EXPORT DEVELOPMENT CANADA
2021 INTEGRATED ANNUAL REPORT

CLIMATE-RELATED DISCLOSURE

Canada

EDC

CLIMATE-RELATED DISCLOSURE

"We are determined to continue pursuing a path to sustainability and, in the process, make EDC a more effective partner for Canadian companies seeking international success."

Mairead Lavery,
President and Chief Executive Officer

About this report

EDC's 2021 Climate-Related Disclosure highlights our approach to climate change, including key information that defines governance, strategy, risks and opportunities. It further covers metrics, targets and initiatives that have driven our commitments over the last calendar year as well as what is to come in 2022 to 2024.

Approach to climate reporting

EDC subscribes to best-practice frameworks for guiding its program management, including disclosures. With regard to climate-related disclosure, we follow the recommendations set out by the **Task Force on Climate-related Financial Disclosures (TCFD)**. Just as climate-related risks and opportunities are critical elements of EDC's ESG Strategy, our climate-related disclosure is a key component of EDC's Integrated Annual Report. We believe that performance tracking and reporting are essential for demonstrating accountability, evaluating our work, and building relationships with external stakeholders, customers and rights holders.

Aligning with the TCFD

The Government of Canada, through its **2021 Statement of Priorities and Accountabilities (SPA)**, acknowledged EDC's initiative in endorsing and aligning to the TCFD framework, since 2018, and encouraged continued implementation of the recommendations. In this endeavour, we work with third parties to advise on best-practice opportunities to improve our program through an in-depth understanding of the key drivers and trends, and perform annual limited assurance on climate change key performance indicators (KPIs), in addition to other ESG KPIs.[1]

[1] *Our 2021 ESG key performance indicators' Assurance Statement can be found on our* website.

RELATED PUBLICATIONS

For more detailed information on EDC's climate-related efforts, please see the following documents:

- Climate Change Policy
- Due Diligence Framework: Climate Change
- Green Bond Framework
- EDC Net Zero 2050

Other supporting documents include:

- Transparency and Disclosure Policy
- Environmental and Social Risk Management (ESRM) Policy
- Environmental and Social Review Directive
- Human Rights Policy
- 2019–2022 Human Rights Policy Implementation Plan
- Due Diligence Framework: Human Rights
- EDC's Principles on Leverage and Remedy

Canadian government mandates TCFD-aligned disclosure for Crown corporations

The federal government's [2021 budget] mandated TCFD-aligned disclosure for Crown corporations holding more than $1 billion in assets, starting in 2022, and others following in 2024 at the latest. At the time of the announcement, EDC had been complying with this requirement, demonstrating our consistent ambition to be a leader in transitioning the Canadian economy to a net zero future. We leveraged our leadership position to collaborate with other federal partners to discuss the implications and the associated benefits of mandatory TCFD reporting for Crown corporations.

Transparency and disclosure

Climate reporting is one part of EDC's efforts to ensure transparency of our operations. Additionally, we have a number of annual progress reports that complement the climate reporting in providing a clear view of our practices to build trust and accountability to our stakeholders. In addition to progress reports, we publish our strategies, policies, plans, and integrated and individual reports outlining our corporate commitments, goals and progress.

EDC'S KEY DISCLOSURES INCLUDE:

- EDC 2030 Strategy
- Annual reports
- 2021 Climate-Related Disclosure
- 2021 Human Rights Disclosure
- Financial reports
- Corporate Plan (summaries)
- Canada Account annual reports
- Green bond impact reports
- 2021 Annual Public Meeting

IMPLEMENTING TCFD RECOMMENDATIONS

2010 Issued an updated Environmental and Social Risk Management Policy, which includes climate-related commitments.

2012 Cleantech identified as a corporate priority.

2014 Became first Canadian financial institution to issue a green bond.

2016 Introduced annual contribution to the Government of Canada's climate finance commitments under the UN Framework Convention on Climate Change.

2017 Publicly committed to no longer financing thermal coal power plants. Helped facilitate more than $1 billion in cleantech exports for the first time.

2018 Became first export credit agency and first Canadian Crown corporation to declare support for the TCFD recommendations.

2019 Issued our first dedicated Climate Change Policy and, in our 2018 Annual Report, our first climate-related disclosure.

2020 Published details of our first target to reduce the carbon intensity of our lending portfolio, and published our Due Diligence Framework. Introduced customer TCFD-aligned disclosure requirements for the oil and gas sector.

2021 Fully implemented the Climate Change Policy and became first export credit agency to commit to net zero emissions by 2050.

Introduction

Climate change is the most pressing and complex issue of our time, presenting risks to our business, our customers, the environment and society. Its impact is widespread, measurable and accelerating. At the same time, there is also the possibility—even the responsibility—to collaborate and innovate to enable a sustainable future and discover new opportunities that the future will bring. The nexus of the challenge and opportunity of climate change is what drives our strategic focus.

As an export credit agency, we have a responsibility to measure, manage and report on climate-related risks and opportunities within our value chain, in terms of the customers we finance and accompanying impacts, in addition to our own operational impact. To guide this work, we follow the recommendations set out by the **Task Force on Climate-related Financial Disclosures (TCFD)**, a leading global framework.

Our **Climate Change Policy** provides the strategic foundation of our commitments to address climate-related risks and opportunities, through measurement, engagement, green financing, risk management systems and reporting. Our **Due Diligence Framework: Climate Change**, reviewed annually, details the operationalization of the policy for review of transactions.

EDC leaders have committed to meaningful action, as demonstrated by the announcement we made in 2021 to achieve net zero emissions across our operations by 2030 and all business lines by 2050.

We take our role to advance collective climate action and dialogue seriously. In 2021, we discussed our targets and actions with stakeholders extensively, particularly during our participation in the United Nations Climate Change Conference (COP26). At this pivotal global event, we joined bilateral meetings with ECAs, government and business representatives, as well as a roundtable with commonwealth heads of state and business leaders on climate action in Canada. We participated in several key events, including:

- A **Powering Past Coal Alliance** (PPCA) event on progress made and the need for continued ambition. EDC was the first ECA to join the alliance, building on EDC's long-standing decision to reduce our support of thermal coal, as described in our Thermal Coal Position, included as Appendix A of our **Climate Change Policy**
- A panel hosted by UK Export Finance, where ECAs discussed how governments can channel our support to promoting clean, green development
- Participation in a sustainable finance forum, highlighting the importance of sustainable finance in reaching climate change goals and EDC's role and plans

While building momentum and shared capacity, we also presented our climate journey to the Glasgow Financial Alliance for Net Zero and the Business Development Bank of Canada to share lessons learned.

KEY TERMS

Climate-related risk:
The potential negative impacts of climate change on an organization. Types of risks include **physical risks** due to increased severity of extreme weather events, longer-term shifts in precipitation and temperature or increased variability in weather patterns; and **transition risks** associated with the shift to a lower carbon global economy, such as policy and legal actions, technology changes, market responses and reputational considerations.

Climate-related opportunity:
The potential positive impacts related to mitigation and adaptation efforts of an organization related to climate change, such as resource efficiency, cost savings, the adoption and utilization of low-emission energy sources, the development of new products and services, and the building of resilience along the supply chain.

Net zero by 2050

More than two decades ago, we began our journey to make responsible and sustainable business practices a priority, both for our business and for our customers. Today, our approach to climate is centred around a commitment to achieve net zero emissions across our operations and business lines by 2050—a goal aligned with the Government of Canada and the Paris Agreement. In July 2021, we were the first export credit agency to make a net zero commitment, and have built our plan around four main elements:

- **2023 carbon intensity target:** reducing financing support to our six most carbon-intensive sectors by 40% below 2018 levels. This will be achieved in parallel with the planning and implementation of the Government of Canada's commitment to end new direct public support for the international unabated fossil fuel energy sector by the end of 2022, in line with the **COP26 Statement**
- **2030 carbon intensity targets:** drive further emissions reductions through science-based, sectoral emission intensity targets. The first of these targets will be disclosed before July 1, 2022
- **Sustainable finance target:** increase our support for innovative Canadian businesses aligned with the low-carbon transition through mechanisms such as our cleantech solutions, green bonds, sustainable finance and knowledge products. The first of these targets will be disclosed before July 1, 2022
- **Reducing our operational greenhouse gas (GHG) emissions to net zero by 2030** and considering, only as a last resort, purchasing offsets for any unabatable emissions

Achieving our net zero ambition will require a balance of both short- and long-term commitments, significant work and structural changes. It will require ongoing commitment from EDC's leaders and action from employees across the organization over a sustained period, and active feedback from our stakeholders and peers. Primary strategic elements of our approach include:

- Ceasing new support of international oil and gas companies and reducing exposure in these foreign assets, and pursuing more ambitious reduction targets as we exceed them ahead of target dates
- Increasing our own investment in climate research and science. We continue to add internal expertise and facilitate greater climate awareness and accountability across the organization. For example, we are contributing to the development of best practices in carbon accounting as the first ECA to join the **Partnership for Carbon Accounting Financials** (PCAF) and its working groups. Further, we have invested in increasing our understanding of science-based target methodologies, building towards our planned announcement of our first such target in the first half of 2022
- Using our capital and climate expertise to support the low-carbon transition plans of Canadian companies. Our cleantech investments and future sustainable bond offerings (including green, social and transition bonds) are examples of this

DEFINITIONS FOR ACHIEVING NET ZERO

Carbon neutral:
Organizations purchase offsets for an equivalent amount to the emissions released from their operations.

Net zero aligned:
Organizations reduce emissions in line with a 1.5°C scenario, with an option to procure offsets for remaining emissions.

Net zero:
Organizations reduce emissions to nearly zero by the target year, purchasing offsets for any remaining emissions.

RELATED INFORMATION

Read more about our net zero strategy and 2021 progress on page 15 of this report and in the backgrounder posted on our website.

OVERVIEW: 2021 AND BEYOND

GOVERNANCE

2021

- Linked performance on the 2023 carbon intensity target to executive compensation
- Established new sustainability roles/reorganization with climate-related responsibilities
- New Enterprise Strategy Committee and ESG Executive Committee
- Enhanced board ESG reviews and frequency

2022–2024

- Include ESG in long-term performance incentive for vice-presidents and Executive Management
- Strengthen ESG in board committee terms of reference
- Add additional internal resources with climate expertise, including management roles
- Strengthen the Climate Change Policy through the triannual review process

STRATEGY

2021

- Committed to net zero by 2050
- Conducted a climate disclosure gap and opportunity assessment
- Undertook our second climate-related scenario analysis
- Joined the Powering Past Coal Alliance and the Partnership for Carbon Accounting Financials
- Created a Sustainable Finance Framework to guide the development of future ESG-centred financial products

2022–2024

- Roll out an updated cleantech definition and further update as necessary
- Continue increasing our cleantech industry knowledge and collaboration
- Release a Sustainable Bond Framework, which includes green, social and transition bonds
- Evolve our approach to portfolio climate scenario analysis and link more closely to EDC's climate strategy
- Develop an ESG Product Strategy that outlines EDC's intentions to expand the product suite to ESG-focused solutions

RISK MANAGEMENT

2021

- Undertook a pilot to embed climate into credit risk
- Implemented mandatory organization-wide ESG 101 training

2022–2024

- Build on the learnings from our pilot to develop our approach to embedding climate in our evaluation of credit risk
- Update non-credit climate-related due diligence approach in support of operationalizing net zero initiatives

METRICS AND TARGETS

2021

- Surpassed and strengthened the 2023 carbon intensity target
- Committed to net zero operational GHG emissions by 2030 and updated GHG accounting methodology
- Piloted GHG emissions calculations associated with our financing portfolio

2022–2024

- Publicly announce and implement science-based 2030 targets as well as sustainable finance targets
- Continue to improve and disclose impact metrics under newly developed Sustainable Bond Framework
- Continue implementing in-flight operational emission abatement initiatives
- Disclose financed emissions from our portfolio using the available PCAF methodology

Governance

At EDC, we work to create a more sustainable and equitable world through leadership and business influence. A strong operational governance structure facilitates this goal.

We are also guided by our core values of customer success, acting with integrity, improving communities, caring about people, and limiting our impact on people and the environment.

Minimizing climate risk is embedded throughout all levels of our organization. We formalize our climate commitments with specific actions and structures, such as standing agenda items at the board, our CEO performance agreement, and multi-disciplinary staff working groups. These actions support the implementation of our established commitments, measured through targets and KPIs and disclosed through a formal reporting process.

Policy commitment

Our **Climate Change Policy** outlines climate commitments and governance, in terms of review periods as well as roles and responsibilities. Overarching this policy is our Environmental and Social Risk Management (ESRM) Policy Framework, which also includes the **Human Rights Policy**, the **ESRM Policy** and the **Environmental and Social Review Directive**.

Policy review

EDC conducts periodic reviews to guide the update of our ESRM Framework policies. The review process enables us to identify opportunities to better align the policies with our ESG practices, business activities, customer needs, and emerging environmental and social risk management best practices.

The Climate Change Policy must be reviewed and approved at least once every three years, through a full consultative review process. Policy revisions must be accompanied by supporting detail on material changes and associated rationale. Stakeholder engagement, internal and external, forms a critical part of our regular Climate Change Policy review process, with final approval gained from the Executive Committee and the Board of Directors.

Similar to developing the policy in 2019, in 2021, we began a consultative review of our Climate Change Policy as part of the ESRM Policy Framework review process. The review is led by a core working group and includes completion of an environmental scan to identify peer and industry best practices and a discussion paper on the policy framework, rationale, and key issues and priorities for the review.

The discussion paper will be used to inform public consultations with industry and trade associations, civil society organizations (CSOs), national bank partners, and ECA peers as well as targeted outreach meetings with customers. EDC will also consult with key internal teams, our ESG Advisory Council, and host virtual open houses for all interested staff.

With material prepared, the Climate Change Policy review will continue in 2022 with stakeholder engagement activities and feedback channels to gather input. After gathering and integrating feedback, we plan to issue a Public Response Paper with the revised policy release. Combined, these documents provide a high-level description of how we incorporated feedback into our policy review.

For details on our stakeholder engagement initiatives outside of policy review, refer to the Stakeholder Engagement section on **page 13** and our **2021 Integrated Annual Report**.

OPERATIONALIZATION OF THE CLIMATE CHANGE POLICY

AMBITION

EDC supports the 2015 Paris Climate Change Agreement, which aims to strengthen the global response to the climate change challenge and spur a transition to a low-carbon society.

POLICY COMMITMENTS	OUR ACTIONS
Measure, monitor and, commencing in 2020, set targets to reduce the carbon intensity of our lending portfolio Work toward implementing the recommendations of the Task Force on Climate-related Financial Disclosures Continue to report on and improve EDC's operational environmental footprint	• Net zero by 2050 commitment • Commitment to set 2030 carbon intensity financing portfolio targets • Carbon accounting of financed emissions using PCAF standards • Develop an operational footprint reduction target and strategy, achieving full coverage of GHG emissions calculations across our operations • Procure third-party advisory on TCFD reporting and annual improvement • Internal and external climate-related reporting
Be more transparent about our approach to carbon-intensive sectors, starting with a strengthened thermal coal position Integrate climate-related risks and opportunities, such as carbon intensity, into EDC's risk assessment processes, alongside other credit and non-credit considerations, to inform decision-making for both project and non-project transactions Enable customers to respond to climate-related risks and opportunities through financing, insurance, and knowledge products and services, while leveraging international risk expertise Increase EDC's business focused on clean and low-carbon technology	• Enhanced climate scenario analysis • Pilot to incorporate climate considerations into credit risk and credit decisions • Non-credit risk assessment that considers climate • Cleantech • Sustainable finance • Green bonds
Encourage customers operating in carbon-intensive sectors to disclose climate-related information, starting with annual greenhouse gas emissions, and, where appropriate, clear emissions reduction targets Engage actively with our financial sector peers to advance dialogue and action around climate-related risks and opportunities	• Leading in industry initiatives (i.e., the Equator Principles, OECD and Canadian financial institutions) • Customer TCFD reporting guide • Customer forums and speaking events • Customer climate disclosure requirements

SUPPORTING TOOLS

- 2023 carbon intensity target
- EDC TCFD reporting
- Client TCFD reporting
- Transaction climate due diligence
- Leadership in international forums

Board and management oversight

EDC's leadership team aims to position us as a leader in the transition to net zero. Through the leadership of our Chief Corporate Sustainability Officer (CCSO), our board, executives and supporting committees play an active role in the development, implementation and review of our approach to climate-related risks and opportunities.

The Board of Directors oversees our ESG direction, strategy and risk management policies, including our Climate Change Policy. Formal progress updates on the implementation of our Climate Change Policy are provided on a regular basis. In 2021, however, climate became a standing item at every board meeting because of its importance to our performance management tracking process, as shown in shareholder and cleantech reports.

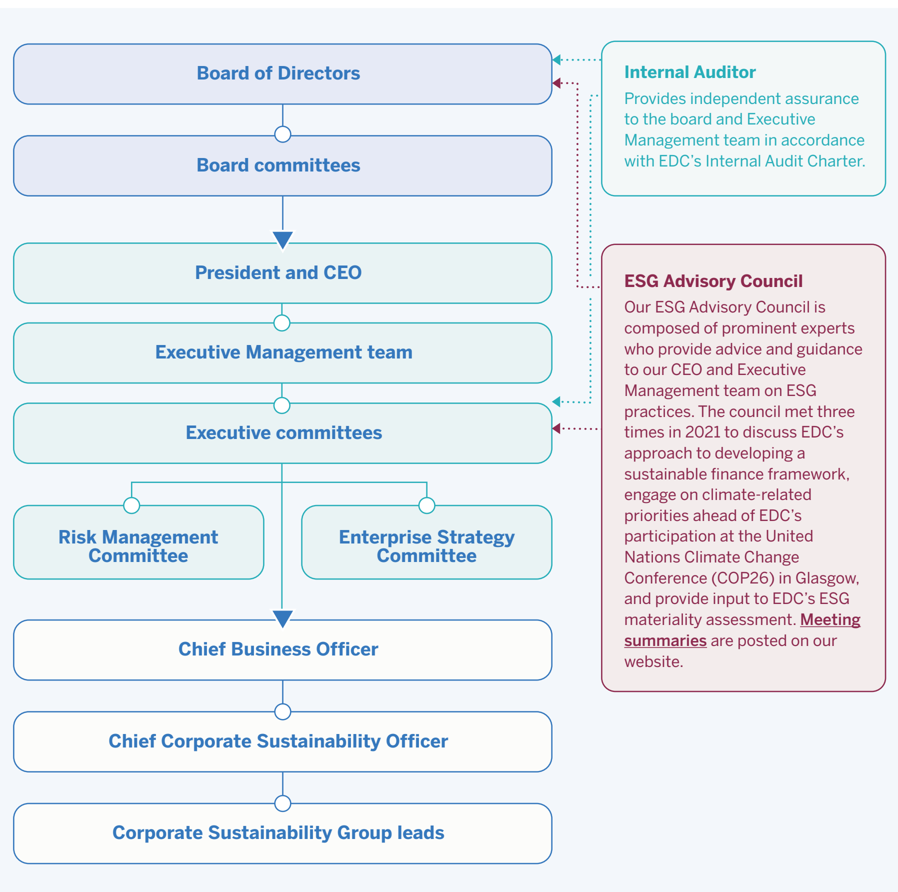
Given our growing network of influence, a reorganization substantially enhanced our Corporate Sustainability Group in 2021, with additional resources and leadership positions added in ESG. Major changes include the formalization of Justine Hendricks' role as SVP, Sustainable Business & Enablement and Chief Corporate Sustainability Officer, and establishing the new roles of VP of ESG Policy, and VP of ESG Strategy, Outreach and Reporting.

Within this new structure, our CCSO owns the Climate Change Policy (as policy owner) with responsibility for its development, implementation and maintenance as well as its execution and effectiveness. The VP, ESG Policy functions as the policy monitor, with responsibility for monitoring, ensuring and attesting to compliance with the policy, and for reporting instances of non-compliance to the policy owner. EDC's internal auditor provides independent assurance to the Board of Directors and executive in accordance with EDC's Internal Audit Charter.

We added a structure to emphasize reporting importance by adding a VP of ESG Strategy, Outreach and Reporting, with a focus on disclosure, particularly in alignment to the Task Force on Climate-related Disclosures and United Nations Guiding Principles on Business and Human Rights. Both strategic and quantitative information flows from the executive committees to the board and its committees.

Our board, Executive Committee and supporting committees have distinct roles and responsibilities in overseeing the Climate Change Policy. The table below provides an overview of responsibilities and example activities in the reporting period.

ESG governance structure



In 2021, 16 hours were dedicated to ESG discussions by the board and its committees.

Board knowledge mobilization:

- Mark Carney, Financial Stability Board Chair, presents to the EDC board
- Canada's Ministry of Environment presents to the Executive Committee
- EDC's President and Chief Executive Officer, Chief Corporate Sustainability Officer, and Director, International Relations attend COP26 as part of Canada's delegation

ESG governance

		Responsibilities	2021 activities
Board level	Board	ESG matters feature routinely in board agendas, with net zero and Climate Change Policy updates and implementation being key items in 2021.	• Provided updates to the board on Climate Change Policy implementation • The CCSO regularly reported to the board through a memorandum • Performed a governance-evaluation survey and confirmed the need to ensure the board skills matrix includes in-depth experience in climate risk • Climate risk and opportunity knowledge building activities with external industry expertise
	Risk Management Committee	Has oversight of EDC's Enterprise Risk Management Framework, including the ESRM Policy Framework. The committee regularly reviews compliance with the Corporation's Environmental and Social Review Directive and receives quarterly updates regarding the implementation of the ESRM Policy Framework, which includes our climate change and human rights policies. The committee also reviews reports about capital management and adequacy, including enterprise-wide and climate risk-related stress-testing processes used to identify, measure and report risks that should be quantified for capital purposes.	
	Business Development and Performance Committee	Focuses on ESG developments through the strategic lens of strategy implementation and impact, including KPIs. The committee receives regular updates on the climate strategy through our carbon intensity dashboard, carbon dashboard and cleantech performance.	
	Internal Auditor	Provides independent assurance to the board and Executive Management team in accordance with EDC's Internal Audit Charter.	
Executive level	Executive Committee	Plans and directs the execution of our ESG Strategy, with executive compensation being linked to meeting our 2023 carbon intensity target.	• Received climate-related updates for informational and decision-making purposes
	Enterprise Strategy Committee	Provides oversight and guidance for all strategic initiatives, decisions and outcomes across the enterprise, including ESG Strategy and initiatives.	• Received progress on quantitative reporting (2023 carbon intensity target) and flowed up to the board
	ESG Executive Committee	Receives regular reporting on the performance progress of our ESG Strategy.	• Participated in a special session preparing for COP26
External	ESG Advisory Council	Provides advice to EDC's President and Executive Management team. The Chair of the Board is an *ex officio* member and represents an important linkage between the council and the board, along with EDC's President and CEO.	• **November 2021 meeting** shared input on ESG-related risks and opportunities critical to developing EDC's ESG Strategy • In 2022, the ESG Advisory Council will increase its meeting frequency to three times per year
Operational level	Operational Footprint Working Group, Environmental Resource Group	Tracks the effectiveness of sustainable business operations practices and makes suggestions on how EDC can reduce our operational footprint, especially in the areas of paper usage, energy and water consumption, and business travel. Also reports operational footprint data on an annual basis. The CCSO is the executive sponsor of the working group.	• Reported 2021 operational footprint data • Expanded the coverage of emissions sources in our operational footprint to get a more holistic baseline for our 2030 commitments • Engaged with colleagues across the business to identify opportunities to reduce operational GHG emissions • Developed a strategy for implementing GHG abatement initiatives to achieve our operational GHG emissions targets

To ensure that our Executive Management team retains a long-term vision in decision-making, we plan to incorporate an ESG component into our long-term incentive plan in 2022. It will apply to vice-presidents and Executive Management.

Day-to-day roles and responsibilities

Risk management at EDC is governed by the Three Lines of Defence (3LD) model. The 3LD model distinguishes roles and responsibilities via three lines of management in which employees in every area of the organization are responsible for managing risk.

ESG roles and responsibilities for the ESRM Policy Framework

Role/Team	Responsibility
First Line of Defence	
Business Development and Underwriting	Takes, owns, manages and monitors risks, including environmental, social and human rights related Conducts pre-screening to flag potential and/or actual environmental and social (E&S) risks to ESG Customer Success
ESG Customer Success	Identifies, assesses, manages and monitors environmental, social and human rights risks and issues in compliance with requirements set out in the ESRM Policy Framework and supporting documents Escalates E&S issues to the ESG Policy team and the Second Line of Defence, when additional oversight and guidance is needed
ESG Policy	Develops, implements and maintains the ESRM Policy Framework Provides guidance to the ESG Customer Success team and Business Development and Underwriting team to ensure alignment of the due diligence process with the ESRM Policy Framework
Second Line of Defence	
Risk Management Office	Provides oversight as well as objective and effective approval of all risk ratings, with some exceptions
Relationship and Transaction Committee	Provides oversight as well as objective and effective challenge of risk assessments and recommendations (VP level)
Third Line of Defence	
Internal Auditor	Responsible for conducting periodic audits to review adherence to the principles outlined in the ESRM Policy Framework and to the standards, guidelines and procedures detailed in its supporting documents, and for providing independent assurance to the board and Executive Management that EDC's Framework for capital management is designed and operating effectively Provides independent assurance to senior management and the board that the first and second lines of defence are effectively managing and controlling risks Provides independent assurance that the ESRM-related policies are fully implemented

Stakeholder engagement

As an international export credit agency, EDC engages diverse stakeholders, including the Government of Canada, civil society organizations, industry and trade associations, bank partners, other ECAs, international partners and customers. We use our breadth and depth of influence to share our climate change risk and opportunity approach and to gather feedback from stakeholders.

Maximizing value for our stakeholders is central to our ESG Strategy. This approach allows us to continuously evolve with an ever-changing landscape. As each stakeholder has differing needs and impacts, our engagement approach aims to adapt and innovate with changing socio-institutional contexts.

The objectives of our stakeholder engagement plan include:

- Ensuring stakeholders are heard in our processes
- Receiving feedback on best practices and expectations
- Responding to stakeholders in a timely manner
- Increasing participation to ensure a more diverse and inclusive engagement
- Reporting on the progress EDC has made

In line with these objectives, in 2021, we performed a mapping exercise to develop a comprehensive view of our key stakeholders, their needs, our engagement approach, and internal accountability for the relationship. With our internal re-organization and expansion of ESG resources, the mapping process helped establish a formalized process for stakeholder engagement within the organization as well as externally.

Stakeholder groups EDC engages with on our climate change approach and progress

Potentially affected groups

- Shareholder
- Civil society organizations
- Customers
- Employees
- Public

External insights and expectations

- Industry and trade associations
- Other export credit agencies
- ESG Advisory Council

Business relationships

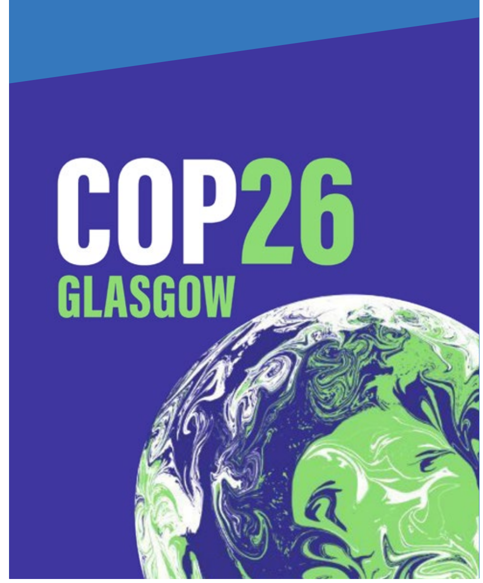
- Bank partners
- International partners

At any time, stakeholders can submit queries and review response letters from our CEO on edc.ca.

For detailed ESG stakeholder engagement activities, refer to our 2021 Integrated Annual Report.

COP26: HOW CANADA CAN MOBILIZE CAPITAL TOWARD CLIMATE ACTION

As part of the Canadian delegation at COP26 held in Glasgow, we participated in a roundtable discussing how Canada can mobilize capital toward climate action with His Royal Highness Prince Charles, Deputy Prime Minister and Minister of Finance Chrystia Freeland, Minister of Environment and Climate Change Steven Guilbeault, Minister of Natural Resources Jonathan Wilkinson, and representatives from Canadian businesses. The constructive discussions highlighted how EDC can support Canada's climate objectives, and how governments will need the engagement of a wide range of partners to solve the climate challenge. Collaborations and partnerships in the financial sector will be instrumental to achieving the transition to net zero.



KEY FUTURE PRIORITIES

We will continue to find opportunities to further integrate climate into governance. The following initiatives are planned for 2022 to 2024:

- Complete the ESRM Policy Framework review and obtain approval from the board for our updated Climate Change Policy
- Incorporate an ESG component into our long-term incentive plan that applies to vice-presidents and Executive Management. In 2022, this measure will focus on our carbon intensity target and the cleantech sector, with the transition to broader ESG measures over 2023 to 2024
- Formalize ESG and climate within the terms of reference of board committees
- Clearly disclose board-level oversight on climate initiative implementation. ESG will be a criteria in board member selection, and the board will undergo continued climate educational training
- Increase frequency of ESG Advisory Council meetings from biannual to triannual
- Continue growing and resourcing ESG expertise at EDC

Equator Principles

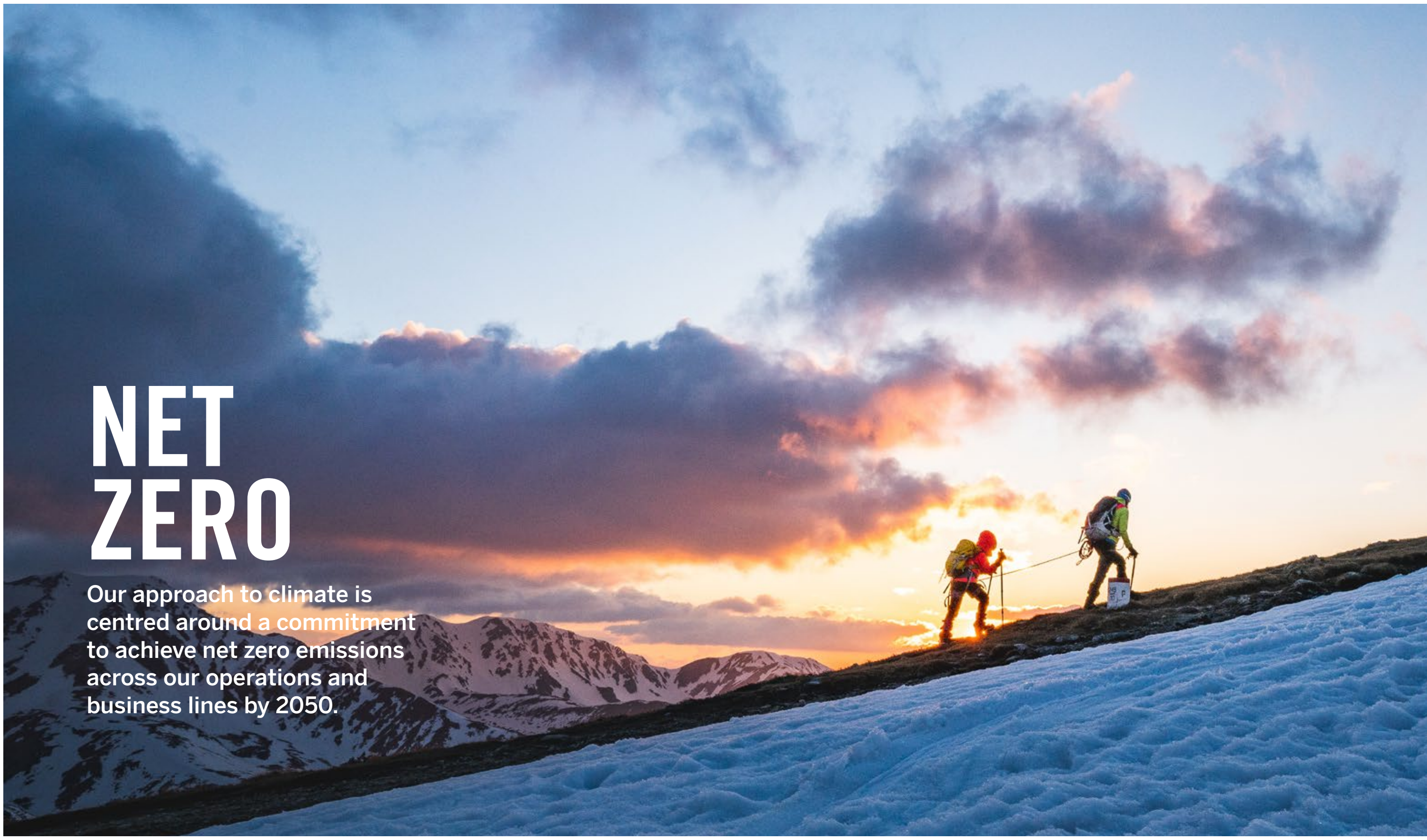
In 2021, we continued implementation of the Equator Principles 4 (EP4) updated disclosure requirements, as well as the requirement that Equator Principles financial institutions consider climate-related physical and transition risks, based on specific criteria. We maintain our role as co-chair of the Equator Principles' Climate Change Working Group, with a mandate to ensure a more focused integration of climate-related risk in the updated Equator Principles Environmental and Social Risk Management Framework for project-related transactions.

Strategy

As Canada's export credit agency, we recognize the need to lead by example in the global transition to a net zero economy, thereby influencing others to do the same. Our 2030 Strategy is focused on delivering for Canada over the long term, in line with values that put ESG and climate considerations at the core of everything we do. When it comes to climate, we are committed to becoming a net zero institution by 2050, and to working collaboratively to achieve the transition to a net zero future together.

Net zero by 2050

As the pace of change accelerates, our role in enabling the transition to a low-carbon economy grows. We will continue to share our experiences and learning as we enhance our approach and methodology to climate-related risks and opportunities. Achieving our climate goals will require long-term commitment and partnership with our customers, stakeholders and peers. An integral part of promoting a just and inclusive transition is recognizing the connection between the actions we take to address climate change and its effects on socioeconomic development.



NET ZERO BY 2050

	BUILDING CAPACITY	MAXIMIZING IMPACT	FULFILLING OUR COMMITMENT
REALLOCATE	Sustainable finance solutions: set targets and implement	Invest in low-carbon and ESG-focused solutions to support innovation, development and scaling	Continue to develop innovative tools and services to support our customers in reaching their climate goals and enabling transition to a net zero future
REDUCE	Operational emissions: develop and implement 2030 net zero strategy 2023 carbon intensity target: achieve (2023) 2030 carbon intensity targets: set and implement	Work collaboratively with customers to understand their net zero transition plans and climate-related opportunities, and achieve our carbon intensity targets	Operational emissions: sustain net zero emissions Enable progress toward net zero by 2050 through continued alignment of business strategy with science-based targets and other ESG initiatives
MEASURE	Calculate our financed emissions in alignment with PCAF (2024) Operational emissions: achieve full coverage of GHG emissions calculations		

BY 2050, WE WILL REACH

NET ZERO

EMISSIONS ACROSS OUR ENTIRE VALUE CHAIN

- Establish and maintain effective governance and accountability
- Engage with our financial sector peers to spur collaboration and tangible progress
- Maintain transparent disclosures on plans and progress

2021 | 2025 | 2030 | 2050

Climate-related risks and opportunities identified over the short, medium and long term

Our 2030 Strategy aims to increase the success of our customers, our ability to meaningfully enhance Canada's trade competitiveness, and our contribution toward a more equitable and sustainable economy. The shift to an impact-driven strategy will guide our choices and position us to deliver for Canada and Canadian businesses over the long term.

The resilience of our business depends on our ability to appropriately identify material climate-related risks and opportunities, assessing their impacts on our business, strategy and financial planning. In doing so, we have considered short-, medium- and long-term time horizons of one year, five years and 15+ years. The time periods reflect the nature of our business transactions, assets and any climate issues that manifest in the medium and longer terms.

To integrate climate-related risks and opportunities, we are actively looking to understand the exposure of our financing and insurance portfolios, by sector, to the physical and transitional risks of climate change. The analysis allows us to understand where the greatest risks and opportunities lie to inform our strategic planning and subsequent decision-making.

EDC's credit risk exposure to sectors most sensitive to transition and physical risk

Transition risk

Sectors	Credit risk	
	C$ B	% of total exposure
Industrials	22.2	16.8
Metals and mining	9.7	7.4
Oil and gas	8.1	6.1
Power generation	11.9	9.0
Transportation	21.7	16.4

Note: Includes financing portfolio and insurance only.

Physical risk

Sectors	Credit risk	
	C$ B	% of total exposure
Agriculture and forestry	10.4	7.8
Metals and mining	9.7	7.4
Real estate	5.3	4.0

Note: Includes financing portfolio and insurance only.

TCFD CLIMATE-RELATED RISKS DEFINITIONS

Climate-related physical risks:

Risks resulting from climate change, which involve event-driven (acute) or longer-term (chronic) shifts in climate patterns. Acute physical risks refer to those that are event-driven, including increased severity of extreme weather events such as cyclones, hurricanes or floods. Chronic physical risks refer to longer-term shifts in climate patterns (e.g., sustained higher temperatures) that may cause sea level rise or chronic heat waves.

Climate-related transition risks:

Risks which can arise from the process of adjusting to a lower carbon economy. These include policy and legal risks such as policy constraints on emissions, imposition of carbon tax and other applicable policies; water or land use restrictions or incentives; shifts in demand and supply due to technology and market changes; and reputation risks reflecting changing customer or community perceptions of an organization's impact on the transition to a low-carbon and climate-resilient economy.

APPROACH TO INTEGRATING CLIMATE-RELATED RISKS AND OPPORTUNITIES

SHORT TERM

Annual business performance reviews

Our annual reporting to the Business Development and Performance Committee of the board includes climate-related risks and opportunities and their impact on our short-, medium- and long-term strategic planning.

MEDIUM TERM

2023, 2025 and 2030 targets

Our medium-term strategy to contribute to Canada's low-carbon transition is anchored by our 2023, 2025 and planned 2030 targets. This keeps us accountable to significantly reduce emissions. Our cleantech strategy and Green Bond Framework, among other financing initiatives, support our progress to meeting this commitment.

LONG TERM

Net zero by 2050

Our commitment to net zero is a pledge to integrate climate-related risks and opportunities into our long-term business planning as we support Canada's transition to a net zero economy.

Clean technology strategy

Our clean technology strategy is a key pillar of our climate strategy. In 2012, we identified the cleantech sector as a significant climate-related opportunity in the medium and long term. Since then, we have continued to increase our support to Canada's growing cleantech sector.

Our cleantech strategy requires that we execute an "all of EDC approach," as it is not focused on a single sector and impacts all of our business lines. To maintain our position as a leader in providing cleantech companies with financial solutions in Canada, we focus on the following areas:

- Scaling emerging cleantech companies
- Growing our renewables portfolio
- Providing financing to support our customers in their transition to net zero
- Working with our partners across federal organizations to accelerate growth
- Developing sector-specific knowledge and strategies in emerging areas, such as hydrogen and carbon capture

Improving capacity

To continue growing our strategic support for cleantech, we commit to increasing our knowledge of the sector and our collaboration with other government partners and industry. We also invest in knowledge building for staff who manage cleantech accounts and transactions. We measure the success of our cleantech strategy through quantitative performance indicators, including the dollar amount of business facilitated, the number of customers served, cleantech as a percentage of our overall portfolio, and our Net Promoter Score (NPS).

In 2021, we achieved a 100% NPS rating, exceeding our target by approximately 30%. In 2022, we will include the number of cleantech customers served and the amount of cleantech business facilitated in our short-term incentive compensation plan applicable for all employees.

During the year, we also updated our cleantech definition to remain aligned with the federal cleantech ecosystem definitions and with developing industry thinking and expectations. Our new definition includes identifying transaction-level cleantech opportunities where non-cleantech companies can access financial solutions for their cleantech projects.

Please refer to the Metrics section on page 25 for details on our cleantech metrics and performance.

KEY TERMS

We define cleantech as any process, product or service that reduces environmental impacts through:

- Environmental protection activities that prevent, reduce or eliminate pollution or any other degradation of the environment
- Resource management activities that result in the more efficient use of natural resources, thus safeguarding against their depletion
- The use of goods that have been adapted to be significantly less energy or resource intensive than the industry standard

Scenario analysis

In 2020, we assessed the impact on EDC from a “disorderly transition” to a carbon neutral economy, in which governments would take rapid and disruptive policy action to reduce carbon emissions, leveraging the 2019 Bank of England climate change scenarios prescribed for insurers. The outcomes of the analysis included a commitment to incorporate lessons learned and best practice to evolve our analysis every year, thereby allowing us to better manage climate-related risks and opportunities in our financing and underwriting activities.

This past year, we conducted an in-depth climate-related scenario analysis exercise at a more granular level than the prior year’s inaugural version and focused on an orderly transition to a carbon neutral economy over a five-year time horizon to 2026.

Under this scenario, we assumed governments would take gradual policy action to reduce carbon emissions, resulting in gradual economic readjustments, asset revaluations, increases in energy prices and decreases in the creditworthiness of impacted companies. The orderly transition scenario is consistent with our existing and future carbon intensity targets while complementing our 2020 analysis.

Our 2021 climate change scenario analysis was enhanced by:

- Leveraging exposure identification and impact assessment approaches and tools developed by the United Nations Environment Programme Finance Initiative (UNEP FI) in collaboration with Oliver Wyman. With exposure identification now more granular, there is more detailed risk differentiation and impact assessment through use of North American Industry Classification System (NAICS) industry codes over higher-level sectors
- Determining the impact on the credit quality of current obligors at a future date

Findings

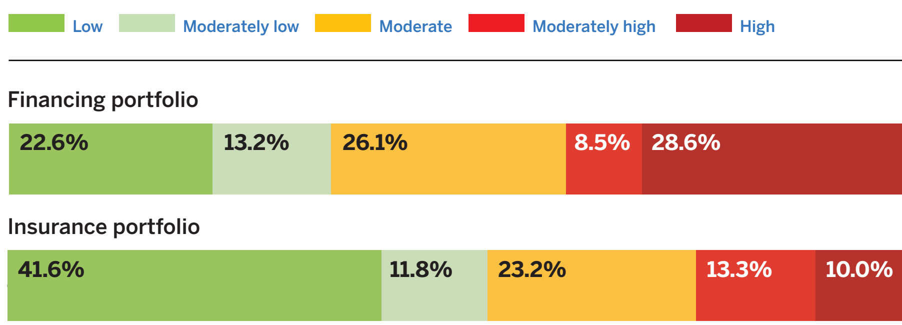
Under the orderly transition scenario, our capitalization level would be able to sustain the estimated financial impact and allow us to remain above our target solvency level and deliver on our mandate. The low materiality of the estimated financial impacts as of 2026 indicates that we would have a window of opportunity to continue to increase the resilience of our exposure to climate risk before significant impacts from transition risk materialize. It also reflects our ongoing efforts to reduce exposure to sectors highly exposed to climate risk. The results of our climate-related scenario analysis serve as a key input into our climate strategy and associated carbon intensity reduction targets.

The following heatmaps provide a visual representation of our exposure to transition and physical risk as of December 2021. These heatmaps allow us to identify climate-related risks and opportunities across our financing and insurance portfolios to subsequently develop approaches to manage or mitigate those risks. The exposure assessment underlying the heatmaps was developed based on UNEP FI approaches and tools.

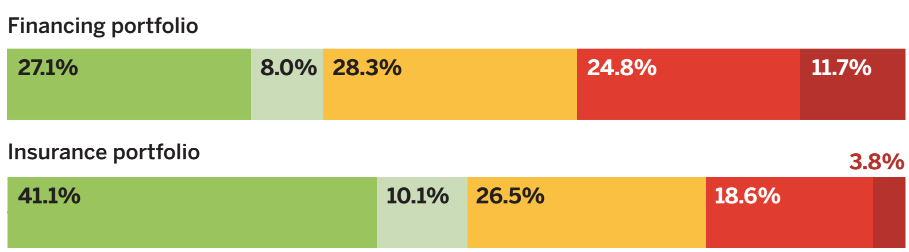
Objectives of EDC’s climate change scenario analysis

- Better understand EDC’s exposure to climate-related risks
- Assess potential financial impact to EDC of a climate-related scenario
- Inform the evolution of EDC’s carbon intensity target and risk appetite metrics
- Identify management insights (e.g., opportunities and risks) and recommend action plans

Heatmaps of EDC’s transition risk exposure as of December 31, 2021



Heatmaps of EDC’s physical risk exposure as of December 31, 2021



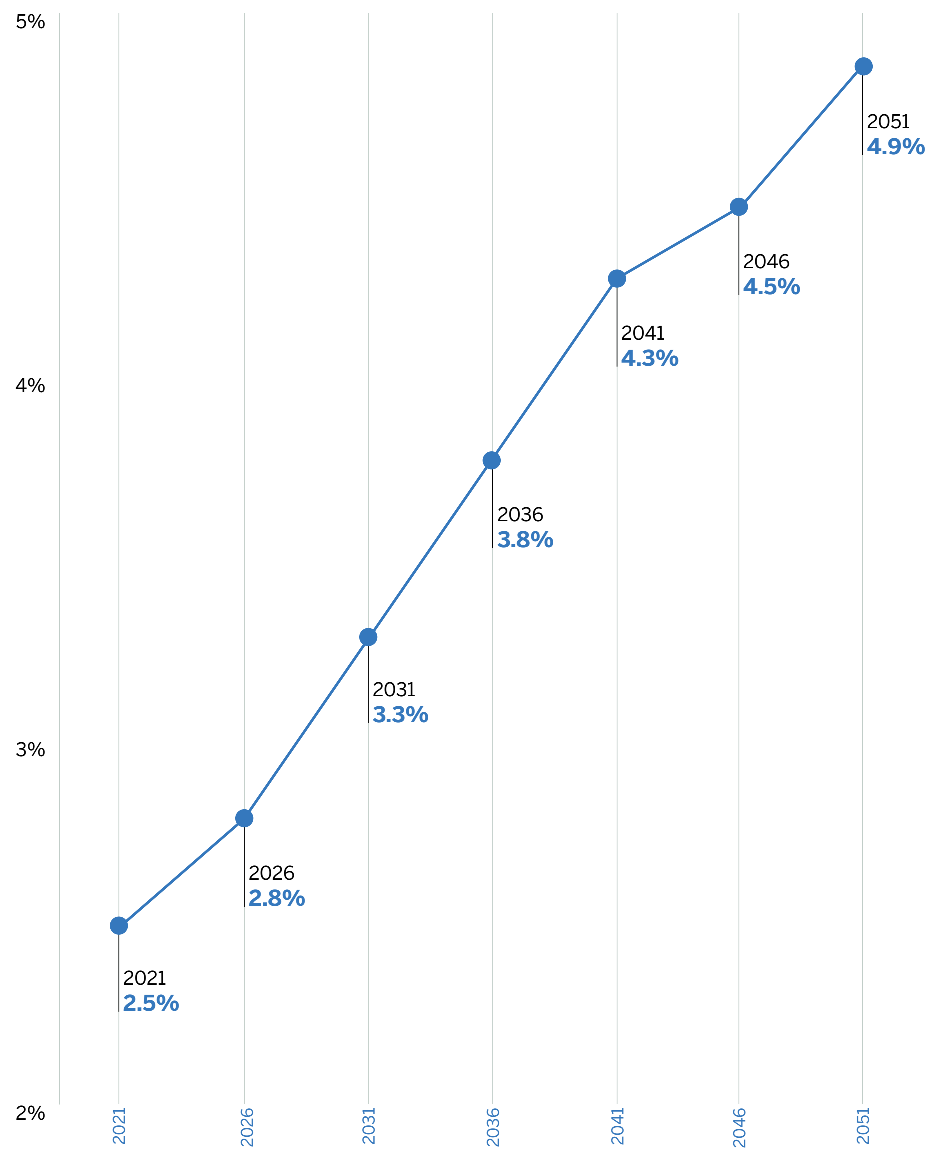
The graph to the right captures the impact on the simple average probability of default for all sectors under the orderly transition scenario as per the UNEP FI models and inputs from EDC. Further, it illustrates how credit quality would be impacted over time. The insights from analyzing probabilities of default were incorporated into our climate risk assessments during the underwriting stages and allowed us to prioritize sectors for investment with high risk or opportunity.

KEY FUTURE PRIORITIES

In 2022 to 2024, we plan to:

- Continue increasing our financial support for cleantech by setting aggressive targets and further enhancing our industry knowledge and collaboration across the ecosystem
- Publish a new Sustainable Bond Framework that will detail eligibility requirements for green, social and transition bonds and issue bonds in alignment with the framework
- Evolve our portfolio climate-related scenario analysis to consider longer time horizons, the impact of amortization, regulatory requirements and bottom-up obligor-level analysis
- Incorporate the results of our climate-related scenario analysis into the climate and corporate strategies and associated decision-making
- Consider climate risk in our probability of default and loss given default models over time
- Continue to pursue the launching of new ESG-focused products

Average probability of default for all sectors



Risk and opportunity management

We recognize both our obligation and our opportunity to demonstrate to our stakeholders how climate-related risks and opportunities are identified, assessed and managed at EDC. By integrating climate risk into our credit assessments and overall risk management program, we can proactively adapt our business and support our customers in the transition to a net zero economy.

Identifying and assessing climate-related risks

Identification and assessment of climate-related risks form part of EDC's Enterprise Risk Management Framework, and are subject to our non-credit risk assessment processes. They are also integrated into our environmental and social risk management review process. Details are provided in our **Due Diligence Framework: Climate Change**, which supports our **Climate Change Policy** and thermal coal position in Appendix A of the policy.

Within the Due Diligence Framework, we have established clear parameters for transactions involving thermal coal power, mining or dedicated thermal coal-related infrastructure, as well as approaches for identifying climate-related risks in both project and non-project transactions.

We continue to enhance data tracking for transaction due diligence and pilot the collection of various climate-related risk metrics in our transaction assessments.

Incorporating climate risks into credit assessments

For EDC, climate-related credit risks can materialize through climate change impacts on the wider economy or through exposure to clients with business models that are not aligned with the low-carbon future. Potential counterparties with greater climate-related credit risk that do not have corresponding climate change plans, strategies and targets could expose themselves, and EDC, to legal, regulatory, market, technology and reputational risks.

Our assessment of a counterparty's climate-related credit risk is influenced by actions it has taken or intends to take to minimize its contribution to climate change, as well as its industry sector, geography and vulnerability to transition risks for non-projects, and transition and physical risks for projects.

KEY TERMS

Carbon-intensive sector:

Sector identified[1] by EDC as having, on average, high annual GHG emissions (i.e., airlines; cement manufacturing; metals smelting and processing; petrochemicals, refining and chemicals manufacturing; thermal power generation; and upstream oil and gas operations).

Climate change risk assessment:

An assessment to define the potential climate change-related risk (transition risk, physical risk) of a project.

[1] *EDC has identified sectors as carbon intensive based on whether industrial facilities in the sector emit more than an average of 500 kilotonnes (kt) of carbon dioxide equivalent (CO_2e) per year in Canada, based on Scope 1 GHG emissions data reported to Environment and Climate Change Canada's Greenhouse Gas Reporting Program, as well as annual reporting from major Canadian airlines. The 500 kt CO_2e/year quantum served as a sectoral screening threshold to identify the primary sectors of focus from a carbon intensity perspective and will not be used on an individual transaction-by-transaction basis to determine whether a transaction is in/out of scope for the target. Whether a transaction is in/out of scope of the target is, at this time, based on the sector having been identified by the upfront screening described above. Transaction-level due diligence related to climate change is undertaken as outlined in EDC's* **Due Diligence Framework: Climate Change**.

Pilot approach for corporate lending

We recognize the need for a permanent shift in how we incorporate climate risk into our credit decisions. In 2021, we launched a pilot program with select teams within Corporate Lending to explore how to evolve our process to best incorporate climate risk into decisions. The purpose of this early-stage initiative was to:

- Elevate the importance of climate-related risks during the due diligence process
- Prompt financial analysts to incorporate climate-related risks into credit assessments for those sectors identified by EDC as being carbon intensive

While there is still much work to be done, the pilot program has helped strengthen our existing environmental and social risk management (ESRM) credit assessment questionnaire, adding new climate-related considerations for the financial analysts to assess when underwriting a transaction in one of the six carbon-intensive sectors. These questions include whether the counterparty has considered the anticipated financial impacts associated with transitioning to a net zero economy and the steps taken to capture low-carbon transition opportunities.

The pilot will continue to run until June of 2022, when it will be reviewed and assessed. It was designed in a manner that allows us to continue improving our approach as our experience expands and market standards evolve. We plan to continue the work needed to evolve and progress our processes, with a particular focus on:

- Assessing the potential size and scope of the climate-related risks identified
- Updating our risk terminology and risk classifications to include climate risk
- Refining our approach to transition risk and physical risk, in both credit and non-credit risk contexts

Managing climate-related risks

Within the pilot program, as climate-related risks are identified through our due diligence, we decide how to manage those risks—whether it be by mitigating, transferring, accepting or controlling them—and prioritize the risks based on material impact. As part of our training for financial analysts, we include examples of how they can capture climate risk in credit papers and how climate risk may influence their underwriting decisions. Depending on the nature of the climate risk, financial analysts may, for example, decide to:

- Recognize the increased refinancing risk that exists and incorporate increased cost of funds
- Incorporate anticipated capital and/or operating expenditures into the financial models
- Assess the impact on profitability and the potential fines and penalties
- Assess the impact of the associated reputational risks

Our *Navigating Climate-Related Requirements* tool helps account owners identify which clients and/or transactions are considered carbon intensive and how they may navigate EDC's climate commitments, including roles and responsibilities. Those transactions or customers identified for non-credit climate-related risks through our environmental and social risk management review undergo a climate performance assessment. Our environmental and social advisors assess the customer's level of risk and willingness to work with EDC toward achieving stronger climate performance. Depending on the results, advisors may recommend the company make commitments to improve their climate performance and disclosure.

ENGAGING WITH OIL AND GAS COMPANIES ON CLIMATE CHANGE

In 2020, we started to require that, for certain products, customers in the upstream and downstream oil and gas sectors commit to disclose corporate climate-related information aligned with the TCFD recommendations.

This requirement came into effect in 2021 as our customers entered into new or renewed product relationships with EDC. Recognizing that implementation is a journey that will take time, we are committed to supporting companies in implementing the TCFD recommendations. Thus far, our support has been in the form of webinars, a how-to guide and one-to-one calls with affected customers. This requirement will help enhance the future competitiveness and resilience of these customers while helping us better understand the climate-related risks and opportunities associated with their financing.

UPSKILLING OUR EMPLOYEES ON CLIMATE CHANGE AND ESG

In 2021, we began mandatory ESG 101 training for all EDC employees as a key component in upskilling our organization. Training covered the definition of ESG, how ESG serves as a key enabler for our corporate strategy, and how our climate commitments and disclosure fit within our initiatives. The program equipped employees across the organization to understand that climate risks must be incorporated into an organization's enterprise risk management framework and appropriately managed to sustain long-term value in a rapidly changing market.

With an ever-changing landscape, we hold quarterly climate awareness sessions with the impacted business lines to ensure that our first line of defence remains aware of the latest climate-related risk management developments. These sessions promote awareness of EDC's climate initiatives and operations, and how they may impact the management of climate-related risk.

Engaging with customers and employees

Beyond our due diligence processes, we work closely with customers to mitigate any current or potential climate-related risks through knowledge mobilization, with the goal to support customer needs while meeting our own objectives.

KEY FUTURE PRIORITIES

In 2022 to 2024, we plan to:

- Refine our approach to transition risk and physical risk, in both credit and non-credit risk contexts
- Introduce an ESG Advisory Services pilot to support EDC customers
- Perform a climate risk prioritization exercise
- Categorize our climate-related risk and opportunity focus areas with related targets and metrics, and expand the list of focus areas with related targets and metrics
- Continue to train and educate EDC staff on the identification and management of climate-related risk in both credit and non-credit risk contexts

Metrics and targets

Our dual role as a financial institution and as a Canadian Crown corporation has meant that we must not only establish our own targets, but also engage with our customers and partners to ensure that all parties in the value chain transition to a net zero society.

In doing so, we are committed to improving transparency in disclosing climate-related information of our portfolio and encouraging our customers to do the same. In 2021, we passed a significant milestone, framing our climate program and its associated metrics and targets as part of a drive to net zero emissions by 2050.

Metrics and science-based targets to achieve net zero by 2050

The announcement of our net zero by 2050 commitment in July 2021 was a clear signal to our stakeholders, customers and peers that we aspire to take a lead role in enabling the transition to a net zero economy. In that announcement, we committed to continue improving the transparency of our disclosure by joining the Partnership for Carbon Accounting Financials (PCAF). As a member, we will disclose associated GHG emissions from our financing portfolio, using the available PCAF methodology, within the next three years.

We also committed to setting science-based targets, the first of which will be announced by July 1, 2022.

In 2021, EDC made significant progress toward this commitment, procuring climate-related data and piloting the Paris Agreement Capital Transition Assessment methodology for each of the carbon-intensive sectors currently subject to our 2023 carbon intensity target. In addition, we participated in a number of forums, including at the United Nations Climate Change Conference (COP26) to share our experience and contribute to the development and adoption of best practices in target setting for the financial sector. We look forward to continuing these conversations as the world builds toward net zero emissions by 2050.

Metrics

EDC tracks and reports on a number of metrics to assess and manage climate-related risks and opportunities.

Financing portfolio

Our financing portfolio makes up the majority of our business (64%). Often these exposures to customers through financing are direct and long term, increasing the importance of both understanding and ensuring those relationships align with EDC's climate-related objectives.

Financing portfolio by climate transition risk

Since 2020, we have been reducing the corporate lending and project finance portfolio against a 2023 carbon intensity target to reduce EDC's exposure to the most carbon-intensive sectors by 40%, compared to 2018. EDC has made significant progress to date, reducing our exposure to the climate-related transition risk faced by these carbon-intensive sectors. We continue to work with customers in these sectors to drive alignment with the net zero transition.

Measuring and tracking progress toward net zero

	Metric	2021	2020	Target
Financing portfolio[1]	Carbon-intensive financing exposure ($ billions)	13.6	19.0	$13.5 billion in financing by 2023
	% decrease from baseline	39.3	15.2	40% reduction by 2023
Operational GHG emissions	Total Scopes 1, 2 and 3 (tCO_2e)	3,793	7,617	Net zero operational GHG emissions by 2030
	Carbon intensity (tCO_2e/employee)	1.96	4.21	n/a
Climate finance[2]	Climate finance in developing countries ($ billions)	0.085	0.142	n/a
Cleantech	Clean technology business facilitated ($ billions)	6.305	4.547	
	Number of clean technology financial customers	324	288	

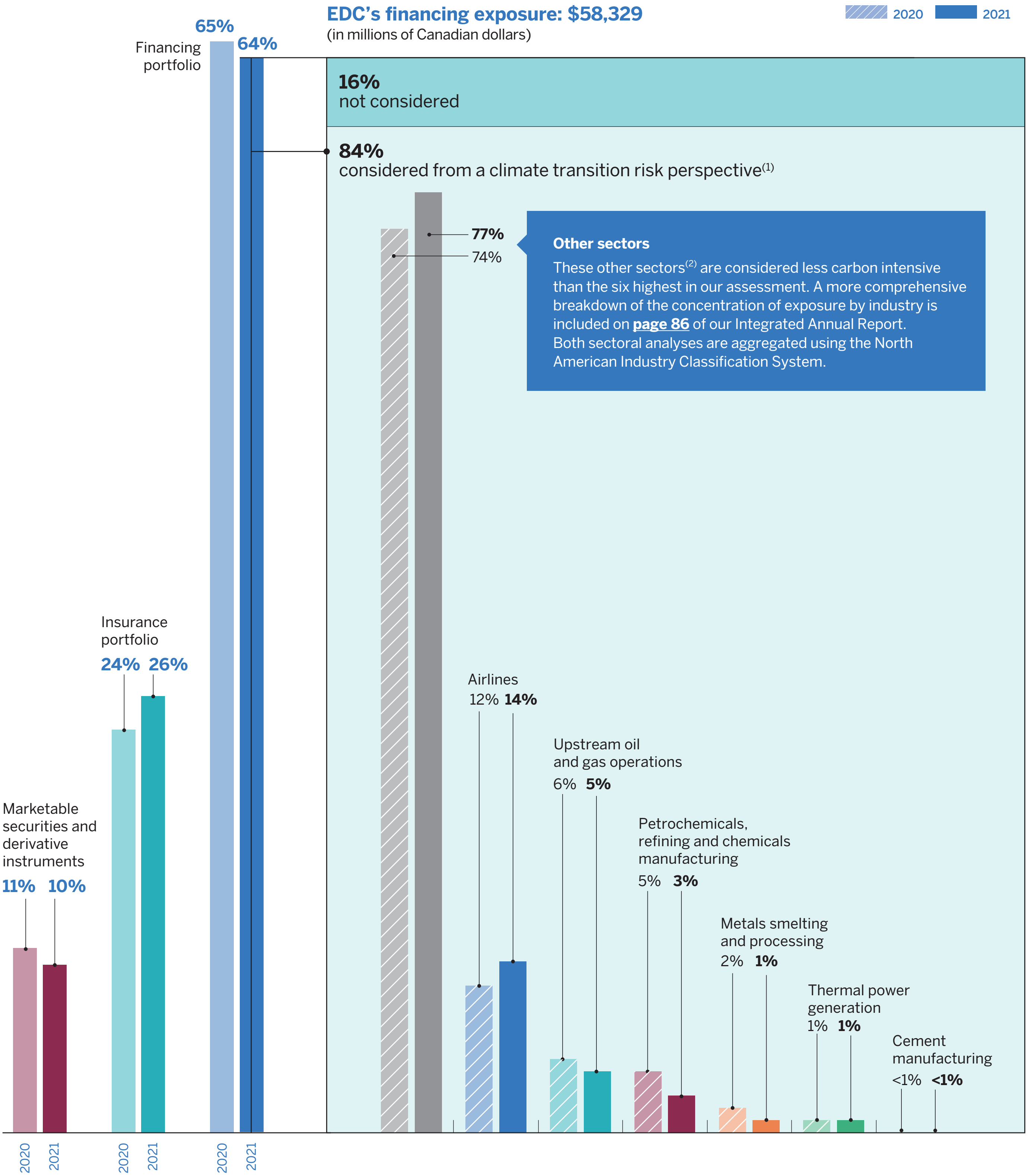
(1) EDC's assets are primarily denominated in U.S. dollars; as such, exposure values presented have been restated to reflect the foreign exchange rates prevailing at the time the target was set.

(2) "Climate finance" refers to "local, national or transnational financing that seeks to support mitigation and adaptation actions that will address climate change," as stipulated by the UN Framework Convention on Climate Change and the Paris Agreement.

EDC concentration of portfolio as at December 31, 2021 (%)

EDC's financing portfolio as at December 31, 2021 (%)

EDC's financing exposure: $58,329
(in millions of Canadian dollars)



Other sectors

These other sectors[2] are considered less carbon intensive than the six highest in our assessment. A more comprehensive breakdown of the concentration of exposure by industry is included on **page 86** of our Integrated Annual Report. Both sectoral analyses are aggregated using the North American Industry Classification System.

(1) *Focuses on structured and project financing, and corporate lending (Canada and international). In 2021, EDC's overall financing portfolio decreased, primarily due to a decrease in financing commitments and net loan repayments. The decrease was proportionally higher in the portfolios considered for climate risk, resulting in a lower percentage considered.*

(2) *Other sectors include transportation and warehousing; manufacturing; non-fossil fuel utilities; mining and quarrying (excluding oil and gas); construction; real estate; finance and insurance; information and cultural industries; wholesale and retail trade; public administration; agriculture; support activities for mining, oil and gas; and other services.*

Operational GHG emissions

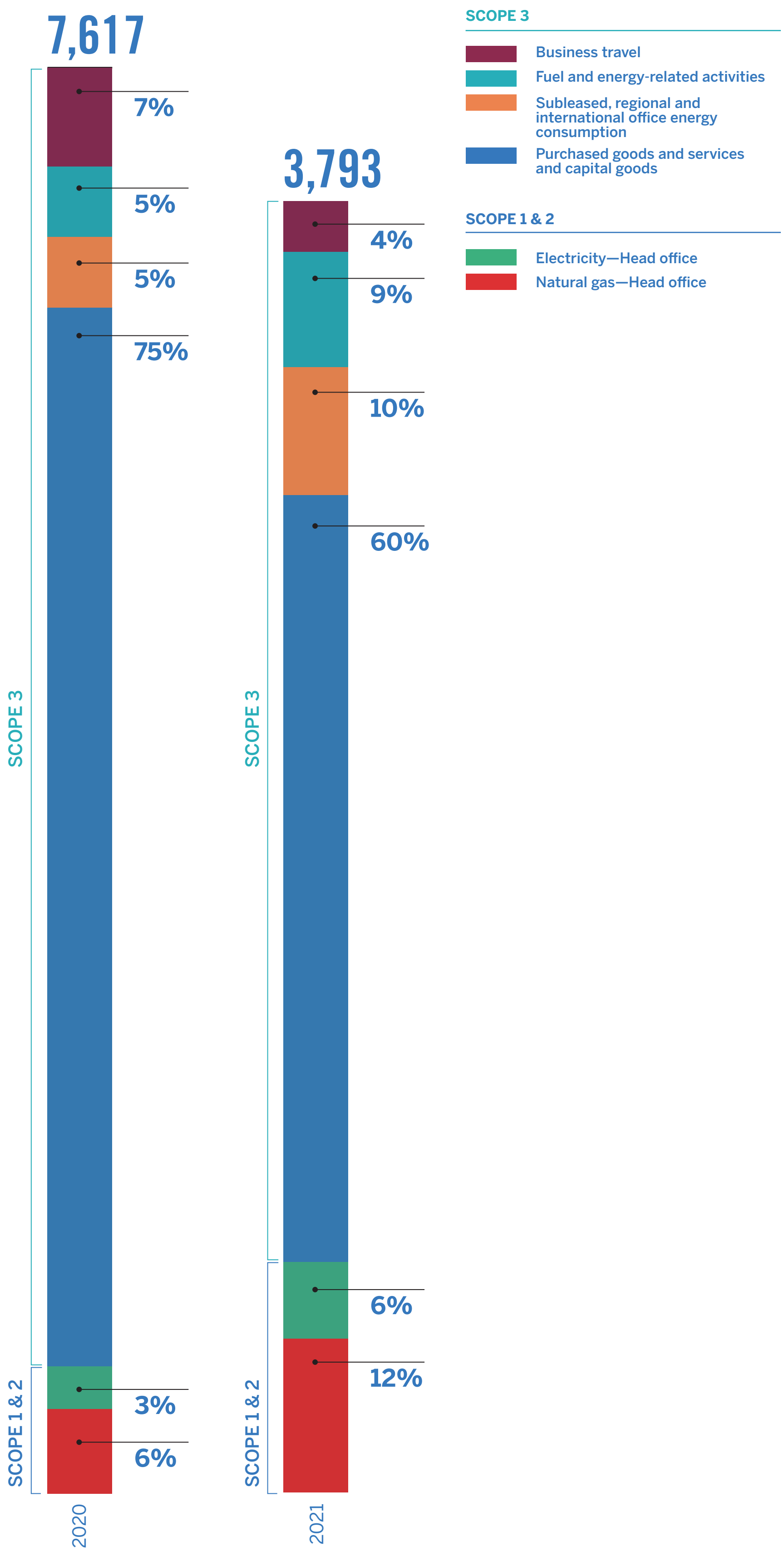
Measuring and transparently disclosing our operational GHG emissions has been a consistent initiative for many years. We recognize, however, that there are opportunities for improvement in aligning with progressing industry standards, specifically the **Greenhouse Gas Protocol**.

As a result, in 2021, we worked with a third-party consulting firm to review and identify opportunities to improve our existing methodology for reporting our emissions. Outputs of this assessment included a revised GHG inventory for 2019 and 2020, and calculations for 2021 from the following adjustments:

- Included additional Scope 3 emissions categories to capture the full breadth of EDC's operational GHG emissions, such as:
  - » Energy consumption from subleased offices
  - » Energy consumption from regional and international offices
  - » Emissions from purchased goods and services
  - » Emissions from waste, employee commuting and upstream energy-related emissions (from the production of natural gas and electricity consumed at head office)
  - » Emissions from rail travel, hotel stays and employees' own-vehicle business travel (not previously included as part of business travel)
- Revised the data sources and methodology to enhance the accuracy of calculations, such as:
  - » Updated emissions factors for electricity and natural gas based on the Government of Canada's data
  - » Used data from our internal travel booking system and up-to-date emissions factors from the Department for Environment, Food and Rural Affairs (DEFRA) for business travel

These revisions resulted in an adjustment to reported GHG emissions. Aligned with the standards set out for corporate accounting and reporting by the GHG Protocol, EDC's operational GHG emissions for 2021 were 3,793 tCO_2e, with a carbon intensity of 1.96 tCO_2e per employee, compared to 7,617 tCO_2e in 2020. Emissions reductions were achieved as a result of limited business travel and a reduction in procurement. However, we are planning to continue efforts to reduce

Operational GHG footprint (in tonnes CO_2e)



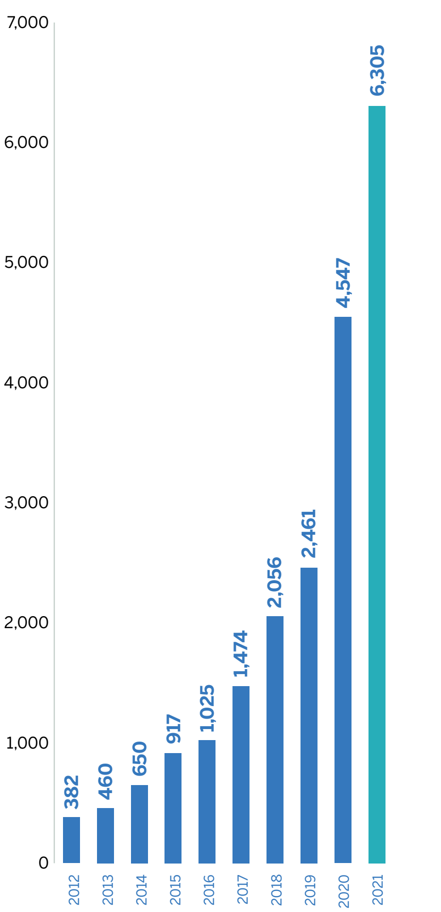
Note: Waste, paper consumption and employee commuting percentages were excluded due to these metrics amounting to less than 1% of EDC's operational GHG footprint. Totals may not add to 100% due to rounding.

emissions in the return-to-office scenario to achieve our net zero target. A detailed breakdown of our methodology and other operational environmental metrics for 2019 and earlier years are posted on our **website**.

Cleantech

We continue to be a leader in cleantech financing in Canada by growing our renewables portfolio and supporting growing cleantech companies alongside our ecosystem partners. Metrics that support the growth of our cleantech value proposition include the dollar amount of business facilitated and the number of customers served. The number of cleantech companies we served in 2021 grew by 13% compared to 2020, to 324 businesses, and we facilitated $6.3 billion in business—a 39% year-over-year increase. For context, compare this to 2015, when EDC served 86 cleantech customers and facilitated $917 million in business.

Cleantech business facilitated
as at December 31, 2021
(in millions of Canadian dollars)



Climate finance in developing countries

In 2021, we provided $84.9 million ✓ ASSURED in climate finance in support of the Government of Canada's commitment to the UN Framework Convention on Climate Change, which is directed to low-carbon or carbon-resilient transactions in developing countries. This compared to $142 million provided in 2020.

Green bonds

There's increasing demand for the planet's resources to be used in a sustainable manner when it comes to developing the products and services upon which we rely. At the same time, more investors want to understand the impact of their investment decisions and support people and businesses that are delivering positive change. Green bonds are an important part of enabling those investments, and in 2014 EDC was the first Canadian financial institution to start issuing them.

Since 2014, proceeds raised from our green bonds have financed nearly 30 transactions, worth more than $2 billion, in a range of sectors, each contributing to environmental protection or the mitigation of climate change. These transactions have helped avoid close to 6 million tonnes CO_2e. We will continue to issue green bonds to support the growth of our cleantech business and portfolio of environmentally sustainable loans.

We publish details about the emissions avoided as a result of our green bond program every year in our Green Bond Impact Report, which will be available later in 2022. Our GHG calculations are conducted in accordance with the internationally recognized Greenhouse Gas Protocol; however, we are always looking for ways to improve our data and reporting. With that in mind, in 2022 we plan to undertake a third-party validation exercise of our process.

We have much to learn from other ECAs and FIs about their development of green products, and see great opportunities to work together to better position support for exporters through an orderly transition to a net zero world. We know this is a primary focus for many, and will continue to explore ways to support expansion of the sustainable bond market.

2021 highlights

- In 2021, EDC had two outstanding green bonds, for a total of $1 billion.
- For the third consecutive year, EDC was re-appointed to the Advisory Council of the Green Bond Principles, Social Bond Principles and Sustainable Bond Principles Executive Committee of the International Capital Market Association.

CEO and CCSO speeches

As the champions of our climate strategy, and with a strong commitment to collaboration, our CEO, Mairead Lavery, and CCSO, Justine Hendricks, regularly engage with stakeholders across our ecosystem. In 2021, they spoke at events ranging from the G12 and G7 Heads of ECAs meetings to the Conseil des relations internationales de Montréal (CORIM) and the Canadian Club of Toronto. They shared EDC's climate change approach and commitment to achieving net zero, while also recognizing the significant opportunities and challenges ahead, and the need for engagement and collaboration to transition to a low-carbon economy.

Targets

EDC's commitment to net zero emissions by 2050 remains a significant milestone in defining our long-term ambition to fight climate change. We continue to build a plan to support that commitment, which we know must be credible, be based in science and contain near-term targets.

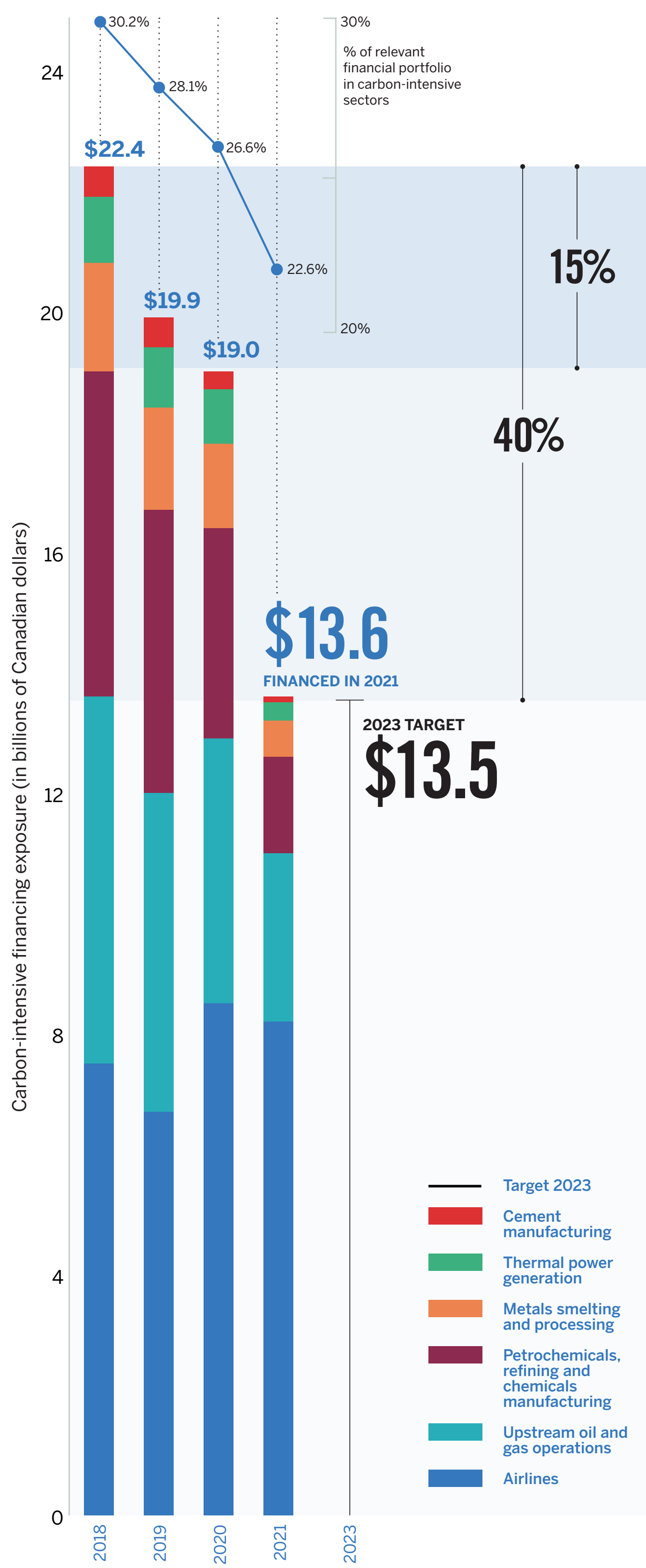
2023 carbon intensity target

A key focus of our 2030 Strategy is to become a leader in defining responsible business conduct and demonstrating best-in-class ESG practices in the financial sector. Our carbon intensity target is an important element of that focus as well as our commitment to achieve net zero emissions across our operations and business lines by 2050.

In 2019, we set an initial target to reduce exposure to our six most carbon-intensive sectors by 15% below 2018 levels by 2023. This covers activities including loans, guarantees and commitments. In 2020, we surpassed that goal and strengthened it to target a reduction of 40% on the same timeline.

The updated target committed us to reduce our exposure to our six most carbon-intensive sectors from $22.4 billion to $13.5 billion. In 2021, through active portfolio management and clearly defined parameters guiding EDC's business in these sectors, we achieved strong results, driving our exposure down to $13.6 billion, placing us within just $100 million of our 2023 target. As we've been exceeding our targets for the first two years, and to help keep up our momentum, in 2022 we plan to further strengthen our 2023 carbon intensity target to $12.2 billion and announce additional targets as part of our net zero commitment.

Progress toward achieving 2023 carbon intensity target (restated to reflect foreign exchange rates[1])



[1] EDC's assets are primarily denominated in U.S. dollars; as such, exposure values presented have been restated to reflect the foreign exchange rates prevailing at the time the target was set.

2030 carbon intensity target

Aligning our portfolio with our net zero by 2050 commitment requires a science-based interim target that will keep us accountable and focused on our journey to significant emissions reductions.

The 2030 target will leverage credible, third-party data aggregation and calculation methodologies to help set science- and sector-based targets, equipping us to work with customers in key carbon-intensive sectors to help them transition to a low-carbon future.

As a signatory to PCAF, we are now able to calculate the financed emissions from all other sectors and business lines in our portfolio, which will help identify further opportunities for financed emissions reduction in line with EDC's net zero commitment.

Sustainable finance target

As Canada transitions to a net zero economy, we must consider our unique opportunity to be a catalyst through sustainable financing. We have committed to increasing support for businesses aligned with the net zero transition. This path involves setting and disclosing a sustainable finance target by July 1, 2022, which will include mechanisms such as cleantech solutions, green bonds, sustainability-linked lending and knowledge products.

KEY FUTURE PRIORITIES

In 2022 to 2024, we plan to:

- Release the 2021 Green Bond Impact Report
- Continue to improve and disclose impact metrics under a newly updated Sustainable Bond Framework, which will allow EDC to issue social and transition bonds, in addition to green bonds
- Publicly announce and implement sectoral science-based 2030 targets, starting with our high-priority carbon-intensive sectors, as well as sustainable finance targets
- Continue implementing in-flight operational GHG emissions abatement initiatives, including:
  - » reducing our emissions from business travel as restrictions are lifted
  - » reducing our building energy consumption in line with lower occupancy numbers
  - » procuring carbon offsets
- Disclose associated GHG emissions from our portfolio using the available PCAF methodology

Appendix

Task Force on Climate-related Financial Disclosures (TCFD) Index

As part of our transparency and disclosure commitment, we aim to transparently share progress on implementing the **Task Force on Climate-related Financial Disclosures**. While we are in the process of implementing all recommendations, below is a mapping of the TCFD recommendations and where we have addressed them.

Recommended disclosures	EDC reference
Governance: Disclose the organization's governance around climate-related risks and opportunities	Pages 8–14
a) Describe the board's oversight of climate-related risks and opportunities	Pages 10–12
b) Describe management's role in assessing and managing climate-related risks and opportunities	Pages 10–12
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning where such information is material	Pages 15–21
a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term	Pages 17–18
b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning	Pages 17–21
c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	
Risk management: Disclose how the organization identifies, assesses and manages climate-related risks	Pages 22–24
a) Describe the organization's processes for identifying and assessing climate-related risks	Page 22
b) Describe the organization's processes for managing climate-related risks	Pages 23–24
c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management	We will work toward addressing in future reporting
Metrics and targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	Pages 25–30
a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	Pages 25–28
b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and the related risks	Page 27
c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	Pages 29–30

Contact

We are keen to hear your feedback as we continue to evolve and improve our approach to climate-related risks and opportunities. If you would like to share any comments or questions on this report or find out more information about our climate commitments, please visit our **website**.

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