

## **EDFI Principles for Responsible Financing of Sustainable Development**

EDFI is the Association of European Development Finance Institutions (“EDFIs”), a group of 15 publicly-backed institutions that provide financing and advice to private sector enterprises in emerging and frontier markets. Over the past decades, EDFI members have invested over \$100 billion in more than 15,000 projects. Our combined activity, in terms of total amounts, as well as in countries where the need is greatest and in climate-related investments, compares to the private sector operations of the largest multilateral development banks. We wish to leverage this strength and play an effective role in development finance.

EDFIs invest to make a significant contribution towards the Sustainable Development Goals (SDGs) and the Paris Climate Agreement. We invest with the aim of having a positive impact, and we strive to ensure respect for human rights, and environmental and social sustainability. Responsibly managed private sector enterprises, supported by EDFI members, play a vital part in achieving sustainable development: they create jobs, boost growth, and fight poverty and climate change. Such businesses also set an example for other private enterprises.

We currently manage a combined portfolio of \$50 billion across a diverse investment portfolio in financial intermediaries, infrastructure, agribusiness and other sectors in more than 100 countries. We use our long experience, as providers of responsible financing to successful clients, to demonstrate what is possible and mobilise more private investment. An important part of EDFI’s work is to promote financial cooperation between its members and with the EU institutions, and for this purpose EDFI has established the EDFI Management Company and other joint financing facilities.

The high level of financial cooperation between the EDFI member institutions provides a strong impetus for wider cooperation towards our shared goals by developing and adopting common principles, tools and practices. Our collaboration includes EDFI’s Harmonised ESG Standards in relation to the Environment, Social Matters and Governance (“ESG”) in investment activities.<sup>1, 2</sup> We also cooperate on impact measurement and reporting standards. This helps us add value for our clients and allows us to set an example for other investors. We place significant requirements on our clients but also help them manage important business risks and achieve long-term business outcomes and contribution to development impact.

As a result, the EDFI member institutions endorse a set of commitments for our approach to responsible financing of sustainable development:

#### EDFIs' commitments on **responsible financing**:

- Require that all our investee companies, including financial intermediaries,<sup>3</sup> comply with the legal and regulatory requirements in the jurisdictions where they operate.
- Require high standards of business integrity and corporate governance<sup>2</sup> in our investee companies including anti-corruption and responsible tax practices<sup>4</sup>.
- Recognize that our decisions and activities may be associated with negative environmental, social and human rights impacts for local communities and therefore require our investee companies, as applicable, to mitigate these risks and work towards relevant international norms and standards.<sup>5</sup> We aim for our investee companies to act in accordance with such norms and standards within the duration of our investments. We encourage our investee companies to promote the same standards in their supply chains, e.g., with their contractors.
- Encourage investee companies to establish an open dialogue with their stakeholders on the environmental and social impacts of their business activities.
- Commit to continuous improvements in the management of ESG matters. Our aim is always to enhance positive effects in relation to human rights, the environment, workers and all other stakeholders.

#### EDFIs' commitments on **impact management**:

- Manage the impact of our investment operations through an end-to-end process from defining the strategic intent of our individual institutions to the reporting and verification.<sup>6</sup>
- Support our investee companies' impact on SDGs; track the key impacts to which private sector enterprises contribute, including Gender Equality (SDG 5), Decent Work and Economic Growth (SDG 8), Reduced Inequality (SDG 10), and Climate Action (SDG 13); and participate in consolidated EDFI reporting of these impacts.
- Build a common understanding of what can be considered a decent job.
- Support the Paris Climate Agreement and the achievement of national contributions by directing financial flows that are consistent with pathways towards low and reduced Greenhouse Gas emissions and climate-resilient development; and participate in climate finance tracking and collaboration on climate-related issues.
- Contribute to wider strengthening and harmonisation of development impact measurement, management and reporting standards that can be used by other investors and private enterprises.

#### EDFIs' commitments towards **transparency**:

- Provide transparent and accountable information on investment activities, while observing normal commercial confidentiality and privacy of our clients.
- Disclose the key elements of the common approaches we apply to implement these commitments into practice.
- Consult stakeholders in advance of making substantial changes to the commitments contained in this statement.

## Notes

- 1 Harmonised EDFI Environmental and Social Standards encompass (a) Environmental and Social Category Definitions, (b) Requirements for Environmental and Social Due Diligence, Environmental and Social Contractual Requirements and Monitoring and (c) an Exclusion List, all of which are reviewed regularly.
- 2 [The Corporate Governance Development Framework](#)—adopted by 34 Development Finance Institutions (DFIs) as of April 2015— a common approach on how to address corporate governance risks and opportunities in DFI investment operations.
- 3 When investing through intermediaries, such as financial institutions or funds, we require these to implement systems to ensure adherence to our standards.
- 4 [The EDFI Principles for Responsible Tax in Developing Countries](#).
- 5 [The IFC Performance Standards on Environmental and Social Sustainability](#) and associated [Environmental and Health & Safety Guidelines](#) are the primary set of standards that we require investee companies to act in accordance with. We uphold the following key international benchmarks:
  - The International Labour Organization (“ILO”) Declaration on Fundamental Principles and Rights at Work, which refers, indirectly, to The Freedom of Association and Protection of the Right to Organise Convention, 1948 (No. 87); Right to Organise and Collective Bargaining Convention, 1949 (No. 98); the Forced Labour Convention, 1930 (No. 29); Abolition of Forced Labour Convention, 1957 (No. 105); Minimum Age Convention, 1973 (No. 138); Worst Forms of Child Labour Convention, 1999 (No. 182); the Equal Remuneration Convention, 1951 (No. 100); and the Discrimination (Employment and Occupation) Convention, 1958 (No. 111).
  - The ILO International Labour Standards: Hours of Work (No. 1); Minimum Wage (No. 26, 131); and Occupational Safety and Health (No. 155).
  - All internationally recognized human rights, as defined in the International Bill of Human Rights and in line with the understanding of the United Nations (“UN”) Guiding Principles on Business and Human Rights. The International Bill of Human Rights includes the Universal Declaration of Human Rights; the International Covenant on Economic, Social and Cultural Rights; and the International Covenant on Civil and Political Rights.
- 6 EDFI has adopted the [Operating Principles for Impact Management](#).