Paris Agreement, climate and nature action must be scaled.

FinDev Canada's [Climate Change Strategy](#) outlines how our [Climate Change Policy](#) is implemented across our investment activities, operations and partnerships. It guides our efforts to integrate climate considerations into decision-making and to support climate-resilient, low-carbon development.

The Task Force on Climate-related Finance Disclosures (TCFD), established by the Financial Stability Board of the G20, provides a globally recognized framework to help the financial community identify, assess and disclose material climate-related risks and opportunities¹. Since 2021, FinDev Canada has been committed to progressively implement the recommendations of the TCFD and report on progress.

This 2024 report marks our fourth consecutive climate-related disclosure. It reflects our ongoing commitment to transparency, continuous improvement, and the integration of climate and nature considerations into our strategy, governance, risk management and performance metrics. Through this disclosure, we aim to provide stakeholders with clear information on how climate change is shaping our work – and how we are responding.

Governance

Disclose the organization's governance around climate-related risks and opportunities.

FinDev Canada is a subsidiary of Export Development Canada (EDC), established under the Canadian Business Corporations Act (CBCA). We are governed by an independent Board of Directors appointed by EDC's Board of Directors. The Chair of FinDev Canada's Board is EDC's President and CEO, and the Board includes both EDC Board member and independent members with expertise and experience relevant to our business and target markets.

Climate and nature action is one of FinDev Canada's three strategic development impact goals and is central to our dual mandate: achieving meaningful development outcomes while ensuring financial sustainability. Our [Development Impact Policy](#) sets the overarching framework for how we pursue impact across all financing and investment activities. It guides our strategic objectives and informs the design and implementation of both our Climate Change Policy and Climate Change Strategy.

Since our inception in 2018, FinDev Canada's investment strategy has intentionally focused on sectors that support a climate-resilient and low-carbon economy, including renewable energy, sustainable agriculture, and forestry. In 2021, we adopted our first Climate Change Policy to promote climate mitigation and adaptation through our investments and operations. This was followed by our inaugural Climate Change Strategy, which outlines our operational priorities and areas of focus for climate action. The Policy is approved by the Board of Directors, while the Strategy is approved and implemented by FinDev Canada's Management.

The Board receives quarterly updates via FinDev Canada's portfolio and pipeline reports, which include climate-related metrics such as climate finance volumes and progress against climate finance targets.

The assessment of climate-related opportunities is fully integrated into FinDev Canada's financing and investment decision making process. An analysis of current and potential positive contribution to climate mitigation and adaptation is performed for every new financing and investment opportunity, and on an annual basis for all assets in the portfolio. FinDev Canada also assesses climate physical and transition risk for every new transaction at pre-screening and due diligence.

Climate-related risks and opportunities at the transaction level are assessed by the Climate Risk team and Development Impact team, respectively, overseen by the Chief Impact Officer (CIO), and are documented in the investment submissions to the investment committee (IC), which includes representation from FinDev Canada's CEO and executive team, and, where appropriate, to the Board of Directors.

To reinforce the alignment between climate goals and organizational performance, FinDev Canada's performance-based compensation program includes climate finance targets. These targets are approved by the Board of Directors and audited by EDC's internal audit function.

¹Published in 2017, the TCFD recommendations have become the global reference for climate-related financial disclosures. As of October 2023, the TCFD has fulfilled its remit and disbanded, and the IFRS Foundation has taken over the monitoring of the progress of companies' climate-related disclosures.

Strategy

Disclose, where material, the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.

Given our geographical and sectoral focus, FinDev Canada has a higher exposure to climate change physical risks than to transition risks. Our target geographies — the Indo Pacific, Latin America & the Caribbean, and Sub-Saharan Africa — are particularly vulnerable to climate hazards and often have limited adaptive capacity. At the same time, our investment strategy prioritizes low-carbon sectors with relatively lower exposure to transition risks. Many of these sectors, such as renewable energy and other sustainable infrastructure, and climate-smart agriculture and forestry, are well positioned to benefit from the transition to a low-carbon economy.

With an investment horizon of 1–25 years, FinDev Canada recognizes that climate-related physical risks may materialize across short (< 5 years), medium (5–15 years) and long term (> 15 years) timeframes. Some of our clients – especially in agriculture – are already experiencing climate-related disruptions, underscoring the urgency of building resilience.

To operationalize our Climate Change Strategy, we are advancing four priorities for action across both portfolio level and institutional levels. As part of the portfolio level initiatives, we steer capital towards low-carbon and climate-resilient transactions and aim to increase the volume of climate finance within our portfolio. As at the end of 2024, climate finance represented 38% of our total portfolio commitments. We also promote climate action with clients, including through directed lending through financial intermediaries as well as by offering technical assistance to help clients strengthen their climate resilience and transition readiness. This can include support to:

- Identify and manage climate-related physical and transition risks
- Measure and reduce greenhouse gas emissions
- Integrate climate considerations into governance, strategy and reporting

We also recognize that climate change and biodiversity loss are inextricably intertwined and mutually reinforcing and that the interconnectedness between climate and nature underscores the key role that nature-based solutions can have in addressing climate change and vice versa. We aim to embed nature and biodiversity considerations across our strategy and operations, treating them as both risks and opportunities. Our investments in sustainable agriculture, forestry, and blue lending through financial intermediaries reflect our commitment to protecting and restoring natural capital.

Risk Management

Disclose how the organization identifies, assesses and manages climate-related risks.

FinDev Canada assesses climate related physical and transition risks for all transactions. In 2022, we developed our climate related physical risk assessment approach for new investment and financing transactions. Using this approach, climate change physical risks were assessed for new direct transactions (corporates and projects) in 2022, and for all new transactions since 2023.

This approach is based on the assessment of context specific climate-related physical risks for each transaction. The inherent risk, based on the hazard, exposure and vulnerability, is first evaluated. Then, risk adaptation measures of counterparties are factored to obtain the residual climate risk for each transaction.

Since 2023, FinDev Canada has also been assessing climate related transition risks for all new transactions. Our transition risk assessment approach is currently at a high-level, based on counterparties' portfolio concentration in high-emitting sectors.

FinDev Canada is continuing to develop its climate risk assessment approach, with the objective to enhance our risk assessment at the transaction level, develop a climate risk approach at the aggregate portfolio level, and deepen climate risk management into our investment process. This includes undertaking an analysis of current approaches to climate risk management at the transaction and portfolio levels in peer organizations.

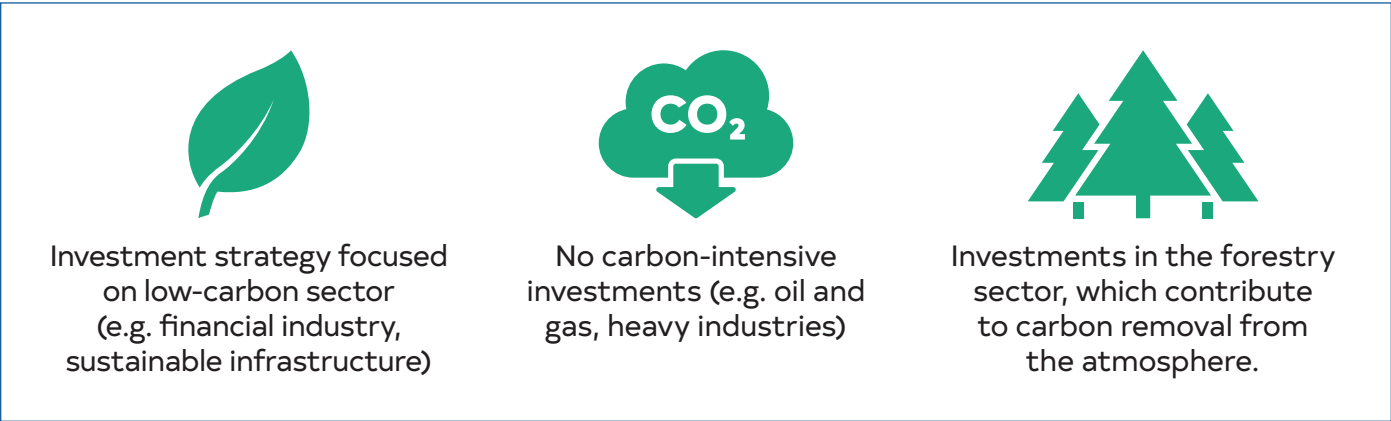
Metrics and targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities, where such information is material.

FinDev Canada has no direct exposure to carbon intensive assets and has a portfolio exposure to climate-related financing and investment of 35.5% as of December 31, 2024. Climate-related financing and investment ('climate finance') are measured according to the MDB/IDFC Common Principles for Climate Mitigation Finance Tracking and the Common Principles for Climate Adaptation Finance Tracking. FinDev Canada committed to increase its climate finance allocation to 35% of its total financing and investments commitments by 2025, which we are on track to achieve. To date, FinDev Canada has built a portfolio with net negative emissions for both annual GHG emissions from our 2024 portfolio and cumulative GHG emissions since inception in 2018. In other words, since FinDev Canada's inception, our investments and loans have contributed to more carbon removal from the atmosphere than generated GHG emissions (Figure 2).

Our net negative portfolio includes emissions from the real economy only, namely generated GHG emissions and carbon removal/sequestered emissions (Table 1). Since the attributed sequestered emissions are larger than the attributed generated emissions, we consider our portfolio to be net negative.

FIGURE 2: THREE MAIN FACTORS SUPPORTING FINDEV CANADA'S NET-NEGATIVE FINANCE GHG EMISSIONS



We also measure the avoided emissions of our investments in renewable energy projects, which represent emissions that would have occurred without the implementation of the projects. Although avoided emissions represent a quantifiable positive contribution to decarbonization, they are calculated and reported separately from the net negative framework, in line with international best practices². Through our renewable energy projects, we generated 3,564 GWh of clean energy.

TABLE 1. FINDEV CANADA'S ATTRIBUTED FINANCED GENERATED, SEQUESTERED AND AVOIDED GHG EMISSIONS (tCO₂e)

Categories	2018	2019	2020	2021	2022	2023	2024	2018–2024 total
Generated emissions	252	1,325	1,998	3,051	3,631	14,694	16,811	41,762
Sequestered emissions	0	0	10,682	26,040	36,132	40,374	61,399	174,627
Avoided emissions	15,310	25,045	22,517	32,145	46,017	30,654	23,053	194,741

Note: These calculations have been audited by EDC. 2023 generate emissions have been updated to 14,694 tCO₂e from 14,324t CO₂e (as reported in 2023 Climate Related Disclosure Report) to correct for a calculation error.

² For example: Science-based targets (2023) SBTi Corporate Net-zero Standard (p.31). [Net-Zero-Standard.pdf \(sciencebasedtargets.org\)](#)

FinDev Canada measures the generated, sequestered and avoided GHG emissions of every new investment and monitors these emissions at least annually during the investment period. Generated emissions include scope 1 and scope 2 GHG emissions associated with our loans and investments and are calculated using:

- ➔ The PCAF Global GHG Accounting and Reporting Standard for the Financial Industry (business loans and unlisted equity asset class) for loan and equity investments in private companies, which represent 47% of financed generated emissions in 2024.
- ➔ Internally developed criteria in line with the PCAF Standard as detailed here for indirect investments in funds and financial intermediaries, which represent 53% of financed generated emissions in 2024.

These emissions are attributed to FinDev Canada based on our proportion of financing and cover 100% of our loans and equity investments. In terms of GHG data, 75% of emissions were reported by our clients and investees in 2024 and 25% were estimated using the Joint Impact Model, for a combined PCAF weighted data quality score of 2.6 out of 5.

Beyond our net negative portfolio, our commitment to carbon neutral operations extends to FinDev Canada's scope 1 and 2 GHG emissions, as well as scope 3 GHG emissions from business travel. Together with scope 3 GHG emissions from investments, these activities represent the most significant emission sources over which FinDev Canada has control over.