



AFD

AGENCE FRANÇAISE
DE DÉVELOPPEMENT

**AFD GROUP'S
CORPORATE SOCIAL
RESPONSIBILITY
POLICY
2018-2022**

PREAMBLE

In the past fifteen years or so, there has been a significant development in the concept of Corporate Social Responsibility. The vast majority of companies now recognize Corporate Social Responsibility as an approach that aims to control the impact of their actions on society and the environment in relation to their stakeholders.

While this development is a major step forward, the limits of this impact-based approach lie in the fact that it does not take sufficient account of broader questions concerning the contribution that the company's economic model makes to the general interest, as well as its alignment with the planet's limits, whereas the 2030 Agenda, defined by the Millennium Development Goals and Paris Climate Agreement, solemnly calls on all actors, public and private alike, to strengthen their contribution to the achievement of this new roadmap adopted in 2015.

In this context, various initiatives and research projects are emerging and propose new models and analytical frameworks in which companies are encouraged to go beyond their usual practices for Corporate Social Responsibility and integrate the need to preserve global common goods – both intangible (social ties, popular sovereignty) and tangible (climate, biodiversity, and air and water quality). This perspective recognizes the political role of companies and defines their responsibilities in four main areas:

1 – ECONOMIC AND FINANCIAL RESPONSIBILITY

which concerns the issues of creating and sustainably and equitably sharing value in terms of legal, accounting and salary matters;

2 – SOCIAL RESPONSIBILITY TOWARDS EMPLOYEES

which concerns the recognition of the social rights of workers involved in the value chain;

3 – SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

which concerns the management of the direct and indirect impacts on populations and the environment caused by the company's activity;

4 – POLITICAL RESPONSIBILITY

which questions the governance of companies/organizations and their capacity to promote the common good.

It is in this spirit, and in line with its draft Strategic Orientation Plan "A World in Common", that AFD intends to exercise its Corporate Social Responsibility.

INTRODUCTION

The future of the planet – a prerequisite for the survival of humankind – implies a shared responsibility, as expressed by States in New York in 2015 with the adoption of the Sustainable Development Goals (SDGs), then in Paris during COP21, to which AFD contributed. This new vision of the world, which AFD Group has taken on board in all its complexity, calls on us to take further action in France and around the world with the development tools, and to seize all the opportunities offered to us by the public financing of development.

Consequently, AFD Group has undertaken to become the first "100% Paris Agreement" development agency. This means the first to set out 100% of its financing on low-carbon and resilient development paths in the sense of the

Paris Agreement. Through this commitment, AFD Group is also satisfying the requirements of Article 173 of the Law on the energy transition for green growth, for which France has underscored its will to stand as an example by promoting the mainstreaming of climate issues into the sphere of finance.

Finally, this new sustainable development agenda calls on us to go further in our process to integrate Corporate Social Responsibility into our strategy. Consequently, the Corporate Social Responsibility approach must serve the Group's ambition to stand as an example, but also allow it to question its economic model and the compatibility of its operations with social ties and the planet's limits.

OBJECTIVES

The objective of this Corporate Social Responsibility Policy is to support developments in AFD Group from now until 2022. In this context, the Corporate Social Responsibility approach will have an important role to play as a vehicle for exemplarity, coherence and cohesion.

First of all, AFD Group aims to exercise its Corporate Social Responsibility by positioning itself in an exemplary manner to serve the common good redefined in 2015 on a global scale by the Sustainable Development Goals. Its new mandate will aim to serve the conservation, promotion and defence of four global common goods: the planet, social ties, peace and security and, finally, economic prosperity.

This ambition to stand as an example should result in an increased capacity for the Group to have outreach, assume its leadership, disseminate its values and propose new innovative models and solutions in its areas of excellence. This ambition will also ensure it has better access to financial resources, in particular by issuing climate bonds.

AFD Group recognizes the dialogue with its stakeholders as one of the pillars of its Corporate Social Responsibility, a pillar through which it takes on board their concerns over social, environmental, climate, ethics and human rights matters in its strategy and practices. In this respect, it will continue its efforts in terms of transparency and dialogue with all its stakeholders.

The Corporate Social Responsibility approach will also ensure that there is consistency between the Group's mandate and commitments, on the one hand, and the quality of its operations and their impacts in terms of sustainable development, on the other hand. There is a need to exercise this vigilance in a context of strong growth in the volume of our operations, in order to ensure the effectiveness and sustainability of our operations for the populations we serve in countries in the South and in the French overseas territories.

Finally, the Corporate Social Responsibility approach must serve the ambition for AFD Group to be exemplary in its in-house operation in terms of reducing the direct environmental footprint, strengthening professional ethics and managing staff in a socially responsible manner. It will be meaningful and contribute to cohesion among our teams, and will be an essential prerequisite for improving the Group's agility in a context of change which may bring about internal tensions.

The Corporate Social Responsibility approach may ultimately be a driver for creating multifaceted values – economic, environmental, social and societal – for both AFD and its stakeholders.

This Corporate Social Responsibility Policy and the action plan for its implementation (given in the Appendix), concern Agence Française de Développement and its subsidiary PROPARCO, referred to in this document as AFD Group.

REVIEW AND GUIDELINES

The Corporate Social Responsibility Policy marks a continuation of the approach implemented since 2004, which was gradually structured on the basis of a first action plan in 2007. This plan was followed, in 2014, by a new plan concerning the period 2014-2016 and covering, in a consistent manner, all the Group's impacts in terms of its operations, both externally and in-house. Consequently, for over a decade, all the measures and mechanisms adopted have allowed the Group to comply with international standards and best practices in terms of CSR and thereby become a leading development bank for non-financial rating. These practices are now firmly established in the Group and have made the Corporate Social Responsibility approach a strong component of its identity.

The implementation of the Sustainable Development Analysis and Opinion mechanism, the adoption of Environmental and Social Commitment Plans and the development of the Environmental and Social Complaints Mechanism are all measures welcomed by AFD's stakeholders. PROPARCO, for its part, has strengthened its strategic approach in order to provide better support to its clients to improve their environmental, social and governance performance.

The Group has also strengthened its financial security measures, as well as its efforts to ensure transparency and publish data, underscoring its role as a leader in terms of the transparency of French public aid. The in-house

measures, such as the forward-looking management of jobs and skills and the offsetting of direct emissions, contribute to making AFD Group one of the most effective actors in Corporate Social Responsibility.

AFD Group was one of the first donors to mainstream the fight against climate change into its practices and today earmarks over 50% of its financing for the issue. It is also at the forefront of the movement of development banks in this field. At the same time, it is continuing its action to fight against gender inequalities in both its projects and in-house organization.

The independent evaluation of the action plan for 2014-2016 (conducted in late 2016)¹ notes substantial progress in the implementation of the Corporate Social Responsibility approach. All stakeholders also deem this approach to be relevant. There is strong support for the CSR Policy from employees, who see it as a vehicle for quality and innovation, a "source of meaning" in their daily work. For external correspondents, the Group is well positioned on the priority issues related to transparency and the impacts of projects and will need to continue to be so in addressing the new challenges.

Building on this assessment, this policy consequently follows on from the previous action plans. The effective and efficient implementation of mechanisms and tools – existing or under preparation – (such as the environmental and social risk management

mechanism, the mechanism for the implementation of the Sapin II Law...), their development, the impetus to take environmental, social and governance issues into account *via* the management chain and the training and sensitization of teams will all be key factors for the deployment of a responsibility throughout the organization. These factors will be set out in the commitments of an action plan, whose implementation will be largely based on managerial support and a greater involvement and mobilization of the network of agencies and offices. Budgetary and human resources will also be mobilized in line with the objectives set.

Finally, AFD Group will continue its efforts to ensure transparency in its Corporate Social Responsibility approach *via* legible and accessible information, in accordance with internationally recognized reporting standards.

¹ This evaluation used a participatory method, in particular based on the results of a survey of all employees, some forty interviews in-house and with external stakeholders, and two working groups, with environmental and social experts and operational staff.



OPEN UP TO NEW ISSUES

This policy aims to address the relevant issues as broadly as possible in the context of a Corporate Social Responsibility approach, based on an updated materiality matrix. However, it is inevitable that new issues will emerge in the coming years, in the context of the rapidly changing international landscape and the societal problems we are familiar with.

AFD Group is already integrating emerging issues (financial and digital innovations...) and regularly implements changes which require taking a more in-depth look at its economic and financial responsibility.

In this respect, it is desirable to organize research work on opening the debate to issues related to our governance, our direct impacts (green IT...) and our operations (capitalization work on sustainable development, responsible finance...). In particular, work on

"responsible finance", addressing subjects that are central to the mandate of a development bank, would in time allow the Group to become a reference platform in this field.

Finally, AFD Group undertakes to conduct an external evaluation of this Corporate Social Responsibility Policy at the end of its implementation period, for the purposes of accountability and progress.

THE SIX COMMITMENTS

OF THE CSR POLICY



SUSTAINABLE DEVELOPMENT IN OPERATIONS

The issue of integrating sustainable development into funded operations, and throughout the project cycle, calls for AFD Group's Corporate Social Responsibility and remains a key issue for the Group.

The Group already has an ambitious sustainable development strategy. It is set out *via* thematic strategies that are consistent with the frame of reference of the Sustainable Development Goals and a substantial methodological corpus. The latter allows environmental and social issues to be integrated into projects, in particular during the appraisal phase, and their impact to be strengthened, *via* mechanisms such as the "Sustainable Development Analysis and Opinion", which aims to ensure that funded projects contribute to the various dimensions of sustainable development.

The main issue for the new policy will be to enhance the effectiveness of these procedures and tools, and strengthen existing mechanisms in order to further integrate these issues into the project cycle, at both AFD and PROPARGO. In this respect, special attention will be given firstly to the involvement and support of counterparts and clients in the integration of environmental and social issues into the management of funded projects and, secondly, to the sensitization and training of operational teams at headquarters and in the field.

Finally, capitalization work will be conducted, aiming at developing the integration of sustainable development into projects.



GOVERNANCE AND OWNERSHIP

The governance and ownership of the Corporate Social Responsibility Policy are related to the organization's political responsibility and are both a fully-fledged commitment of the policy and a crosscutting factor for the success of its implementation.

In this respect, the Group will seek to strengthen support for the process, by promoting a greater involvement of its Board members and executive managers, by appointing two "CSR ambassadors" at AFD and PROPARGO and by mobilizing the managerial chain.

The governance mechanism, for its part, will be redefined and formalized. Furthermore, the CSR policy will only be able to function with the collective commitment of all employees. It is for this reason that sensitization actions will be systematized in order to promote collective ownership, and a strong focus will be placed on communication, exchanges and the sharing of best practices, both in-house and externally. These mobilizing actions will allow each employee to feel they are a part of a "CSR community" and a fully-fledged actor in this process to be exemplary.



TRANSPARENCY AND STAKEHOLDER DIALOGUE

This commitment, which calls on AFD Group's political responsibility, reflects its aim of opening up and being more transparent and accountable, thereby creating the conditions for relations of trust with all its stakeholders (counterparts, partners, final beneficiaries, civil society), but also of increasing the relevance of its action by dialoguing with these stakeholders.

While the Group has continuously opened up to dialogue with its external stakeholders in recent years, this dialogue will now be more formalized and systematized, in particular by adopting guidelines for conducting an effective dialogue and providing teams with tools, both at headquarters and in the field.

In terms of transparency, significant measures have been adopted by AFD, which today plays a central role in this respect within the French development mechanism. This progress has led AFD to become a member of the International Aid Transparency Initiative (IATI) on behalf of France. Consequently, the Group will adopt actions to allow it to fulfill its commitments towards this initiative ("Transparency Action Plan"), while securing the adoption of these measures from a legal point of view.



PROFESSIONAL ETHICS AND FINANCIAL EXEMPLARITY

This commitment is at the interface between external impacts and in-house responsibility. It refers to the Group's economic and financial responsibility and to an objective of ensuring consistency in terms of its mandates, the purpose of which is not only to fulfill its legal and contractual commitments, but also to go beyond the simple rationale of "compliance" and aim to be exemplary in all its practices.

It is for this reason that the Group will continue to disseminate a risk management culture for ethics, both at headquarters and in the network, and train its employees on subjects that are inextricably linked with its core values.

In addition, the launch of work on responsible finance in 2018 should open the debate on these central themes for AFD Group.

Finally, the Group will continue to improve its practices in terms of financial security, by adopting and strengthening effective mechanisms for the fight against corruption and influence peddling, by setting up a warning mechanism covering all the subjects related to professional ethics, and by continuing its awareness-raising actions.



SOCIALLY RESPONSIBLE AND EQUITABLE STAFF MANAGEMENT

The requirement of social responsibility towards employees, *via* responsible and equitable staff management, particularly strikes a chord in an organization whose social framework already has a significant international dimension and is tending to grow, with staff who come under different statuses (and sometimes legislations).

This context requires continuing to promote the human resources management policy on all our sites, by increasing the use of existing tools in the agencies and offices and promoting the advancement of officers with high potential, wherever they are located. The diversity of profiles, in terms of diplomas and nationalities, will also be a major issue which will be developed.

The Group continues to pay particular attention to the promotion of gender equality, a structural area of its overall strategy, diversity and equal opportunities.

With the increase in the headcount and the development of mandates and missions, the CSR approach needs to provide the most effective support possible for the in-house changes. It needs to be a source of cohesion and place women and men at the center of the organization's priorities.



CONTROL THE DIRECT ENVIRONMENTAL AND SOCIAL FOOTPRINT

AFD Group's responsibility is also exercised *via* the control of its direct environmental and social footprint, an issue of consistency which employees increasingly attach importance to and a subject which external correspondents remain attentive to.

AFD Group will continue its action to reduce its direct environmental footprint, by aiming at greater energy efficiency and more responsible travel practices, and promoting alternative mobility. It will also systematize the offsetting of its residual footprint. In line with its mandate as a "digital donor", it will develop an action plan based on Green IT. The adoption of eco-responsible practices by employees will be encouraged, in particular *via* awareness-raising actions, and the practices of the network, which are heterogeneous but present an interest, will be taken into account more.

All Group employees will be better equipped for a more socially and environmentally responsible management of procurement, with the aim of optimizing its footprint *via* its value chains.

Finally, while this subject is eminently "internal", it does nevertheless provide an opportunity to establish partnerships with both French and international organizations. It is for this reason that the Group will continue to organize events for awareness-raising and exchanges with its many external correspondents.

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