



POSITION SUMMARY

Defence & Security-related Transactions



As Canada’s export credit agency, EDC is committed to supporting Canadian exporters across all sectors. EDC recognizes that companies operating in or supporting the defence and security sector can be exposed to elevated human rights, financial crimes and reputational risks. As such, EDC has a position for defence and security-related transactions to guide its due diligence and decision-making within this sector and to uphold its environmental, social and governance (ESG) commitments.

SUMMARY

EDC recognizes the right of countries to defend themselves, protect their national security as well as fulfill peacekeeping and humanitarian objectives. EDC also recognizes that transactions in the defence and security sector can be highly sensitive and complex. For example, given the nature of certain goods and services and the potential for their misuse, human rights violations can occur. Such violations may breach applicable international laws (including human rights) and as a result, we have restrictions on transactions in this sector. Specifically:

- EDC does not support the sale of any fully assembled weapons and weapon systems (including, but not limited to, dual use items when the end-use is a weapon or weapon system), regardless of destination country¹ or end-user².
- For all other goods or services sold to a defence or security end-user, EDC assesses the risk related to the destination countries as part of its decision-making process.
 - EDC’s methodology for identifying higher-risk countries uses information from international, credible and independent sources. Countries are assessed as having elevated human rights-related risks based on factors including levels of violent conflict, state violence and lack of state commitment to civil and political rights.
 - In line with methodologies by peers, EDC’s methodology is based on a combination of a state’s ranking and its duration on the [Political Terror Scale](#), [Freedom in the World Report](#) and the Heidelberg Institute for International Conflict Research’s [Conflict Barometer](#).

If information is limited or unavailable and there is a reasonable indication that a customer or transaction could contravene the above, EDC will not support the transaction.

Exceptions will only be considered for certain transactions, such as those supporting United Nations peacekeeping operations or special political missions.

When the position is determined to be not applicable, transactions will be subject to EDC’s standard due diligence, which includes the assessment of human rights-related risks.

¹ A destination country refers to the country where the good or service is going to be used. It does not necessarily refer to the location of a company’s headquarters.

² In general, the end-user is the entity that employs or uses the goods or technology that were exported from Canada for the purpose for which they were intended. EDC applies a risk-based approach in its due diligence practices to determine the end-user(s) in the transactions it supports.