

A Comparative Analysis of Sustainable Finance Policies and Practices of Canadian Development Financial Institutions and Multilateral Development Banks

ASHER IMAM

Faculty of Environment, School of Environment, Enterprise and Development, University of Waterloo, Waterloo, Ontario, Canada

OLAF WEBER

CIBC Chair in Sustainable Finance, Schulich School of Business, York University, Toronto, Ontario, Canada

La présente étude est l'analyse comparative d'établissements de financement de développement (ÉFD) canadiens et de banques multilatérales de développement (BMD). Elle se penche sur l'intégration des principes environnementaux, sociaux et de gouvernance (ESG) aux décisions en matière d'investissement et à l'harmonisation des rapports d'impact avec les objectifs de développement durable. Elle inclut une analyse de contenu détaillée des rapports de durabilité, des rapports annuels ou des rapports d'ESG de quelques établissements entre l'exercice 2021 et l'exercice 2023, et met en lumière les différences thématiques distinctes à l'aide d'une approche à méthodologie mixte. Les ÉFD canadiens priorisent l'inclusion sociale, l'équité des genres et le développement économique des Autochtones, tandis que les BMD s'attardent davantage au risque climatique, à la biodiversité et au financement vert. Même si ces deux groupes font des efforts collectifs démontrés envers la durabilité, les ÉFD canadiens traînent toujours de la patte pour ce qui est de thèmes comme les déclarations d'émissions de type 3 (chaîne de valeur), le financement de la biodiversité et les mesures d'impact. Les résultats font ressortir deux possibilités clés pour les ÉFD canadiens : a) faire progresser l'intégration des ESG par l'adoption des pratiques exemplaires internationales, y compris des cadres de transition justes, des mécanismes de plaintes et des tableaux d'impact et b) améliorer les rapports en matière de durabilité par des cadres standardisés comme le *Global Reporting Initiative* et le groupe de travail sur les divulgations financières liées au climat.

Mots clés : finances durables, environnement, société et gouvernance (ESG), finances climatiques, objectifs de développement durable (ODD), évaluation de l'impact

This study conducts a comparative analysis of Canadian development finance institutions (DFIs) and international multilateral development banks (MDBs). It examines the integration of environmental, social, and governance (ESG) principles into investment decisions and the alignment of impact reporting with the Sustainable Development Goals. The study conducts a detailed content analysis of the sustainability,

© *Canadian Public Policy / Analyse de politiques*, 2025. All rights reserved / Tous droits réservés. Authorization to reproduce items for internal or personal use, or the internal or personal use of specific clients, is granted by the journal for libraries and other users registered with the Copyright Clearance Center (CCC): <https://www.copyright.com>. Permissions may also be obtained by email via journal.permissions@utpress.utoronto.ca.

annual, or ESG reports of selected institutions from fiscal year 2021 to fiscal year 2023, highlighting distinct thematic differences using a mixed-methods approach. Canadian DFIs prioritize social inclusion, gender equity, and Indigenous economic development, whereas MDBs focus more on climate risk, biodiversity, and green finance. Although both demonstrate collective efforts toward sustainability, Canadian DFIs are still behind on themes such as Scope 3 emissions (value-chain) disclosure, biodiversity finance, and impact measurement. The findings identify two key opportunities for Canadian DFIs: (a) to advance ESG integration by adopting international best practices, including just transition frameworks, grievance mechanisms, and impact dashboards, and (b) to improve sustainability reporting via standardized frameworks such as the Global Reporting Initiative and Task Force on Climate-Related Financial Disclosures.

Keywords: sustainable finance, environmental, social, and governance (ESG), climate finance, sustainable development goals (SDGs), impact assessment

Introduction

Sustainable finance, which involves investing in a way that balances environmental and social concerns with financial return, has emerged as a strategic pathway to advance the Sustainable Development Goals (SDGs) and address critical challenges such as climate change and inequality (OECD and UNDP 2020). Canadian development financial institutions (DFIs) and international multilateral development banks (MDBs) have the mandate to finance development projects. They can act as drivers to integrate environmental, social, and governance (ESG) principles into their investment strategies and assess their impact on SDG priorities (OECD 2020). Although many Canadian DFIs and MDBs have chosen the path of sustainable finance, a clear gap is seen between policy and practice, specifically in integrating ESG principles into investment decisions and using SDGs in impact reporting (Weber and ElAlfy 2019). This research addresses this gap through a comparative analysis of ESG principles and the SDGs in the financing of Canadian DFIs and MDBs.

There is evidence of Canadian DFIs' and MDBs' ambivalence toward sustainable finance. On the one hand, MDBs such as the World Bank Group (WBG) and the Asian Development Bank (ADB) have been pioneers in ESG integration and climate finance commitments (AfDB et al. 2023). On the other hand, they continue funding carbon-intensive projects, raising concerns over policy consistency and climate duplicity (Shideler and Hetzel 2021). Despite their commitments to green finance, many Canadian DFIs and MDBs continue to face challenges in transparency and accountability in ESG disclosure (Ingram and Paxton 2023). This study builds on previous work by examining differences in institutional approaches to sustainable finance practice and SDG reporting.

This study assesses the alignment of selected institutions' ESG principles and SDG priorities in their practice and reporting framework, such as the Paris Agreement and the Global Reporting Initiative (GRI). It investigates two main questions: How do Canadian DFIs and MDBs

include ESG principles and the SDGs in their financing and reporting? What are the main differences between them? The study uses a mixed-methods content analysis of sustainability, annual, and ESG reports (2021–2023) from eight Canadian DFIs and ten MDBs, selected on the basis of size, mandate, and geography. NVivo and statistical applications support the analysis. The main results show that Canadian DFIs prioritize social inclusion, gender, and Indigenous economic development, whereas MDBs focus on climate disclosure, biodiversity, and green bonds. The remainder of the article presents a literature review, objectives, questions, methodology, results, discussion, and conclusion.

Background

Sustainable finance is defined as “the process of taking ESG considerations into account in investment decisions in the financial sector, leading to more long-term investment in sustainable economic activities” (European Commission 2023). This definition affirms that ESG principles are the key operational pillars of sustainable finance, offering measurable criteria for impact assessment through an SDG lens (Global Reporting Initiative 2021). Furthermore, the SDGs are also based on the three key pillars, namely environmental responsibility, social equity, and economic viability (Gibson 2009; Huck 2022).

This literature analysis examines five key interrelated aspects: (a) evaluation of ESG and SDG scholarship, (b) integration of ESG principles into investment, (c) sustainability reporting practices, (d) regulatory framework, and (e) global frameworks and best practices. This provides the foundation for the analysis of sustainable finance strategies and reporting by the Canadian DFIs and MDBs.

The first aspect examines the bibliometric trends. A study that examined 12,176 SDG-related publications (2015–2022) shows robust global interest, with more research conducted in the United States, China, and the United Kingdom, with an average citation rate of 15.06 (Mishra et al. 2023). Examining a corpus of articles

written by total of 45,345 authors, the study highlights international collaboration and prominent themes such as climate change, poverty, governance, food security, and gender inequality, illustrating both the multidimensional character of the SDGs and research predominance in developed nations (Mishra et al. 2023). Another bibliometric analysis comparing about 1,000 ESG financial performance papers with approximately 200 on SDG financial performance reveals that ESG literature is more prevalent (Cunea and Bancu 2025). Although both subjects are highlighted in the literature, the ESG literature has increased more rapidly in volume, citation, and co-authorship, suggesting that SDG research remains under-represented despite its strategic relevance.

The second aspect explores the integration of ESG principles into investment decisions. Although MDBs claim alignment with ESG and SDG frameworks, a noticeable gap exists between policy and practice. Structural and operational constraints delay the successful integration of ESG principles into investment decisions (Misra 2021). Conventional banking practices, including MDBs, often prioritize short-term profitability over long-term sustainability by overlooking environmental and social considerations (Weber and Feltrate 2016). Sustainability is mostly theoretical; it is not practiced because it is not adequately integrated into financial decisions and assessment frameworks (Weber and ElAlfy 2019). Hence, financial institutions are often criticized for engaging in “greenwashing,” in which superficial disclosures appear to align with the SDGs without substantial verification or measurable outcomes (Weber and Feltrate 2016).

Canadian DFIs and MDBs both show inconsistency in ESG integration and impact reporting. MDBs use internal frameworks such as the International Finance Corporation’s Anticipated Impact Measurement and Monitoring (AIMM) and the European Bank for Reconstruction and Development’s (EBRD’s) Transition Impact Monitoring System (TIMS); however, they remain inconsistent in regulatory monitoring and impact disclosure (Getzel and Gregory 2024). Despite involvement in standards such as Impact Reporting and Investment Standards Plus (IRIS+), MDBs exhibit variability in its adoption. The Overseas Development Institute (ODI) highlights gaps in standardized sovereign lending policy and limited public data, recommending alignment with global standards (e.g., SDGs, Paris Agreement), enhanced transparency, and independent assessments (Getzel and Gregory 2024). Many Canadian DFIs fail to translate their sustainability commitments into measurable outcomes (PwC Canada 2025), with ESG principles remaining fragmented and frameworks differing in sustainability reporting (FinDev Canada 2022; Mendez and Houghton 2020).

The third aspect analyzes sustainability reporting and disclosure quality, which are inconsistent among Canadian DFIs and MDBs despite increasing ESG com-

mitments. There is inconsistency in sustainability classifications and a lack of standardized ESG reporting, which complicates cross-institutional comparisons and accountability (Berrou et al. 2019). Empirical research by the ODI corroborates that MDBs often rely on narrative and qualitative reporting rather than quantitative SDG-linked impact measurements (Attridge et al. 2019). Despite MDBs being key drivers of SDGs, few studies have been conducted on how they prioritize ESG framework and SDGs across regions, highlighting a need for comparative analysis in geographical contexts (Rodríguez Estévez and Arce Ruíz 2024).

DFIs exhibit fragmented and unaligned sustainability reporting despite their increasing obligations. In prior research, 96 percent of Canadian financial institutions expressed the need for periodic sustainability reporting to senior leadership, and only 66 percent had internal systems to facilitate this process (Turley-McIntyre et al. 2016). The Institute of Sustainable Finance (ISF) discovers that ESG disclosures among Canadian DFIs are predominantly voluntary and non-standardized, with a mixed adoption of frameworks, such as the Global Reporting Initiative and the Task Force on Climate-Related Financial Disclosures (TCFD) (Cleary and Hakes 2023). Only a few institutions have progressed beyond narrative disclosures to impact-oriented reporting, with limited SDG-based indicators or third-party assurance methods (ISF 2023). These deficiencies reduce reliability and comparability, weakening accountability.

The fourth aspect focuses on regulatory and standardization frameworks. Recent research highlight gaps in Canada’s climate-risk disclosure requirements compared with international best practices (IDFC 2022). Capco Intelligence analysis indicates that Canadian authorities, including the Office of the Superintendent of Financial Institutions (OSFI) and the Canadian Securities Administrators, are progressively integrating risk management by mandating ESG stress testing, scenario analysis, and governance disclosures (Lamarch-Dykement, Taylor, and Ragnaseelan 2024). However, shortfalls still exist in enforcement and strategic integration, reflecting previous criticisms of unaligned ESG disclosure frameworks.

For MDBs, ESG regulatory requirements are influenced more by internal policies and international agreements than by national regulators. Alignment with global frameworks, such as the Paris Agreement, and the SDGs generates normative pressure and reputational incentives to enhance ESG integration (Getzel and Humphrey 2024). Institutions such as the WBG and the AfDB have implemented internal climate policies, compulsory emissions reporting, and investment criteria aligned with the Paris Agreement, set as benchmarks for other institutions (OECD 2023). However, discrepancies in interpretation and implementation of these frameworks because of

varying governance structures, stakeholder involvement, and regional mandates result in inconsistent enforcement that highlights the need for standardized ESG regulation across institutions (Attridge and Engen 2019).

The fifth aspect is the adoption of a global sustainability framework. Despite the availability of various sustainability frameworks, such as the Global Reporting Initiative and TCFD, implementation by both DFIs and MDBs is often inconsistent. This inconsistency is intensified by the lack of regulatory mandates and institutional incentives to systematically adopt best practices (OECD 2019; World Bank 2018). The literature reinforces the perspective that the integration of sustainability into institutional governance must be both top-down and systemic (Bebbington and Unerman 2018).

Implementation across DFIs remains fragmented and inconsistent despite the availability of supportive domestic policy tools such as the Sustainable Finance Action Plan (SFAP), the Canadian Taxonomy Framework (CTF), and the initiatives of the Sustainable Finance Action Council (SFAC) (ISF 2023). However, MDBs have operated as global norm-setters in the adoption of ESG frameworks that influence both public and private finance (Mendez and Houghton 2020). They are progressively implementing results-oriented country policies focused on developmental outcomes rather than financial inputs (Lee et al. 2023). However, despite this leadership, criticisms persist regarding institutional fragmentation, inconsistent application of ESG safeguards, and the lack of a unified sustainability reporting framework across MDBs (Rodríguez Estévez and Arce Ruíz 2024).

This literature study concludes that ESG integration and SDG-linked reporting have been inconsistent across Canadian DFIs and MDBs. Despite advancing ESG and SDG scholarship, the SDG-linked literature remains comparatively underdeveloped. The integration of ESG factors into financial decisions is frequently obstructed by practical limitations, inconsistent incentives, and superficial commitments. MDBs are advanced in using outcome-oriented tools such as AIMM and TIMS, whereas Canadian DFIs predominantly depend on narrative disclosures with limited use of global frameworks such as the IRIS+, Global Reporting Initiative, and TCFD. Similarly, sustainability reporting shows inconsistency among institutions. Although MDBs operate under global agreements such as the Paris Agreement, they face challenges in aligning ESG principles and maintaining internal policy consistency. Canadian DFIs operate under national efforts, such as SFAP and the CTF, but still lack obligatory ESG criteria and uniform reporting methods.

These limitations highlight the need for comparative empirical research, such as this study, which aims to provide evidence-based policy suggestions for enhancing accountability, transparency, and impact alignment within Canada's development financing ecosystem. The study

emphasizes topics such as climate finance, ESG, SDG alignment, gender, inclusion, and impact measurement, which are derived from the operational components of ESG and SDG frameworks commonly referred to in the existing literature.

Research Objectives and Questions

Three objectives guide this study: first, to assess the degree to which Canadian DFIs and MDBs integrate ESG principles into their investment decisions; second, to evaluate the extent to which they align their impact reporting with global sustainability standards; and third, to conduct a detailed comparative analysis of ESG integration, disclosure practices, and impact assessment metrics by identifying notable similarities and differences between Canadian DFIs and MDBs. To achieve these objectives, this study addresses the following three research questions:

1. To what extent do Canadian DFIs and MDBs reflect ESG integration in their financing and sustainability reporting?
2. To what extent do they align SDG in reporting with international sustainability standards?
3. Are there empirical differences between Canadian DFIs and MDBs in adoption of ESG integration and impact assessment disclosure?

Theoretical Framework

This study is grounded in two theories: institutional theory and the theory of change. Institutional theory (DiMaggio and Powell 1983) posits that organizations within their domain align in structure and behaviour because of mimetic, coercive, and normative pressures. In the context of sustainable finance, mimetic isomorphism offers a lens for DFIs to adopt ESG practices, as exemplified by MDBs, thereby enhancing legitimacy and fostering partnerships. Coercive pressure, such as a global climate-related reporting mandate, and normative pressure, for example, from the TCFD, influence Canadian DFIs' reporting practices. This theory guides the research questions and hypothesis by indicating that MDBs are relatively ahead in ESG integration and SDG reporting because of influential institutional pressures. Using both theory and the supporting literature presented earlier, the study presents two hypotheses: first, that MDBs implement ESG practices more consistently than Canadian DFIs, and second, that differences in alignment are influenced by varying levels of mimetic, coercive, and normative pressures.

The theory of change (Weiss 1995) complements the institutional lens by providing a pathway for Canadian DFIs and MDBs to convert policy commitments into quantifiable outcomes. It establishes a connection between inputs (such as capital and governance policies),

outputs (project financing and disclosure practices), and outcomes (emission reductions and social equity) to achieve long-term impacts (climate resilience and poverty alleviation). In this study, the theory of change is used to see whether and how these institutions implement their policies by using SDG reporting practices. It also supports analyzing the results by examining whether institutional input is practically translated into measurable output with lasting impact or where gaps exist in the process. MDBs have progressively incorporated theory-of-change models into their results-oriented frameworks—for example, the WBG’s SDG-linked impact dashboards and ADB’s corporate results framework—whereas Canadian DFIs are still behind. This difference is a key component of the analysis.

The integration of institutional isomorphism and the theory of change directly supports the key objective of this study: to identify and explain the gap between policy and practice in sustainable finance. Institutional theory helps support the hypothesis that Canadian DFIs follow MDBs in responding to external pressure, but Canadian DFIs tackle contextual limitations in achieving complete ESG integration. The theory of change adds value by providing a path through which policies can produce measurable outcomes. These theories, in combination, ensure the conceptual coherence of the research framework by bridging the research questions and hypotheses to the comparative analysis methodology and expected results. This integrated theoretical framework increases analytical accuracy by analyzing institutional behaviour, ESG integration, and SDG alignment in sustainable finance. On this basis, this research also analyzes which policy recommendations can support Canadian DFIs and regulators in sustainability governance and enhance reporting in accordance with international standards.

Methodology and Scope

This research uses a comparative content analysis of the sustainable financing practices of Canadian DFIs and MDBs. The study uses a mixed-methods approach to evaluate and analyze the alignment of these institutions’ investment strategies with ESG principles and sustainability reporting in relation to SDG indicators. The analysis examined sustainability, annual, or ESG reports published between fiscal year (FY) 2021 and FY 2023 (mentioned in the online Appendix) by eight Canadian DFIs and ten MDBs listed in Table 1, selected on the basis of their asset size, development mandate, and geographical representation.

Analytical Framework

The main themes for the comparative analysis were selected through a methodological approach. A synthesis of deductive (framework-driven) and inductive (data-

Table 1: Canadian DFIs and MDBs Included in the Study Sample

| Canadian DFIs | MDBs |
|--|---|
| 1. Export Development Bank | 1. World Bank Group |
| 2. Business Development Bank of Canada | 2. Asian Development Bank |
| 3. FinDev Canada | 3. African Development Bank |
| 4. Canada Infrastructure Bank | 4. Inter-American Development Bank |
| 5. Farm Credit Canada | 5. European Investment Bank |
| 6. Sustainable Development Technology Canada | 6. European Bank for Reconstruction and Development |
| 7. Canada Mortgage and Housing Corporation | 7. Asian Infrastructure Investment Bank |
| 8. Canadian Commercial Corporation | 8. Islamic Development Bank |
| | 9. Caribbean Development Bank |
| | 10. New Development Bank |

Note: DFI = development finance institutions; MDBs = multilateral development banks.

Source: Author’s compilation.

driven) methodologies was used. Deductively, main themes and sub-themes were selected using globally recognized ESG and SDG frameworks, including the Global Reporting Initiative, TCFD, and International Sustainability Standards Board (ISSB). These were also supported by themes that commonly emerged in the academic literature. The selection of keywords, including *climate finance*, *renewable energy*, *greenhouse gas (GHG) emissions*, *gender*, and *impact*, was based on their use in frameworks and literature, indicating their critical importance for sustainable finance. Inductively, a few recurring themes were identified after multiple review cycles of the sustainability, annual, or ESG reports.

The complete set of selected reports was manually uploaded to NVivo as source documents. The selected keywords were also manually compiled and entered into NVivo, and the text search and query function were applied to assess keyword frequencies, references, and contextual usages. This facilitated a systematic distinction between word usage patterns and thematic priorities across institutions. Each report was coded manually in NVivo one by one to ensure context-dependent language features. The coding system in NVivo was structured around these main themes, with sub-themes and keywords that tie to them, to support more detailed qualitative analysis. The final set of main themes, sub-themes, and related keywords are shown in [Figure 1](#).

Comparative Approach

The study uses NVivo-based thematic coding and cross-institutional comparison to examine convergence and divergence in sustainable finance practices by DFIs and MDBs. The keyword references were analyzed by retrieving key term frequencies from NVivo-coded reports

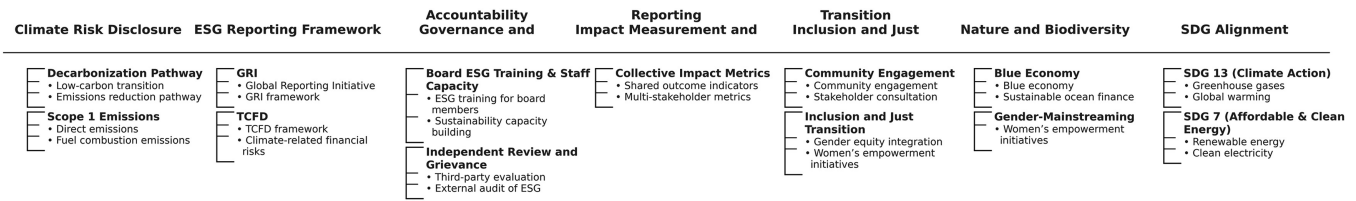


Figure 1: Main Themes, Key Sub-Themes, and Important Keywords from NVivo Coding

Source: Author's analysis (NVivo coding); underlying sustainability; annual; and environmental, social, and governance reports.

to understand the predominant themes, as shown in Figures 2 and 3. To prevent misinterpretation of references as endorsements, each high-frequency reference term was contextually categorized (e.g., by whether it signified action, evaluation, or recognition).

Results and Discussion

ESG Integration into Investment Decision

Both Canadian DFIs and MDBs increasingly reference terms such as ESG and SDG, illustrating the growing

convergence of sustainability with financial performance criteria. However, Canadian DFIs show comparatively stronger prioritization of social aspects of ESG principles, specifically gender, Indigenous, and community engagement, as shown in Figure 2. This indicates a more inclusive and socially integrated approach to sustainable finance, as outlined in Canada's Feminist International Assistance Policy (Canada 2017). ESG principles are applied at the project or stakeholder level, with a specific focus on gender equity and financial inclusion.

In contrast, MDBs demonstrate greater ESG integration in environmental aspects, frequently reporting terms

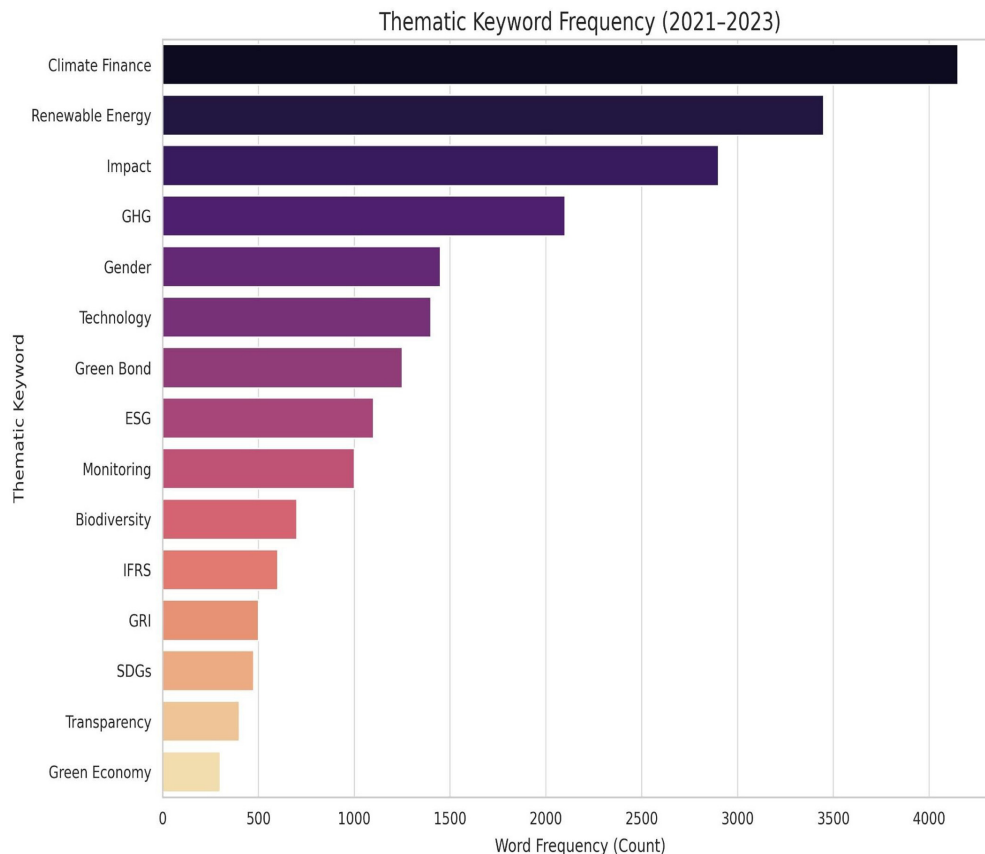


Figure 2: NVivo Text Search References across Key Themes in Canadian Development Finance Institution Reports (2021–2023)

Source: Author's analysis (NVivo text-search results of Canadian development finance institutions' sustainability; annual; and environmental, social, and governance reports, 2021–2023).

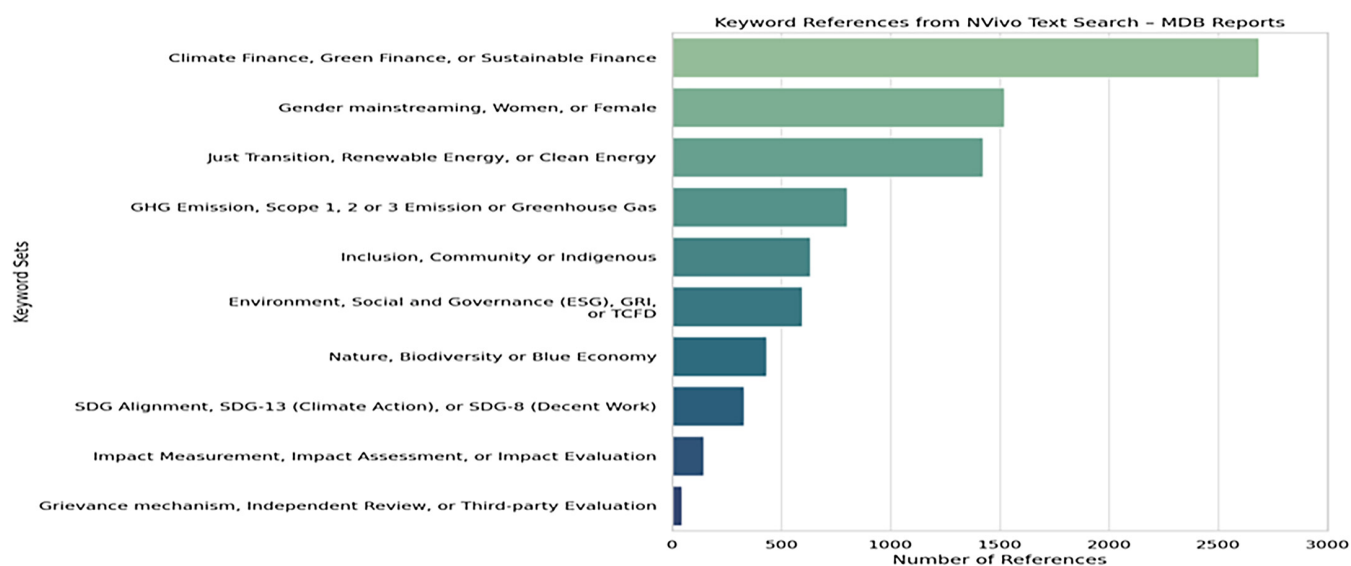


Figure 3: NVivo Text Search References across Key Themes in Multilateral Development Bank Reports (2021–2023)

Source: Author's analysis (NVivo text-search results of multilateral development banks' sustainability; annual; and environmental, social, and governance reports, 2021–2023).

such as *climate finance*, *just transition*, or *renewable energy*, as shown in Figure 2. Their investment descriptions are better aligned with global frameworks such as the Paris Agreement, SDG 13 (climate action), SDG 7 (affordable and clean energy), and SDG 9 (industry, innovation, and infrastructure). MDBs also show more frequent macro-level ESG integration under themes such as green bonds and biodiversity, thereby emphasizing their stronger mandate in climate finance.

SDG Reporting Alignment with International Standards

Both Canadian DFIs and MDBs have incorporated the SDGs into their reports; however, the intensity and extent of alignment vary. Canadian DFIs are inclined to report on the SDGs in national policy frameworks at the project or beneficiary level, focusing on areas such as women's economic participation, access to renewable energy, and local livelihoods. The SDGs are more narrative and usually lack structured integration with international reporting standards. However, MDBs demonstrate a greater alignment of their disclosures with global sustainability frameworks, such as IRIS+, the SDG Impact Standards, and the ISSB guidelines (*Global Impact Investing Network 2023*). MDBs typically associate impact with system-wide metrics and climate resilience by adopting more acceptable, results-based reporting.

Empirical Differences in ESG and SDG Impact Reporting

A chi-square test for independence was performed using NVivo coded keyword frequencies to determine whether

the differences in thematic emphasis between Canadian DFIs and MDBs were statistically significant. The specific keywords analyzed in the empirical test were *climate finance*, *renewable energy*, *GHG emissions*, *gender*, and *impact*. These terms were analyzed across both groups using NVivo-coded phrase frequencies from the reports. The findings revealed $\chi^2(5) = 390.14$, $p < 0.001$, signifying a highly significant variation in term usage patterns. The empirical results indicate that institutions prioritize distinctly different aspects in their sustainability narratives. Canadian DFIs adopt a socially inclusive sustainability lens, whereas MDBs emphasize climate and environmental aspects and macro-level climate goals.

Canadian DFIs

Canadian DFIs such as Export Development Canada (EDC), Business Development Canada (BDC), and FinDev Canada have adopted ESG disclosures aligned with global standards, including TCFD and, to a lesser extent, the Global Reporting Initiative. However, the rest of them continue to rely on internal frameworks lacking international standards. The Canada Infrastructure Bank (CIB) and BDC referenced 18 and 5 indicators, respectively, within their impact system, whereas other institutions cited only certain SDGs (e.g., SDG 11 and SDG 2) narratively without providing project-level numerical data. This suggests that BDC's B-Corp status may have contributed to its practice of impact reporting, compared with other DFIs.

Climate-related disclosure improved during the period, and most Canadian DFIs started reporting Scope 1 (direct) and Scope 2 (indirect) emissions by 2022.

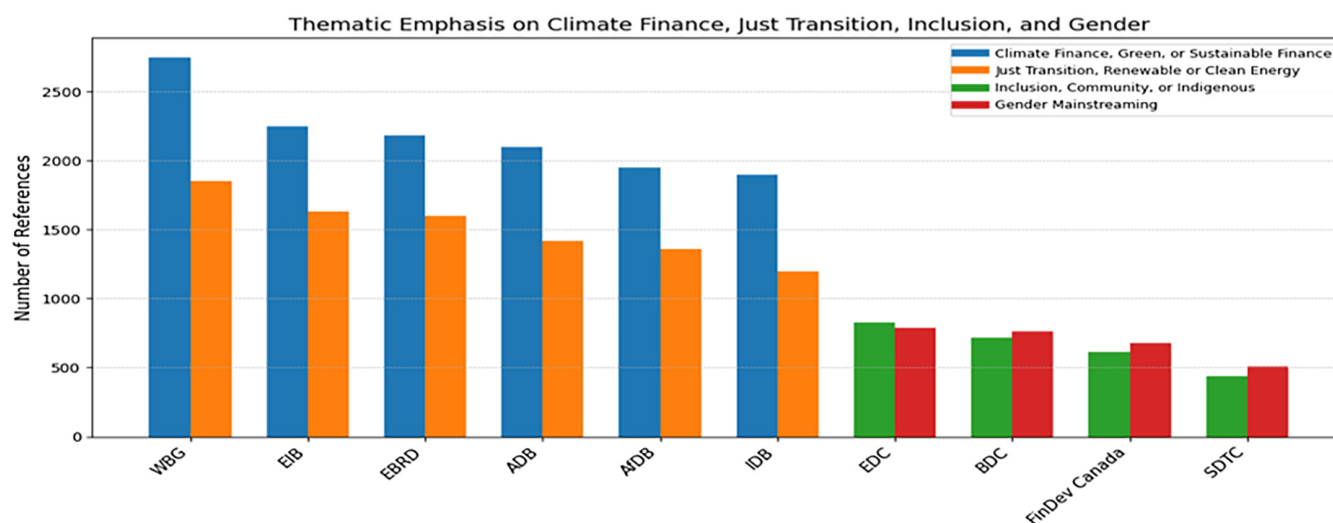


Figure 4: Comparative Emphasis on Key Sustainability Themes by Multilateral Development Banks and Canadian Development Finance Institutions

Source: Author's analysis (comparative NVivo analysis of multilateral development banks' and Canadian development finance institutions' sustainability; annual; and environmental, social, and governance reports, 2021–2023).

However, Canadian DFIs continue to under-report Scope 3 (value-chain) emissions, limiting the ability to understand indirect environmental impacts. EDC and FinDev showed the highest frequencies of references—72 and 18, respectively—to climate and sustainable finance practices in the context of green finance, which indicates a comparatively higher institutional emphasis on green investment approaches. These strategies demonstrate an increasing effort by Canadian DFIs to use blended finance and innovation in achieving Canada's climate targets. Social inclusion and just transition themes were shown in reporting systems and policies of BDC and FinDev Canada, mentioning Indigenous inclusion and gender, as shown in Figure 4, whereas the Canadian Mortgage and Housing Corporation focused on housing equity and affordability, and Farm Credit Canada pushed rural transition programs. Transition narratives were observed to be frequent in Canadian DFIs, although less formally established than the formal frameworks used by MDBs. Addressing nature-based policies was weak across all Canadian DFIs, and no institution had adopted a biodiversity finance plan.

BDC, FinDev Canada, Sustainable Development Technology Canada (SDTC), and CIB enhanced their use of impact dashboards and performance scorecards, incorporating standardized metrics such as jobs created, reduced emissions, and capital mobilized. This marks a shift toward more measurable and comparable development outcomes. Although these instruments demonstrate an increasing dedication to impact-oriented reporting and alignment with international frameworks, such as SDG indicators and IRIS+, the level of alignment still

varies and falls short. As Figure 4 shows, BDC and EDC offered the most thorough disclosures in the sample, outlining their governance structures, grievance procedures, and ESG risk management.

MDBs

All MDBs presented a commitment to ESG transparency, with leading MDBs consistently adhering to the Global Reporting Initiative and TCFD standards. ISSB references started in 2022, notably in reports by the European Investment Bank (EIB) and ADB, whereas others reported narratively without an established framework. Many MDBs have integrated SDG indicators into narrative descriptions in thematic investment sections. However, these details were mainly inadequate in terms of logical precision, limiting their usefulness in assessing the impact evaluation.

All MDBs reported Scope 1 and Scope 2 emissions by 2023, whereas Scope 3 emissions disclosures were limited to the WBG, EIB, and EBRD, as shown in Figure 4. Climate risk analysis began to be used in 2021. It was formally incorporated into disclosure by the WBG, EIB, and AfDB by 2022. The EIB became a prominent issuer of green bonds, whereas the WBG and Inter-American Development Bank (IDB) appeared as promoters of blended finance and resilience bonds, as shown in Figure 4. As of 2023, all ten MDBs indicated some involvement with sustainable finance products. After the United Nations Climate Change Conference in 2021, MDBs began to incorporate the concept of a just transition into their sustainability frameworks. Specifically, the EBRD, AfDB,

and IDB referred to it 210, 158, and 96 times, respectively, in their reports. Gender equity and social inclusion consistently emerged as priorities in the sustainability framework of all MDBs. Nature-based solutions have significantly evolved in WBG, EBRD, AfDB, EIB, and IDB, whereas the Caribbean Development Bank and New Development Bank offer little information.

By 2023, all MDBs' governance systems had integrated ESG oversight into their reporting. The WBG, EBRD, and AfDB have the most developed governance systems (e.g., the WBG's Inspection Panel and the EBRD's Project Complaint Mechanism). They have consistently implemented robust grievance resolution procedures, maintained transparent audit trails, and conducted regular independent external audits. NVivo-coded data indicate that EIB and Asian Infrastructure Investment Bank had the highest frequency in the themes of governance structures and risk oversight, with 13 and 9 references, respectively. However, EBRD and IDB have shown fewer references, with two each showing more restricted disclosures. This development in ESG management demonstrates a continuous commitment to responsibility, transparency, and stakeholder engagement within their institutional framework.

Recommendations

To enhance ESG integration into investment decisions, Canadian DFIs should adopt a unified ESG framework aligned with international best practices in three key ways. First, regulatory bodies such as OSFI and SFAC need to mandate comprehensive climate-related disclosure requirements, including Scope 3 emissions, based on the WBG and EIB approach. Second, Canadian DFIs need to operationalize themes such as just transition and biodiversity finance by integrating these into their investment framework. Last, they must strengthen ESG governance by adopting formal grievance mechanisms and audit systems, such as those established by MDBs, including the WBG Inspection Panel, the EBRD Project Complaint Mechanism, and the AfDB's Independent Review Mechanism. These systems provide platforms for accountability and the effective integration of ESG principles through transparency and stakeholder engagement.

To enhance the credibility and transparency of sustainability reporting, Canadian DFIs must adopt a dual reporting approach. The first approach involves shifting from narrative-based disclosure to impact-driven reporting by aligning it with international frameworks, such as Global Reporting Initiative, TCFD, and IRIS+, through the adoption of an impact dashboard and performance scorecard used by the MDBs. The second approach is to conduct an independent impact evaluation to assess the Canadian DFIs' portfolio and ensure that SDG-based

outcomes are measurable and verifiable. Many MDBs have dedicated similar departments that directly report to the board on the effectiveness, efficiency, and impact of MDBs' work.

Conclusion

The study investigated ESG integration in investment decisions and sustainability reporting practices of Canadian DFIs and MDBs, highlighting different thematic priorities and systematic approaches. Although Canadian DFIs prioritize social inclusion, gender, and Indigenous economic development, MDBs focus on climate-related disclosure, biodiversity, and green bonds. The findings suggest two opportunities for Canadian DFIs. The first is to improve ESG integration into investment decisions. This can be learned from MDBs' best practices, which include mandating Scope 3 emission (value-chain) disclosure, incorporating just transition and biodiversity themes, developing impact dashboards, and setting up a formal grievance mechanism. The second is to enhance the authenticity and transparency of sustainability reporting. They can adopt an international reporting framework, such as the GRI or the TCFD, which involves impact assessment reporting through the lens of SDGs indicators. They may also establish an independent impact evaluation system to ensure that SDG-focused outcomes are measurable and verifiable, similar to the approaches adopted by leading MDBs.

References

- African Development Bank (AfDB), Asian Development Bank, Asian Infrastructure Investment Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank Group, Islamic Development Bank, and the World Bank Group. 2023. *2022 Joint Report on Multilateral Development Banks' Climate Finance*. Luxembourg: European Investment Bank. At <https://www.eib.org/en/publications/20230128-2022-joint-report-on-multilateral-development-banks-climate-finance>.
- Attridge, S., and L. Engen. 2019. *Blended Finance in the Poorest Countries: The Need for a Better Approach*. London: Overseas Development Institute. At <https://odi.org/en/publications/blended-finance-in-the-poorest-countries-the-need-for-a-better-approach/>.
- Bebbington, J., and J. Unerman. 2018. "Achieving the United Nations Sustainable Development Goals." *Accounting, Auditing & Accountability Journal* 31(1):2–24. <https://doi.org/10.1108/AAAJ-05-2017-2929>.
- Berrou, R., P. Dessertine, and M. Migliorelli. 2019. "An Overview of Green Finance." In *The Rise of Green Finance in Europe: Opportunities and Challenges for Issuers, Investors and Marketplaces*, ed. M. Migliorelli and P. Dessertine, 3–29. Cham, Switzerland: Palgrave Macmillan. https://doi.org/10.1007/978-3-030-22510-0_1.

- Canada. 2017. "Canada's Feminist International Assistance Policy." At https://www.international.gc.ca/world-monde/issues_development-enjeux_developpement/priorities-priorites/policy-politique.aspx.
- Cleary, S., and A. Hakes. 2023. *Progress and Possibility: Sustainable Finance in Canada*. Institute for Sustainable Finance. Kingston, ON: Queens University, Smith School of Business. At <https://smith.queensu.ca/centres/isf/pdfs/ISF-SustainableFinanceProgress.pdf>.
- Cunea, M.I., I.M. Petrica, and E.A. Bancu. 2025. "Financial Performance in Relation to ESG and SDG: A Bibliometric Analysis." *Journal of Lifestyle and SDGs Review* 5(3):e04113. <https://doi.org/10.47172/2965-730X.SDGsReview.v5.n03.pe04113>.
- DiMaggio, P.J., and W.W. Powell. 1983. "The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields." *American Sociological Review* 48(2):147–60. <http://www.jstor.org/stable/2095101>.
- European Commission. 2023. "Overview of Sustainable Finance." At https://finance.ec.europa.eu/sustainable-finance/overview-sustainable-finance_en.
- FinDev Canada. 2022. "Growth with Purpose." At <https://www.findevcanada.ca/en/governance/annual-report-2022>.
- Getzel, B., and N. Gregory. 2024. *MDB Approaches to Impact Measurement and Reporting*. London: Overseas Development Institute. At https://media.odi.org/documents/MDB_approaches_to_impact_measurement_and_reporting.pdf.
- Getzel, B., and C. Humphrey. 2024. *Streamlining MDB Environmental, Social and Procurement Safeguards while Maintaining High Standards*. London: Overseas Development Institute. At https://media.odi.org/documents/Streamlining_MDB_environmental_social_and_procurement_safeguards.pdf.
- Gibson, R.B. 2009. "Beyond the Pillars: Sustainability Assessment as a Framework for Effective Integration of Social, Economic and Ecological Considerations in Significant Decision-Making." *Tools, Techniques and Approaches for Sustainability* 8(3):389–410. https://doi.org/10.1142/9789814289696_0018.
- Global Impact Investing Network (GIIN) 2023. *IRIS+ (Impact Toolkit): Metrics and Guidance*. https://impacttoolkit.thegiin.org/irisplus/?utm_source=chatgpt.com.
- Global Reporting Initiative. 2021. "GRI Standards English Language." At <https://www.globalreporting.org/how-to-use-the-gri-standards/gri-standards-english-language/>.
- Huck, W., ed. 2022. *Sustainable Development Goals: Article-by-Article Commentary*. Baden-Baden, Germany: Nomos/Hart. <https://www.bloomsburycollections.com/monograph?docid=b-9781509934058>.
- Ingram, G., and S. Paxton. 2023. "Development Finance Is Opaque, but Transparency Is Improving." Brookings Institution. At <https://www.brookings.edu/articles/development-finance-is-opaque-but-transparency-is-improving/>.
- International Development Finance Club (IDFC). 2022. *PDBs' Catalytic Role in Achieving the UN SDGs*. Paris: IDFC. <https://www.idfc.org/wp-content/uploads/2022/12/cib-etude-green-hub-web-15dec-144dpi-compressed.pdf?>
- Lamarche-Dykeman, E., J. Taylor, and E. Rangunaseelan. 2024. "The Future of ESG in Canadian Financial Services." Capco, 28 August 2024. At <https://www.capco.com/intelligence/capco-intelligence/future-of-esg-in-canadian-financial-services?>
- Lee, N., V. Laxton, and S. Matthews. 2023. *What Would the Ideal Development and Climate MDB Look Like?* Washington, DC: Center for Global Development. At <https://www.cgdev.org/publication/what-would-ideal-development-and-climate-mdb-look>.
- Mendez, A., and D.P. Houghton. 2020. "Sustainable Banking: The Role of Multilateral Development Banks as Norm Entrepreneurs." *Sustainability* 12(3):972. <https://doi.org/10.3390/su12030972>.
- Mishra, S.K., B. Desul, and L. Santos. 2023. "A Bibliometric Analysis of Sustainable Development Goals (SDGs): A Review of Progress, Challenges, and Opportunities." *Environment, Development and Sustainability* 26:11101–43. At <https://link.springer.com/article/10.1007/s10668-023-03225-w>.
- Misra, P. 2021. *Inclusion of Environmental and Social Risk Factors in Infrastructure Financing: Creating a Better Development Finance Institution for India*. Delhi: Centre for Financial Accountability. At <https://www.cenfa.org/wp-content/uploads/2021/10/Creating-a-better-Development-Finance-Institution-for-India-Report-by-Praachi-Misra.pdf>.
- Organisation for Economic Co-operation and Development (OECD). 2019. *Aligning Development Co-Operation and Climate Action: The Only Way Forward*. Paris: OECD Publishing. https://www.oecd.org/en/publications/aligning-development-co-operation-and-climate-action_5099ad91-en.html.
- Organisation for Economic Co-operation and Development (OECD). 2020. *Developing Sustainable Finance Definitions and Taxonomies*. Paris: OECD Publishing. https://www.oecd.org/en/publications/developing-sustainable-finance-definitions-and-taxonomies_134a2dbe-en.html.
- Organisation for Economic Co-operation and Development (OECD). 2023. *Aligning Development Co-Operation and Climate Action: The Only Way Forward*. Paris: OECD Publishing. <https://www.oecd.org/dac/environment-development/shaping-climate-resilient-development-2a82ff9d-en.htm>.
- Organisation for Economic Co-operation and Development (OECD) and United Nations Development Programme (UNDP). 2020. *Framework for SDG aligned finance*. New York: OECD Publishing and UNDP. <https://sdgfinance.undp.org/sites/default/files/2024-04/Framework%20for%20SDG%20Aligned%20Finance%20OECD%20UNDP.pdf>.
- PwC Canada. 2025. "ESG Reporting Insights for Financial Services." <https://www.pwc.com/ca/en/services/sustainability/insights/esg-reporting-insights.html>.
- Rodríguez Estévez, D., and R.M. Arce Ruíz. 2024. "Assessing Multilateral Development Bank ESG Safeguard Integration

- with International Sustainability Ratings." *Sustainability* 16(9):3789. <https://doi.org/10.3390/su16093789>.
- Shideler, J.C., and J. Hetzel. 2021. "Financing the Transition." In *Introduction to Climate Change Management: Transitioning to a Low-Carbon Economy*, 139–68. Cham, Switzerland: Springer. https://doi.org/10.1007/978-3-030-87918-1_6.
- Turley-McIntyre, B., A. Marchl, and B. Stasuiik. 2016. "Sustainability Reporting in Canada's Financial Institutions." *Journal of Co-Operative Accounting and Reporting* 4(1):35–58. At <https://www.smu.ca/webfiles/2-JCARsustainabilityReporting.pdf>.
- Weber, O., and A. ElAlfy. 2019. "The Development of Green Finance by Sector." In *The Rise of Green Finance in Europe: Opportunities and Challenges for Issuers, Investors and marketplaces*, ed. M. Migliorelli and P. Dessertine, 53–78. Cham, Switzerland: Palgrave Macmillan. https://doi.org/10.1007/978-3-030-22510-0_3.
- Weber, O., and B. Feltmate. 2016. *Sustainable Banking. Managing the Social and Environmental Impact of Financial Institutions*. Toronto: University of Toronto Press. <https://doi.org/10.3138/9781442629325-002>.
- Weiss, C.H. 1995. "Nothing as Practical as Good Theory: Exploring Theory-Based Evaluation for Comprehensive Community Initiatives for Children and Families." In *New Approaches to Evaluating Community Initiatives: Concepts, Methods, and Context*, edited by J. P. Connell, A. C. Kubisch, L. B. Schorr, and C. H. Weiss, 65–106. Washington, DC: Aspen Institute. <https://www.scribd.com/document/553682171/Weiss-1995-Nothing-as-practical-as-good-theory>.
- World Bank. 2018. *Financing and Implementing the Sustainable Development Goals: Ideas for Action 2018*, edited by M. Mohieldin and D. Petkoski. Washington, DC: World Bank. At <https://thedocs.worldbank.org/en/doc/720611539785849721-0270022018/original/IdeasforActionfinal91018web.pdf>.

Appendix: List of Sustainability; Environmental, Social, and Governance; and Annual Reports Analyzed (2021–2023)

| MDBs | Report Titles (2021–2023) | Canadian DFIs | Report Titles (2021–2023) |
|--|---|---|-----------------------------------|
| World Bank Group | Sustainability reports | Export Development Bank | Annual reports |
| Asian Development Bank | Sustainability reports | Business Development Bank of Canada | Sustainability and annual reports |
| African Development Bank | Climate change annual reports | FinDev Canada | Annual reports |
| Inter-American Development Bank | Sustainability reports | Canada Infrastructure Bank | Annual reports |
| European Investment Bank | Sustainability reports | Sustainable Development Technology Canada | Annual reports |
| European Bank for Reconstruction and Development | Sustainability reports | Farm Credit Canada | ESG reports |
| Asian Infrastructure Investment Bank | Annual reports | Canada Mortgage and Housing Corporation | Annual reports |
| Islamic Development Bank | Sustainability report (2023); development effectiveness reports (2021–2022) | Canadian Commercial Corporation | Annual reports |
| Caribbean Development Bank | Annual reports | | |
| New Development Bank | Annual reports | | |

Note: DFIs = development finance institutions; ESG = environmental, social, and governance; MDBs = multilateral development banks.

Source: Author's compilation from publicly available sustainability, annual, and ESG reports (2021–2023) retrieved from the official websites of Canadian DFIs and MDBs.