

# DEVELOPMENT FINANCE INSTITUTE CANADA (DFIC) INC. / INSTITUT DE FINANCEMENT DU DÉVELOPPEMENT CANADA (IFDC) INC.

(FinDev Canada)

## Board Charter

### 1. Definitions and Interpretation

Unless otherwise defined below, capitalized words and expressions herein will have the same meaning as defined in the Framework, the CBCA and the FAA, as applicable. All references to applicable legislation, regulations, policies or standards contained herein refer to such instruments as these may be amended, replaced or re-enacted from time to time.

In this Charter, the following terms have the following meanings:

**Board** means the Board of directors of FinDev Canada.

**By-law** means By-law No.1 of FinDev Canada.

**CEO** means the Chief Executive Officer of FinDev Canada appointed by the Board in accordance with the By-law.

**EDC Corporate Plan** means the overall corporate plan of EDC, including the appended FinDev Canada Corporate Plan, the whole as approved by the appropriate minister, pursuant to applicable legislation.

**FinDev Canada Corporate Plan** means the corporate plan of FinDev Canada appended to the EDC Corporate Plan.

**Framework** means EDC's Subsidiary Governance Framework.

**Independent Directors** means directors who are not EDC Board members or officers or employees of EDC or FinDev Canada.

**Management** means one of more members of the FinDev Canada management team.

**Mandate** means the mandate of FinDev Canada 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 as expressed in the FinDev Canada Corporate Plan.

**MSLA** means Master Service Level Agreement between FinDev Canada and EDC.

### 2. Purpose and Guiding Principles

The Board is responsible for overseeing the management, business, activities and other affairs of FinDev Canada. FinDev Canada is a wholly-owned subsidiary of EDC, a Crown corporation as defined in the FAA, and a "Tier 1 Subsidiary" as defined in the Framework. Thus, FinDev Canada must comply with the FAA and associated regulations, the CBCA, the FinDev Canada Corporate Plan, and any other applicable

legislation, policies or standards, as amended from time to time. It is also subject to EDC's oversight, as further provided herein and in the Framework.

In its stewardship and oversight role, the Board helps to strengthen management and accountability. The CEO is responsible for the management of FinDev Canada and the execution of the FinDev Canada Corporate Plan.

In furtherance of the Mandate, the Board shall be guided by its obligations under the CBCA, the FAA and the following principles:

- (a) effectiveness and operational excellence;
- (b) proactive and engaged oversight;
- (c) independent and objective discussions and decisions;

Independence is characterized by the capacity of Board members to exercise, collectively and individually, an objective and impartial judgment, and to make decisions without influence from third parties nor management.

- (d) integrity and ethical conduct;

The Board shall take all reasonable measures to ensure that the rules of conduct and ethics, including conflicts of interest are maintained by ensuring that it complies with the *FinDev Canada Board of Directors' Code of Conduct*, and by promoting integrity and ethical conduct.

From time to time and as appropriate, the Board may delegate certain tasks to Board committees, if any. However, such delegation shall not relieve the Board of its overall responsibilities, and each committee, if any, shall report on its activities to the Board.

### 3. Composition

Directors shall meet the requirements of the CBCA to qualify to serve as a director on the Board. The Board shall consist of such number of directors required under FinDev Canada's constituent documents, the Framework, the By-law and as otherwise may be determined by resolution of the Board from time to time, subject to the minimum and maximum number set forth in the Framework for a Tier 1 Subsidiary. The Board shall ensure gender parity and diversity among directors. In accordance with the CBCA, all such directors shall be elected annually by the EDC Board on the recommendation of the EDC NCGC. The majority of Board members shall also be EDC Board members. However, the Board shall always be composed of at least one third of directors (rounded down to the lower whole number) who are Independent Directors.

The directors shall have the skills, experience and training to contribute to the effective oversight of the operations of FinDev Canada. EDC NCGC shall develop, review and as necessary update on an annual basis, and submit for review and approval by the EDC Board prior to the identification of potential candidates, a Board of Directors' profile which will describe the attributes, skills and experience that should be possessed by members of the Board. EDC NCGC will review the orientation program for new directors to be approved by the Board and delivered by Management. The Secretary, in collaboration with Management, will ensure that ongoing training and continuing education appropriate to the needs of directors is offered to all directors.

FinDev Canada's Human Resources & Governance Committee will make recommendations to the EDC NCGC who will also make recommendations to the EDC Board regarding future needs for training, the hiring of advisors, and/or recommendations for the profile of incoming new directors based upon the gaps identified in the Board competency assessment and any other relevant considerations including diversity.

The Chair of the Board (the “**Chair**”) shall be a Director of the EDC Board and shall be appointed by the EDC Board.

#### **4. Compensation**

The remuneration to be paid to members of the Board for their services as directors shall be made in accordance with the By-law and the Travel and Hospitality Policy of the Board. Board directors are also eligible for an annual Board Wellness Account.

#### **5. Meetings**

On the direction of the Chair, the Board shall set a schedule of meetings as the Board shall deem necessary and in accordance with the By-law based on its operational and governance needs and to fulfil its responsibilities.

After appropriate consultations, the Chair shall establish the agenda for each Board meeting. Board members shall be free to suggest items for inclusion on the agenda or to raise subjects that are not on the agenda for that meeting.

Board meetings are ordinarily held at such times and places as the Board may determine. Further particulars of the procedure for calling meetings of the Board are described in the By-law.

Directors may reserve sufficient time for discussion without members of Management present at each Board meeting.

#### **6. Duties and Responsibilities**

The stewardship and oversight responsibilities of the Board shall generally be carried out under the following categories:

##### **(a) Governance**

The Board shall be responsible for creating a governance and accountability structure that fosters robust corporate governance. It shall take all reasonable measures to implement the Framework within the operations of FinDev Canada.

In addition, the Board and/or a committee established by the Board, as applicable, shall provide opportunities to meet with the Chief Financial Officer of FinDev Canada, the Chief Internal Auditor of EDC, the Chief Compliance and Ethics Officer of FinDev Canada, and any other relevant officer, to discuss any matter they may want to discuss on an in-camera basis.

##### **(b) Strategy and Corporate Plan**

The Board shall require that all situations of a strategic nature or events that are not in the normal course of business, such as decisions that have a material impact on FinDev Canada’s business operations or capital, be brought to its attention by Management.

The Board leads FinDev Canada in the achievement of its long-term goals by overseeing the FinDev Canada’s strategic planning process. The Board provides senior Management with input, guidance, validation and a critical evaluation of FinDev Canada’s strategic plans and initiatives.

In the exercise of its strategic role, the Board shall, in compliance with the Framework, approve the long-term business objectives and plans, including the FinDev Canada Corporate Plan.

The annual approval process for the FinDev Canada Corporate Plan shall take place in the following sequence: (1) Management shall present an outline of the FinDev Canada Corporate Plan to the Board; (2) the Board shall approve the final FinDev Canada Corporate Plan; (3) the EDC Board shall approve the EDC Corporate Plan, to which is appended the FinDev Canada Corporate Plan; and (4) EDC shall submit the EDC Corporate Plan, including the FinDev Canada Corporate Plan, to the appropriate Minister for approval.

Once approved, the Board oversees the strategic initiatives of FinDev Canada and provides ongoing support in the implementation, monitoring and measurement of the success of those plans and initiatives. The Board shall take reasonable steps to ensure that FinDev Canada (i) does not carry on any business or activity in a manner that is not consistent with the FinDev Canada Corporate Plan (which is part of the EDC Corporate Plan) or the objectives and purposes for which FinDev Canada was created, and (ii) that any deviation from the FinDev Canada Corporate Plan be reported forthwith to FinDev Canada's Chief Legal Officer and to EDC's Vice President & General Counsel.

**(c) Performance**

The Board shall monitor the performance of FinDev Canada against its business objectives, strategy and plans, including the FinDev Canada Corporate Plan. The Board shall engage with Management on a regular basis to provide support in the measurement, monitoring and evaluation of the success and effectiveness of the approved strategic direction.

**(d) Management Processes**

The Board shall monitor the oversight of management processes of FinDev Canada by receiving and approving the reports provided in paragraph (g) below.

Management shall take reasonable steps to ensure that FinDev Canada is in conformity with the terms of the MSLA, as approved by the Board

**(e) Risk Management**

The Board shall approve the appropriate risk management and risk appetite policies and procedures to effectively manage potential risks, such as credit, market, legal, compliance, operational, reputational or liquidity risks. Such policies and procedures shall be consistent with the overarching principles of the Subsidiary RMF and EDC ERMF as tailored to ensure effective delivery of the Mandate. In the event of a conflict between the EDC ERMF and the Subsidiary RMF, the Subsidiary RMF shall prevail.

The Board shall take reasonable steps to ensure that an adequate structure is put in place in connection with:

- (i) the implementation of risk management and risk appetite policies and procedures; and
- (ii) FinDev Canada's conformity with the Framework and applicable legislative, regulatory or other requirements.

**(f) Budget and Financial Statements**

The Board shall annually approve the operating and capital budgets of FinDev Canada to be included in the operating and capital budgets of EDC.

The Board shall also review and approve the annual financial statements of FinDev Canada and any other financial accounts, record and reports required by any statute or by the by-laws of FinDev Canada.

**(g) Reporting Obligations**

On the direction of the Chair, the CEO will prepare, and the Chair will present, a summary report of a Board meeting to the EDC Board. The CEO will also prepare, and the Chair will present, an operational report on FinDev Canada activities by way of the President's Report.

On the direction of the Chair, the CEO will prepare a risk management report of FinDev Canada, including a report from the Chief Compliance and Ethics Officer, that will be reviewed and presented by the CRO of EDC to the Risk Management Committee of the EDC Board.

On the direction of the Chair, the CEO will present reports related to FinDev Canada human resources, audit and risk management to the relevant Committee of the EDC Board.

On an annual basis, the CEO shall provide the Board a report regarding:

- (i) status of conformity of FinDev Canada with the Framework;
- (ii) situations of non-conformity with the Framework accompanied with a justification, if any;
- (iii) status of conformity of FinDev Canada with the MSLA;
- (iv) material events affecting FinDev Canada that are not in the normal course of business of FinDev Canada;
- (v) attestation that: (a) all transactions of FinDev Canada have been entered into in compliance with the FinDev Canada Corporate Plan and (b) FinDev Canada has complied with all aspects of its Articles of Incorporation, this Charter, the By-law, the CBCA, and the FAA that could have a material effect in the event of non-compliance; and
- (vi) any information deemed material for EDC.

The Board shall review the report and provide it to the EDC NCG through the Secretary.

The Board shall take reasonable steps to ensure that EDC is provided at relevant times with information required to enable the EDC Board and its Audit Committee to review the financial performance of FinDev Canada and to oversee FinDev Canada's internal audit function or any special examination plans and reports relating to FinDev Canada, as applicable.

It shall also take reasonable steps to ensure that EDC is provided at relevant times with information to be included in its financial reports or to allow EDC to deliver on its MSLA commitments or on EDC commitments that are inclusive of information relating to Subsidiaries.

**(h) Appointment, Compensation and Succession Planning**

The Board shall approve the appointment, performance rating and annual cash compensation to be paid to the CEO.

The Board shall appoint the officers of FinDev Canada in accordance applicable legislation, the Framework and the By-law.

The Board shall approve any incentive plans (including measures and targets therefor) and annual salary budgets for employees of FinDev Canada.

The Board shall review no less frequently than once every year, and approve, a plan of succession for the CEO.

## **7. Independent Advisors**

The Board may retain independent advisors to provide advice to the Board.

## **8. Board Assessment**

The Board shall conduct, at least once every two years, a governance survey regarding its effectiveness and performance and an assessment of the contribution of each director.

## **9. Charter Review**

The Board shall review and reassess the adequacy of this Charter annually or as frequently as may be required and the Corporate Secretary will present any required changes to the EDC NCGC for recommendation for approval by the EDC Board, followed by approval by the FinDev Canada Board.

## **10. Roles and Responsibilities of the Chairperson**

In addition to the roles and responsibilities of Board members, the Chair is responsible for leading the Board and ensuring that it acts in the best interests of FinDev Canada. The Chair's primary roles include ensuring that the Board functions properly, that it meets its obligations and responsibilities, and that the Board fulfills its oversight function.

The Chair is also responsible for promoting open and continuous communication between EDC, FinDev Canada, as well as other interested parties.

## **11. Roles and Responsibilities of Individual Directors**

As set out in the FAA and the CBCA, every director in exercising his/her powers and performing his/her duties shall act honestly and in good faith with a view to the best interests of FinDev Canada and exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances.

In addition to their legal responsibilities, individual directors shall:

- a. Keep abreast of FinDev Canada's public policy objectives and their impact on the corporation;
- b. Ensure familiarity with the Board Code of Conduct;
- c. Ensure familiarity with the *Conflict of Interest Act*;
- d. Ensure independence from Management is maintained;
- e. Ensure adequate training and education is sought out;
- f. Ensure they conduct themselves according to the highest ethical standards of integrity and probity;
- g. Promote the highest standards of corporate governance and seek compliance by all employees with the provisions of FinDev Canada's Code of Conduct;
- h. Ensure a high level of personal integrity in all dealings with and on behalf of FinDev Canada, including an ongoing responsibility to disclose conflicts of interest;
- i. Keep abreast of significant issues that may affect FinDev Canada, including its sectors of operations, clientele, markets, public environment, competitors, etc.;
- j. Strengthen and uphold FinDev Canada's relationship with its key stakeholders and its public image;

- k. Interface with Management through the CEO, the Chair, the officers, and the Secretary;
- l. Respect the organizational structure of management;
- m. Establish and maintain an effective working relationship with the CEO, the officers and senior Management;
- n. Employ sound judgment, integrity and personal commitment to the Board; and
- o. Respect the confidentiality of FinDev Canada's business information and the Board's deliberations.

## **12 Other**

If there are any conflicts or inconsistencies between this Charter and the Framework or FinDev Canada's articles and by-laws, the Framework, the articles or the by-laws shall govern.

Nothing contained in this Charter shall be intended to expand applicable standards of conduct under applicable legislation for the directors of FinDev Canada.