

Second-Party Opinion EDC Sustainable Bond Framework



Evaluation Summary

Evaluation Date February 18, 2022
Issuer Location Ottawa, Canada

Sustainalytics is of the opinion that the EDC Sustainable Bond Framework is credible and impactful and aligns with the four core components of the Sustainability Bond Principles 2021, Green Bond Principles 2021, and Social Bond Principles 2021 administered by ICMA. Sustainalytics classifies the use of proceeds categories of the Framework as being green, transition, and social. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds¹ are aligned with those recognized by the Use of Proceeds Principles. Sustainalytics specifically considers investments in eligible categories and related expenditures to be a viable option for the low-carbon transition and advance the UN Sustainable Development Goals, specifically SDG 3, 5, 6, 7, 10, 11, 12 and 15.



PROJECT EVALUATION / SELECTION EDC's internal process in evaluating and selecting projects is to be managed by the Sustainable Bond Working Group. EDC has an environmental and social risk management process in place aligned with the credit risk management framework outlined in the Equator Principles, applicable to all transactions and exposures. Sustainalytics considers the project selection process in line with market practice.



MANAGEMENT OF PROCEEDS EDC's processes for management of proceeds are overseen by its Treasury and Loans Services department. EDC intends to allocate proceeds within 24 months after any issuance. Unallocated proceeds will be held in accordance with EDC's liquidity policies. This is in line with market practice.



REPORTING EDC intends to report on allocation and impact of proceeds on its website on an annual basis in its Integrated Annual Report until full allocation. Sustainalytics views the allocation and impact reporting as aligned with market practice.

The Use of Proceeds contributes to the following SDGs:



¹ Renewable Energy, Energy Efficiency, Pollution Prevention and Waste Management, Environmentally Sustainable Management of Living Natural Resources and Land Use, Clean Transportation, Sustainable Water and Wastewater Management, Climate Change Adaptation, Circular Economy Adapted Products, Production Technologies and Processes and Green Building and Infrastructure, Carbon Capture Utilization and Storage (CCUS), Low-Carbon Intensity Fuels, Affordable Basic Infrastructure, Access to Health, Women-Owned, Women-Led Businesses and Community Lending, Indigenous Peoples-Owned and Indigenous Peoples-Led Business and Community Lending, Black and Racialized Business and Community Lending, LGBTQ2S+ Business and Community Lending and Business and Community Lending to Support Individuals with Disabilities

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Scope of Work and Limitations

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent² opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful. As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2021 as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds³; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

As part of this engagement, Sustainalytics held conversations with various members of EDC's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. EDC representatives have confirmed that:

- (1) They understand it is the sole responsibility of EDC to ensure that the information provided is complete, accurate or up to date;
- (2) They have provided Sustainalytics with all relevant information; and
- (3) Any provided material information has been duly disclosed in a timely manner.

Sustainalytics also reviewed relevant public documents and non-public information. This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and EDC.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that EDC has made available to Sustainalytics for the purpose of this Second-Party Opinion.

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² When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

³ For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.11, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

Introduction

Export Development Canada (“EDC”, the “Corporation”, or the “Issuer”) is Canada’s official credit agency and a self-financing Crown corporation which engages in the provision of insurance and financial services. EDC offers bond products, financing, insurance, and risk management solutions to help Canadian exporters and investors expand their international business. In 2020, EDC served more than 24,000 companies, facilitated \$102.5 billion in business, supported 487,948 domestic jobs and generated \$64.6 billion, or 3.4%, of the national GDP. The Corporation was founded in 1944 and is headquartered in Ottawa, Canada.

EDC has developed the EDC Sustainable Bond Framework (the “Framework”) under which it intends to issue green, social and transition bonds and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that facilitate the transition of the Corporation’s operations to a low-carbon economy.

The Framework defines eligible green categories in the following areas:

1. Renewable Energy
2. Energy Efficiency
3. Pollution Prevention, and Waste Management
4. Environmentally Sustainable Management of Living Natural Resources and Land Use
5. Clean Transportation
6. Sustainable Water and Wastewater Management
7. Climate Change Adaptation
8. Circular Economy Adapted Products, Production Technologies and Processes
9. Green Buildings and infrastructure

The Framework defines eligible transition categories in the following areas:

1. Carbon Capture Utilization and Storage (CCUS)
2. Low-Carbon Fuels

The Framework defines eligible social categories in the following areas:

1. Affordable Basic Infrastructure
2. Access to Health
3. Women-Owned, Women-Led Business and Community Lending
4. Indigenous Peoples-Owned and Indigenous Peoples-Led Business and Community Lending
5. Black and Racialized Business and Community Lending
6. LGBTQ2S+ Business and Community Lending
7. Business and Community Lending to Support Individuals with Disabilities

EDC engaged Sustainalytics to review the EDC Sustainable Bond Framework, dated February 2022, and provide a Second-Party Opinion on the Framework’s environmental and social credentials, its alignment with the Sustainability Bond Principles 2021 (SBG)⁴, Green Bond Principles 2021 (GBP)⁵, and Social Bond Principles 2021 (SBP)⁶. This Framework will be published in a separate document.⁷

⁴ The Sustainability Bond Principles are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Sustainability-Bond-Guidelines-June-2021-140621.pdf>

⁵ The Green Bond Principles are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>

⁶ The Social Bond Principles are administered by the International Capital Market Association and are available at: <https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Social-Bond-Principles-June-2021-140621.pdf>

⁷ The EDC Sustainable Bond Framework is available on EDC’s website at: <https://www.EDCcorp.com/sustainable-financings/>

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Alignment of the Framework with Relevant Market Standards

Alignment with Sustainability Bond Principles 2021 (SBG), Green Bond Principles 2021 (GBP), Social Bond Principles 2021 (SBP)

Sustainalytics is of the opinion that the EDC Sustainable Bond Framework is credible, impactful and aligns with the four core components of the SBG, GBP and SBP. For detailed information please refer to Appendix 1: Sustainability Bond Programme External Review Form. Sustainalytics highlights the following elements of EDC's Sustainable Bond Framework:



Use of Proceeds

Overall Assessment of Use of Proceeds

Use of Proceeds	Activity	Classification	Sustainalytics' Assessment
Renewable Energy	Offshore & onshore wind and solar power generation	Green	- Aligned with market practice.
	Waste biomass and renewable biofuels whose sources include sustainable agriculture and forestry residues with direct emissions <100grammes of CO ₂ /kWh	Green	- Aligned with market practice, considering the use of waste feedstock and the emissions threshold.
	Tidal power generation	Green	- Aligned with market practice.
	Hydrogen generated using renewable energy	Green	- Aligned with market practice.
	Geothermal power generation with direct emissions <100 grams of CO ₂ /kWh	Green	- Aligned with market practice, considering the emissions threshold.
	Run of river and small-scale hydroelectricity (<25MW),	Green	- Sustainalytics views run-of-river hydropower facilities as aligned with market practice. - For these investments, it is also noted that EDC intends to undertake Environmental and Social (E&S) impact assessments to manage risks related to hydroelectric power development and proceed only where there is no evidence that the development of new hydro facilities is associated with major E&S controversies. - Sustainalytics notes that EDC has not defined the estimated reservoir emissions intensity of less than 50 gCO ₂ e/kWh. Sustainalytics encourages EDC to favour projects with lower emissions intensity and to report, where feasible, on such intensity in order to avoid proceeds from being directed to hydro projects with potentially significant negative environmental impacts.
	Refurbishment, operation or maintenance of existing hydroelectric facilities	Green	- Aligned with market practice.
Energy Efficiency	Manufacture and installation of energy efficient equipment and technologies	Green	- The Framework specifies that these investments may relate to equipment and technologies such as LED lighting, non-fossil fuel powered heating, ventilation, air conditioning/cooling (HVAC) systems, smart meters, and peak demand management technology. - Aligned with market practice.

	Activities that support energy management and storage infrastructure, equipment, and systems	Green	- Proceeds will be used for infrastructure, equipment, and systems such as energy storage facilities including batteries and green hydrogen fuel cells, and smart grid technology. - Aligned with market practice.
	Energy efficient non-fossil fuel powered district heating and cooling systems	Green	- Aligned with market practice.
	Energy performance monitoring equipment	Green	- Aligned with market practice.
Pollution Prevention, and Waste Management	Construction, development, operation, acquisition and maintenance of land, systems, technologies, and equipment that support (i) the collection and treatment of contaminated soil and waste, (ii) recycling processes and infrastructure, and (iii) improve measures and technologies to reduce air pollution and improve air quality	Green	- Aligned with market practice.
Environmentally Sustainable Management of Living Natural Resources and Land Use	Afforestation and reforestation	Green	- Aligned with market practice.
	Support for sustainably managed forest holdings certified by third-party schemes such as Forest Stewardship Council (FSC) ⁸ , the Programme for the Endorsement of Forest Certification (PEFC) ⁹ or the Sustainable Forestry Initiative ¹⁰	Green	- Sustainalytics considers the certifications cited to be credible, impactful and aligned with market practice.
	Sustainably managed agriculture certified by one of the following third-party certification schemes: Canada Organic, ¹¹ USDA Organic, ¹² UTZ, ¹³ or Rainforest Alliance ¹⁴	Green	- The use of Canada Organic, USDA Organic, UTZ, and Rainforest Alliance is aligned with market practice. - The Framework allows for the use of additional, unspecified certification schemes in the future; Sustainalytics is unable to opine on these potential schemes and encourages EDC to provide further disclosure on the selected certification schemes prior to each issuance to ensure transparency.
	Environmentally sustainable fishery and aquaculture, certified by credible third-party certifications: Marine Stewardship Council, ¹⁵ Aquaculture Stewardship Council, ¹⁶ Global G.A.P for Aquaculture, ¹⁷ Best Aquaculture Practices (2 stars or more) ¹⁸	Green	- By relying on the cited schemes to determine eligibility of sustainable fisheries and aquaculture, this criterion is aligned with market practice.
	Technologies that improve resource use efficiency in agriculture, such as advanced	Green	- Sustainalytics recognizes the potential of the cited technologies to deliver environmental benefits.

⁸ FSC, Forest Stewardship Council: <https://ca.fsc.org/en-ca>

⁹ PEFC, Programme for the Endorsement of Forest Certification: <https://www.pefc.org/>

¹⁰ SFI, Sustainable Forestry Initiative: <https://www.forests.org/>

¹¹ Government of Canada, Canada Organic Standards: <https://inspection.canada.ca/organic-products/standards/eng/1300368619837/1300368673172>

¹² USDA, USDA Organic: <https://www.usda.gov/topics/organic>

¹³ The UTZ Standard (part of Rainforest Alliance), UTZ Certification: <https://www.rainforest-alliance.org/utz/>

¹⁴ Rainforest Alliance, Sustainable Agriculture Certification: <https://www.rainforest-alliance.org/business/certification/>

¹⁵ Marine Stewardship Council, The MSC Fisheries Standards: <https://www.msc.org/standards-and-certification/fisheries-standard>

¹⁶ ASC, Farm Standards: <https://www.asc-aqua.org/what-we-do/our-standards/farm-standards/>

¹⁷ Global G.A.P., Global G.A.P. Aquaculture Standards: https://www.globalgap.org/uk_en/for-producers/globalg.a.p./integrated-farm-assurance-ifa/aquaculture/

¹⁸ Best Aquaculture Practices, BAP Certification: <https://www.bapcertification.org/About>

	irrigation technologies, precision farming, smart seeds, natural pesticides and herbicides, novel fertilizers, and alternative proteins		Nevertheless, it is noted that the potential applications of this category are broad. - Sustainalytics understands that “smart seeds” do not include genetically modified seeds and encourages EDC to: (i) promote the holistic deployment of conservation agriculture ¹⁹ practices; (ii) avoid the use of petrochemicals; and (iii) report on the impacts achieved by the financed projects.
Clean Transportation	Energy efficient private transport: - Electric or hydrogen vehicles - Hybrid vehicles with an emissions threshold of <75gCO ₂ /per passenger-km (p-km) - Hydrogen fuel or electric charging stations	Green	- Aligned with market practice.
	Energy efficient public transport: - Electrified rail, trams and buses - Public bus fleets powered by alternative fuels (i.e., electric, or hydrogen fueled buses with no direct emissions, or hybrid buses with CO ₂ emission threshold of <50gCO ₂ /p-km) - Hydrogen fuel or electric charging stations	Green	- Aligned with market practice.
	Transportation infrastructure including the expansion and capacity improvements of metro/train network, station upgrades	Green	- Sustainalytics understands that road infrastructure is not included in this category and considers rail infrastructure to be aligned with market practice.
Sustainable Water and Wastewater Management	Infrastructure and technologies that help collect, treat, recycle or reuse water	Green	- Aligned with market practice.
	Water metering activities to support conservation initiatives	Green	- Aligned with market practice.
	Water capture and storage infrastructure, including storm water management systems, water distribution systems, aquifer storage, and sewer systems	Green	- Aligned with market practice.
Climate Change Adaptation	Activities that improve infrastructure, information support systems, and communications technology to increase resilience against physical impacts of climate change, such as sea level change, extreme weather events and natural disasters (e.g. flood mitigation barriers and wildfire mitigation and management)	Green	- Sustainalytics considers it to be good practice for investments in climate resiliency to be selected following formal climate vulnerability assessments and encourages the Issuer to report on same to ensure that this is the case.
	Projects that develop information support systems for monitoring GHG emissions and early warning systems	Green	- Aligned with market practice.

¹⁹ Conservation Agriculture is a set of management practices that helps maintaining the soil health, enhance biodiversity and natural biological processes above and below the ground surface, such as through conservation tillage; sowing of diverse cover crops; multiple crop rotation; soil restoration and management; nutrient and waste management; and no or minimal pesticides or synthetic fertilizers. FAO promotes the adoption of CA principles “that are universally applicable in all agricultural landscapes and cropping systems.” Food and Agriculture Organization of the United Nations (FAO), Conservation Agriculture: <http://www.fao.org/conservation-agriculture/en/>

Circular Economy Adapted Products, Production Technologies and Processes	Substitution of virgin raw materials with 100% secondary (recycled or reused waste) materials (fabrics, metals, fibres, wood, and mechanically recycled plastics) in manufacturing and industrial processes	Green	<ul style="list-style-type: none"> - Sustainalytics notes that EDC will provide financing to businesses which are directly supporting circular economy activities - The use of 100% recycled/reused fabrics, metals, fibres, and wood in manufacturing and industrial processes is aligned with market practice - In addition, the mechanical recycling of plastics is aligned with market practice.
	Production of products that can be recycled or composted, where the input feedstock is from recycled/reused waste	Green	<ul style="list-style-type: none"> - Based on the criteria on both input materials and end-of-life characteristics this is viewed as aligned with market expectations.
	Development, manufacturing and distribution of sustainable packaging certified by a recognized third-party certification such as the FSC, ²⁰ PEFC, ²¹ SFI, ²² and Recycled Paperboard Alliance (RPA 100) ²³	Green	<ul style="list-style-type: none"> - EDC may finance sustainable packaging materials that are responsibly sourced based on credible third-party certification schemes. Certifications noted in the Framework include the Forest Stewardship Council (FSC), 100% Recycled Paperboard Alliance (RPA 100), the Programme for the Endorsement of Forest Certification (PEFC) and Sustainable Forestry Initiative (SFI), which is affiliated with PEFC. Sustainalytics considers these schemes to be robust and credible.
	Minerals-based materials recovery or recycling in mining and industrial materials processes post-production	Green	<ul style="list-style-type: none"> - Sustainalytics understands that EDC intends to finance projects relating to recycling of and recovery from materials that are discarded post-production. This relates to mining and other industrial operations, such as material recovery from slag. Sustainalytics views this as aligned with market practice.
Green Buildings and Infrastructure	Construction, operation, maintenance of energy efficient commercial, residential, or public buildings (i.e. certified green buildings) that meet the minimum levels of LEED Gold ²⁴ , BOMA Best Gold ²⁵ , ENERGY STAR 85 ²⁶ , Toronto Green Standard (v2) Tier 2 ²⁷ , and/or BREEAM Excellent ²⁸	Green	<ul style="list-style-type: none"> - Sustainalytics views the use and selected minimum levels of LEED, BOMA Best Gold, ENERGY STAR, Toronto Green Standard and BREEAM Excellent to be impactful and aligned with market practice.
	Refurbishment of commercial, residential, or public buildings which results in energy savings of 20% or more over energy consumption baselines	Green	<ul style="list-style-type: none"> - Aligned with market practice.
Carbon Capture Utilization and Storage (CCUS)	Research, development, construction, installation, operation and maintenance of CCUS technologies to decarbonize transitional activities	Transition	<ul style="list-style-type: none"> - The Framework specifies that all projects will be in support of decarbonizing transitional activities in compliance with the Framework’s overarching condition (see “Commentary on Transition Use of Proceeds”, below) - Sustainalytics recognizes the varying outcomes which may be achieved by the application of CCUS technology to differing processes and highlights the importance of considering the carbon intensity of the underlying activity that is achieved by the application of CCUS.

²⁰ FSC, Forest Stewardship Council: <https://ca.fsc.org/en-ca>

²¹ PEFC, Programme for the Endorsement of Forest Certification: <https://www.pefc.org/>

²² SFI, Sustainable Forestry Initiative: <https://www.forests.org/>

²³ Recycled Paperboard Alliances, RPA – 100% Certification: <https://www.rpa100.com/what/certification/>

²⁴ LEED, LEED Rating System: <https://www.usgbc.org/leed>

²⁵ BOMA, BOMA BEST Building Environmental Standards: <https://www.boma.bc.ca/climate-action/boma-best/>

²⁶ Energy Star, Energy Star Certification for Buildings: https://www.energystar.gov/buildings/building_recognition/building_certification

²⁷ City of Toronto, Toronto Green Standard Version 2: <https://www.toronto.ca/city-government/planning-development/official-plan-guidelines/toronto-green-standard/toronto-green-standard-version-2/>

²⁸ BREEAM, Scoring and Rating BREEAM assessed buildings:

https://www.breeam.com/BREEAM2011SchemeDocument/Content/03_ScoringRating/scoring.htm

<p>Low-Carbon Fuels</p>	<p>Low-carbon fuels²⁹ compliant with NRCan’s Clean Fuels Program³⁰ with carbon intensities below 50 gCO₂e/MJ for liquid fuels and 36 gCO₂e/MJ for gaseous fuels.</p>	<p>Transition</p>	<ul style="list-style-type: none"> - Sustainalytics views positively the exclusion of CCUS for the purpose of Enhanced Oil Recovery. - Sustainalytics notes the relevance of EDC’s overarching condition for project eligibility being that such projects must be aligned with a decarbonization trajectory. Sustainalytics further notes that only such financing would be considered aligned with market expectation (see “Commentary on Transition Use of Proceeds”, below). In addition, the inclusion and disclosure of carbon intensity thresholds is viewed as providing additional support to the credibility of this activity. - Eligible fuels in this category include biofuels, biomass derived products, synthetic products, and other fuel types. Notwithstanding the overall lifecycle carbon intensity thresholds, Sustainalytics recognizes that the sustainability impacts of each specific feedstock are unique, and require individual assessment for risks. This may relate to, for example, land use, waste and emissions, and biodiversity. Refer to section 2 for further discussion of EDC’s risk assessment approach. - Sustainalytics considers the Framework’s overall exclusion of activities which leads to a lock-in of carbon-intensive assets to be particularly important to this activity noteworthy, as the substitution of lower-carbon fuels should not disincentivize the substitution of electric or renewable-powered equipment. - Sustainalytics considers it a core part of a credible climate transition that the eligible carbon intensities be revised over time to ensure ongoing alignment with decarbonization trajectories and encourages EDC to ensure such revision in the future.
	<p>Low carbon marine fuels³¹ compliant with IMO’s decarbonization goals</p>	<p>Transition</p>	<ul style="list-style-type: none"> - Sustainalytics recognizes IMO’s goals, while not fully aligned with a 2-degree climate scenario, as a credible and widely accepted target and therefore considers the use of fuels which support shipping operators in achieving these targets at the vessel level to be aligned with expectations for transition finance. - Sustainalytics notes that while, in addition to renewable fuels, LNG may qualify as a marine fuel under the IMO GHG emission reduction target in the short-to-medium term, this sub-category does not include upstream production or distribution of LNG or any other fossil fuels. - Sustainalytics notes that (i) the use of some fuels such as LNG cited by the Framework can be considered interim solutions that support target alignment over the short-to-medium term, and that (ii) due to the numerous factors which may affect vessel performance on the metrics employed by the IMO targets, actual vessel operations data may be required to substantiate that a fuel is supporting alignment with IMO’s 2050 emissions reduction target.
	<p>Production of Blue Hydrogen</p>	<p>Transition</p>	<ul style="list-style-type: none"> - The Framework adopts CertifHy’s definition for eligible hydrogen, with carbon intensity of 36.4 gCO₂e/MJ (60% below the carbon intensity of hydrogen produced from natural gas). Sustainalytics views positively the use of a threshold and the reliance on industry guidelines to establish the applicable level.

²⁹ Including hydrogen, ethanol, renewable diesel, co-processing of biocrude, sustainable aviation fuel, synthetic fuel, and renewable natural gas.

³⁰ NR Canada’s Clean Fuels Program Canada’s Clean Fuel Standard. https://www.nrcan.gc.ca/sites/nrcan/files/CFP%20Applicant_s%20Guide_e.pdf

³¹ Including renewable electricity based marine fuels in the form of hydrogen or ammonia with no direct emissions, e-methanol, e-gas oil and electricity for use in batteries, bio-diesel and bio-methane, Liquefied Natural Gas (LNG).

			<ul style="list-style-type: none"> - The Framework also notes that EDC may in the future rely on thresholds defined by the Government of Canada, Sustainalytics is unable to opine on future criterion and encourages EDC to provide further disclosure on the selected criterion prior to each issuance to ensure transparency. - Sustainalytics recognizes that many decarbonization pathways rely on the use of hydrogen, and that the production of lower-carbon hydrogen will support the climate transition in a variety of industrial sectors. It is also understood that the production of hydrogen using renewable energy (such as electrolysis powered by renewable energy) is required in the long-term to achieve a low-carbon economy, and Sustainalytics encourages EDC to prioritize such production methods.
Affordable Basic Infrastructure	<p>Development, construction, expansion or improvement of basic infrastructures for low income or rural communities with inadequate existing basic infrastructure, including, but not limited to:</p> <ul style="list-style-type: none"> - Access to clean drinking water, sanitation, and clean energy 	Social	<ul style="list-style-type: none"> - Sustainalytics notes that EDC defines rural communities as all areas outside of Population Centres, as per Statistics Canada’s definition. - The financing of accessible essential infrastructure to underserved communities is viewed as aligned with market practice.
Access to Health	<p>Construction, development, operation, acquisition and maintenance of publicly available, free or subsidized healthcare services</p>	Social	<ul style="list-style-type: none"> - The Framework defines healthcare services as public, non-profit hospitals, clinics, mental health facilities, medical equipment, homes or health facilities for vulnerable populations including, but not limited to, aged or people with disabilities, people in precarious situations or in situations of insecurity. - Sustainalytics considers the financing of free, publicly available healthcare to be aligned with market practice. - In some contexts, “subsidized” healthcare services may not ensure broad accessibility for vulnerable populations, due to cost or other barriers, which may limit the social benefit of financing in this area. Sustainalytics encourages EDC to assess financing granted under this criterion on an individual basis to ensure that the goal of accessibility is met.
Women-Owned, Women-Led Business and Community Lending	<p>Support to micro-, small-, and medium sized enterprises (SMEs) that are at least 51% or more, owned, managed or controlled by women</p>	Social	<ul style="list-style-type: none"> - Sustainalytics believes that EDC’s lending to women-owned small businesses promotes gender equality in business leadership and female entrepreneurship in general.
	<p>Support organizations or programs that enable women entrepreneurs and women economic empowerment initiatives³²</p>	Social	<ul style="list-style-type: none"> - The Framework specifies that financial institutions engaged in onward lending, or investments into venture capital funds, include those that have 100% of their portfolio companies focused on the eligible social category. - Sustainalytics views the financing of programmes intended to support historically disadvantaged populations as aligned with market practice. - Sustainalytics views onward lending and investments funds as aligned with market expectations so long as 100% of investments comply with the criteria of the Framework.
Indigenous Peoples-Owned and Indigenous Peoples-Led Business and	<p>Support an Indigenous Peoples’ band, council, government, etc. and/or any commercial/business entity that are at least 51% or more, owned, managed or</p>	Social	<ul style="list-style-type: none"> - Sustainalytics believes that EDC’s lending to indigenous peoples’ businesses is likely to have a net positive social impact, while noting that general-purpose, social-impact lending to business is normally limited to SMEs.

³² Including, for example, SheEO. <https://sheeo.world/about-us/>

Community Lending	controlled by such an organization/individual		
	Support organizations or programs that enable Indigenous entrepreneurs or economic empowerment initiatives	Social	<ul style="list-style-type: none"> - The Framework specifies financial institutions for onward lending, or investments into venture capital funds that have 100% of their portfolio companies focused only on the eligible social category. - Sustainalytics views the financing of programmes intended to support historically disadvantaged populations as aligned with market practice. - Sustainalytics views onward lending and investments funds as aligned with market expectations so long as 100% of investments comply with the criteria of the Framework.
Black and Racialized Business and Community Lending	Support to businesses that are at least 51% or more, owned, managed or controlled by BIPOC community	Social	<ul style="list-style-type: none"> - Sustainalytics believes that EDC’s lending to BIPOC businesses is likely to have a net positive social impact, while noting that general-purpose, social-impact lending to business is normally limited to SMEs.
	Support organizations or programs that enable Black or racialized entrepreneurs or economic empowerment initiatives	Social	<ul style="list-style-type: none"> - The Framework specifies financial Institutions for onward lending, or investments into venture capital funds that have 100% of their portfolio companies focused only on the eligible social category - Sustainalytics views the financing of programmes intended to support historically disadvantaged populations as aligned with market practice. - Sustainalytics views onward lending and investments funds as aligned with market expectations so long as 100% of investments comply with the criteria of the Framework.
LGBTQ2S+ Business and Community Lending	Support to businesses that are at least 51% or more, owned, managed or controlled by LGBTQ2S+ community	Social	<ul style="list-style-type: none"> - Sustainalytics believes that EDC’s lending to LGBTQ2S+ businesses is likely to have a net positive social impact, while noting that general-purpose, social-impact lending to business is normally limited to SMEs.
	Support organizations or programs that enable LGBTQ2S+ entrepreneurs or economic empowerment initiatives	Social	<ul style="list-style-type: none"> - The Framework specifies financial institutions for onward lending, or investments into venture capital funds that have 100% of their portfolio companies focused only on the eligible social category - Sustainalytics views the financing of programmes intended to support historically disadvantaged populations as aligned with market practice. - Sustainalytics views onward lending and investments funds as aligned with market expectations so long as 100% of investments comply with the criteria of the Framework.
Business and Community Lending to Support Individuals with Disabilities	Support businesses that are at least 51% or more, owned, managed or controlled by Persons with disabilities	Social	<ul style="list-style-type: none"> - Sustainalytics believes that EDC’s lending to persons with disabilities businesses is likely to have a net positive social impact, while noting that general-purpose, social-impact lending to business is normally limited to SMEs.
	Support organizations or programs that enable entrepreneurs who are Persons with disabilities or economic empowerment initiatives	Social	<ul style="list-style-type: none"> - The Framework specifies financial institutions for onward lending, or investments into venture capital funds that have 100% of their portfolio companies focused only on the eligible social category - Sustainalytics views the financing of programmes intended to support historically disadvantaged populations as aligned with market practice. - Sustainalytics views onward lending and investments funds as aligned with market expectations so long as 100% of investments comply with the criteria of the Framework.

Commentary on Use of Proceeds

- In addition to project-based lending, EDC may provide general corporate purpose lending to businesses who derive at least 90% of revenue from activities complying with the Framework (“pure-plays”). While Sustainalytics recognizes that the GBP/SBP prefer project-based financed and that there is, in general, less transparency around non-project-based lending,

Sustainalytics views the established revenue threshold to ensure that proceeds will be directed to environmental and social activities that generate positive impacts.

- The Framework defines exclusionary criteria related to arms, defense and military, tobacco, gambling, adult entertainment, and predatory lending. Sustainalytics views these exclusions as decreasing the social risk associated with the financed companies and projects.

Commentary on Transition Use of Proceeds

- In addition to the category-specific criteria described above, EDC has defined in its Framework overarching conditions for assessing if a loan or investment can be considered as eligible transition financing, namely that a financing recipient must demonstrate that (i) there is a credible strategy in place to decarbonize the financed activity in line with the objectives of the Paris agreement, (ii) the financed activity results in “low- or zero-emissions solutions that significantly reduce GHG emissions relative to industry norms in the short to medium term”, and (iii) the financing does not result in lock-in of carbon-intensive assets. Sustainalytics notes the following:
 - EDC’s assessment that a financed activity is being carried out in line with a credible transition strategy is necessary to ensure that the criteria described in the transition category are aligned with market practice. Sustainalytics views this as particularly important as noted above. EDC is encouraged to disclose the basis upon which it determines whether a borrower’s activities and strategy are Paris-aligned.
 - The Framework’s exclusion of financing which results in carbon-intensive lock-in is aligned with market expectation. Nevertheless, Sustainalytics notes that EDC has not clearly defined how it will operationalize this criterion. Sustainalytics considers activities which result in lock-in to include, without limitation, upstream oil and gas, light-duty vehicles which are not zero tailpipe emissions, and machinery which does not have the technical capacity to function on zero-lifecycle emissions fuels.
- EDC’s Framework explicitly cites an intent to evaluate potential transition financing in the context of ICMA’s Climate Transition Finance Handbook or “any other relevant Transition Taxonomy as applicable”.
 - Sustainalytics is unable to opine on the credibility of assessments based on other potential taxonomies.



Project Evaluation and Selection

- EDC’s Sustainable Bond Working Group (“STBWG”) will be responsible for overseeing the evaluation and selection process of all eligible projects under the Framework. The STBWG will review the list of eligible projects to determine the net sustainability benefits and ensure alignment with the Framework and provide the final approval for eligibility. The group is composed of Sustainable Business and Enablement and Treasury and Loans Services teams with support from Risk Management.
- EDC has an environmental and social risk management process in place, aligned with the credit risk management framework outlined in the Equator Principles, applicable to all transactions and exposures. For additional details, see Section 2.
- Based on the above, Sustainalytics considers the project selection and evaluation process to be in line with market practice.



Management of Proceeds

- EDC’s Treasury and Loans Services department will oversee the management of proceeds on a quarterly basis and ensure that the aggregate amount of eligible assets is greater than or equal to aggregate of bond proceeds. Allocation of proceeds are tracked using an internal information system and on a portfolio basis. The process is overseen by the STBWG and reviewed by auditors annually. EDC intends to allocate proceeds upon issuance.
- Unallocated proceeds will be temporarily held in cash or liquid securities in accordance with EDC’s liquidity policy. EDC intends to allocate all proceeds within 24 months after any issuance.
- Based on the defined management approach, allocation timeframe and the temporary use of proceeds, Sustainalytics considers this to be in line with market practice.



Reporting

- EDC intends to publicly report on the allocation of proceeds annually and publish it in its Integrated Annual Report (“IAR”) on its corporate website. The IAR will include the value of sustainable bonds outstanding, aggregate amounts of proceeds allocated to each eligible category and balance of unallocated proceeds at the time of reporting.
- EDC also intends to report on relevant impact metrics such as estimated annual GHG emissions avoided (tCO₂e), amount of energy saved (MWh), volume of water saved/reduced/treated (m³), number and value of loans provided, number of businesses supported, etc.
- Sustainalytics views EDC’s commitment to allocation and impact reporting as aligned with market practice.

Section 2: Assessment of EDC’s Sustainability Strategy

Contribution of Framework to EDC’s Sustainable Strategy

Sustainalytics is of the opinion that EDC demonstrates a commitment to sustainability through its 2030 Strategy that aims to enhance Canada’s competitiveness while moving towards a more clean and equitable economy. This Strategy focuses on seven key environmental and social areas within its lending approach and operations: (i) support clean and low-carbon technology, (ii) reduce carbon intensity within the lending portfolio, (iii) reduce operational footprint (iv) issue green bonds to promote environmental protection and climate change mitigation, (v) reporting in accordance to the Task Force on Climate-Related Financial Disclosures (TCFD), (vi) inclusive trade for marginalized groups and (vii) community investments. The following commitments have been outlined in the Corporation’s 2020 Annual Report and 2020 Climate-Related Disclosures Report:^{33,34}

- (i) Supporting clean and low-carbon technology – EDC identifies the cleantech sector as a climate-related opportunity and therefore focuses on increasing support of clean technology. In the long-term, the Corporation aims to grow support for activities that prevent, reduce and eliminate pollution, improve resource efficiency and are less-energy intensive. EDC partakes in initiatives that promote clean technology such as the Cleantech Export Week where companies interact with investors. As a result of such initiatives, the number of cleantech companies served in 2020 grew by 27% to 288 businesses with the facilitation of CAD 4.5 billion compared to 2019.
- (ii) Reducing carbon intensity within the lending portfolio – EDC focuses on setting targets to reduce the carbon intensity of its lending portfolio. EDC set a target of reducing exposure to the most carbon-intensive sectors (including oil and gas, thermal power generation, airlines and metal smelting and processing) by 40%, or a CAD 3.3 billion reduction, by 2023 against a December 2018 baseline.³⁵ See “Credibility of EDC’s Climate Transition Strategy” below for a more detailed assessment.
- (iii) Reducing operational carbon footprint, water consumption and waste – EDC has also implemented initiatives to reduce its operational carbon footprint including emissions, water consumption and waste from facilities and employee activities. Areas of focus include reducing emissions from electricity consumption, natural gas consumption, business travel and paper consumption, reducing building water consumption and minimizing waste from headquarters and recycling paper and mixed paper.³⁶ EDC established a Green Team, a cross-corporate, volunteer employee advocacy group that provides a platform to develop ideas around environmentally friendly practices.

³³ EDC, “EDC 2020 Annual Report – Business as Unusual”, at: <https://www.edc.ca/content/dam/edc/en/corporate/corporate-reports/annual-reports/2020-annual-report.pdf>

³⁴ EDC, “EDC 2020 Annual Report – Climate-Related Disclosure”, at: <https://www.edc.ca/content/dam/edc/en/corporate/corporate-reports/annual-reports/2020-climate-related-disclosure.pdf>

³⁵ EDC, “Export Development Canada Commits to Net Zero by 2050”, (2021), at: <https://www.edc.ca/en/about-us/newsroom/edc-net-zero-2050.html>

³⁶ EDC, “Operational Footprint”, (2020), at: <https://www.edc.ca/en/about-us/corporate/corporate-sustainability-responsibility/environment-people/operational-footprint.html>

- (iv) Issuing green bonds – EDC also focuses on issuing green bonds to accelerate environmental protection efforts. The Corporation finances projects that support resource efficiency, clean technology and renewable energy, the preservation, protection and remediation of air, water and soil, energy efficiency and smart grid infrastructure, clean transportation, sustainable water and wastewater management and waste management. By financing such projects, EDC reported avoiding 5.7 megatonnes of CO₂e per year in 2021, with 64.6% coming from renewable energy projects, 35.3% coming from energy efficiency and smart grid projects and 0.1% coming from other projects.
- (v) Reporting in accordance with the TCFD – EDC advances its capabilities in climate risk management and strategic development by supporting the TCFD Framework. EDC announced support for the TCFD in 2018 and will be reporting against the framework for the fourth year. The Corporation reports on its governance structure to manage climate-related risks and develop policies, understand the impacts of climate change using scientific-based data and improve transparency and disclosure to better engage with stakeholders.
- (vi) Inclusive trade – EDC places a focus on building partnerships and providing exposure to export opportunities for Canadian exporters that belong to marginalized groups. Such groups include Black, Indigenous and people of colour (BIPOC), women and the LGBT+ community. EDC has established a target of serving 2,000 women-led exporters (cumulative since 2008), facilitating CAD 6 billion in business (cumulative since 2018). For Indigenous-led exporters, EDC targets to serve 400 customers (cumulative since 2020) and facilitate CAD 650 million in business (cumulative since 2020).³⁷ EDC primarily focuses on women in trade but who are developing strategies that address the challenges other groups face. EDC offers programs that extend capital financing for women exporters, hold webinars and speaking engagements and provides training and education.³⁸ Between 2018 and 2020, EDC has supported 1,052 women-owned and led businesses while facilitating CAD 2.8 billion in trade. EDC's Women in Trade Investment Program also invested CAD 100 million to provide equity growth capital to growing business and female-led venture funds. For Indigenous exporters, EDC focused on establishing partnerships and fostering relationships with Indigenous business stakeholders including business associations, government agencies and Band Council officials. In 2020, EDC served 77 Indigenous customers while facilitating a trade of CAD 119.6 million. They also established partnerships with four key Indigenous business organizations. For the LGBT+ community, EDC has built a partnership with the Canadian Gay & Lesbian Change of Commerce to further understand the needs and challenges of this export group.
- (vii) Community investments – EDC focuses primarily on community investment through charitable donations, donations matching and scholarships. The Corporation encourages employees to donate through the Donations Matching Program, provides funding to organizations and scholarships for students pursuing an education in business and business and environmental sustainability.

Sustainalytics is of the opinion that the EDC Sustainable Bond Framework is aligned with the Corporation's overall sustainability strategies and initiatives and will further the Corporation's action towards its key environmental and social priorities. Sustainalytics encourages EDC to set quantitative, time-bound targets for non-GHG related priorities.

EDC's Environmental and Social Risk Management

As a lender for Eligible Assets, EDC has limited involvement in the development of specific projects. Nonetheless, EDC should take steps to mitigate key risks related to the projects that will be financed. Those risks include biodiversity loss from infrastructure projects, waste generated from construction, increased exposure of local communities to adverse effects, worker health and safety and stakeholder and community relations. Additionally, there are risks associated with being exposed to controversial organizations, businesses and projects as a result of EDC's lending activities.

Sustainalytics is of the opinion that EDC is able to manage and/or mitigate potential risks through the implementation of the following:

- EDC has implemented an overarching Environmental and Social Risk Management ("ESRM") Policy that outlines the process, roles and responsibilities undertaken to manage environmental and social risks associated with all the Company's activities including those associated with the transactions. As part of a transaction review, EDC uses a risk-based approach to identify, manage and mitigate risks. Specifically, the Corporation assesses customers' activities to determine the likelihood of occurrence of an environmental or social impact and its severity and addresses the issues. The ESRM Policy³⁹ is aligned with internationally accepted environmental and social risk management and

³⁷ EDC has communicated these specific targets to Sustainalytics in November 2021.

³⁸ EDC, "Women in Trade", at: <https://www.edc.ca/women-in-trade>

³⁹ EDC, "Environmental and Social Risk Management Policy", (2019), at: <https://www.edc.ca/content/dam/edc/en/corporate/corporate-social-responsibility/environment-people/esrm-policy-framework-consultations.pdf>

disclosure practices and multilateral agreements signed by Canada. The ESRM Policy is compliant to the Equator Principles, a risk management framework that establishes a minimum standard for due diligence and monitoring to support responsible risk decision-making⁴⁰ and the OECD Common Approaches, a set of practices agreed upon to incorporate environmental and social due diligence to identify, consider and address potential impacts and risks for export credits within risk management systems.⁴¹

- EDC has implemented an Environmental and Social Review Directive for project-related transactions categorized under three levels, A, B and C, based on potential adverse environmental and social effects. The categorization will determine the nature and extent of information EDC requires and the review it conducts. This Directive is aligned with the International Finance Corporation Performance Standards for managing environmental and social risks for topics such as biodiversity, resource efficiency, communities and cultural heritage.⁴² The Directive is also compliant to Canadian legislation, including the Export Development Act which sets forth EDC's role in facilitating trade between Canada and other countries, Canada's competitiveness in the market and development financing and support.⁴³ Categorization and project benchmarking are completed against the standards:⁴⁴
 - To ensure that risks associated with biodiversity loss and waste generated during construction are managed and mitigated, EDC requires an Environmental and Social Impact Assessment ("EIA") for the project. In the case that the project sponsor has internally completed an assessment EDC requires the engagement of an independent expert.
 - To mitigate and manage risks related to the increased exposure of adverse effects to communities, as part of the EIA, EDC requires an Action Plan where measures to avoid, reduce, mitigate risks are disclosed to any affected community alongside the compensation for any adverse impacts. Additionally, customers must partake in ongoing reporting and updating with the communities.
 - EDC has implemented the Due Diligence Framework on Human Rights that outlines the due diligence process to identify and act on human rights-related risks and impacts associated with transactions. The process entails four phases including pre-screening, screening, assessment and engagement and monitoring. Under this Framework, EDC tracks customers' employee labour, working conditions and occupational health and safety.⁴⁵ Regarding the Corporation's own operations, the EDC Code of Conduct outlines the policies and guidelines to ensure employee health and safety on-site including preventing harassment and discrimination, and complying with relevant health and safety standards and laws.⁴⁶ In 2020, EDC developed the Principles on Leverage and Remedy which establishes its approach to using its leverage to prevent and manage human rights impacts created through customer relationships and remedies to mitigate such impacts.⁴⁷
 - Risks related to stakeholder and community relations are managed through a formal stakeholder engagement process compliant to the Global Reporting Initiative framework, outlined in the 2020 Annual Report.⁴⁸ On an annual basis, EDC engages with customers, partners, industries, employees, the Government of Canada, and the community. Formal engagement includes organized consultations and surveys while informal engagement occurs on social media, letters and phone calls. To ensure that positive relationships and trust are maintained with these stakeholders⁴⁹, the engagement process entails receiving feedback on initiatives and performance and addressing the needs and interests of various stakeholder groups.

⁴⁰ The Equator Principles Association, "The Equator Principles", (2020), at: <https://equator-principles.com/about/>

⁴¹ Organisation for Economic Co-operation and Development, "Environmental and social due diligence", at: <https://www.oecd.org/trade/topics/export-credits/environmental-and-social-due-diligence/>

⁴² International Finance Corporation, "Performance Standards", at: https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/Sustainability-At-IFC/Policies-Standards/Performance-Standards

⁴³ Government of Canada, "Export Development Canada – R.S.C., 1985, c. E-20", at: <https://laws.justice.gc.ca/PDF/E-20.pdf>

⁴⁴ EDC, "Environmental and Social Review Directive", (2018), at: <https://www.edc.ca/content/dam/edc/en/corporate/corporate-social-responsibility/environment-people/environmental-social-review-directive-2018.pdf>

⁴⁵ EDC, "Due Diligence Framework: Human Rights", (2019), at: <https://www.edc.ca/content/dam/edc/en/corporate/corporate-social-responsibility/environment-people/human-rights-framework.pdf>

⁴⁶ EDC, "EDC Code of Conduct", (2021), at: https://www.edc.ca/content/dam/edc/en/corporate/careers/edc_code_of_conduct.pdf

⁴⁷ The EDC Sustainable Bond Framework is available on EDC's website at: <https://www.EDCcorp.com/sustainable-financings/>

⁴⁸ EDC, "GRI – Context Index Service", (2021), at: <https://www.edc.ca/content/dam/edc/en/corporate/corporate-reports/annual-reports/2020-gri-content-index.pdf>

⁴⁹ EDC, "EDC 2020 Annual Report – Business as Unusual"

- To manage and mitigate risks associated with controversial business, EDC's Financial Crime Policy has outlined several measures that the Company is taking. These include employee training, risk assessments that screen customers early on, deploy enhanced due diligence to EDC's subject matter experts if required, establish risk escalation standards and ongoing monitoring of transactions and counterparties. The Policy applies to sanctioned parties/transactions involving bribery and corruption, to prevent services from being used in money laundering or fraudulent activities.⁵⁰

Based on these policies, standards and assessments, Sustainalytics is of the opinion that EDC is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Credibility of EDC's Climate Transition Strategy

Sustainalytics recognizes that some of the bond proceeds will be invested in carbon-intensive and hard-to-abate activities that will need to transition (i.e. decarbonize) over time. Sustainalytics considers it a market expectation that financial institutions involved in financing such activities have, in place, clear transition targets and strategy for their investments, a governance structure to ensure the effective implementation of their strategy, and a commitment to thorough reporting on progress.

Climate Governance

EDC's ESG direction and strategy is overseen by its Board of Directors, which approves the Corporation's Climate Change Policy. The SVP, Sustainable Business & Enablement is responsible for implementing the Policy. The Executive Management Team, with support from the Risk Management and Enterprise Strategy Committees, is responsible for planning and executing the Corporation's ESG strategy, including its strategy to decarbonize its portfolio.

EDC has identified sectors considered to be of higher transition risk, starting with the upstream and downstream oil and gas, and requires companies obtaining new financing within these areas to commit to disclose corporate climate-related information aligned with the TCFD recommendations.

Emission-Reduction Targets

In the long-term, EDC aims to achieve net-zero by 2050. In 2021, the Corporation set an interim target of reducing financing provided to the six most carbon-intensive sectors by 40% from 2018 levels by 2023 and has committed to identifying science-based carbon intensity targets for specific sectors by 2022.

EDC is targeting the composition of its portfolio, which represents the bulk of emissions originating from financial products provided to its customers and addresses the environmental impact of the core part of its business.

Decarbonization Pathway and Implementation Plan

In July 2021, EDC published a Net Zero 2050 paper⁵¹ describing its intent to reduce emissions from its portfolio and operations to net zero by 2050. This builds upon the Corporation's 2020 Due Diligence Framework for Climate Change and 2019 Climate Change Policy. The paper describes three levers the company will use to advance its climate transition: (i) reduced support for carbon-intensive sectors, (ii) sectoral carbon intensity targets for financed companies, and (iii) increased support for low-carbon businesses. EDC intends to roll out its strategy in a phased approach, consistently reporting on and disclosing the Corporations' progress in alignment with the recommendations of the TCFD.

Some notable highlights are outlined below:

- EDC has developed an initial exposure-based approach to carbon intensity target setting. In 2019, EDC set a target, focused on its financing portfolio, to reduce its exposure to the most carbon intensive sectors by 15 per cent over five years against a December 31, 2018 baseline.
- In 2020, EDC conducted its first climate risk scenario analysis by leveraging the 2019 Bank of England climate change scenarios prescribed for insurers. EDC applied a top-down approach to its 2020 portfolio and identified sectors considered to be of higher transition risk, starting with upstream and downstream oil and gas, and requires companies obtaining new financing within these areas to commit to disclose corporate climate-related information aligned with the TCFD recommendations.

⁵⁰ EDC, "EDC 2020 Annual Report – Business as Unusual"

⁵¹ EDC, "EDC Net Zero 2050", (2021), at: <https://www.edc.ca/content/dam/edc/en/non-premium/edc-net-zero-emissions-2050.pdf>

- Since 2020, EDC's Thermal Coal Position restricts financing thermal coal power, mining or dedicated thermal coal-related infrastructure. EDC committed to continue to increase the granularity in the climate-risk exposure assessment and evolve its climate-related target setting.

Sustainalytics recognizes that EDC has prioritized the development of credible options for decarbonization and has reported on steps taken to implement its transition strategy. Sustainalytics encourages EDC to continue to refine its plan in the face of ongoing efforts of the financial sector and to continue to report on the progress to set science-based carbon intensity targets for specific sectors.

Reporting on Implementation

EDC intends to continue reporting on the share of its financing portfolio (65% of its overall portfolio in 2020) which is within the most carbon-intensive sectors and which creates EDC's primary exposure to climate-related risks. EDC has committed to disclosing GHG emissions from its financing within 3 years (by 2024).

Furthermore, EDC updated its Transparency and Disclosure Policy in 2020 to include a commitment to disclose annually the aggregate number of prospective financing transactions not qualified due to ESG risks, in whole or in part, and committed to disclosing targets for specific carbon-intensive sectors, including commercial loans and project finance. EDC is exploring methodologies to account for additional asset classes/products.

Section 3: Impact of Use of Proceeds

All use of proceeds categories are aligned with those recognized by SBG, GBP and SBP. Sustainalytics has focused below on use of proceeds categories where the impact is specifically relevant in the local context.

Contribution of Renewable Energy

The electricity and heat generation sectors in Canada are the sixth largest source of Canada's total GHG emissions accounting for 8.4% of the total, in 2019.⁵² In this context, increasing the share of renewable energy generation has the potential to have significant impact on meeting climate goals. A study from the IEA and the International Renewable Energy Agency ("IRENA") supports this assessment, estimating that 65-70% of worldwide primary energy demand would need to be met by low-carbon energy sources by 2050 to meet the 2°C target. In Canada, the proportion of electricity derived from renewable sources grew 3.4% between 2010 and 2018 and is expected to grow by only 4.8% by 2030 with current strategies therefore, representing slow a slow growth rate.^{53,54}

Canada is a signatory to the Paris Agreement and has committed to becoming a net-zero emission economy by 2050.⁵⁵ In line with this, the country has set a target of producing 90% of its electricity from non-emitting sources by 2030.⁵⁶ In order to meet its commitment of the Paris Agreement, Canada recently published a climate plan, A Healthy Environment and A Healthy Economy, outlining the government's plan to accelerate the growth of renewable energy usage across various industries.⁵⁷ For example, in June 2021, the federal government announced a CAD 964 million investment in a renewable energy program to increase the number of smart energy and grid modernization projects that promote the use of clean technologies such as wind, solar and hydro.⁵⁸

⁵² Environment and Climate Change Canada, "Greenhouse Gas Emissions", (2021), at:

<https://www.canada.ca/content/dam/eccc/documents/pdf/cesindicators/ghg-emissions/2021/greenhouse-gas-emissions-en.pdf>

⁵³ Canada Energy Regulator, "Prairie Provinces to lead Canada in renewable energy growth", (2021), at: <https://www.cer-rec.gc.ca/en/about/news-room/news-releases/2021/prairie-provinces-to-lead-canada-in-renewable-energy-growth.html>

⁵⁴ Marshall, D. (2019), "Cleaner, cheaper and growing: renewables are ready. Canadian policy isn't.", Environmental Defence, at: <https://environmentaldefence.ca/2019/06/06/cleaner-cheaper-growing-renewables-ready-canadian-policy-isnt/>

⁵⁵ Government of Canada, "Progress towards Canada's greenhouse gas emissions reduction target", at: <https://www.canada.ca/en/environmentclimatechange/services/environmental-indicators/progress-towards-canada-greenhouse-gas-emissions-reduction-target.html>

⁵⁶ Government of Canada, "Powering our future with clean electricity", at: <https://www.canada.ca/en/services/environment/weather/climatechange/climate-action/powering-future-clean-energy.html>

⁵⁷ Environment and Climate Change Canada, "A Healthy Environment and A Healthy Economy", (2021), at: https://www.canada.ca/content/dam/eccc/documents/pdf/climate-change/climate-plan/healthy_environment_healthy_economy_plan.pdf

⁵⁸ Natural Resources Canada, "Canada Invests Over \$960-Million in Renewable Energy and Grid Modernization Projects", (2021), at: <https://www.canada.ca/en/natural-resources-canada/news/2021/06/canada-invests-over-960-million-in-renewable-energy-and-grid-modernization-projects.html>

Sustainalytics expects EDC’s financing in renewable energy to contribute positively to Canada’s energy transition that may also help meet global environmental objectives.

The role of the financial sector in supporting women-owned businesses

According to Statistics Canada, women-owned enterprises experienced the fastest growth between 2005 and 2013.⁵⁹ The employment in women-owned businesses increased by 20% in 2013, in comparison to the 8% growth in employment for men-owned enterprises. COVID-19’s Impact Data Insights show that over 34% of women-owned SMEs innovated their products or services to adapt to the pandemic, in comparison to 27.4% of all businesses in Canada.⁶⁰ Despite the performance of women-owned enterprises, the 2017 Survey on Financing and Growth of Small and Medium Enterprises found that only 16% of SMEs were owned by women,⁶¹ whereas men comprised 64% of the SME sector. One of the reasons being limited access to funding which acts as a major barrier in the growth path of women-owned enterprises. While expansion capital is a challenge for all business owners, studies show that women experience this challenge more acutely than men, with women-owned businesses only receiving 4% of Canada’s venture capital funding⁶² and are also less likely to receive other forms of leverage, such as trade credit or capital leasing.⁶³ While women currently only run a sixth of all Canadian businesses, data gathered by the Government of Canada signals that supporting the advancement of women’s economic participation in the economy could result in a CAD 150 billion contribution to the nation’s GDP.⁶⁴

As an important business lender in Canada, EDC is uniquely positioned to support female entrepreneurship and leadership by providing increased accessibility and growth opportunities for women-owned businesses. Sustainalytics believes that EDC’s investments towards women-owned business will yield strong positive social impacts.

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 and form an agenda for achieving sustainable development by the year 2030. This transition bond advances the following SDG goals and targets:

Use of Proceeds Category	SDG	SDG Target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency	7. Affordable and Clean Energy	7.3 By 2030, double the global rate of improvement in energy efficiency
Pollution Prevention and Control	12. Responsible Consumption and Production	12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Environmentally Sustainable Management of Living Natural Resources and Land Use	15. Life on Land	15.A Mobilize and significantly increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems

⁵⁹ Statistic Canada, Women-owned Enterprises in Canada: <https://www150.statcan.gc.ca/n1/pub/11-626-x/11-626-x2018083-eng.htm>

⁶⁰ Statistics Canada, “Impact of COVID-19 on businesses majority-owned by women, May 2020”, 2020, at: <https://www150.statcan.gc.ca/n1/pub/45-28-0001/2020001/article/00056-eng.htm>

⁶¹ Government of Canada, “Summary of the Survey on Financing and Growth of Small and Medium Enterprises, 2017”, 2017, at: <https://www.ic.gc.ca/eic/site/061.nsf/eng/03086.html#summary>

⁶² Canada Post, The power of female small business owner and leaders: <https://www.canadapost.ca/blogs/business/ecommerce/the-power-of-females-small-business-owners-and-leaders/>

⁶³ Women Entrepreneurship Knowledge Hub, “The State of Women’s Entrepreneurship in Canada”, 2020, at: https://wekh.ca/wp-content/uploads/2020/10/WEKH_State_of_Womens_Entrepreneurship_in_Canada_2020_EN-1.pdf

⁶⁴ Government of Canada, Women Entrepreneurship Strategy: <https://www.ic.gc.ca/eic/site/107.nsf/eng/home>

Clean Transportation	11. Sustainable Cities and Communities	11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Sustainable Water and Wastewater Management	6. Ensure availability and sustainable management of water and sanitation for all	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally
Green Buildings	11. Sustainable Cities and Communities	11.B By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters
Affordable Housing & Basic Infrastructure	11. Sustainable Cities and Communities	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.
Access to Essential Services	3. Good Health and Well Being	3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.
Majority Women-owned SMEs	5. Gender Equality	5.5 Ensure women’s full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.
Indigenous Communities and Businesses	10. Reduced Inequalities	10.2 By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status
Circularity	12. Responsible Consumption and Production	12.2 By 2030, achieve the sustainable management and efficient use of natural resources

Conclusion

EDC has developed the EDC Sustainable Bond Framework under which it intends to issue green, social and transition bonds and use the proceeds to finance and/or refinance, in whole or in part, existing and/or future projects that facilitate the transition of the Corporation's operations to a low-carbon economy.

The Framework outlines a process by which proceeds will be tracked, allocated, and managed and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes the Framework is aligned with the overall sustainability strategy of the company and that the use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 3, 5, 6, 7, 10, 11, 12 and 15. Additionally, Sustainalytics is of the opinion that EDC has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the use of proceeds. Sustainalytics is of the opinion that the EDC Sustainable Bond Framework is robust, transparent, and in alignment with the four core components of the SBG, GBP and SBP.

Appendix

Appendix 1: Sustainability Bond / Sustainability Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Export Development Canada
Sustainability Bond ISIN or Issuer Sustainability Bond Framework Name, if applicable:	EDC Sustainable Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	February 18, 2022
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP and SBP:

- | | |
|--|--|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds⁶⁵ are aligned with those recognized by the Use of Proceeds Principles. Sustainalytics specifically considers investments in eligible categories and related expenditures to be a viable option for the low-carbon transition and advance the UN Sustainable Development Goals, specifically SDG 3, 5, 6, 7, 10, 11, 12 and 15.

Use of proceeds categories as per GBP:

- | | |
|--|---|
| <input checked="" type="checkbox"/> Renewable energy | <input checked="" type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input checked="" type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input checked="" type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input checked="" type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input checked="" type="checkbox"/> Climate change adaptation |
| <input checked="" type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input checked="" type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBPs | <input type="checkbox"/> Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBPs:

Use of proceeds categories as per SBP:

- | | |
|---|---|
| <input checked="" type="checkbox"/> Affordable basic infrastructure | <input type="checkbox"/> Access to essential services |
| <input type="checkbox"/> Affordable housing | <input type="checkbox"/> Employment generation (through SME financing and microfinance) |

⁶⁵ Renewable Energy, Energy Efficiency, Pollution Prevention and Waste Management, Environmentally Sustainable Management of Living Natural Resources and Land Use, Clean Transportation, Sustainable Water and Wastewater Management, Climate Change Adaptation, Circular Economy Adapted Products, Production Technologies and Processes and Green Building and Infrastructure, Carbon Capture Utilization and Storage (CCUS), Low-Carbon Intensity Fuels, Affordable Basic Infrastructure, Access to Health, Women-Owned, Women-Led Businesses and Community Lending, Indigenous Peoples-Owned and Indigenous Peoples-Led Business and Community Lending, Black and Racialized Business and Community Lending, LGBTQ2S+ Business and Community Lending and Business and Community Lending to Support Individuals with Disabilities

- | | |
|---|--|
| <input type="checkbox"/> Food security | <input type="checkbox"/> Socioeconomic advancement and empowerment |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with SBP categories, or other eligible areas not yet stated in SBP | <input checked="" type="checkbox"/> Other (please specify): Women-Owned, Women-Led Business and Community Lending, Indigenous Peoples-Owned and Indigenous Peoples-Led Business and Community Lending, Black and Racialized Business and Community Lending, LGBTQ2S+ Business and Community Lending, Business and Community Lending to Support Individuals with Disabilities |

If applicable please specify the social taxonomy, if other than SBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

EDC’s internal process in evaluating and selecting projects is to be managed by the Sustainable Bond Working Group. EDC has an environmental and social risk management process in place aligned with the credit risk management framework outline in the Equator Principles, applicable to all transactions and exposures. Sustainalytics considers the project selection process in line with market practice.

Evaluation and selection

- | | |
|---|---|
| <input checked="" type="checkbox"/> Credentials on the issuer’s social and green objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Sustainability Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other (please specify): |

Information on Responsibilities and Accountability

- | | |
|--|--|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

EDC’s processes for management of proceeds are overseen by its Treasury and Loans Services department. EDC intends to allocate proceeds within 24 months after any issuance. Unallocated proceeds will be held in accordance with EDC’s liquidity policies. This is in line with market practice.

Tracking of proceeds:

- Sustainability Bond proceeds segregated or tracked by the issuer in an appropriate manner
- Disclosure of intended types of temporary investment instruments for unallocated proceeds
- Other (please specify):

Additional disclosure:

- Allocations to future investments only
- Allocations to both existing and future investments
- Allocation to individual disbursements
- Allocation to a portfolio of disbursements
- Disclosure of portfolio balance of unallocated proceeds
- Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

EDC intends to report on allocation and impact of proceeds on its website on an annual basis in its Integrated Annual Report until full allocation. Sustainalytics views the allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

Information reported:

- Allocated amounts
- Sustainability Bond financed share of total investment
- Other (please specify):

Frequency:

- Annual
- Semi-annual
- Other (please specify):

Impact reporting:

- Project-by-project
- On a project portfolio basis
- Linkage to individual bond(s)
- Other (please specify):

Information reported (expected or ex-post):

- GHG Emissions / Savings
- Energy Savings
- Decrease in water use
- Number of beneficiaries
- Target populations
- Other ESG indicators (please specify):

Frequency:

- Annual
- Semi-annual
- Other (please specify):

Means of Disclosure

- Information published in financial report
- Information published in sustainability report
- Information published in ad hoc documents
- Other (please specify):
- Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review):

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer’s documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- Consultancy (incl. 2nd opinion)
- Certification
- Verification / Audit
- Rating
- Other (please specify):

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF REVIEW PROVIDERS AS DEFINED BY THE GBP AND THE SBP

- i. **Second-Party Opinion:** An institution with sustainability expertise that is independent from the issuer may provide a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Sustainability Bond framework, or appropriate procedures such as information barriers will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy, and/or processes relating to sustainability and an evaluation of the environmental and social features of the type of Projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or sustainability criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally or socially sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Sustainability Bond proceeds, statement of environmental or social impact or alignment of reporting with the Principles may also be termed verification.
- iii. **Certification:** An issuer can have its Sustainability Bond or associated Sustainability Bond framework or Use of Proceeds certified against a recognised external sustainability standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green, Social and Sustainability Bond Scoring/Rating:** An issuer can have its Sustainability Bond, associated Sustainability Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental and/or social performance data, process relative to the Principles, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material sustainability risks.

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For more information, visit www.sustainalytics.com

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