

## Towards Sustainable Development – EDFI Principles for Responsible Financing

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EDFI is the Association of European Development Finance Institutions (“EDFIs”), a group of 16 bilateral investment organizations which provide finance for private sector companies in developing and reforming economies.

Our aim is to have a positive impact on the local communities where we invest. We also strive to ensure respect for human rights and environmental sustainability. Responsibly managed companies, supported by EDFI members, play a vital part in environmental, social and economic development: they employ and train people, pay taxes, and build and operate infrastructure and services. Such businesses set an example for other companies. They also generate sustainable economic growth, which benefits the poor.

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>

The EDFI institutions<sup>3</sup>:

- Require that all our investee companies 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.
- Recognize that our decisions and activities may have environmental and social consequences and require our investee companies to work over time towards relevant international best practice norms and standards.<sup>4</sup> We aim to achieve full compliance with such norms and standards within the duration of our investments. We encourage our investee companies to promote the same standards throughout their supply chains, e.g., with their contractors.
- Ensure a preventive and precautionary approach with respect to the environmental and social impacts of our investee companies, giving high attention to the interests of affected people. If negative environmental or social impacts are unavoidable, they must be appropriately mitigated or compensated for.
- 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 the environment, workers and all stakeholders.
- Provide transparent and accountable information on investment activities, while observing normal commercial confidentiality.

Cologne, May 2009

1. Harmonized 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 will be reviewed regularly
2. Governance Standards such as stated in the DFI Approach Statement for Good Corporate Governance adopted in 2007, referring to the structure and processes for the direction and control of companies.
3. When investing through intermediaries such as financial institutions or funds, we require these to implement systems to ensure adherence to our standards.
4. Our benchmarks are the UN Declaration of Human Rights, the ILO Core Conventions and the IFC Performance Standards on Economic and Social Sustainability and associated Environmental and Health & Safety Guidelines.