

# BUILDING RESILIENCE RESPONSIBLY



Delivering value for our customers also involves carrying out business in the socially responsible manner that Canadians expect. For us, Corporate Social Responsibility (CSR) is more than just compliance with policy or regulations — it is the integration of values such as honesty, respect, fairness and integrity into our daily business practices. We believe that good business — adopting and embracing these principles while we facilitate trade for Canadian investors and exporters — is good for business.

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# CORPORATE PROFILE

Export Development Canada (EDC) is Canada's export credit agency. Our mandate is to grow and develop Canadian trade, and the capacity of Canadian companies to participate in and respond to international business opportunities. Our knowledge and partnerships are used by 7,800 Canadian companies and their global customers in up to 200 markets worldwide each year. A Crown corporation accountable to Parliament through the Minister of International Trade, we are financially self-sustaining and a recognized leader in financial reporting and economic analysis.

## Our Products and Services

**Accounts Receivable Insurance:** Protects against foreign buyer's failure to pay; helps Canadian companies enter and expand into new markets; offers more flexible payment terms; helps to increase access to working capital.

**Foreign Buyer Financing:** Direct financing to foreign customers in the form of a loan or guarantee to another financial institution or lines of credit; offers flexible financing options for foreign buyers of Canadian goods and services wherein we assume risk of non-payment.

**Export Guarantee Program:** Loan guarantees to banks to finance export contracts helping Canadian companies to obtain needed capital from their bank, freeing up credit and meeting up-front costs of export contracts. Guarantees can cover work-in-progress and inventory, equipment purchases, Research & Development Tax Credits and foreign domiciled inventory.

**Bonding Services:** Guarantees to banks enabling them to issue guarantees to the customers and suppliers of Canadian exporters. In this manner, we share the risk with the exporter's surety company, help to protect exporters from wrongful calls on bonds, and obtain bonds without tying up cash.

**Political Risk Insurance:** Coverage for various political risks protecting investments from certain political events thus increasing access to cash from financial institutions and helping to attract additional project capital.

**Equity Support:** Investments in small- and mid-sized companies that want to grow their business by going global and "next generation" through support for exporters, either directly or through investment funds.

For more information on our products and services, see [www.edc.ca](http://www.edc.ca).

## CSR at EDC in Numbers (as at Dec. 31, 2011)

| <b>ECONOMIC IMPACT</b>                                                               | <b>2011</b> | <b>2010</b>               |
|--------------------------------------------------------------------------------------|-------------|---------------------------|
| Total business in emerging markets (\$ billions)                                     | 31.2        | 24.7                      |
| Total Foreign Direct Investment Abroad facilitated (\$ billions)                     | 5.9         | 4.7                       |
| Total business facilitated (\$ billions)                                             | 102.8       | 84.6                      |
| Number of customers served                                                           | 7,787       | 8,236                     |
| Offices across Canada                                                                | 17          | 17                        |
| Foreign Representations outside Canada                                               | 16          | 16                        |
| <b>ETHICS</b>                                                                        |             |                           |
| Employees completing online ethics refresher training (%)                            | 100         | offered every second year |
| Employees completing sign-off on Code of Conduct (%)                                 | 100         | 100                       |
| Number of transactions that underwent enhanced anti-corruption due diligence         | 53          | n/a                       |
| <b>ENVIRONMENTAL AND SOCIAL REVIEW</b>                                               |             |                           |
| Transactions assessed under Equator Principles                                       | 9           | 8                         |
| Transactions assessed under other guidelines                                         | 3           | 7                         |
| Human rights assessments for Category A and B projects                               | 4           | 5                         |
| <b>ENVIRONMENTAL BUSINESS SUPPORTED</b>                                              |             |                           |
| Number of companies                                                                  | 203         | 223                       |
| Businesses Supported (\$ millions)                                                   | 561         | 436                       |
| Equity investments (\$ millions)                                                     | 77          | 102                       |
| Investee companies                                                                   | 56          | 53                        |
| <b>ENVIRONMENTAL FOOTPRINT</b>                                                       |             |                           |
| Office paper used (kg/FTE)                                                           | n/a         | 17.7                      |
| Energy used (HQ - kwh/FTE)                                                           | 9,441       | 10,590                    |
| Employee travel (tonnes CO <sub>2</sub> equivalents)                                 | 1,903.58    | 2,124.93                  |
| <b>TRANSPARENCY</b>                                                                  |             |                           |
| Number of CSR-related public enquiries                                               | 77          | 99                        |
| Number of formal Access to Information requests received                             | 30          | 50                        |
| Number of internal audits (all types)                                                | 26          | 26                        |
| Number of financing transactions publicly disclosed                                  | 878         | 760                       |
| <b>COMMUNITY INVESTMENT</b>                                                          |             |                           |
| Total donations in domestic community causes (\$)                                    | 30,000      | 30,000                    |
| Number of charities supported                                                        | 28          | 26                        |
| Total United Way contributions (\$)                                                  | 309,542     | 294,000                   |
| Number of scholarships awarded                                                       | 30          | 30                        |
| Number of Canadian educational institutions represented among scholarship recipients | 52          | 56                        |
| <b>EMPLOYEE ENGAGEMENT</b>                                                           |             |                           |
| Number of full-time active permanent employees                                       | 1,056       | 1,375                     |
| Women                                                                                | 52.38%      | 50.32%                    |
| Visible minorities                                                                   | 11.68%      | 11.24%                    |
| Persons with disabilities                                                            | 3.41%       | 3.17%                     |
| Aboriginal people                                                                    | 0.54%       | 0.73%                     |

# EDC AROUND THE WORLD

## ● CANADIAN REGIONAL OFFICES

VANCOUVER, British Columbia  
CALGARY, Alberta  
EDMONTON, Alberta  
REGINA, Saskatchewan  
WINNIPEG, Manitoba  
WINDSOR, Ontario

LONDON, Ontario  
MISSISSAUGA, Ontario  
TORONTO, Ontario  
OTTAWA, Ontario  
VILLE SAINT-LAURENT, Québec  
MONTREAL, Québec

DRUMMONDVILLE, Québec  
QUEBEC CITY, Québec  
MONCTON, New Brunswick  
HALIFAX, Nova Scotia  
ST. JOHN'S, Newfoundland  
and Labrador

## ● DUSSELDORF GERMANY

- Covers Central & Western Europe
- Connections to European firms with global supply chains

## ● MONTERREY MEXICO

- Important manufacturing hub
- Highest per capita income in Mexico
- Many Canadian autoparts affiliates

## ● MEXICO CITY MEXICO

- Client trade volume (Mexico): \$2.5 B
- Key sectors: extractive, transportation, infrastructure
- Sustainable Businesses in Mexico: Canada as Strategic Partner in Water, Air, Energy and Land, Mexico-Canada Chamber of Commerce on the occasion of the launch of the Energy and Environment Task Force

## ● PANAMA CITY PANAMA

- Covers 35 countries in Central America & Caribbean
- Client trade volume for region: \$1.8 B
- Panama webinar, Panama multi-stakeholder workshop

## ● LIMA PERU

- Covers Andean countries
- Client trade volume for region: \$1.5 B
- Peru & Colombia top-ranked in South America for business ease
- Roundtable on Security and Human Rights in the Extractive Sector in Colombia (convened in Calgary)

## ● RIO DE JANEIRO BRAZIL

- Infrastructure boom leading to 2016 Olympics
- Many Canadian engineering affiliates

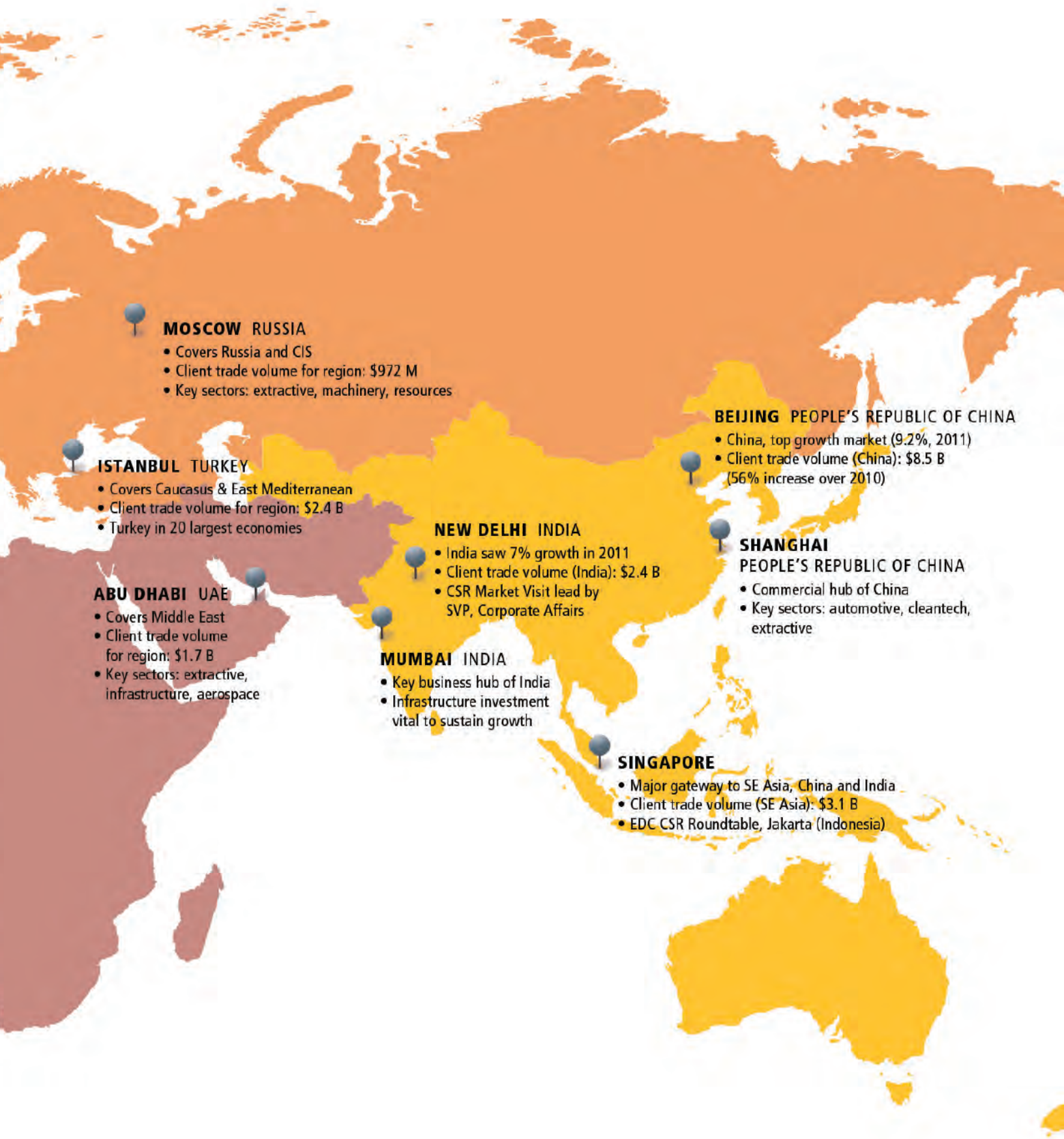
## ● SÃO PAULO BRAZIL

- Key business hub of Brazil
- Client trade volume (Brazil): \$2.8 B

## ● SANTIAGO CHILE

- Canada largest foreign investor in Chile
- Key sectors: mining, infrastructure, resources
- Client trade volume: \$1.2 B

**EDC has 16 international representations**, with nearly 40 staff working on the ground to ease the way for Canadian exporters and investors. EDC also has 17 offices across Canada to connect more easily with Canadian exporters at home.



# CSR AT EDC

## DEFINING CSR AT EDC

As a Crown corporation owned by the Government of Canada, we are expected to fulfill our mandate in a responsible manner that reflects the values of Canadians. This means taking into account the impacts — both environmental and social — of the business that we support, as well as the expectations of our stakeholders: our customers, our employees, the Government of Canada, civil society and the media. We continuously monitor these expectations and our CSR strategy reflects the wide range of initiatives that we have put in place to meet them.

Although our CSR reporting is standardized against the triple bottom line (economic, environmental and social impacts) to match CSR reporting trends, to frame CSR internally within the Corporation, we look to the principal components that comprise CSR at EDC. These are: Business Ethics, Environment and Social Review, Transparency, Community Investment and Employee Engagement. These components or ‘pillars’ help us segment what defines CSR for EDC.

CSR AT EDC



We have developed strategic CSR priorities to help focus our CSR journey, as noted in the Strategy and Governance section, along with how they were determined and our progress in achieving our objectives. Our key strategic priorities in 2011 were: climate change (including clean technology), human rights and transparency.

# YEAR IN REVIEW

| KEY AREAS                                | KEY 2011 ACTIVITIES                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | KEY 2012 PLANNED ACTIVITIES                                                                                                                                                                                                                                                                                                                                                                                                                           |
|------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Environmental and Social Risk Management | <p>Elected to the Equator Principles (EP) Steering Committee — first Canadian financial institution, only export credit agency</p> <p><i>IMPACT: Positioned to positively influence the direction of the EP and increase their adoption further with EDC customers, banking and ECA peers</i></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <p>Work toward greater commonality and consistency among ECAs and financial institutions in how they address environmental and social impacts, specifically through the Equator Principles update process</p> <p>Begin applying the 2012 International Finance Corporation (IFC) Performance Standards to all new transactions starting in June 2012</p> <p>Enhance disclosure of greenhouse gas (GHG) emissions on large infrastructure projects</p> |
| Environmental Technologies               | <p>Established Cleantech as a corporate priority</p> <p><i>IMPACT: Direct support provided to Canadian companies with technologies in this sector</i></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <p>Develop appropriate criteria to determine in which cases EDC is prepared to stretch its risk appetite in order to promote this sector</p>                                                                                                                                                                                                                                                                                                          |
| Human Rights                             | <p>Developed internal efficiencies to introduce a more streamlined process for human rights assessments</p> <p><i>IMPACT: Adopted more effective approach for early identification of potential human rights impacts</i></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <p>Continue to improve internal processes</p>                                                                                                                                                                                                                                                                                                                                                                                                         |
| Transparency and Disclosure              | <p>More outreach to stakeholders on CSR</p> <p><i>IMPACT: By participating at numerous international and domestic meetings and conferences, raised awareness of the international financing environment for business and their integration of CSR</i></p> <p>Improved transparency on the environmental and social impacts of Category A projects by publishing Project Review Summaries</p> <p><i>IMPACT: Implemented this commitment late in 2011 as deals closed in Q4</i></p> <p>Increased discussions and interaction with key Non-governmental organizations (NGOs) and other stakeholders on priority issues, e.g. Roundtable on Security and Human Rights in the Extractive Sector in Colombia</p> <p><i>IMPACT: Improved engagement on issues of relative importance for customers through greater transparency concerning EDC's due diligence on corporate facilities</i></p> | <p>Demonstrate thought leadership on CSR issues through our expertise on global trade, and through this, benefit EDC customers and promote CSR</p> <p>Improve execution of commitment by ensuring that Project Review Summaries are published within 90 days of signing a Category A project</p> <p>Continue to map and address priority stakeholder interests</p>                                                                                    |
| Business Ethics                          | <p>Raised employee awareness of the Code of Conduct through targeted information sessions and an online training tool</p> <p><i>IMPACT: Support for EDC employees who are working in an increasingly faster and more complex environment where changes in the digital world are changing the way we do business</i></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <p>Inform/create awareness of the new <i>Values and Ethics Code for the Public Sector</i> applicable to all employees of EDC</p>                                                                                                                                                                                                                                                                                                                      |

| KEY AREAS                          | KEY 2011 ACTIVITIES                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | KEY 2012 PLANNED ACTIVITIES                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Anti-corruption                    | <p>Re-examined EDC's anti-corruption policy guidelines and procedures pursuant to Canada's most significant corruption case</p> <p><i>IMPACT: Confirmed comprehensiveness and appropriateness of EDC's anti-corruption policy guidelines</i></p> <p>Invited anti-corruption expert to discuss with EDC's CSR Advisory Council current trends in combating corruption</p> <p><i>IMPACT: Improved awareness and deeper understanding of inherent risks and highlighted best practice for corruption mitigation</i></p> | <p>Increased outreach to customers on anti-corruption</p> <p>Continue to conduct enhanced due diligence on transactions to identify potential risk of bribery and corruption</p>                                                                                                                                                                                                                                                                                                        |
| Community Investment               | <p>Added India as a target market for placement of volunteers under Beyond Exports, EDC's partnership with CARE Canada</p> <p><i>IMPACT: Aligned community investment with a business priority market</i></p>                                                                                                                                                                                                                                                                                                        | <p>Continue volunteer placements in India, a priority market</p>                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Employee Engagement                | <p>Conducted biennial Employee Opinion Survey (EOS)</p> <p><i>IMPACT: Obtained employee feedback on issues of importance</i></p>                                                                                                                                                                                                                                                                                                                                                                                     | <p>Address priority issues identified in the EOS</p>                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Strategic Management of CSR at EDC | <p>Improved CSR management processes</p> <p>Implemented practice to align EDC's CSR and Corporate Plan objectives</p> <p>Improved monitoring of CSR practices of key customer accounts</p> <p><i>IMPACT: More coherent and effective management of CSR at EDC</i></p>                                                                                                                                                                                                                                                | <p>More efficient and consistent processes for analyzing transactions for CSR risks</p> <p>Seek opportunities to align CSR management along customer account lines in order to establish and enhance relationships with key EDC customers</p> <p>Support the corporate strategy on India and the aerospace sector by ensuring international CSR standards are met</p> <p>Re-align the CSR objectives-setting process to correspond with and complement the corporate planning cycle</p> |

# IN THIS REPORT

Our 8th annual CSR Report provides accountability to our stakeholders on the economic, environmental and social aspects — the triple bottom line — of our operations, as well as overall governance of our CSR practices. To the extent possible, the report is integrated with the Annual Report by drawing content from that report.

This report is organized to provide readers with an overview of our company, messages from our leadership, our CSR strategic priorities and governance and the fulfillment of our commitment to transparency in 2011. The report then presents an accounting of our economic, environmental and social impacts. Additional information is provided in the Appendices.

The report's content is based on guidance from many sources including our strategic CSR priorities, the Global Reporting Initiative (GRI), a materiality test with internal stakeholders and a CSR Report Feedback Advisory Group of external stakeholders.

The Feedback Advisory Group was instrumental in helping us identify where we could make improvements.

## Feedback Advisory Group

### **Private Sector, Other Financial Institutions:**

Zachariah Ezekiel, Director, Business Conduct and Chief Privacy Officer, Scotiabank

Craig Ryan, Director, CSR, Business Development Bank of Canada

Ben Chalmers, VP, Sustainability, Mining Association of Canada

### **Government:**

Judith St. George, Director General, Trade Commissioner Service Operations, Department of Foreign Affairs and International Trade Canada

Ginny Flood, Director General, Minerals, Metals and Materials Policy Branch, Natural Resources Canada

### **NGOs:**

Nick Ayre, VP (Human Resources), CARE

Karyn Keenan, Program Coordinator, Halifax Initiative

### **Academia/Other:**

Alan Freeman, Public Servant in Residence, Graduate School of Public and International Affairs, University of Ottawa (former journalist, Globe and Mail)

Dr. François Brouard, Associate Professor, Sprott School of Business, Carleton University

### **Facilitator:**

David Zussman, Director of the Graduate School of Public and International Affairs, Chairholder, Jarislowsky Chair on Management in the Public Sector, University of Ottawa  
Member, EDC Advisory Council on Corporate Social Responsibility

## Summary of Feedback

1. Clearly articulate what CSR means for EDC as a Crown-owned export credit agency with a mandate from Parliament. The vision and objectives for CSR and an overview of the CSR program should be provided at the beginning of the report and drive the structure, balance and focus of the remainder of the report.
2. The report did not tell the whole story in terms of relevant CSR issues and activities at EDC in 2010. Notable examples include Bill C300, and the work of the OECD Working Group on Bribery in International Business Transactions. How was EDC involved, what are the implications for EDC, and what is EDC's response?
3. The report refers to increased Board engagement on CSR issues, but this is not substantiated with a Board statement in the report (e.g. a message from the Board Chair).

4. The amount of space given to certain issues (text and graphics) does not seem to align with EDC priorities and what the Group thought to be the most material issues for EDC. A notable example is the relative length of the economic, environmental and social performance sections and particularly the space given to employee-focused initiatives.
5. Integrating CSR into the Annual Report is a good step. There should be stronger linkages to the annual report in the CSR report, including a statement by the President about this.
6. The report addresses two types of issues: 'external' issues related to clients and the impacts of their activities, and 'internal' issues related to the direct impacts of EDC's operations (e.g. building footprint) and employees. The structure of the report needs to differentiate these issues, possibly by treating them in separate sections, with an emphasis on external issues, which are viewed as more material to EDC.
7. EDC should consider having an annual theme for their report, but also clearly communicate its key CSR objectives and its annual progress against these objectives (including historical trends).
8. Case studies are an effective way to communicate EDC's work with its clients, but a case study needs to be the right one and put in the right context (i.e. the CSR context). The Vale S.A. case study was not seen as a good choice for conveying EDC's economic impact in a CSR context.
9. The purpose and value of EDC using the GRI needs to be communicated. The GRI Index table is difficult to understand and would likely be even less meaningful to the average reader.
10. In terms of the usability, format and style of EDC's CSR reporting, the Group recommended that:
  - i. the PDF version include hyperlinks in the text instead of URLs in footnotes for ease of accessing external documents;
  - ii. EDC maintain access to previous reports and documents on its website (e.g. all previous CSR reports);
  - iii. all acronyms be defined; and
  - iv. tables providing information on project reviews be clarified.

## EDC Response

EDC would like to thank the members of the CSR Report Feedback Advisory Group who gave so generously of their time to provide their reactions to and suggestions for improvements to our CSR reporting. We have responded where we could in this report, and other recommendations will be implemented gradually over time.

In response to the recommendations, we have clarified what CSR means to EDC by adding a section to this report, "Defining CSR at EDC". In addition, the topic of anti-corruption is given greater attention in this report (see "Combatting Corruption" on page 23), which also integrates text from our Annual Report. We will continue to work to clarify, rationalize and simplify the various objectives, strategic priorities and performance measures, and provide linkages to the theme of resiliency for 2011. Through embedded hyperlinks, navigation and accessibility have been improved in the PDF version of this report, and an appendix of acronyms has been added. The table on Project Reviews has been improved to provide more information, and care was taken to select appropriate profiles and case studies that clearly demonstrate impacts we hope they illustrate. The question of the balance of discussion of a controversial issue like Bill C-300, proposed legislation that focused on CSR and Canadian extractive companies operating abroad, is always carefully considered when we prepare our CSR Report. We give preference for balancing report content to address a wide range of topics of interest for our various stakeholders.

In future reports, we will give consideration to a message from our Chair for our 2012 CSR Report. Improving the linkages between our Annual and CSR Reports is a work-in-progress for us. We will also give consideration to re-structuring the 'telling' of our CSR story along the lines of topics of interest to external stakeholders and those of interest to internal stakeholders.

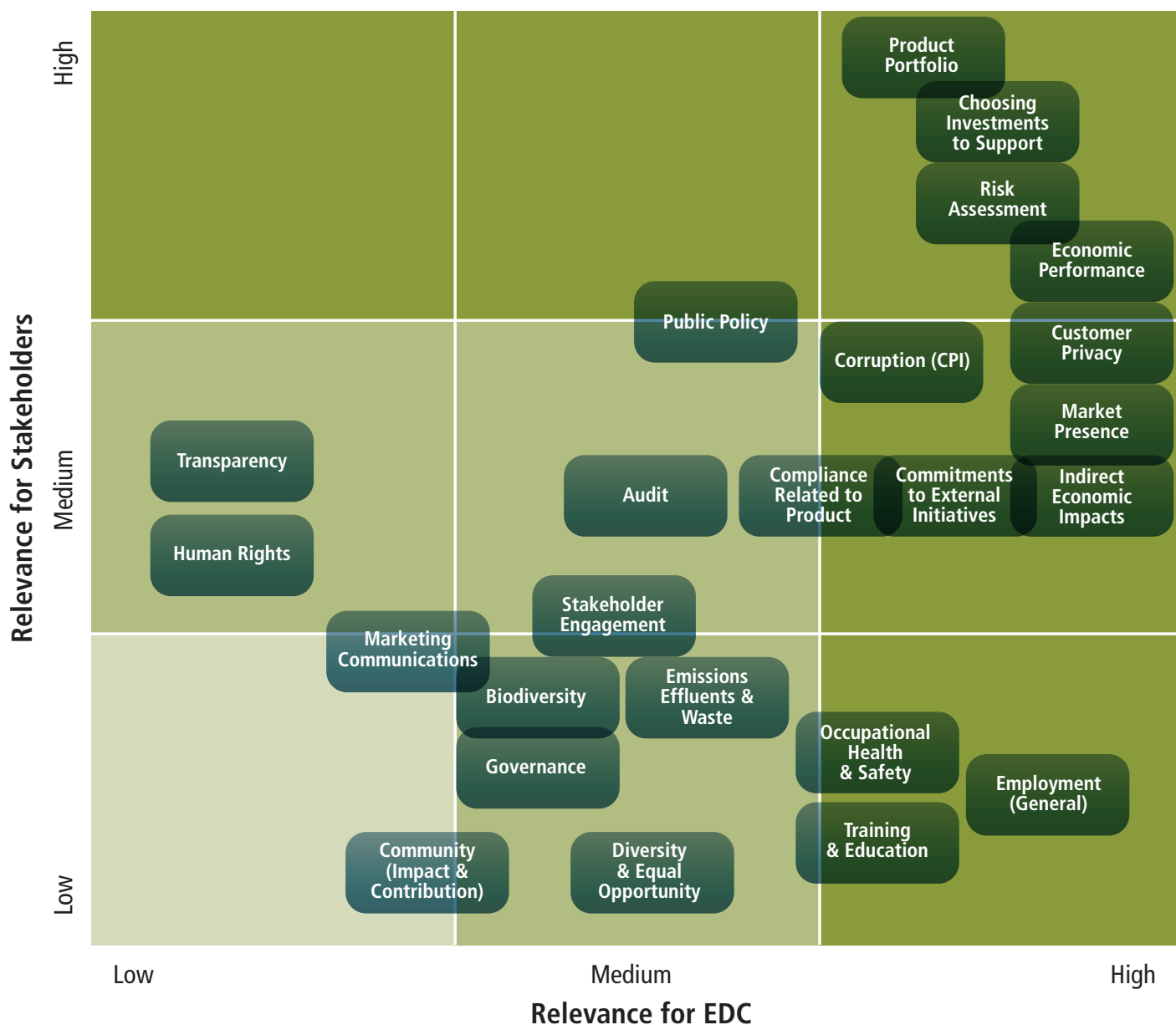
Past CSR Reports are of interest to certain stakeholders. Our website protocols allow for posting of only three reports, but older reports are always available on request. This report is available online only. We encourage your feedback, which can be sent to [csr-rse@edc.ca](mailto:csr-rse@edc.ca).

# MATERIALITY MATRIX

In 2011, we organized an internal one-day workshop with senior professionals drawn from across the Corporation to identify key stakeholders and issues of concern to them, in order to refine our materiality matrix. The results, represented in the tables below, indicate that our principal stakeholders are our customers and employees. Other stakeholders, while important, occupy a lesser degree of materiality.

Issues of importance fell into three general categories: customer issues (meeting customer expectations through our product portfolio and our economic performance), risk (assessment of a wide variety of risks ranging from credit to environmental and social risks) and ethics (combatting corruption).

The exercise noted that strategic priorities reflect issues raised by a wide range of stakeholders. In the years ahead, we will focus on customers as our primary stakeholder group and work with other stakeholder groups to identify their issues, so that we may select what is of most importance to them and make best efforts to address concerns over the course of the performance year.



| STAKEHOLDER    | LOW RELEVANCE                                                                                                                                                                                                                                    | MEDIUM RELEVANCE                                                                                                                                                                                                                      | HIGH RELEVANCE                                                                                                                                                                                                                                                                                                       |
|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Customer       | <ul style="list-style-type: none"> <li>• Employment – General</li> <li>• Marketing Communications</li> <li>• Occupational Health &amp; Safety</li> <li>• Labour/Management Relations</li> <li>• Human Rights &amp; Security Practices</li> </ul> | <ul style="list-style-type: none"> <li>• Stakeholder Engagement</li> <li>• Biodiversity</li> <li>• Corruption</li> <li>• Risk Assessment</li> </ul>                                                                                   | <ul style="list-style-type: none"> <li>• Commitment to External Initiatives</li> <li>• Market Presence</li> <li>• Product Portfolio</li> <li>• Customer Privacy</li> <li>• Public Policy</li> <li>• Indirect Economic Impact</li> </ul>                                                                              |
| Employee       | <ul style="list-style-type: none"> <li>• Governance</li> <li>• Stakeholder Engagement</li> <li>• Indirect Economic Impacts</li> <li>• Community</li> <li>• Compliance with Social Laws</li> </ul>                                                | <ul style="list-style-type: none"> <li>• Compliance with Environmental Laws</li> <li>• Market Presence</li> <li>• Public Policy</li> <li>• Occupational Health &amp; Safety</li> <li>• Training &amp; Education</li> </ul>            | <ul style="list-style-type: none"> <li>• Economic Performance</li> <li>• Product Portfolio</li> <li>• Corruption</li> <li>• Risk Assessment</li> <li>• Customer Privacy</li> </ul>                                                                                                                                   |
| Government     | <ul style="list-style-type: none"> <li>• Labour/Management Relations</li> <li>• Occupational Health &amp; Safety</li> <li>• Customer Privacy</li> <li>• Training &amp; Education</li> <li>• Compliance Related to Products</li> </ul>            | <ul style="list-style-type: none"> <li>• Commitment to External Initiatives</li> <li>• Energy</li> <li>• Environmental Compliance</li> <li>• Corruption</li> <li>• Marketing Communications</li> </ul>                                | <ul style="list-style-type: none"> <li>• Governance</li> <li>• Product Portfolio</li> <li>• Indirect Economic Impact</li> <li>• Public Policy</li> <li>• Economic Performance</li> </ul>                                                                                                                             |
| Financial      | <ul style="list-style-type: none"> <li>• Indirect Economic Impact</li> <li>• Environment</li> <li>• Compliance Related to Products</li> <li>• Trade Education</li> <li>• Stakeholder Engagement</li> </ul>                                       | <ul style="list-style-type: none"> <li>• Commitment to External Initiatives</li> <li>• Risk Assessment</li> <li>• Audit</li> <li>• Market Presence</li> <li>• Diversity</li> <li>• Investment Practices/ Indigenous Rights</li> </ul> | <ul style="list-style-type: none"> <li>• Product Portfolio</li> <li>• Economic Performance</li> <li>• Customer/Bank Privacy</li> <li>• Corruption</li> <li>• Public Policy</li> </ul>                                                                                                                                |
| NGOs and Media | <ul style="list-style-type: none"> <li>• Water/Energy</li> <li>• Biodiversity</li> <li>• Emissions &amp; Effluents</li> <li>• Products &amp; Services</li> </ul>                                                                                 | <ul style="list-style-type: none"> <li>• Public Policy</li> <li>• Governance</li> <li>• Commitment to External Initiatives</li> <li>• Risk Assessment</li> <li>• Community</li> </ul>                                                 | <ul style="list-style-type: none"> <li>• Stakeholder Engagement</li> <li>• Audit (Environmental &amp; Social)</li> <li>• Indirect Economic Impact</li> <li>• Compliance with Environmental and Social Requirements</li> <li>• Customer Privacy</li> <li>• Corruption</li> <li>• Social &amp; Human Rights</li> </ul> |

## GLOBAL REPORTING INITIATIVE (GRI)

The GRI index ensures that our report compares to those of similar institutions, that all relevant information is included, and that it meets an international reporting standard that has been identified as part of Canada's CSR Strategy for the Extractive Industries. This report has been prepared in accordance with GRI's G3.1 guidelines, including the GRI's Financial Services Sector Supplement. This is a B+ level report (GRI-checked).

- ▶ [Click here to view the GRI Application Level Check Statement](#)
- ▶ The GRI Index can be found in Appendix 1

## INDEPENDENT REVIEWER'S REPORT

- ▶ [Click here to view the Independent Reviewer's Report](#)

# **BUILDING RESILIENCE**

## WITH OUR TRADE CLIENTS AND PARTNERS



**If there was any doubt, 2011 proved we live in highly uncertain times:** slower economic growth, divergent economic performance between countries, growing credit stresses and unpredictable political risk events; all symptoms of an environment that's likely to last several more years. During this awkward phase between recession and recovery, the economic climate continued to present challenges to many Canadian businesses. This made it all the more critical for EDC to position itself to help Canadian companies access new opportunities.

### **Moving beyond traditional markets**

I'm especially encouraged by the inroads we helped make for our clients doing business in non-traditional markets. This year, our financial solutions helped these customers conduct \$31.2 billion in business in emerging markets – an increase of 26 per cent over 2010. These markets now represent more than 30 per cent of the trade and investment we facilitate globally. This type of trade diversification is encouraging and should serve to build our resilience more.

Overall, the trade and investment that we facilitated for 7,787 customers grew 22 per cent over last year. Importantly, these customers undertook more transactions related to their foreign investments than ever, a jump of 44 per cent over last year. This amounts to 823 transactions in total, a combination of loans and insurance coverage. These foreign operations help Canadian businesses lower their costs, access large international supply chains and remain globally competitive.

More and more, we're conducting this business in collaboration with the private sector financial community, in order to increase capacity and share risk. In 2011, these transactions grew to 5,757,

**Emerging markets** now  
represent more than **30 per cent of the trade  
and investments** we facilitate.

**I'm especially encouraged by the inroads we helped make for our clients doing business in non-traditional markets.**

representing a 49 per cent jump in the overall business conducted in partnership with the private sector. Of our 937 financing deals, 86 per cent were done in partnership with other financial institutions. In fact, our partnership-preferred philosophy became an operating principle this year. We also signed a new protocol with the Business Development Bank of Canada (BDC) to minimize overlap and ensure that our customers have access to the services and financial capacity that best suit their needs.

### **Creating trade for the benefit of Canada**

Our ultimate goal is to create prosperity for Canada. For us, this means proactively creating new trade opportunities for Canadian exporters and investors. We do so through our 16 international representatives in some of the world's fastest-growing business hubs and in collaboration with Canada's Trade Commissioners abroad. In addition to various matchmaking initiatives where we introduce Canadian businesses to large foreign buyers, we also participate in loans to targeted foreign companies influencing their purchase decisions to include Canadian suppliers. We call it a pull strategy, because our loans tangibly pull in exports from Canada.

As these relationships strengthen over time, foreign buyers tend to purchase more from Canada than the amount of the original loan. At the end of 2011, our pull loans that were in place for four or more years had, altogether, generated exports equal to 116 per cent of their value.

### **A new home, a new productive way of working**

We went through a huge transformation this year, when we moved some 1,100 head office employees into a new leased building – one of the most environmentally friendly in Ottawa. I believe this building symbolizes the future of work at EDC; it integrates design and technologies that promote greater collaboration between our employees and customers, and it embodies our adoption of the Lean methodology with the goal of better productivity. Increasingly we're asking ourselves to do more with less. And we've been able to do so while maintaining budget discipline – improving our expenses-to-revenue ratio, or productivity ratio. It's all part of the "EDC Way," an ongoing process that is shaping our resiliency to help our clients navigate the future trade environment.

### **Corporate Social Responsibility**

As one of our overarching principles, we have a well-earned reputation for high standards of Corporate Social Responsibility (CSR), but it is an ever-evolving world and our goal is to ensure that we maintain this standard of excellence as it relates to all of our business decisions. Each year we strengthen our practices in this arena more, and in 2011, we created a Chief CSR Advisor role to better oversee the entire program.

### **Moving forward**

Looking ahead, we've identified three areas where we believe Canadian firms can capitalize on opportunities and where our services can play a catalytic role. First, aerospace is set for a major transformation, which should enhance Canada's global leadership in the industry and transform the entire supply chain. Similarly, clean technologies represent the future of sustainable development and Canada has some of the best in the field. Finally, India's rapid economic growth will require massive infrastructure investment in areas such as power and transportation, and Canada's expertise is an excellent match.

### **Special acknowledgements**

Finally, I would like to thank the Board and the management team for their support and advice, helping me adjust to my first year in this office. Towards the end of 2011, we realigned our executive team to better support our corporate plan going forward. A special thanks to Sherry Noble who retired on December 31, 2011, after 34 years of service in increasingly responsible roles. As senior vice-president of the Business Solutions and Technology group since 2003, and most recently co-manager of our move to the new head office, she leaves an indelible mark throughout the corporation.

It's been an exciting year and we are confident we have the building blocks – and resilience – to be the most knowledgeable, the most connected and the most committed partner in trade for Canada.



**STEPHEN POLOZ** PRESIDENT AND CEO

# MESSAGE FROM THE CHIEF CSR ADVISOR

## Building Resilience, Responsibly

Canada might have weathered the economic storm better than many countries, but Canadian businesses continued to face a great deal of uncertainty in 2011. This made it all the more critical for EDC to help our customers build resilience, as trade becomes more globalized and integrated than ever.

My role is to provide the strategic direction for CSR at EDC, to lead a team of CSR experts to ensure we conduct our business in a socially responsible manner. I hope to bring a stronger, more coherent focus of CSR to the corporate level, to serve as an agent that accelerates the integration of CSR across the corporation.

Our own CSR journey has been a reflection of the evolution of globalized trade. After my first year as Chief CSR

Advisor, one thing I have learned is that an effective CSR program can make a company more resilient. In EDC's case, CSR is anchored in our business strategy because — make no mistake — it impacts our long-term bottom line.

Clearly, the landscape is changing for Canadian exporters, and each year we try to update our priorities as the environment in which we operate shifts. In 2011, corruption emerged as a central CSR issue for Canadian business. We all understand that corruption and bribery distort the rules of fair play in international trade. But while people often regard corruption as a moral issue, it is in fact also an economic and legal issue. As such, we will increase our efforts to raise awareness among our customers of this risk in international business.

**Our own CSR journey  
has been a reflection  
of the evolution of  
globalized trade.**



Signi Schneider  
Chief CSR Advisor

In the area of environmental and social review, I am proud to say that this past year, EDC became the first export credit agency and the first Canadian financial institution to be represented on the Steering Committee of the Equator Principles (EP). The EPs are a financial industry benchmark

for determining, assessing and managing social and environmental risk in project financing, and EP banks are committed to a common level of implementation. That's a goal we hope to encourage even more, because we believe that this will better serve global environmental and social issues, and mitigate any competitive advantage other players might have over Canadian companies.

We also moved forward on our Cleantech Strategy and India Strategy. Currently, global demand for energy-efficient products is great, and this is an area where Canadian companies have a great deal of expertise. Equally, India has been identified as a market of tremendous future growth. We plan to continue to play an important role in helping Canadian companies benefit from this growth, while still meeting their CSR commitments.

We have learned throughout our own journey that there is no "final state" for CSR. We have made steady progress over the years, but we recognize that as CSR issues evolve, so too should we. That will be a large part of my role going forward.

A handwritten signature in black ink, appearing to read 'Signi', followed by a long horizontal flourish.

Signi Schneider  
Chief CSR Advisor

# STRATEGY AND GOVERNANCE



## Strategic Priorities

Based on an environmental scan of our industry, we have identified three key strategic priorities: climate change (including clean technology), human rights and transparency. These were approved by our executive and drove our focus in 2011. In addition, corruption in international business emerged as an important issue for our customers in 2011, prompting us to re-examine our own anti-corruption guidelines and procedures to make sure we continue to be in line with international best practices moving forward.

2011 also saw the appointment of a new Chief CSR Advisor, Signi Schneider. This role will provide greater strategic direction for our CSR strategy and initiatives.

Our Board engaged on CSR discussions throughout the year, notably on the International Finance Corporation's new *Performance Standards on Environmental and Social Sustainability*, an update on anti-corruption legislation in Canada, the United States and the United Kingdom, and as CSR arose in transactions that required the Board's approval.

## ACCOUNTABILITIES

The attached organizational chart details the roles and responsibilities for the various functions that comprise our CSR program.

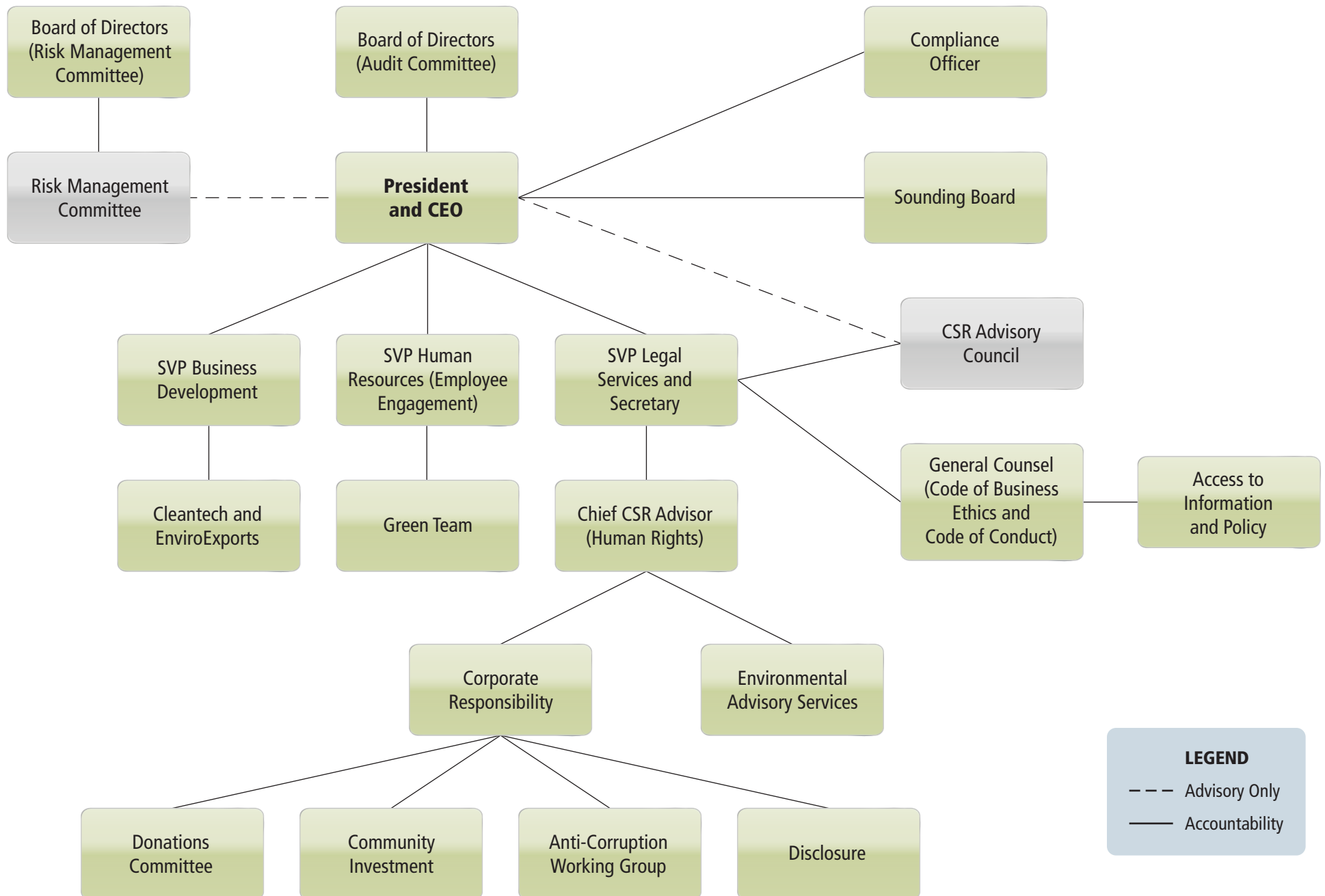
## Advisory Council on CSR

Our Advisory Council on CSR is a key means for us to keep abreast of developing trends on CSR and stakeholder expectations, to improve our practices and to engage and benefit from discussions with expert and trusted counsel on emerging priorities or new initiatives. The Council meets with EDC executives semi-annually.

Meetings in 2011 focused on opportunities in the emerging clean technology sector and the risks of corruption in international business. Summaries of those meetings and a list of Council members can be found [here](#).

In 2011, Council member Randy Gossen retired from the Council. Mr. Gossen is the former Vice President, Global Business at Nexen Inc., a Calgary-based oil and gas company, as well as President of the World Petroleum Congress. He served four years on our Council and we benefitted from his industry perspective, particularly his focus on ethics in business. In recognition of his contributions to the Council, a donation was made to Pearson College of the Pacific, his charity of choice.

# CSR ACCOUNTABILITIES - 2011



## Looking Forward

Each year we further embed our CSR practices. Our goals and objectives are outlined in our Scorecard as well as in the Performance Measures that follow various sections of this report.

### 2012 Strategic CSR Objectives

| OBJECTIVE                                                                                | ACTIVITY                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Customer Focus                                                                           | <ul style="list-style-type: none"><li>• Demonstrate thought leadership on CSR issues through our expertise on global trade, and through this, benefit EDC customers</li><li>• Seek opportunities to align CSR management along customer account lines in order to establish and enhance relationships with key EDC customers</li></ul>                                                                                                                             |
| Increased Productivity and Efficiency                                                    | <ul style="list-style-type: none"><li>• Develop more efficient and consistent processes for analyzing transactions for CSR risks</li></ul>                                                                                                                                                                                                                                                                                                                         |
| Develop more efficient and consistent processes for analyzing transactions for CSR risks | <ul style="list-style-type: none"><li>• Work toward greater commonality and consistency among Export Credit Agencies and financial institutions in how they address environmental and social impacts, specifically through the Equator Principles update process</li><li>• Support the corporate strategy on India and the Aerospace sector by ensuring international CSR standards are met</li><li>• Increased outreach to customers on anti-corruption</li></ul> |
| Improved CSR Strategic Planning Processes                                                | <ul style="list-style-type: none"><li>• Re-align the CSR objectives-setting process to correspond with and complement the corporate planning cycle</li></ul>                                                                                                                                                                                                                                                                                                       |

# ETHICS AND COMPLIANCE



We conduct our business with honesty, integrity and fairness, and expect the same from our customers. Our *Code of Business Ethics* spells out our commitment to legal and ethical conduct on issues such as conflicts of interest, bribery and corruption, confidentiality, the environment, and human rights. The *Code of Conduct* takes the principles we have established for ourselves and brings them to the level of the individual. Its policies and procedures establish a spirit of behaviour for all employees, including senior management, with regard to matters such as confidentiality, insider trading and conflict of interest. A number of the *Code of Conduct* provisions also apply to EDC Board members. One of the ways we ensure that the *Code of Conduct* reflects our commitment to ethical behavior is through an awareness program known as Ethics Week, which leads to a yearly compliance refresher and sign-off on the *Code of Conduct*.

Our employees are working in an increasingly fast-paced and complex environment, where constant changes in the digital world, such as emerging technologies, mobile workforces and social networking, are changing the way we do business. Innovative tools and technologies present opportunities, but also create challenges of protecting information and communication resources. To respond to this evolving environment, certain policies dealing with technology were revised and updated during 2011.

These challenges were also a focus of an Ethics Week information session, where guest speaker John Saunders, a lawyer with the firm Hicks Morley, spoke on “Keeping information secure in a digital workplace”. Ethics Week also included a series of video interviews featuring senior executives sharing personal experiences about how they dealt with ethical challenges in the workplace. In addition, our online refresher tool explored responsibilities under the *Code of Conduct* in true-to-life contexts, further helping to foster employees’ understanding of what “Living Ethics” means for them.

**“Our ongoing commitment is ‘making it real’ on a daily basis so that ethics is part of the DNA of EDC and each of our employees.”**

**John Pallascio**, Vice-President, General Counsel and Senior Assistant Secretary

## 2011 Performance Measures

|                        |                                                                                      |
|------------------------|--------------------------------------------------------------------------------------|
| <b>Objective:</b>      | Raise awareness of <i>Code of Conduct</i>                                            |
| <b>Activity:</b>       | Administer online e-tool to refresh employee awareness of the <i>Code of Conduct</i> |
| <b>Measure/Target:</b> | 100% participation                                                                   |
| <b>Result:</b>         | 100% participation                                                                   |

## 2012 Performance Measures

|                        |                                                                                                                                                                               |
|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Objective One:</b>  | Increase awareness of the <i>Code of Conduct</i>                                                                                                                              |
| <b>Activity:</b>       | Administer online training tool to refresh employee awareness of the <i>Code of Conduct</i> and inform them of changes to the Code anticipated to be implemented during 2012  |
| <b>Measure/Target:</b> | 100% participation                                                                                                                                                            |
| <b>Objective Two:</b>  | Inform/create awareness of the new <i>Values and Ethics Code for the Public Sector</i> applicable to all employees of EDC                                                     |
| <b>Activity:</b>       | Administer above online training tool to also inform employees of the <i>Value and Ethics Code for the Public Sector</i> and its application (to come into force during 2012) |
| <b>Measure/Target:</b> | 100% participation                                                                                                                                                            |

## Compliance

The Compliance Officer role was created to ensure accountability and compliance on issues related to CSR, notably transparency and the public disclosure of information, environmental reviews, human rights practices and business ethics. The Compliance Officer operates independently from management, receiving and reviewing external complaints from stakeholders. In 2011, the Compliance Officer received no external complaints. The Compliance Officer also manages internal disclosures of potential wrongdoings. Under our Disclosure of Wrongdoings Policy, employees may report potential wrongdoings in good faith, without fear of reprisal.

Each year, a report is submitted to the Office of the Chief Human Resources Officer within the Treasury Board of Canada Secretariat on any activities relating to disclosures made under the *Federal Public Servants Disclosure Protection Act*. The Chief Human Resources Officer prepares an annual report for the President of the Treasury Board to table in Parliament. The **report** provides information on activities related to the disclosures made in public sector organizations that are subject to the Act including EDC.

## General CSR Review

With more than 7,800 customers, we support an even greater number of individual financial transactions. Underwriters are trained to review transactions beyond bribery, corruption and environmental, social and human rights issues. We also look for key CSR issues to ensure all transactions would meet our CSR commitments and Canadian expectations. The reviews and screenings cover a broad range of ethical issues such as military sales, adult entertainment, gaming and addictive and hazardous products, as well as a 'Know Your Customer' review. In 2011, we conducted 315 of these reviews.

# COMBATTING CORRUPTION

In March 2011, the Organisation for Economic Co-operation and Development (OECD) Working Group on Bribery (WGB) issued its final report outlining its findings from the third examination of Canada's implementation of the OECD Anti-Bribery Convention. The WGB was impressed by the steps EDC had taken since the 2003-2004 Phase 2 review concerning: notice given to applicants for export credit in relation to the foreign bribery offence; the tools provided to help customers recognize bribery and determine what steps to take; and the mechanisms for verifying and reporting information concerning suspicions of foreign bribery. In this latest report, the WGB encourages Canada to review its policies on and approach to small facilitation payments, currently allowed under Canada's legislation, and encourages companies — especially SMEs — to prohibit or discourage the use of such payments.

We review the transactions we support for any indicators of bribery or corruption. In 2011, 53 transactions were the subject of more focused evaluation on corruption issues and enhanced due diligence was required. Enhanced due diligence includes engagement with the exporter or borrower on anti-corruption issues. This could take the form of: written questions and answers, or an interview with the customer, and may result in a more detailed anti-corruption declaration, other conditions, or denial of support.

## 2011 Performance Measures

|                        |                                                                                                                                                                                                                                    |
|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Objective:</b>      | Raise customer awareness of risk of bribery in international business transactions                                                                                                                                                 |
| <b>Activity:</b>       | Broader dissemination of online anti-corruption tool to EDC customers via industry associations                                                                                                                                    |
| <b>Measure/Target:</b> | Publication by at least eight industry associations via their online vehicles                                                                                                                                                      |
| <b>Result:</b>         | Implementation was delayed due to a redesign of edc.ca. By year end, two industry associations had published the anti-corruption quiz. Efforts continue to raise awareness among exporters of the risks of bribery and corruption. |

## 2012 Performance Measures

|                        |                                                                                      |
|------------------------|--------------------------------------------------------------------------------------|
| <b>Objective:</b>      | Raise customer awareness of risk of bribery in international business transactions   |
| <b>Activity:</b>       | Undertake customer-focused events to raise awareness of the risks of corruption      |
| <b>Measure/Target:</b> | Undertake a minimum of three customer events in different sectors to raise awareness |

# TRANSPARENCY AND DISCLOSURE



We are accountable to many stakeholders and make a concerted effort to conduct business transparently in order to maintain their trust and confidence. Disclosure of relevant information is a key element of accountability. The data in the accompanying tables provides a summary of the transactions disclosed in 2011.

## Disclosed Transactions

| Transactions by Region                                                       | 2011                             | 2010       | 2009       |
|------------------------------------------------------------------------------|----------------------------------|------------|------------|
| Country/Region                                                               | Number of Disclosed Transactions |            |            |
| Canada                                                                       | 177                              | 237        | 278        |
| U.S.                                                                         | 283                              | 135        | 123        |
| Latin America (including Mexico and the Caribbean)                           | 142                              | 86         | 69         |
| Asia                                                                         | 37                               | 26         | 28         |
| Europe (including Turkey, Russia and the Commonwealth of Independent States) | 72                               | 55         | 52         |
| Africa and the Middle East                                                   | 29                               | 36         | 15         |
| Various Countries                                                            | 125                              | 177        | 7          |
| Australia and New Zealand                                                    | 13                               | 8          | 99         |
| <b>Total Number of Transactions</b>                                          | <b>878</b>                       | <b>760</b> | <b>671</b> |

| Transactions by Product             | 2011                             | 2010       | 2009       |
|-------------------------------------|----------------------------------|------------|------------|
| Type of Product                     | Number of Disclosed Transactions |            |            |
| Equity                              | 10                               | 6          | 18         |
| Financing                           | 222                              | 188        | 208        |
| Guarantee                           | 645                              | 565        | 445        |
| PRI                                 | 1                                | 1          | 0          |
| <b>Total Number of Transactions</b> | <b>878</b>                       | <b>760</b> | <b>671</b> |

| Transactions by Dollar Value        | 2011                             | 2010       | 2009       |
|-------------------------------------|----------------------------------|------------|------------|
| Dollar Value                        | Number of Disclosed Transactions |            |            |
| > 1 billion                         | 0                                | 1          | 4          |
| 500 million – 1 billion             | 2                                | 2          | 0          |
| 250 – 500 Million                   | 7                                | 7          | 4          |
| 100 – 250 million                   | 26                               | 25         | 28         |
| 50 – 100 million                    | 33                               | 26         | 29         |
| 25 – 50 million                     | 53                               | 37         | 37         |
| 15 – 25 million                     | 36                               | 23         | 26         |
| 5 – 15 million                      | 36                               | 39         | 57         |
| 1 – 5 million                       | 225                              | 195        | 143        |
| < 1 million                         | 460                              | 405        | 343        |
| <b>Total Number of Transactions</b> | <b>878</b>                       | <b>760</b> | <b>671</b> |

In 2011, an internal audit discovered that six individual financing transactions out of 878 were not disclosed. An enquiry was conducted and the cause was discovered to be related to technical system failure. Corrective action has been taken. The non-disclosed transactions have since been added to **edc.ca**.

We also began publishing Project Review Summaries for our Category A projects on **edc.ca**. These summaries provide stakeholders with greater insight into how we assess the environmental and social risks of high impact projects and the mitigating measures that will reduce that risk.

## 2011 Performance Measures

|                        |                                                                                                                                                     |
|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Objective:</b>      | Maintain public awareness of support for projects with environmental implications                                                                   |
| <b>Activity:</b>       | Assure pre-notification of Category A projects for a minimum of 30 days via <b>edc.ca</b>                                                           |
| <b>Measure/Target:</b> | Disclose number of days of pre-notification for each Category A project — minimum 30 days pre-notification for 100% of eligible Category A projects |
| <b>Result:</b>         | 100% of eligible Category A projects were disclosed for a minimum of 30 days                                                                        |

## 2012 Performance Measures

|                        |                                                                                                               |
|------------------------|---------------------------------------------------------------------------------------------------------------|
| <b>Objective:</b>      | Maintain public awareness of support for projects with environmental and social implications                  |
| <b>Activity:</b>       | Assure publication of Project Review Summaries for Category A projects                                        |
| <b>Measure/Target:</b> | Publication of Project Review Summaries for all Category A projects within 90 days of signing the transaction |

# STAKEHOLDER ENGAGEMENT



Outreach to our customers on CSR issues is a key component of our commitment to engage our stakeholders to inform, dialogue and debate issues related to CSR and provide feedback on what is expected by EDC of its customers. Our key engagement sessions in 2011 and impacts are outlined in the table below.

| EVENT                                                                      | TOPIC                                                                                                    | AUDIENCE                                                                                                                      | IMPACT                                                                                                                                                                                                                                                                                                      |
|----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Prospectors and Developers Association of Canada (PDAC) Workshop (Toronto) | The Bankers Get Social: Managing Social and Human Rights Issues in the Mining Sector                     | Multi-mining company representatives as well as mixed stakeholders drawn from consulting, government and civil society        | Raise awareness among mining companies of expectations from financial institutions for social and human rights performance<br><br>Presentations can be found here:<br><ul style="list-style-type: none"> <li>• <b>International Council on Mining and Metals</b></li> <li>• <b>Goldcorp Inc.</b></li> </ul> |
| EDC Multi-stakeholder Roundtable (Calgary)                                 | Security and Human Rights in the Extractive Sector in Colombia                                           | Oil and gas company representatives, as well as stakeholders from government and civil society, both from Colombia and Canada | Problem-solving, networking and information-sharing on best practices for managing security and human rights issues in Colombia<br><br>The Executive Summary is available <a href="#">here</a>                                                                                                              |
| EDC Panama Mining Webinar (International and Domestic Access)              | Best Practices for Mining in Panama                                                                      | Mining company representatives                                                                                                | Best practices on mining in this market                                                                                                                                                                                                                                                                     |
| Annual Summit, Canadian Business for Social Responsibility (Toronto)       | Corporate Canada's Responsibilities in Developing Nations                                                | CSR Practitioners                                                                                                             | Discussion among experts on net benefits of foreign investment to developing countries; Chief CSR Advisor interview available <a href="#">here</a>                                                                                                                                                          |
| EDC Industry Stakeholder Panel (Ottawa)                                    | Developments in Corporate Social Responsibility and Why CSR Matters More Than Ever in International Work | Leadership of 18 industry associations                                                                                        | Improved understanding by industry leaders of the importance of CSR for their industry<br><br>The Summary of Proceedings are available <a href="#">here</a>                                                                                                                                                 |
| Transparency International Canada's Annual Symposium (Toronto)             | Day of Dialogue on Anti-Corruption                                                                       | Legal community, customers                                                                                                    | Greater clarity on what is required in the fight to combat corruption in international business                                                                                                                                                                                                             |
| Federal Crown Corporations                                                 | Host of third Annual meeting of CSR Practitioners                                                        | CSR community                                                                                                                 | Shared learning on best practices                                                                                                                                                                                                                                                                           |

## Industry Stakeholder Panel

Our Chief CSR Advisor, Signi Schneider, had the opportunity to meet with 18 heads of industry associations and offer her perspectives on why CSR is important to their industry, and to describe key trends such as the increased support for regulation related to CSR and concepts such as 'shared value' established by Harvard University Professor, Michael Porter. Members, in turn, provided the benefit of their respective sector experience, ranging from forestry to medical equipment.

## ACCESS TO INFORMATION AND PRIVACY

As a Crown corporation, we are subject to both the *Access to Information Act* (ATIA) and the *Privacy Act* (PA). Our Access to Information and Privacy (ATIP) Office is responsible for receiving and responding to all formal requests submitted to EDC under these Acts. The ATIP Office also leads the implementation of sound, streamlined practices and training initiatives to ensure we continue to meet our statutory obligations under both the ATIA and the PA.

In 2011, we received 30 formal requests under the ATIA from a variety of sources including the media, members of the public and business entities. Topics of interest included financial transactions, corporate expenses and meeting minutes. We also received five requests under the PA from individuals seeking access to their personal information. All formal requests received under the ATIA and PA were completed within statutory timeframes or extended timeframes where applicable.

Requesters who believe they have been denied rights under the ATIA or the PA may complain to the Federal Information Commissioner (IC) or Privacy Commissioner. The Commissioners conduct an independent review of the decisions we make when responding to a request. No complaints were received in 2011 in relation to our responses to PA requests. Under the ATIA, two complaints were received, both related to our decision to partially withhold information from release in accordance with certain exemption provisions in the ATIA. Further to an investigation, the IC concluded that one of the complaints was unfounded. The IC has yet to assign an investigator to the second complaint.

In 2011, we worked with the IC to resolve two exemption complaints received in previous years. The IC deemed one complaint to be unfounded and one to be founded, but resolved. No further action was recommended.

## Public Enquiries

Civil society generates a number of public enquiries, which are distinct from enquiries received via the *Access to Information Act* and *Privacy Act*. In 2011, we received 77 enquiries on a range of topics such as our due diligence process for assessing the social and environmental impact of supported projects, our implementation of the IFC Performance Standards and the Equator Principles, as well as our Anti-Corruption program. Key stakeholders sought information about our environmental and social review process when we provide financing through a structure known as a Corporate Facility, which is a loan for general corporate purposes. Information on our approach to reviewing such financial structures can be found in Environmental Review starting on page 40.

## Public inquiry regarding our due diligence

**STAKEHOLDER ISSUE:** During 2011, we received enquiries from the Halifax Initiative and others about our CSR due diligence process for General Corporate Purposes (GCP) loans and Foreign Direct Investment, including how we incorporate the perspectives of local communities, particularly indigenous people.

**EDC RESPONSE:** Foreign Direct Investment (FDI) financing is provided to support a company's foreign operations. It is not in support of specific country operations or direct investments. Our due diligence undertaken looks at the borrower's foreign operations, including practices related to the borrower's management of a wide range of environmental and social issues. The review is complemented by information from sources that understand the local situation. We also complete a human rights review related to the countries where the company operates and respect for human rights are an issue in that country. EDC undertakes CSR reviews and site visits in a number of markets and/or countries as part of its larger CSR program, separate from transactions.

We examine environmental, social and human rights issues as a matter of our regular due diligence on transactions where these issues present key risks. Our practice is to conduct an environmental and social risk review for non-project transactions, as described in the **FAQs** on our website.

For non-project transactions related to GCP financing, a key focus of the review is the borrower's management capacity. Among the factors that we would examine are the company's corporate environmental policies, staffing, environmental management systems and procedures (including auditing practices), and the company's general environmental track record.

Financing for GCP is not related to specific projects. GCP financing is generally reflected in annual operating budgets, with funding utilized to support ongoing operations and the short-term financial requirements of the borrower. Companies typically use such financing for working capital requirements, and funding is at the company's discretion within the commercial terms and conditions of the credit facility. As a component of the due diligence process and credit analysis, companies declare to EDC their intended use of the funds. Companies are contractually bound under the terms of the credit agreement (i.e. covenants, representations) to use funds as stated.

To better serve our customers and civil society, we developed a brochure, *Understanding EDC's Project Review Process*, which describes the environmental and social impact assessment process for project financing support by EDC.

# ECONOMIC IMPACT



## Contributing to Canada's Economic Performance

The triple bottom line of CSR includes a review of economic impacts; our ultimate goal is to generate prosperity for Canada.

Canadian companies continued to face a great deal of uncertainty throughout 2011, given the strong Canadian dollar, high commodity prices, a tight credit environment, heightened political risks and slow growth in the U.S. and Europe. As Canadian business adjusted to this new normal, total Canadian exports increased by 11 per cent in 2011, an improvement over 2010 but still below pre-recession levels.

The encouraging news is that many Canadian companies were able to expand beyond traditional markets and broaden their trade activity to faster-growing emerging markets. Our products and services facilitated \$31.2 billion in business activity in these emerging markets in 2011, an increase of 26 per cent from 2010. Emerging markets now represent more than 30 per cent of our business.

In fact, Canadian exporters are increasingly drawing on our services as they diversify into emerging markets. Ten years ago, 6.2 per cent of Canadian exports and Canadian Direct Investment Abroad (CDIA) went into emerging markets. By 2011, this ratio had more than doubled to 13 per cent.

Overall, our customers' trade and investment activity grew by 22 per cent in 2011. The share of total Canadian exports that we now facilitate increased to 21 per cent, up from 15 per cent five years ago.

In 2011, EDC helped generate \$70.5 billion of Canada's GDP, and contributed more than 5 cents for every dollar earned. We estimate that this contributed to 707,000 person-years, about 4.1% of national employment.

For more information on our economic impact, we have included excerpts from our 2011 Annual Report on the following 8 pages.

## 2011 HIGHLIGHTS

Canadian exports  
grew by **11%**

EDC served **7,787**  
Canadian companies in  
**195 countries,**  
**6,169 SMEs**

Our customers' trade  
and investment activity  
grew by **22%**

Emerging markets  
now represent more than  
**30%** of our business

Concluded  
**\$42.8 billion**  
in partnership with  
financial institutions,  
including **86%** of all  
financing deals

Our customers undertook  
**823 transactions**  
related to their  
foreign investments for a  
value of **\$5.9 billion**

First export credit agency  
and only Canadian  
financial institution elected  
to Steering Committee  
of the **Equator**  
**Principles**

Helped generate  
**\$70.5 billion**  
of Canada's GDP, and  
contributed more than  
5 cents for every  
dollar earned

Contributed to  
**707,000 jobs** and  
**4.1%** of national  
employment

## 2011 PERFORMANCE MEASURES

| PERFORMANCE MEASURES                           | 2011 PLAN                               | 2011 RESULTS                                    |
|------------------------------------------------|-----------------------------------------|-------------------------------------------------|
| Business in emerging markets                   | 2-5% growth                             | ▲ 26% growth                                    |
| Canadian Direct Investment Abroad transactions | 4-7% growth                             | ▲ 44% growth                                    |
| Partnership transactions                       | Maintain – 2% growth                    | ▲ 5% growth                                     |
| Net Promoter Score                             | 70.0-77.0                               | ▲ 71.2                                          |
| Total business facilitated                     | 2-4% growth                             | ▲ 22% growth                                    |
| VfM to TCO ratio*                              | 45:55                                   | ▼ 37:63                                         |
| Financial Measures                             |                                         |                                                 |
| Productivity ratio (%)**                       | 26.1                                    | ▲ 22.8                                          |
| Net income (\$M)                               | 611                                     | ▲ 645                                           |
| Return on equity (%)                           | 7.3                                     | ▲ 7.8                                           |
| Employee Measures                              |                                         |                                                 |
| Employee engagement                            | Rank same as high-quality organizations | ▲ Ranked higher than high-quality organizations |
| Employee retention (%)                         | ≥ Conference Board rate of 89.1         | ▲ 90.3                                          |

Ratings in our performance measures are as follows:

- ▲ Target met or exceeded (> 98% of plan)
- ↔ Target substantially met (≥ 95% and ≤ 98% of plan)
- ▼ Target not met (< 95% of plan)

\* Value for Money (VfM) are investments in IT that increase business performance.

Total cost of ownership (TCO) is the cost of maintaining core business infrastructure and technology assets.

\*\* The Productivity ratio was previously called Efficiency ratio and is the ratio of administrative expenses to net revenue, excluding debt relief.

## 2011 PERFORMANCE HIGHLIGHTS BY SECTOR AND MARKET

### BUSINESS FACILITATED BY INDUSTRY SECTOR (\$ IN MILLIONS)

|                                        |        |  |
|----------------------------------------|--------|--|
| Light Manufacturing                    | 7,342  |  |
| Transportation                         | 11,720 |  |
| Information & Communication Technology | 13,374 |  |
| Resource                               | 21,216 |  |
| Extractive                             | 22,273 |  |
| Infrastructure & Environment           | 26,894 |  |

### BUSINESS FACILITATED BY GEOGRAPHIC MARKET (\$ IN MILLIONS)

|                               |        |  |
|-------------------------------|--------|--|
| Various regions               | 87     |  |
| Africa/Middle East            | 6,269  |  |
| South America/Central America | 6,330  |  |
| Europe                        | 13,137 |  |
| Asia/Pacific                  | 24,260 |  |
| North America/Caribbean       | 52,736 |  |

# DEVELOPING KNOWLEDGE AND RELATIONSHIPS

Our ability to respond to the needs of Canadian companies depends on our understanding of the global marketplace and the intricacies of the integrative trade environment. This knowledge is strengthened by our relationships with Canadian financial institutions, foreign buyers, other Crown corporations, and the Government of Canada.

## Building relationships at home and abroad

Relationship building is essential for gathering information and being able to take advantage of key business opportunities. In 17 offices across Canada, our account managers are the face of the corporation, serving Canadian exporters in all sectors of industry, wherever they are located.

This network also extends far beyond Canadian borders, with our representations around the world. By having a presence in important markets worldwide, we can gather local market intelligence and identify new opportunities for Canadian companies. These on-the-ground representatives build and maintain relationships with strategic foreign buyers, encouraging procurement from Canadian suppliers and fostering financial partnerships that will generate benefits for Canada, particularly in rapidly growing markets such as China, India, Brazil and Mexico.



**Our on the ground presence in key markets around the world, such as Mumbai, India, helps us identify new opportunities for Canadian companies.**

## Partnering for the benefit of Canada

In addition to our partnerships with the private sector, we are also a member of the broader government community, where each player's specific roles and competencies can be enhanced through collaborative efforts. DFAIT and its Trade Commissioner Service (TCS), Business Development Bank of Canada (BDC) and the Canadian Commercial Corporation (CCC) are the key government players in the export sector. While TCS plays a different

role from our in-market representatives in supporting international trade, they share the common goal of promoting and supporting the success of Canadian exporters and investors.

In 2011, Canadian Mission staff attended a yearly training session, co-sponsored by EDC and the Canadian Commercial Corporation for outgoing Heads of Missions, on how our corporations can enhance their services. In addition, we also developed new online training modules for TCS staff unable to attend the training sessions.

**Our new protocol with BDC ensures that Canadian companies looking to expand their international business can choose the services that best suit their needs.**

This year, EDC and the TCS undertook a successful collaborative pilot project developed in the Montreal area, where we identified 50 customers who would benefit from TCS expertise and introduced them to the relevant Trade Commissioners. This project will be expanded to Vancouver in 2012, with more cities planned in the future.

Our regional vice-presidents undertook regular visits to Canadian missions, embassies and consulates during travels within their assigned markets. We also conducted quarterly meetings with TCS to review joint activities and inform one another of business development plans.

**Collaboration with financial institutions and Crown corporations**

Given that the Canadian economy is small, open and globalizing, it's clear that a growing number of Canadian companies will need to embrace international markets to succeed. Certainly, the integrated and coordinated response to the recession by the global financial community brought to light the many benefits of closer collaboration between financial institutions.

Our activities to support Canadian companies are enhanced through our relationships with other Crown corporations, such as the BDC, Farm Credit Canada and the Canadian Commercial Corporation. Collaboration with these Crowns enables us to gain valuable knowledge that will help us develop a wider variety of solutions to better position our customers for success.

We also formalized a Lending Practitioners Forum with several of Canada's largest financial institutions to ensure consistent and open dialogue around strategic issues affecting the industry in the field of trade and international finance.

**EDC-BDC Protocol**

This year we signed a new protocol with the BDC, to ensure that Canadian companies looking to expand their business in global markets can choose the services and financial capacity that best suit their needs. The protocol aims to improve the coordination between the two Crown corporations by placing more emphasis on guiding new customers towards the relevant core strengths of each organization.

In 2011, EDC and the CCC continued to deepen our understanding of each other's risk mitigation practices and service offerings, with an eye towards supporting joint customers from a market priority and underwriting perspective, and are currently working on formalizing a partnership protocol.

We have also been working more closely with Farm Credit Canada for the benefit of their exporting customers in the agricultural sector. This year, a joint pilot program was launched in Western Canada to work together on business development, particularly in value-added industries like horticulture and agri-food.

**Intelligence for our customers**

Our Trade Advisory Services (TAS) program was launched in 2010 to provide customers with enhanced trade intelligence that combines the knowledge of all our subject matter experts, made available through account managers free of charge and independent of transactional engagements. The team is now comprised of eight trade and supply chain experts. In 2011, new developments included a cash flow management video series, exporting tip sheets by sector and market, and country guides.

The team also reviewed the supply chain operations of 15 mid-market firms in 2011 and developed new relationships with trade-related stakeholders. These new relationships have already led to engagements that may not have occurred otherwise, such as, for example, the Québec Global 100 group and supply chain financing intermediaries. The team also improved the way we assess pull buyers by adding a supply chain assessment of their operations, to determine where Canadian exporters would be the best fit. TAS and our Corporate Research Department have also partnered with the Department of Foreign Affairs and International Trade (DFAIT) to develop a Global Value Chain manual for Canadian companies.

# DEPLOYING INNOVATIVE SOLUTIONS

Our innovative financial solutions played a particularly important role during the global recession and will continue to do so throughout the economic recovery, as companies look for greater predictability in managing their finances, mitigating risk and investing in future growth.

|                              | 2010 RESULTS | 2011 PLAN            | 2011 RESULTS | 2012 PLAN   |
|------------------------------|--------------|----------------------|--------------|-------------|
| Business in emerging markets | 32% growth   | 2-5% growth          | ▲ 26% growth | 4-8% growth |
| CDIA Transactions            | 16% growth   | 4-7% growth          | ▲ 44% growth | 3-6% growth |
| Partnership Transactions     | 11% growth   | maintain – 2% growth | ▲ 5% growth  | 4-8% growth |
| Total Business Facilitated   | 2% growth    | 2-4% growth          | ▲ 22% growth | 3-6% growth |

Ratings in our performance measures are as follows:

- ▲ Target met or exceeded (> 98% of plan)
- ↔ Target substantially met (≥ 95% and ≤ 98% of plan)
- ▼ Target not met (< 95% of plan)

## The crossroads between recession and recovery

Canadian companies continued to face a great deal of uncertainty throughout 2011, given the strong Canadian dollar, high commodity prices, a tight credit environment, heightened political risks and slow growth in the U.S. and Europe.

As Canadian business adjusted to this new normal, total Canadian exports increased by 11 per cent in 2011, an improvement over 2010, but still below pre-recession levels. The more encouraging news is that many Canadian companies were able to expand beyond traditional

markets and broaden their trade activity to faster-growing emerging markets. As a result, the business that we facilitated grew by 22 per cent. The share of total Canadian exports that we now facilitate increased to 21 per cent, up from 15 per cent five years ago.

Overall, we served 7,787 customers, whose export sales and investments using our financial services reached nearly \$103 billion. About 80 per cent of these customers are small and medium-sized businesses. While the number of customers we serve had been rising since 2008, our customer count decreased from 8,236 in 2010. Last year, as the recovery began, the

environment has made it somewhat easier for some of these companies to manage risks and obtain financing on their own.

On the Insurance side, we helped 6,258 clients close more than \$88 billion in export sales with about 74,000 buyers in more than 195 foreign markets. The majority of this business was Accounts Receivable Insurance (ARI). Given that nearly half of Canadian trade is conducted on short-term payment terms, ARI helps companies mitigate credit risk and leverage their receivables with financial institutions. Our insurance also allows them to offer their buyers more flexible payment options, including extended payment terms.



Our financing activities delivered \$14.6 billion in loans to Canadian clients and their foreign trading partners. We earned more than \$1 billion in loan revenue and guarantee fees. This stems largely from more than \$30 billion in commercial loans and guarantees to foreign companies in support of our Canadian clients and encompasses over \$10 billion of loan advances made in 2011. We earned \$234 million for coverage under our insurance programs and paid out \$55 million in claims, in contrast to \$126 million in 2010.

### **Strong growth in emerging markets**

The continued uncertainty of traditional developed markets has motivated more Canadian companies to look into non-traditional markets for business, to ensure resilience moving forward. Our products and services facilitated \$31.2 billion in business activity in these emerging markets in 2011, an increase of 26 per cent from 2010.

While high commodity prices contributed, much of the growth in emerging markets is a result of the investments we have made throughout the years in building relationships with our international

Our customers conducted more than \$31.2 billion in business in high-growth emerging markets. Companies like Alberta's Hyduke Energy survived the ups and downs of the oil and gas industry by expanding into Mexico last year, winning a contract to provide partial drilling rig equipment packages for Mexican drilling contractor Grupo R. EDC helped develop the relationship and provided buyer financing.

strategic accounts. This is particularly true in Latin American, with companies such as PEMEX, Petrobras and Codelco, where our matchmaking and targeted loans contributed \$15 billion in Canadian exports and investments.

Emerging markets now represent more than 30 per cent of our business. The business that we facilitated for our customers in the BRICM countries (Brazil, Russia, India, China and Mexico) increased to almost \$17 billion, up from \$11.4 billion last year. The biggest increase was in the People's Republic of China, which rose to \$8.5 billion compared to \$4 billion in 2010.

Emerging markets now represent **more than 30 per cent** of our business. China alone saw an increase of **56 per cent**, rising to **\$8.5 billion**.

### Canadian companies investing abroad

The economic crisis and strong dollar certainly underscored the importance and benefits of Canadian Direct Investment Abroad (CDIA). CDIA transactions include loans to help companies open facilities in new markets or participate in joint ventures, as well as insurance for sales by foreign affiliates of Canadian companies.

In 2011, our customers undertook 823 transactions related to their foreign investments, 44 per cent more than last year. The total value of these transactions was \$5.9 billion, a 25 per cent increase over 2010.

### Partnership preferred

Our ability to serve Canadian companies is greatly enhanced by our partnerships with private and public sector players including banks, insurance companies, sureties and brokers. These partnerships also allow us to serve Canadian companies through their financial intermediaries, rather than directly.

In 2011, the number of transactions we conducted with partners grew to 5,757, for a value of \$42.8 billion, up from \$28.7 billion in 2010. Of our 937 financing transactions, 805 or nearly 86 per cent were done in partnership with financial institutions.

### Equity funds

As part of our commercial offerings, we are an active investor in direct venture and growth capital investments, and also partner with private sector fund managers, both domestically and internationally. During periods of constrained credit, this program is particularly helpful to small and medium-sized companies, as it gives them access to the private equity they need to penetrate the global marketplace.

In 2011 our equity investments reached a total of \$694 million in outstanding commitments and investments compared to \$643 million in 2010. These include \$320 million with next-generation exporters, \$120 million with mid-market growth exporters and \$254 million focused on connecting Canadian companies with emerging markets.

For example, we invested USD 7 million in the Capital Alliance Private Equity III Limited of Nigeria fund, through which we will develop opportunities between Canadian companies and the fund's portfolio companies. Managed by African Capital Alliance Limited (ACA), the fund will focus on sectors key to the country's economic development, such as power, oil and gas, telecom, and financial services – all of which mirror Canada's export strengths. ACA's portfolio and pipeline companies have strong connections to Canada and are already creating opportunities for incremental Canadian trade with Nigeria.

### Financing and insurance in the domestic space


We continued to provide trade-related financing solutions to Canadian companies in Canada through Canada's Economic Action Plan, which gave us temporary, additional flexibility to provide credit to Canadian companies. By working in a complementary fashion with Canadian private-sector financial and insurance institutions and the Business Development Bank of Canada (BDC), we helped position viable Canadian companies for recovery.


Under this program in 2011, we provided \$3.1 billion in commercial solutions for 285 Canadian exporting companies, including \$2.5 billion in direct financing, more than \$454 million in domestic bonding and about \$146 million in domestic credit insurance. We continued to participate as a reinsurer to private insurers, bringing additional capacity to the market for more than 163 small Canadian companies. In total, we have provided \$9 billion in credit capacity to 569 Canadian companies for their trade related needs since March 2009, all of it in partnership with the private sector. This program, originally a two-year mandate from the Government of Canada, was extended until March 2012.

## Sound Financial Management and Strengthened Transparency

| MEASURES                 | 2010 RESULTS | 2011 PLAN | 2011 RESULTS | 2012 PLAN |
|--------------------------|--------------|-----------|--------------|-----------|
| Net income (\$ millions) | 1,475*       | 611       | ^ 645        | 917       |
| Return on equity %       | 18.5*        | 7.3       | ^ 7.8        | 10.5      |
| Productivity ratio %**   | 24.6         | 26.1      | ^ 22.8       | 25.5      |

Ratings in our performance measures are as follows:

 Target met or exceeded (> 98% of plan)

 Target substantially met (≥ 95% and ≤ 98% of plan)

 Target not met (< 95% of plan)

\* 2010 results have been restated to reflect international financial reporting standards.

\*\* Productivity ratio was previously named the Efficiency ratio.

Through sound financial management, we ensure we have an adequate capital base to fulfill our mandate now and in the future. Operating on a self-sustaining basis with no annual appropriations from Parliament, we achieve self-sustainability by obtaining adequate return for risks taken, containing costs and appropriately managing risk.

This approach has enabled us to support almost \$1,041 billion in exports and investments from the \$1.3 billion in share capital invested in the Corporation by the Government of Canada since 1944.

We track our financial performance in three key performance measures; net income, return on equity and productivity ratio.

Under normal operating conditions we expect to earn net income in the range of \$600 to \$800 million annually. Fluctuations in the provision for credit losses, claims-related expenses and the fair value of financial instruments can cause net income to fall outside the range. Net income for 2011 was \$645 million, in line with the 2011 Corporate Plan net income of \$611 million, and a return to a more

normal profitability level when compared to 2010. The higher net income in 2010 was attributed to a large reversal of provisions and low claims-related expenses. The return on equity of 7.8% in 2011 was in line with the Plan.

The productivity ratio of 22.8% was significantly more favourable than the Plan of 26.1%. Administrative expenses and expenses related to our leased aircraft portfolio were lower than anticipated in the plan while loan fee revenue and realized gains on marketable securities were higher than projected in the Plan, all contributing to the favourable variance. Our continued efforts on cost containment led to lower administrative expenses in most areas.

During 2011, in compliance with changes in the *Financial Administration Act*, EDC began releasing quarterly financial reports to the public. These quarterly reports include financial statements for the quarter and year to date as well as a narrative discussion on financial results, risks and significant changes to operations, personnel and programs.

# ENVIRONMENTAL AND SOCIAL ASSESSMENT



We have more than 15 employees dedicated to CSR, including a team of seven specialists who are directly responsible for reviewing projects against the requirements of our **Environmental and Social Risk Management Policy**. The members of this Environmental Advisory Services (EAS) team have diverse backgrounds in environmental and social impact assessment, biodiversity conservation and management, human rights, community development and stakeholder engagement, environmental management systems and engineering. This team represents one of the largest in-house environmental departments of any Equator Principles Financial Institution (EPFI) or export credit agency (ECA).

EAS plays a pivotal role in ensuring that we conduct our business in an environmentally and socially responsible manner in accordance with our corporate policies, legal environmental obligations and international commitments. In doing so, EAS is responsible for categorizing and reviewing all projects that we support against applicable standards, including the IFC Performance Standards and Equator Principles. Accordingly, this team works closely with our Project Finance teams to negotiate and structure environmental covenants, Action Plans and annual monitoring and reporting requirements in our loan agreements. EAS also provides guidance to our business teams, reviews environmental documentation, undertakes site visits, ensures project compliance with environmental covenants, and interfaces with exporters as well as external consultants working on projects.

## EQUATOR PRINCIPLES

### EDC Elected to the Steering Committee of the Equator Principles

To reflect our ongoing commitment to conduct our business in a socially and environmentally responsible manner, EDC adopted the Equator Principles (EP) in 2007. In 2011, we were elected to the Steering Committee of the Equator Principles Association, a first for an export credit agency and Canadian financial institution. The EP Steering Committee is composed of 14 members that co-ordinate the administration, management and development of the EPs on behalf of its 76 member financial institutions and associates.



"Being part of the Equator Principle's Steering Committee allows us to have a more direct hand in strengthening Corporate Social Responsibility internationally, over and above helping Canadian exporters and investors commit to international standards. We believe in the merit of internationally recognized benchmarks, so EDC is honoured by the election and the additional opportunity for leadership it brings to us."

**Deborah Berger**, Director, Environmental Advisory Services

## Changes to IFC Performance Standards

Adopted in 2006, the International Finance Corporation's (IFC) *Performance Standards on Environmental and Social Sustainability* (i.e. the Performance Standards) provide guidance to its clients on how to design and operate projects in a manner that avoids, mitigates and manages and/or offsets their environmental and social impacts. Taken together, the eight IFC Performance Standards<sup>1</sup> emphasize a management systems approach to risk that provides both the structure and flexibility to work across most sectors in which our clients operate<sup>2</sup>. The Performance Standards are globally recognized and widely used by the Equator Principles Financial Institutions (EPFI) that have adopted them. The Government of Canada promotes these standards in Building the *Canadian Advantage: a CSR Strategy for the Canadian International Extractive Industry*, its CSR Strategy, and several global companies have based their corporate policies on them.

In August 2011, the IFC released its revised Performance Standards (PS), which were intended to build upon the 2006 version and provide clarification in some areas while advancing CSR best practice in others. For example, the standards now more explicitly state the limits of client responsibilities within government-led processes, such as stakeholder engagement and involuntary resettlement of communities, while more significant changes include:

- ▶ the PS incorporate the notion that resource efficiency is good for business and placed an increased emphasis on greenhouse gas (GHG) accounting and reporting, reducing the reporting threshold for clients from 100,000 to 25,000 tons carbon dioxide equivalents;
- ▶ the PS explicitly acknowledge the responsibility of the private sector to respect human rights, and reaffirm that, in most cases, human rights risks for business can be effectively addressed through social and environmental considerations; and
- ▶ the PS now require that *Free Prior Informed Consent* (FPIC), rather than consultation, be obtained in certain circumstances where there are project-related impacts on Indigenous Peoples, such as resettlement.

As a member of the EPFI Association and as a recognized leader in the ECA community, we actively participated in the IFC Performance Standards revision process. In doing so, we are well positioned to interpret them for our customers and apply them in our due diligence process. Following the direction of the EPFI Association, we will begin applying the 2012 IFC Performance standards to all new transactions starting in June 2012. Corporate Loans

<sup>1</sup> The eight IFC Performance Standards are: Social and Environmental Assessment and Management Systems; Labour and Working Conditions; Resource Efficiency and Pollution Prevention; Community Health Safety and Security; Land Acquisition & Involuntary Resettlement; Biodiversity and Sustainable Management of Living Resources; Indigenous Peoples; Cultural Heritage.

<sup>2</sup> The IFC standards do not cover nuclear or hydro.

# CORPORATE LOANS

## It's Not Just for Projects: Environmental and Social Reviews for Corporate Loans

A common misconception is that we often support large infrastructure projects with significant impacts on the environment and nearby communities. In reality, our support for these projects, typically referred to as Category A, is relatively limited. In 2011, we provided support for three Category A projects, as well as eight Category B, and one Category C project. See project categories **definitions** for further detail.

What about our other business products? How are they reviewed for environmental and social impacts?

Our **Environmental and Social Risk Management Policy** outlines how we apply our review processes to assess the degree of environmental and social risk associated with any transaction we support. For example, corporate loans are often general or multi-purpose corporate credit facilities or lines of credit, and/or transactions, in support of corporate acquisitions that are not specific to one particular project. As a result, these transactions are not typically subject to a review under our Environmental and Social Review Directive (ERD) or the Equator Principles.

Nonetheless, in these cases we apply a corporate level approach to assessing the environmental and social risks associated with the relevant operations of that company. To conduct this type of assessment, we rely on corporate information, including but not limited to, the company's environmental and social policies and procedures, resourcing and management systems, their environmental and social assessment processes, corporate and site level environmental auditing and reporting, and their environmental track record and regulatory compliance history.

In some cases, where the majority of the proceeds from the corporate facility are related to a particular identified project, we will conduct a supplemental review of that project. In these situations, we rely on the types of information described in Annexes 3 or 4 of our **Environmental and Social Review Directive** (e.g. environmental impact assessments, environmental and social management plans, audits etc.). Our support for Kinross' Kupol Gold Mine is an illustration of that review process.



# CORPORATE LOAN CASE STUDY

## A Corporate Facility for Kinross and the Kupol Gold Mine

In 2005, we provided limited recourse project financing and political risk insurance of commercial bank debt in support of sponsor Bema Gold Corporation (“Bema”) for the development of the Kupol Project, a high-grade gold and silver mine located in Russia’s far east. Development and construction of the project, which employs both open pit and underground mining methods, began in 2005. In 2007, Bema was acquired by Kinross Gold Corporation (“Kinross”). In May 2008, the Kupol mine produced its first ounce of gold-silver ore and early in 2011 produced its 2 millionth ounce of gold. The mine has also produced more than 20 million ounces of silver since operations began.

In 2005 we reviewed the Kupol Project against the World Bank Safeguard Policies, according to our policy instrument in existence at that time, our Environmental Review Directive. As a result of this review, we determined that the project was designed to meet or exceed host country and internationally recognized good practices, guidelines or standards. As part of our due diligence, we participated in a site visit that included a tour of the company’s facilities in Magadan, a visit to the Kupol mine site and winter road, and meetings with their Environmental, Health and Safety and Communities Relations staff. We also met with officials from the Chukotka government, who expressed their support of the project.

Between 2005 and 2011, we actively monitored the project, which included a follow-up site visit in 2008 and a requirement for Kinross to submit Annual Environmental Monitoring Reports to the Lenders. The Lenders’ Independent Environmental and Social Consultant also visited the site on an annual basis to ensure the project continued to comply with the various commitments included in the project’s Environmental and Social Impact Assessment (ESIA), Environmental and Social Action Plan and loan documentation.

At the time of the original project financing signed in late 2005, the project was owned by the Chukotka Mining and Geological Company (CMGC), a joint venture between Bema (75%) and the Government of Chukotka (25%). In 2011, EDC was approached by Kinross and asked to consider participation (along with four commercial banks) in a USD 200 million credit facility for CMGC (non-recourse to Kinross). The proceeds of this loan were to be used to allow CMGC to repay an amount outstanding under an inter-company loan from Kinross that had financed its purchase of the Government of Chukotka’s shares in the project company in 2011 (and resulted in Kupol being wholly owned by Kinross), and for general (CMGC) corporate purposes. Since the use of proceeds was related to non-project activities, and there were no definite plans to expand the Kupol Project at the time of our financing, our environmental review process for projects was not triggered.

Instead, we completed a corporate environmental risk review for the Kupol facility. In doing so, we looked at Kinross’ Environmental, Health and Safety (EHS) track record at Kupol, which included an environmental audit by an independent environmental and social consultant. EDC also reviewed the company’s broader asset portfolio, as well as Kinross’ corporate EHS policies and procedures, community development activities and overall management approach.

Results of this audit were incorporated into a revised Environmental and Social Action Plan, the implementation of which is a condition of the corporate loan facility.

EDC and the Lenders also restructured the original loan agreement to include a Loan Covenant that would require Kinross to develop an ESIA to the Lender’s satisfaction (e.g. IFC Performance Standards) should Kinross wish to develop and supply the Kupol Project with ore from the Dvoinoye deposit (regardless of EDC’s potential future involvement). Key issues needed to be addressed in the ESIA, including, but not limited to:

- ▶ potential environmental legacy issues associated with Dvoinoye;
- ▶ water and tailings management, including acid rock drainage;
- ▶ impacts to biodiversity from the development of the mine and all-season road;
- ▶ stakeholder engagement, including Indigenous Peoples; and
- ▶ mine closure and reclamation.



# PROJECT REVIEWS

To help incorporate environmental and social risk assessment into our credit and risk management processes, we have adopted and implemented the OECD *Recommendation on Common Approaches on Environment* and the Equator Principles, which use the International Finance Corporation's *Performance Standards for Environmental and Social Sustainability* as guidance.

Our process for review of projects is summarized in *Understanding EDC's Project Review Process*.

For the most sensitive transactions, such as Category A projects, our President and CEO must provide approval and sign-off.

In addition, all ERD and Equator Principles transactions are reported to our Risk Management Committee and Board of Directors on a quarterly basis.

Data on these projects can be found in the table below.

## EDC'S PROJECT REVIEW PROCESS

### 1. Starting with the basics ›

**GOALS:** To ensure there are no credit issues and to identify areas that may not be aligned with EDC's internal standards on human rights, environmental and social responsibility.

### 2. Taking a closer look

**GOALS:** To examine in-depth the environmental and social impacts the project is likely to cause and to understand the extent to which the proposed risk mitigation plans will address these issues.

### 3. Moving the plan forward ›

**GOALS:** To describe and prioritize additional mitigation measures to meet EDC's requirements.

### 4. Monitoring over the long-term ›

**GOALS:** To ensure the project complies with the terms of the loan agreement, for the duration of EDC's support.

| Project Name | Project Description | Sector | Region | Subject to Equator Principles | Independent Review Performed | International Standards Applied |
|--------------|---------------------|--------|--------|-------------------------------|------------------------------|---------------------------------|
|--------------|---------------------|--------|--------|-------------------------------|------------------------------|---------------------------------|

#### CATEGORY A PROJECTS

|                                                        |                                                                                                                                                                                                                                                                                                                                                      |                |                            |     |     |                           |
|--------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------------------|-----|-----|---------------------------|
| Barzan Gas Project                                     | Construction of a 1,351 mmcf/d natural gas complex                                                                                                                                                                                                                                                                                                   | Oil & Gas      | Middle East (Qatar)        | Yes | Yes | IFC Performance Standards |
| Newcastle Infrastructure Group Coal Terminal Expansion | Newcastle Coal Infrastructure Group (NCIG) plans to expand the capacity at its Coal Export Terminal from 30 Mtpa to 53 Mtpa.<br><i>Footnote:</i> EDC provided additional support to the Project in August 2011. As the scope of the Project did not change, a formal review was not required as per EDC's Environmental and Social Review Directive. | Infrastructure | Asia Pacific (Australia)   | Yes | Yes | Host Country Standards*   |
| Ma'aden Bauxite Mine and Alumina Refinery              | Construction, development and operation of a bauxite mine and alumina refinery                                                                                                                                                                                                                                                                       | Mining         | Middle East (Saudi Arabia) | Yes | Yes | IFC Performance Standards |

| Project Name | Project Description | Sector | Region | Subject to Equator Principles | Independent Review Performed | International Standards Applied |
|--------------|---------------------|--------|--------|-------------------------------|------------------------------|---------------------------------|
|--------------|---------------------|--------|--------|-------------------------------|------------------------------|---------------------------------|

### CATEGORY B PROJECTS

|                                              |                                                                                                                                                                                                                             |                   |                          |     |     |                               |
|----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|--------------------------|-----|-----|-------------------------------|
| Brookfield Rail                              | Financing of Brookfield Rail's network expansion in the southwest of Western Australia                                                                                                                                      | Infrastructure    | Asia Pacific (Australia) | Yes | Yes | Host Country Standards*       |
| Lagunas Norte Expansion Project              | Expansion of the process water, slurry, ARD (Acid Rock Drainage) and polishing ponds, south stacking leach pad (Phase 5), leach pad (Phase 4C), east waste rock dump expansion (Phase 2), and various access roads (ECO 12) | Mining            | Americas (Peru)          | No  | No  | IFC Performance Standards     |
| Wiggins Island Coal Export Terminal Pty Ltd. | Development of a 27mtpa coal export terminal at Wiggins Island, Queensland, Australia                                                                                                                                       | Infrastructure    | Asia Pacific (Australia) | Yes | Yes | Host Country Standards*       |
| Matala Dam Rehabilitation Project            | Rehabilitation of hydro dam in Angola limited to civil works associated with improvements to earth-gravity dam and spill way                                                                                                | Infrastructure    | Africa (Angola)          | No  | No  | World Bank Safeguard Policies |
| Pacific Coast Canola LLC                     | Construction and operation of a canola crush facility located in Warden, Washington                                                                                                                                         | Other (Resources) | Americas (USA)           | Yes | No  | Host Country Standards*       |
| Greenpac Mill                                | Construction and operation of a linerboard mill in Niagara, NY                                                                                                                                                              | Other (Resources) | Americas (USA)           | Yes | Yes | Host Country Standards*       |
| Gold Coast Rapid Transit                     | Design, construction and operation and maintenance of a light rail public transportation system in the Gold Coast, Australia                                                                                                | Infrastructure    | Asia Pacific (Australia) | Yes | Yes | Host Country Standards*       |
| Neptune Bulk Terminals Expansion             | Expanding the capacity at an existing bulk handling facility located in North Vancouver which exports primarily potash and coal, as well as canola oil                                                                      | Infrastructure    | Americas (Canada)        | No  | No  | Host Country Standards*       |

| Project Name | Project Description | Sector | Region | Subject to Equator Principles | Independent Review Performed | International Standards Applied |
|--------------|---------------------|--------|--------|-------------------------------|------------------------------|---------------------------------|
|--------------|---------------------|--------|--------|-------------------------------|------------------------------|---------------------------------|

### CATEGORY C PROJECTS

|                                       |                                                                                                                    |                |                          |     |     |                         |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------------|----------------|--------------------------|-----|-----|-------------------------|
| Victorian Comprehensive Cancer Centre | Design, build, finance and maintain the Victoria Comprehensive Cancer Centre located in urban Melbourne, Australia | Infrastructure | Asia Pacific (Australia) | Yes | Yes | Host Country Standards* |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------------|----------------|--------------------------|-----|-----|-------------------------|

\* As outlined in the Equator Principles, the regulatory, permitting and public comment process requirements in High-Income OECD Countries generally meet or exceed the requirements of the IFC Performance Standards and EHS Guidelines.

\*\* Three (3) additional projects were screened in 2011 but not signed: one (1) Category A and two (2) Category B projects. EDC defines projects screened as those transactions that have been reviewed and approved internally in accordance with EDC's ERD during the reporting period (1 January 2011 – 31 December 2011).

## 2011 Performance Measures

|                        |                                                                                                                                                                                                                                                                                             |
|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Objective One:</b>  | Operationalization of EDC's Environmental and Social Risk Management Framework                                                                                                                                                                                                              |
| <b>Activity:</b>       | Completion of Project Review Summaries on all eligible Category A projects                                                                                                                                                                                                                  |
| <b>Measure/Target:</b> | Project Review Summaries completed for 100% of eligible Category A projects                                                                                                                                                                                                                 |
| <b>Result:</b>         | EDC signed three Category A projects in Q4, 2011. As a result, project summaries were posted in early 2012. Internal procedures for the preparation of Project Review Summaries were refined.                                                                                               |
| <b>Objective Two:</b>  | Raise employee awareness of EDC's corporate environmental and social risk assessment commitments                                                                                                                                                                                            |
| <b>Activity:</b>       | Voluntary completion of awareness tool related to the principles of the corporate environmental and social risk management commitments and processes                                                                                                                                        |
| <b>Measure/Target:</b> | 75% of all employees, 90% of targeted employee groups with direct responsibility for transactions are subject, and 100% of EDC's Executive Committee                                                                                                                                        |
| <b>Result:</b>         | Delay in implementation. The online tool was developed, tested and approved by management. The target groups were revised to focus on those groups directly responsible for implementation of EDC's environmental and social risk management commitments. Deployment scheduled for Q2/2012. |

## 2012 Performance Measures

|                        |                                                                                                                                                      |
|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Objective One:</b>  | Transition to the use of the updated IFC Performance Standards (2012 version)                                                                        |
| <b>Activity:</b>       | As of June 30, 2012, conduct reviews on new ERD transactions against the updated IFC Performance Standards (2012 version)                            |
| <b>Measure/Target:</b> | 100% of eligible projects reviewed using the updated IFC Performance Standards (2012 version)                                                        |
| <b>Objective Two:</b>  | Raise employee awareness of EDC's corporate environmental and social risk assessment commitments                                                     |
| <b>Activity:</b>       | Voluntary completion of awareness tool related to the principles of the corporate environmental and social risk management commitments and processes |
| <b>Measure/Target:</b> | Complete training of 90% of targeted employee groups with direct responsibility for transactions are subject, and 100% of EDC's Executive Committee  |

## Internal Audits

In 2011, our Internal Audit division conducted a follow-up audit of our CSR Framework to ensure a consistent application of our CSR operating principles. The **results** indicate all areas are “well-controlled”. However, the audit did find “moderate” room for improvement with respect to the development of internal guidance, including key milestones that identify the activities and responsibilities for the implementation of our Climate Change commitment outlined in the Environmental and Social Risk Management Policy, as well as the monitoring of environmental covenants.

In response, management identified and assigned clear roles and responsibilities related to these two areas, which will help fulfill our policy commitments. Specific to the monitoring of environmental covenants, our Environmental Advisory Services team worked closely with our Loans Services and Asset Management teams throughout the year to refine our existing procedures and to align our respective monitoring databases.

## Case Study: Ma'aden-Alcoa

The project profile below illustrates the review of environmental and social impacts undertaken of a Category A project financed in 2011.



Riyadh-based Ma'aden and Alcoa of the United States through a subsidiary are jointly developing the Ma'aden Mine and Refinery Project in the Kingdom of Saudi Arabia (KSA). The project involves the construction and development of a bauxite mine in the central-northern area of the KSA, and an alumina refinery located at the Ras Al Khair peninsula, about 600 kilometres from the mine on the shore of the Arabian Gulf.

We provided USD 50 million in financing support to the project. Prior to a decision to support the project, we reviewed the project's Environmental and Social Impact Assessments in accordance with our *Environmental and Social Review Directive* for Category A projects, and our commitments under the Equator Principles and the OECD *Common Approaches*.

Our review took many factors into consideration: it compared the project to relevant international standards, including the IFC Performance Standards; it ensured that the project was designed to meet host country regulatory requirements; and it ensured that public consultation was undertaken. With the assistance of an independent consultant, as required under the Equator Principles, we also assessed whether the proposed mitigation measures were considered appropriate to address potential adverse environmental and social effects such as:

- **Air quality:** Given the desert location of the mine, the project has the potential to create significant amounts of dust, particularly during construction. Accordingly, the project implemented dust suppression techniques, such as water spraying and equipping crushers with bag filters, to keep dust emissions as low as possible.
- **Greenhouse gases:** The alumina refinery part of the project will produce carbon dioxide emissions from the combustion of fuel oil and natural gas. The project agreed to include investments and monitoring of greenhouse gas performance in accordance with internationally recognized requirements.
- **Socioeconomic:** Although located in a sparsely populated area, development of the mine deposit may require the resettlement of a small number of families in five to ten years' time. As a result, the sponsor has committed to developing a resettlement framework in accordance with the IFC Performance Standards and in collaboration with the government of the Kingdom of Saudi Arabia, the entity responsible for the resettlement. EDC will monitor the situation as part of our ongoing monitoring requirements.

After the review, we were satisfied that the project was designed to meet internationally recognized best practices, guidelines or standards, and that any potentially adverse environmental effects, given the mitigation measures in place, were not significant. As such, we determined that we could support the project. Our Environmental Advisory Services team continues to monitor the project throughout the project construction and operation phases.

# HUMAN RIGHTS

We developed a **formal statement on our position on human rights in 2008**. Since then, we have developed an increasingly structured approach to assessing potential human rights impacts through an assessment tool for our business development and underwriting staff. The tool uses a range of accepted international indicators, including the World Bank's Country Governance Indicators, Freedom House's Freedom of the Press ratings and human rights violations data from the Political Terror Scale by Gibney, Cornett and Wood, among others. The diagram below illustrates how the methodology helps us categorize a country according to human rights risk. This, in turn, helps us make an early determination of the depth of human rights assessment required for projects and transactions, based on the nature of the project and the country where it will occur.

**Sample Country Categories**

| 3                                                                                                                                                                                                                                                                                                                                                                                         | 2                                                                                                                                                              | 1                                                                                                                                             | 0                                                                                                                                                            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>▶ Iraq</li> <li>▶ Afghanistan</li> <li>▶ Central African Republic</li> <li>▶ Eritrea</li> </ul>                                                                                                                                                                                                                                                    | <ul style="list-style-type: none"> <li>▶ Bangladesh</li> <li>▶ China</li> <li>▶ Pakistan</li> <li>▶ Cuba</li> <li>▶ Angola</li> <li>▶ Cote d'Ivoire</li> </ul> | <ul style="list-style-type: none"> <li>▶ Vietnam</li> <li>▶ Kazakhstan</li> <li>▶ Nicaragua</li> <li>▶ Qatar</li> <li>▶ Mozambique</li> </ul> | <ul style="list-style-type: none"> <li>▶ Taiwan</li> <li>▶ Poland</li> <li>▶ Argentina</li> <li>▶ Costa Rica</li> <li>▶ Ghana</li> <li>▶ Botswana</li> </ul> |
| Accepted international indicators — How many of the following indicators does the country meet? <ul style="list-style-type: none"> <li>▶ <b>Freedom House <i>Freedom of the Press</i></b> score between 60 and 100;</li> <li>▶ <b>Political Terror Scale</b> ratings of 3, 4 or 5 for both components;</li> <li>▶ <b>World Bank <i>Rule of Law</i></b> score of less than 1.0.</li> </ul> |                                                                                                                                                                |                                                                                                                                               |                                                                                                                                                              |

*This table reflects sample country categorizations only and is subject to change.*

The past year saw significant evolution of international CSR standards across several areas, including the IFC's Performance Standards, the OECD Guidelines for Multinational Enterprises, the Equator Principles, and the Ruggie *Guiding Principles on Business and Human Rights*. The evolution of these standards and the continued international dialogue around human rights is contributing to a more level playing field among financial institutions with respect to human rights due diligence.

In 2011, we underwent an internal reorganization, and through these changes the responsibility for human rights reviews shifted formally to our CSR group from our Political Risk Assessment department. Naturally, collaboration continues to be strong between our in-house country experts and our CSR advisory teams. The most significant effect of this restructuring is that human rights assessments are now more directly integrated into other CSR reviews, which we see as a positive step forward as we continue to evolve our human rights review processes. We also reviewed and revised the templates being used for human rights assessments as part of this process.

Human rights assessments are now being completed for all Category A and Category B projects in non-OECD countries that are reviewed under the **Environmental and Social Review Directive**. This resulted in four assessments in 2011.

## 2011 Performance Measures

|                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Objective:</b>      | Strengthen human rights assessment process                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Activity:</b>       | Training for target EDC employees on process for human rights assessment                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Measure/Target:</b> | 75% participation by target groups                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Result:</b>         | Training was conducted for the targeted groups (sector-specific financing teams, Commercial Markets Financing team and the Political Risk Insurance team) on the use of a new pre-screening tool that identifies all CSR risks, including human rights. We took a team approach rather than focusing on target-based training of individuals. Nonetheless, attendance at training sessions was high and the pre-screen tool's usage by these same teams is mandatory and monitored. |

## 2012 Performance Measures

|                        |                                                                           |
|------------------------|---------------------------------------------------------------------------|
| <b>Objective:</b>      | Strengthen human rights assessment process                                |
| <b>Activity:</b>       | Refine system for non-project human rights assessment in EDC transactions |
| <b>Measure/Target:</b> | System and processes improved and deployed for non-project transactions   |

# CLIMATE CHANGE

Climate change is one of our three CSR strategic priorities. A key feature of our Environmental and Social Risk Management Framework commits EDC to:

- ▶ engaging with its clients to understand and assess the carbon and climate risks and opportunities associated with their business;
- ▶ evaluating climate change risks at a project level to ensure they incorporate technically and financially feasible and cost-effective options for mitigation and adaptation to climate change; and
- ▶ expecting proponents of Category A and B projects to provide estimates of greenhouse gas (GHG) emissions, consistent with IFC Performance Standards and using established methodologies such as the Greenhouse Gas Protocol.

In 2011, EDC's Environmental Advisory Services (EAS) team developed a formal procedure to provide internal guidance for the review and assessment of project-level greenhouse gas emissions in accordance with EDC's Environmental and Social Risk Management Policy and the IFC Performance Standards. Additionally, EAS arranged for further internal training on internationally recognized GHG emissions reporting and accounting methodologies.

## 2011 Performance Measures

|                        |                                                                                                                                                                                                                                                                                            |
|------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Objective:</b>      | Provide greater transparency on climate change information related to EDC's project portfolio                                                                                                                                                                                              |
| <b>Activity:</b>       | Ensure public availability of Environmental and Social Impact Assessments (ESIAs) for Category A projects in non-G7 countries, noting those cases where estimated greenhouse gas emissions (GHG) for first year of operations exceed 100,000 MT, consistent with IFC Performance Standards |
| <b>Measure/Target:</b> | Data on estimated GHGs exceeding 100,000 MT provided through ESIAs for 100% of Category A projects signed in 2011 consistent with IFC Performance Standards                                                                                                                                |
| <b>Result:</b>         | GHG data for Category A projects in non-G7 countries was contained in the Environmental and Social Impact Assessments                                                                                                                                                                      |

## 2012 Performance Measures

|                        |                                                                                                                                                                                                                                                                        |
|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Objective:</b>      | Sustain greater transparency around disclosure of GHG data for Category A projects                                                                                                                                                                                     |
| <b>Activity:</b>       | Ensure public availability of Environmental and Social Impact Assessments (ESIAs) for Category A projects in non-G7 countries where estimated greenhouse gas emissions (GHG) for first year of operations exceed 100,000 MT, consistent with IFC Performance Standards |
| <b>Measure/Target:</b> | Disclosure of data on estimated GHGs provided through ESIAs for 100% of Category A projects in non-G7 countries signed in 2012 consistent with IFC Performance Standards                                                                                               |

# ENVIRONMENTAL OPERATIONS AND BUSINESS

## SUPPORT FOR CLEANTECH



Fulfillment of this strategic priority also involves support for environmental exporters working on Clean Technologies. Demand for goods and services that allow for a more efficient use of the planet's resources is increasing quickly. The planet's natural environment will benefit from and contribute to technological innovation. Opportunities to create trade are abundant in the Cleantech industry — a sector where Canada possesses a large pool of both established and emerging expertise.

Our data on support for the sector indicates that more business is being supported for slightly fewer companies year over year. This trend is consistent with overall EDC business, where the volume of business supported was up significantly, despite the fewer number of exporters supported.

### 2011 Support for Environmental Exporters

|                                  | 2011 | 2010 | 2009 |
|----------------------------------|------|------|------|
| Number of companies              | 203  | 223  | 200  |
| Business supported (\$ millions) | 561  | 436  | 439  |
| Equity investments (\$ millions) | 77   | 102  | 75   |
| Investee companies               | 56   | 53   | 53   |

## 2011 Performance Measures

|                        |                                                                                                                                                                                                                                                                                                                                                                                         |
|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Objective:</b>      | Provide targeted support for environmental technologies                                                                                                                                                                                                                                                                                                                                 |
| <b>Activity:</b>       | Monitor support for companies identified in the alternative fuels, renewable energy and environment supply chains and transactions identified as environmental exports                                                                                                                                                                                                                  |
| <b>Measure/Target:</b> | No target established: commitment to provide data on number of Canadian exporters supported                                                                                                                                                                                                                                                                                             |
| <b>Result:</b>         | Slight decline from 276 in 2010 to 259 in 2011 companies supported (combining number of companies supported plus investee companies), with an increase in volume of business supported (from \$436 million to \$561 million); this is consistent with overall EDC business where the volume of business supported was up significantly, despite the fewer number of exporters supported |

## 2012 Performance Measures

|                        |                                                                                                                                     |
|------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| <b>Objective:</b>      | Provide targeted support for Cleantech firms                                                                                        |
| <b>Activity:</b>       | Develop clear gating criteria and processes to facilitate the execution of financing and insurance transactions for Cleantech firms |
| <b>Measure/Target:</b> | Implementation of process improvements                                                                                              |

# CASE STUDY

## Ostara Nutrient Recovery Technologies

Who says sewage can't be a resource? Rather than seeing treated liquid streams as waste, one Canadian company sees a renewable resource that recovers one precious resource — phosphorus — to protect another — water, while also generating costs savings and revenues for treatment plants and helping them meet increasingly stringent environmental regulations.

Many wastewater treatment facilities concentrate large quantities of nitrogen and phosphorus in their sludge dewatering streams. These dissolved nutrients often form an obstructive scale in piping, pumps and valves, which severely impacts a plant's equipment reliability, efficiency and maintenance costs. Ostara Nutrient Recovery Technologies, based in Vancouver, BC, designs and builds wastewater treatment systems with a nutrient recovery solution that removes these



nutrients from wastewater and effectively transforms them into a revenue-generating, environmentally responsible commercial fertilizer — creating value from waste.

Furthermore, Ostara's technology also takes this phosphorus out of waterways where it can be harmful and uses it to create a slow-release fertilizer that, when applied on horticultural plants, turf or agricultural crops, is more efficient and environmentally responsible than traditional phosphorus fertilizers.

The technology also helps these wastewater treatment facilities save on operating costs, providing a three- to ten-year payback on their investment. Ostara's Pearl nutrient recovery process doesn't replace traditional sewage treatment; it is retrofitted directly into the facility's existing treatment process and produces a byproduct that can generate revenue. It typically costs municipalities \$3 million to \$5 million to include the Ostara recovery process in their wastewater treatment systems. Ostara buys back the fertilizer produced and markets it as Crystal Green, thus providing municipal customers a share in the byproduct revenue.

Last year, Ostara won its largest contract to date to design, procure and construct a nutrient recovery and fertilizer production facility for Clean Water Services, the operator of the Rock Creek Wastewater Treatment plant in Hillsboro, Oregon. The contract

includes two Pearl® 2000 nutrient recovery reactors and ancillary equipment, as well as the construction of the plant building. Projects of this scale often require some sort of performance or security bond.

**The Pearl® Process:** Ostara's technology recovers the scale, or struvite, in the form of highly pure crystalline pellets or "prills." Nutrient-rich feed streams are mixed with magnesium chloride and, if necessary, sodium hydroxide and then fed into the Pearl reactor where minute particles or struvite "seeds" begin to form. Like a pearl, these seeds grow in diameter until they reach the desired size. In a municipal wastewater treatment plant, up to 90 per cent of the phosphorus and 40 per cent of the ammonia load is removed from sludge dewatering liquid using this process. Then, the resulting product is sold as a commercial fertilizer — Crystal Green®. Crystal Green is considerably less carbon-intensive than traditional fertilizer manufacturing processes because it is not mined and then transported, and it also reduces leaching and runoff.



EDC had already supported Ostara with a surety bond request for one of their first commercial plants, and the first outside Canada, for a contract with Clean Water Services. When this contract was completed, they approached us for another bond for a new contract with Clean Water Services. At the same time, we had been in discussions for a refinancing of a plant they had built and were operating in Pennsylvania. For this contract, they also need a banking partner to take on some risk as part of our **Export Guarantee Program**. They eventually partnered with a bank that understood their complicated business model, and, given that EDC would guarantee 50 per cent of the loan, was comfortable with the level of risk. We have since supported two domestic bonds for contracts with the city of Saskatoon and are now looking to support the company's first installation in Europe.

In 2011, Ostara was honoured to be named a Technology Pioneer by the World Economic Forum and also received the coveted "Deloitte Technology Green 15" Award. The company has also been named to the Global Cleantech 100 in each of the last three years.

# CASE STUDY

## The New Generation of Biomass Gasification Systems: Nexterra Systems Corp.

A dialogue with

**Mike Scott**

*President and CEO*

*Nexterra Systems Corp.*

*Vancouver, British Columbia*

Nexterra is a Vancouver-based company. We design and supply systems that convert low-cost waste, feed stocks, fuels and biomass, into high value renewable energy, fuels, and hopefully one day, chemicals.

We started on that path of taking waste and turning it into higher value energy by converting woody biomass and just gasifying it and turning it into heat and power.

But the broader vision is to take even lower-cost waste fuels, biosolids, which is the byproduct of wastewater treatment plants, and other waste fuels that would otherwise end up in a landfill, and convert them cost effectively and reliably, into higher value renewable energy, fuel and chemicals.

In our system, local wood waste comes in and is stored in various systems...a couple of days of storage there and then it comes into a Nexterra gasification system.

It enters the bottom of a gasification chamber, and we turn that woody biomass into a gas called syngas.

Once you have that engine-grade syngas, it opens up the possibility of further upgrading that syngas into renewable fuels and chemicals, whether it's green hydrogen or potentially methanol or ethanol.

Many people believe that it's important that we reduce the amount of CO<sub>2</sub> that we're pumping in the atmosphere.

I certainly share that belief.

And what we're doing is one piece of solving the carbon problem.

It's really all about taking that stuff that would otherwise end up in a landfill and turning it into much higher value, and doing it in a way that's economically viable, not just driven by, the "feel good" factor, but actually something that can compete with and substitute for fossil fuels.

What we've been able to do with the way we've approached the conversion of these waste fuels into energy is dramatically reduce the emissions that are produced.

In fact, our systems are delivering emissions performance comparable to natural gas emissions.



One of the most challenging things for a Cleantech company is bridging that gap from pilot stage or laboratory phase and getting it to demonstration phase.

It's a huge hurdle to overcome.

One of the things that is often required with these energy projects is a performance bond.

One of the reasons that we couldn't obtain a bond without EDC's help was the problem of, 'Well, have you ever had a bond before?' 'No.' 'Okay, well then, you can't have a bond.'

So how do you ever get started?

And so EDC was hugely important for us getting that project bonding done.

Low natural gas prices, low fossil fuel prices in North America have really made the case for biomass energy and displacement of fossil fuels more challenging from an economic standpoint.

And so we are expanding internationally to markets where biomass is abundant, relatively low cost, and where fossil fuels are expensive.

EDC has been very actively involved in meeting with potential customers, trying to understand the financing challenges that the projects that we're working on may face, and trying to be creative in finding solutions for some of the barriers that we faced in Canada.

But you almost face them doubly in these foreign markets.

EDC has been an important piece of our success to date, particularly within the last couple of years.

But as we move forward into these international markets, I think EDC is going to play an increasingly important role for us.

# OPERATIONAL FOOTPRINT

## EDC New Head Office: Built to be Green

Our new, leased head office, which is being evaluated for a Leadership in Energy and Environmental Design (LEED) gold standard certification, features enhanced technology including videoconferencing facilities and wireless tools that support flexible work arrangements, increased mobility and collaboration. Furthermore, rooms are designed to automatically detect the number of people and adjust the temperature accordingly; all furniture, carpets and window shades are made with a material with low volatile organic compounds; windows are high-efficiency, low-glare and heat-reflecting; carpets are 100 per cent recyclable and can be broken down and reused; and the parking garage features several bicycle spots, charging spots for electric cars and preferred spots for ride sharing. Select external areas are covered in sedum, a perennial that absorbs rainwater and redirects it away from the city sewer system; others are covered with a surface that includes a high solar reflectance index that absorbs heat, helping to keep temperatures down. We will know later in 2012 if the building meets LEED Gold certification standards.

## Responsible Disposal

In relocating to the new building, we took every means to dispose of surplus furniture, equipment and supplies in a responsible manner. “We decided it would be a great idea to donate to charity the things we couldn’t take with us,” says Rosemary Ryan, Head Office Project Coordinator, who oversaw the donations process, and contacted the United Way.

“Many of our partner agencies were undergoing renovations and trying to make their offices a more comfortable environment for their clients,” says Katrina Charnley, Coordinator, Capacity Building Strategies, United Way. “EDC’s donations through their Gifts-In-Kind Program contributed towards improving the lives of Ottawa residents, and for that, we are truly appreciative.” More than 3,000 binders, file folders and office supplies were donated to the United Way and local schools in the Ottawa/Gatineau area. In addition, children in Haiti received over 300 binders that were delivered by military aircraft as Canadian troops continued to assist in the wake of a devastating earthquake.

## Footprint Data

To be environmentally sustainable, we consider the impact our operations have on the environment. This includes accounting for our own operational footprint, which we have been reporting publicly since 2008. Data includes electricity, natural gas and paper usage, water consumption and business travel (for its headquarters location only, accounting for approximately 90% of our operations).

2011 was a special year as our headquarters offices relocated to new premises over June to October. As a result, the year-over-year figures are no longer comparable on most measurement parameters, with the exception of business travel. Consequently, this report provides data for both buildings without a percentage change calculation. For business travel, the data indicates a decline of 10%.

All calculations continue to indicate a unitized measure, i.e. per full-time employee equivalent, thus providing a means to determine intensity of use. We have maintained our practice of converting the data to greenhouse gas equivalents using the Greenhouse Gas Protocol (World Resources Institute).



## 2011 Operational Footprint Data

|                                         | UNIT                        | 2010       | 2011<br>151 O'Connor:<br>Former Location | 2011<br>150 Slater:<br>New Location |
|-----------------------------------------|-----------------------------|------------|------------------------------------------|-------------------------------------|
| Electricity Consumption                 | kWh                         | 14,053,089 | 11,263,460                               | 5,009,829                           |
|                                         | kWh/FTE**                   | 10,590     | 9,441                                    | 4,199                               |
|                                         | tonnes CO <sub>2</sub>      | 2,588.30   | 2,033.96                                 | 904.68                              |
| Natural Gas Consumption                 | m <sup>3</sup>              | 301,354    | 368,839                                  | 38,229                              |
|                                         | m <sup>3</sup> /FTE         | 227        | 309.1696639                              | 32.04442582                         |
|                                         | tonnes CO <sub>2</sub>      | 569.4      | 696.933                                  | 72.235                              |
| Business Travel<br>(flight and vehicle) | km (flight)                 | 16,500,000 | 15,696,000                               |                                     |
|                                         | km (vehicle)                | 572,085    | 534,603                                  |                                     |
|                                         | Total km                    | 17,072,085 | 16,230,603                               |                                     |
|                                         | tonnes CO <sub>2</sub>      | 2,088.70   | 1,903.58                                 |                                     |
| Paper Consumption                       | tonnes                      | 23.6       |                                          |                                     |
|                                         | kg/FTE                      | 17.7       |                                          |                                     |
|                                         | tonnes CO <sub>2</sub>      | 49.8       |                                          |                                     |
| Paper Recycled                          | tonnes                      | 81.6       |                                          |                                     |
|                                         | kg/FTE                      | 61.5       |                                          |                                     |
| Mixed Paper Recycled                    | tonnes                      | 147.8      |                                          |                                     |
|                                         | kg/FTE                      | 111.0      |                                          |                                     |
| Building Water Consumption              | L                           | 24,296,804 | 25,118,951                               | 20,088,000                          |
|                                         | L/FTE                       | 18,310     | 21,055                                   | 16,838                              |
| Carbon Footprint                        | tonnes CO <sub>2</sub>      | 5,296      | 4,634                                    | 977                                 |
|                                         | tonnes CO <sub>2</sub> /FTE | 5.06       | 4.43                                     | 0.92                                |

\*\* FTE is full-time equivalent

Assumptions Used for Measurable Footprint Components:

- **Paper Consumption:** includes plain paper usage in the serveries and Printshop.
- **Paper Recycling:** includes confidential shredding bins and bulk shredding.
- **Mixed Paper Recycled:** includes common mixed paper and cardboard recycling centres and individual mixed paper recycling bins. This calculation is based on the 2010 Waste Audit.
- **Electricity Consumption, Natural Gas Consumption, and Building Water Consumption:** pro-rated based on leased EDC office space.
- **Business Travel (flight and vehicle):** includes air travel purchased/tracked through Ottawa travel department, and mileage associated with EDC's car allowance program.

## Carbon Dioxide (CO<sub>2</sub>) Conversion Information

| FOOTPRINT COMPONENT       | INVENTORY<br>(Scope 1, 2 or 3) | CO <sub>2</sub> FACTOR                                                  | SOURCE                                                                                                                                                      |
|---------------------------|--------------------------------|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Electricity Consumption   | Scope 2                        | All (Ontario Power grid uses coal, oil, natural gas, hydro and nuclear) | World Resources Institute GHG Protocol from purchased electricity, v.4.3 (revised August 2011)                                                              |
| Natural Gas Consumption   | Scope 1                        | Commercial, gaseous fossil, natural gas                                 | World Resources Institute GHG Protocol from stationary combustion, v 4.0 (revised October 2010)                                                             |
| Paper Consumption         | Scope 3                        | Cascade Rolland HiTech 50 uncoated paper with 50% recycled content      | <b>CO<sub>2</sub> estimates were made using the Environmental Defense Fund paper Calculator</b>                                                             |
| Business Travel (flight)  | Scope 3                        | Fossil fuels                                                            | World Resources Institute (2008): GHG emissions from transport or mobile sources, GHG Emission Calculation Tool, v 2.3 (revised October 2011)               |
| Business Travel (vehicle) | Scope 3                        | Fossil fuels                                                            | World Resources Institute (2008): GHG emissions from transport or mobile sources. GHG Emissions Calculation Tool, v.2.3 (revised October 2011) GHG Protocol |

World Resources Institute: The Greenhouse Gas protocol: A Corporate Accounting and Reporting Standard (revised edition);

Scope 1 Inventory: a reporting organization's direct GHG emissions

Scope 2 Inventory: a reporting organization's emissions associated with the generation of electricity, heating/cooling or steam purchased for own consumption

Scope 3 Inventory: a reporting organization's indirect emissions other than those covered by Scope 2

## 2011 Performance Measures

|                        |                                                                                    |
|------------------------|------------------------------------------------------------------------------------|
| <b>Objective:</b>      | Measure and manage EDC's operational footprint                                     |
| <b>Activity:</b>       | Establish new methodology to measure and report footprint data in the new building |
| <b>Measure/Target:</b> | Establish methodology for tracking footprint data in the new EDC building          |
| <b>Result:</b>         | Methodology established for implementation in 2012                                 |

## 2012 Performance Measures

|                        |                                                                   |
|------------------------|-------------------------------------------------------------------|
| <b>Objective:</b>      | Measure and manage EDC's operational footprint                    |
| <b>Activity:</b>       | Implement the methodology and data collection in the new building |
| <b>Measure/Target:</b> | Establish a new operational footprint baseline                    |

# SOCIAL IMPACT

## COMMUNITY INVESTMENT



We invest in and encourage employees to be active in the communities where they live and work through initiatives that are either related to our international trade mandate or that provide opportunities for furthering employee community involvement.

As a result of a community investment strategic review completed in 2011, we defined several managerial continuous improvements and three priorities: international business and trade education, microfinance and enterprise development and employee-led community initiatives.

## INTERNATIONAL BUSINESS AND TRADE EDUCATION

### International Business Scholarships

We created International Business Scholarships because international trade is critical to Canada's economic prosperity and we are dedicated to helping students — the next generation of business leaders — to succeed. Each year, we award 30 \$4,000 scholarships, 25 of which go to undergraduate university students interested in pursuing a career in international business, with up to five additional scholarships for students in programs that combine business with environmental or sustainability studies.

In 2011, 305 eligible students from 52 universities applied. As a result of this program, we awarded 30 scholarships to Canadian international business students representing 20 different universities and seven provinces. Two-thirds of the recipients were female; half are bilingual in Canada's both official languages.

## 2011 EDC International Business Scholarship Winners

- ▶ Alice Bao, University of Waterloo
- ▶ Sheila Ball, University of Waterloo
- ▶ Ethan Baron, University of Winnipeg
- ▶ Isabelle Boileau, Université du Québec à Montréal
- ▶ Caroline Breuer, Queen's University
- ▶ Marielle Chartier Hénault, HEC Montréal
- ▶ Kara Chiki, Wilfrid Laurier University
- ▶ Marc Coderre, University of Victoria
- ▶ Matthew Corluka, Carleton University
- ▶ Kayleigh Donahue, University of Alberta
- ▶ Valeriya Edemskaya, University of Victoria
- ▶ Kayley Fulton, University of Lethbridge
- ▶ Mingqiu Guo, Simon Fraser University
- ▶ Yunjoo Jang, York University
- ▶ Oksana Kovalenko, Acadia University
- ▶ Mathieu Labrèche, Université Laval
- ▶ Jevta Lukic, Simon Fraser University
- ▶ Emily McLean, University of Guelph
- ▶ Da In (Carissa) Oh, McGill University
- ▶ Mihaela Pal, University of Guelph
- ▶ Samantha Phelan, Memorial University of Newfoundland
- ▶ Stefano Polloni, Université de Montréal
- ▶ Danielle Ruggles, University of Waterloo
- ▶ Mark Tsou, University of Waterloo
- ▶ Jonas White, University of Western Ontario
- ▶ Heng Zhang, University of Calgary
- ▶ Christine Zhou, Queen's University
- ▶ Jennifer Zhou, York University
- ▶ Kevin Zhou, University of Western Ontario
- ▶ Aamna Zia, University of Lethbridge

## 2011 Performance Measures

|                        |                                                                                                                                                                                                                                                                                                                                                                                                             |
|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Objective:</b>      | Open undergraduate scholarship program to increase accessibility among Canadian students                                                                                                                                                                                                                                                                                                                    |
| <b>Activity:</b>       | Increase in EDC's scholarships and number and breadth of universities represented across Canada                                                                                                                                                                                                                                                                                                             |
| <b>Measure/Target:</b> | 350 eligible scholarship applicants, 63 universities                                                                                                                                                                                                                                                                                                                                                        |
| <b>Result:</b>         | 305 eligible scholarship applicants, 52 Canadian universities. This represents a shortfall from our target. To address this gap, we will put in place an enhanced promotion plan to reach a higher number of eligible students during the next application cycle, including the use of social media, as well as efforts to open access to students from full-time accredited programs at Canadian colleges. |

## 2012 Performance Measures

|                        |                                                                                                                                  |
|------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| <b>Objective:</b>      | Increase the representation and access of eligible Canadian students to the EDC scholarships                                     |
| <b>Activity:</b>       | Increase in EDC's scholarships eligible applicants and number and breadth of universities and colleges represented across Canada |
| <b>Measure/Target:</b> | 350 eligible scholarship applicants representing 75% of 85 targeted Canadian universities and colleges                           |

# UNIVERSITY PARTNERSHIPS

In partnership with Canadian educational institutions and key stakeholders, our Youth Education Program creates learning opportunities for young Canadians on the importance of international business and trade.

## University of Waterloo: EDC Environmental Finance Chair

In 2008 we entered into a five-year partnership with the **University of Waterloo** and established an EDC Environmental Finance Chair at the Faculty of Environment's School of Environment, Enterprise and Development (**SEED**). This Chair conducts empirical research related to finance and sustainability, and works to integrate environmental management into business studies.

In 2010, Dr. Olaf Weber was appointed as the first EDC Chair in Environmental Finance. Dr. Weber has established himself in Canada as a leading scholar in the field of sustainable finance. His research on environmental credit risk management brings an innovative, quantitative approach to an area of research that has growing demand for robust, evidence-based tools to assess and integrate environmental considerations into financial decision-making processes.

In addition to teaching on Environmental Finance as new subject matter, the Chair has made significant progress conducting research, mobilizing additional resources, educating and transferring know-how through publications and presentations, as well as supervising undergraduate and graduate students through multi-disciplinary and environmentally focused teaching and research.

## Partnership with the Schulich School of Business

In 2010, we established a five-year partnership with the **Schulich School of Business** at York University to design a national curriculum on international trade and investment which, when completed, will include making teaching materials available to business schools across Canada. During 2011, we continued to make successful progress towards this goal.

# EDC-CARE PARTNERSHIP

Outside Canada, we have engaged in a partnership with CARE Canada to assist microfinance or small business development projects around the world through a joint global community investment initiative: Beyond Exports. In each year of this four-year program, we invest \$170,000 and assign staff for 16-week assignments to various CARE enterprise development projects around the world and at CARE Canada headquarters in Ottawa. Since the program was launched in 2009, we have assigned 11 EDC volunteers to CARE projects.

In 2011, we sent two more volunteers to Zambia and our first volunteer to India to work on small business development projects.



In the third year of our partnership with CARE Canada, we sent our first volunteer to work with CARE India.

## Helping marginal Indian farmers overcome poverty

In September 2011 we sent our first volunteer, Bern Chartrand, to work with CARE India, which has a strong presence in the states and communities that face extreme poverty and discrimination. Bern was located in Gujarat, the fastest-growing state in India, but one with pockets of extreme poverty and disenfranchisement. The goal of his project (K-LEAP) was to help marginal and small-yield farmers engage in income-generating activities with the support of self-help groups. His role was to help establish three AgroService Centres (ASCs) throughout the district — affordable depots to buy feed, seeds, veterinary services and fertilizers — and to lay the foundation for the ASCs to operate on a self-sustaining basis when they are handed over to the farmer groups in 2013.

## 2011 Performance Measures

|                        |                                                                                                                               |
|------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| <b>Objective:</b>      | Support for local and international community investment through employee volunteerism                                        |
| <b>Activity:</b>       | Placement of EDC employee volunteers in international enterprise development projects in emerging markets through CARE Canada |
| <b>Measure/Target:</b> | Minimum three EDC employee volunteer placements, one of which was assigned in CARE Canada Ottawa operation                    |
| <b>Result:</b>         | Two volunteers were assigned to Zambia, one to India and one to CARE Canada headquarters for periods of four months each      |

## 2012 Performance Measures

|                        |                                                                                           |
|------------------------|-------------------------------------------------------------------------------------------|
| <b>Objective:</b>      | Review the EDC-CARE Canada partnership                                                    |
| <b>Activity:</b>       | Undertake evaluation of past performance                                                  |
| <b>Measure/Target:</b> | EDC-CARE Canada partnership evaluated for renewal and new multi-year agreement negotiated |

# EMPLOYEE-LED COMMUNITY INITIATIVES

We demonstrate our commitment to supporting the communities in which we live and work through various initiatives including support for employee-led initiatives on diverse social causes.

In 2003, we established a program to recognize the valuable contribution of employees who demonstrate an ongoing commitment as volunteers for at least 35 hours with the same charity annually. Since then, EDC has supported a total of 84 different charities where EDC employees share their time and talents.

## Employee Volunteerism

In 2011, 46 employees were supported through this program and \$30,000 was donated by EDC on their behalf to the following 28 Canadian charities:

### 2011 Charitable Donations

- ▶ Barrhaven United Church (Food Cupboard)
- ▶ Canadian Association for Access to Professional Education
- ▶ Canadian Canoe Foundation
- ▶ Canadian Diabetes Association
- ▶ Canadian Liver Foundation
- ▶ Centre Artisanal pour la Déficience-Intellectuelle de l'Outaouais (Le C.A.D.O.)
- ▶ Centretown Community Health Centre
- ▶ Children's Aid Foundation for Ottawa (CAFO) (formerly Champions for Children)
- ▶ Club des Petits Déjeuners du Québec
- ▶ Daybreak Non-Profit Shelter (Ecumenical) Corporation
- ▶ Development and Peace
- ▶ Dress for Success Ottawa National Capital Region
- ▶ Family Services à la famille Ottawa
- ▶ L'Arche Ottawa
- ▶ Lanark County Interval House
- ▶ Nepean Concert Band
- ▶ Ottawa St. Anthony Italia Soccer Club/Daffodil Gala Committee-Endowment Fund
- ▶ Ottawa Youth Orchestra
- ▶ Ottawa-Carleton Citizen Advocacy
- ▶ Parkinson Society Ottawa
- ▶ Perth & District Food Bank and Friendship Centre
- ▶ Quail Quebec Association for Independent Living
- ▶ Savoy Society of Ottawa
- ▶ Scouts Canada (96th Ottawa Group)
- ▶ Sears Canada Charitable Foundation
- ▶ Stephen Lewis Foundation (Greater Van Gogos Chapter)
- ▶ The Leukemia & Lymphoma Society of Canada
- ▶ The Princess Margaret Hospital Foundation (The Enbridge Ride to Conquer Cancer)

EDC's Angela Hopper has been volunteering at Daybreak, a non-profit shelter, for more than 10 years.

"Since 1982, Daybreak has been a place to call home for those who not only have difficulty finding affordable housing, but also struggle with issues such as mental health, recovery from addictions, escaping abusive situations and limited life skills. I have been involved for over 10 years. I started baking birthday cakes for the residents and currently sit on their Board of Directors. As a volunteer, I feel privileged as I can see the impact that Daybreak has in transforming people's lives."

**Angela Hopper**, Business Solutions & Technology Client Business Partner

## Community Service Leave

Eligible employees may request up to two days' paid Community Service Leave per year for their volunteer activities, subject to the discretion and approval of their team leader based on operational requirements. In 2011, 20 employees were able to take advantage of this program, for a total of more than 140 volunteering hours.

## United Way

We also support employees fundraising annually for the United Way Charitable Donations Campaign. In 2011, employees raised \$309,542 with a participation rate of 77 per cent, which includes contributions from staff across Canada. We were also awarded the Campaign Communications Award at the Government of Canada Workplace Charitable Campaign Achievement Awards for our Internal "One Dollar More" campaign to raise awareness and money. In 2011, for the ninth year, we also took part in the annual Community Action Days, organized jointly by United Way/Centraide Ottawa and Volunteer Ottawa, where hundreds of employees participated as campaign staff, canvassers, and in the community action days. Each year we also second a staff member to the campaign headquarters in Ottawa for a four-month period.

## 2012 Performance Measures

|                        |                                                                                                                      |
|------------------------|----------------------------------------------------------------------------------------------------------------------|
| <b>Objective:</b>      | Increase employee knowledge and awareness of volunteering opportunities                                              |
| <b>Activity:</b>       | Consolidate the offer of volunteer programs in a single place for employees to have easy access                      |
| <b>Measure/Target:</b> | Increase the number of charitable donations applications received from employees compared to 28 received during 2011 |

# EMPLOYEE ENGAGEMENT



Our human resources strategy is committed to ensuring that customers continue to be served by an engaged and committed workforce. We have a strong employee development program and offer courses within our five key learning streams: New Employees, Products & Services, Leadership Development, the “EDC Way” and Languages. Learning streams are aligned with our corporate goals and confirmed annually by EDC’s Executive Team.

For more information on our social impact, we have included excerpts from our 2011 Annual Report on the following 3 pages

| EMPLOYEE ENGAGEMENT       | 2011   | 2010   |
|---------------------------|--------|--------|
| Aboriginals               | 0.54%  | 0.73%  |
| Women                     | 52.38% | 50.32% |
| Persons with disabilities | 3.41%  | 3.17%  |
| Visible minorities        | 11.68% | 11.24% |

# DELIVERING VALUE TO EDC'S CUSTOMERS AND PARTNERS

We deliver value through reliable, flexible, timely and relevant service, focusing on the evolving needs of our customers regardless of their size, location or sector. Our workforce, the investments made in our technological architecture, our new head office and Lean process improvements all enabled us to provide value to Canadian global business in a cost-effective manner, and in a way that is socially responsible and upholds the expectations of Canadians.

|                        | 2010 RESULTS | 2011 PLAN                                     | 2011 RESULTS                                           | 2012 PLAN                                     |
|------------------------|--------------|-----------------------------------------------|--------------------------------------------------------|-----------------------------------------------|
| Net Promoter Score     | 72.1         | 70.0-77.0                                     | ▲ 71.2                                                 | 70.0-76.0<br>maintain                         |
| VfM to TCO ratio*      | 31:69        | 45:55                                         | ▼ 37:63                                                | 35:65                                         |
| Employee engagement**  | n/a          | rank same<br>as high-quality<br>organizations | ▲ rank<br>higher than<br>high-quality<br>organizations | rank same<br>as high-quality<br>organizations |
| Employee retention (%) | 92.6         | ≥ Conference<br>Board rate of 89.1            | ▲ 90.3                                                 | ≥ CB rate                                     |

Ratings in our performance measures are as follows:

- ▲ Target met or exceeded (> 98% of plan)
- ↔ Target substantially met (≥ 95% and ≤ 98% of plan)
- ▼ Target not met (< 95% of plan)

\* Value for money (VfM) – investments in IT that increase business performance.

Total cost of ownership (TCO) – the costs of maintaining core business infrastructure and technology assets.

\*\* High-quality Organization norm is 74%, EDC achieved 78%.

## Measuring our success

Our ongoing efforts to deliver a positive customer experience are contributing to an improved Net Promoter Score (NPS), the most relevant measure by which we evaluate our success in customer satisfaction and loyalty. Our NPS for 2011, at 71.2, although down slightly from 2010, is a good indication that the majority of our customers would be likely to refer us to partners and associates.

The NPS is based on the question: "How likely is it that you would recommend EDC

to a colleague who is also an exporter?"

This single question allows us to track our progress in delivering value to customers and partners. Referral is considered one of the strongest measures of customer loyalty because it asks the customer to stake its reputation on EDC. Results indicate that we have a strong majority of promoters (73%); many passively satisfied clients (25%) and very few detractors (2%).

Account management ranked as the top driver in 2011. Other key drivers were service quality and the perception that our products are worth the time and effort.

## Lean: delivering a positive customer experience

Improving our service delivery is one way we deliver greater value to our customers. By adopting the Lean methodology five years ago, we have changed the way we do business, including eliminating waste, simplifying processes and transforming technology to make our customers' experience more predictable and consistent.

In 2011, we launched a new Lean Accounts Receivable Insurance (ARI) credit granting function, which improved the internal

Our new head office was built to be green: rooms are designed to automatically detect the number of people and maintain the temperature accordingly; all furniture, carpets and window shades are made with a material with low volatile organic compounds, windows are high-efficiency, low-glare and heat-reflecting; carpets are 100 per cent recyclable and can be broken down and reused; and the parking garage features 152 bicycle spots. We will know if the building meets LEED Gold standards sometime in 2012.



process by eliminating bottlenecks. We also launched an improved process collaboration model for our Advisory Services teams that provide advice related to environmental and social impacts, technical and legal issues, and political, reputational and human rights risk. Moving forward, we plan to create a Lean Centre of Expertise, to ensure we stay abreast of lean best practices.

### Value for money

Each year, we evaluate how our information technology investments are divided between Value for Money (VfM), investments in IT, which increase business performance, and Total Cost of Ownership (TCO), which are the costs of maintaining core business infrastructure and technology assets.

In 2011, our result of 37:63 did not reach our Corporate Plan of 45:55. While we did see a positive increase in VfM spend from 2010 when the ratio was 31:69, TCO spending was higher than plan due to the costs required to support an increasing

number of business systems and system architectural complexity. It is expected that the upward pressure on TCO will continue in the near future, as we continue to modernize our legacy systems and information technology architecture.

### New head office

In 2011, we consolidated all Ottawa-based staff in one building. The new, leased head office, which is being evaluated for Leadership in Energy and Environmental Design (LEED) gold standard certification, features enhanced technology including videoconferencing facilities and wireless tools that support flexible work arrangements, increased mobility and collaboration. This technology will create greater efficiencies, and hold travel costs flat, without sacrificing our standards of customer service.

### Modernizing our business applications

Our Information Technology Strategy in 2011 focused on three main initiatives: to develop an information architecture that

enables self-service business intelligence and reporting; to build common services and platforms to enable more seamless connectivity between our business and the supply chains of our clients; and to deploy a web channel that complements our other channels, with portals and content tailored to our stakeholders' requirements.

To support the strategy, several initiatives were identified as part of our Business Architecture Redesign program – namely to modernize our current business applications and build an architectural foundation that strengthens our partnerships with our customers, and to give employees quicker and easier access to decision-making information. In 2011, we implemented the first phase of the Credit Risk Rating Engine project, which updated and standardized our credit risk processes, addressed gaps in our risk rating processes and streamlined data flow to ensure information is received on a timely basis. Phase 1 of the new edc.ca was also completed, with the launch of our new website.

## The future of work at EDC

By integrating design with the latest technologies, our new head office symbolizes the future of work at EDC: it promotes greater collaboration between employees and our customers, embodies our application of Lean processes and our approach to working more efficiently, more cooperatively and more creatively.



We also spent a good deal of effort this year strengthening our enterprise risk management framework. And, we elevated our risk management function to the executive level, appointing a senior executive to head all key aspects of risk management.

## A culture of learning

Our human resources strategy is committed to ensuring that customers continue to be served by an engaged and committed workforce; a culture of learning is a cornerstone of our employment value proposition. We have a strong employee development program and offer courses within our five key learning streams: New Employees, Products & Services, Leadership Development, the “EDC Way” and Languages. Learning streams are aligned with our corporate goals and confirmed annually by EDC’s Executive Team.

In 2011, support for the new building and new work environment was a priority. We delivered technology training sessions to all employees, which corresponded with each move of employees to the new building. To support change management efforts, training sessions were also provided for leaders on Managing Teams with Remote Employees and How to Run Effective Meetings.

We also renewed our emphasis on bilingualism in order to provide service to our customers in the official language of their choice. Leaders and key resources are the strategic focus for a B level of proficiency.

As greater numbers of our employees are working outside of Ottawa, efforts continued to increase accessibility of training through online delivery and “intensive” training weeks. We implemented a learning management system to establish the platform for “anytime, anyplace, any pace” access to learning. At the end of 2011, 50 per cent of our course offerings were available in non-classroom-type formats.

## Training

Ongoing learning is one of our core values. A strong learning and development program contributes to employee engagement and ensures our employees maintain the skills and knowledge needed to help our customers.

Corporate-wide training was offered in 2011 to increase employees’ understanding and awareness of the reasons behind our transformational change underway and to empower and engage employees to create a work environment with greater levels of trust and collaboration.

Our in-house language training program includes multiple options for learning, including classroom sessions, one-on-one language training sessions with senior leaders, intensive immersion programs, and online training and support. To further embed bilingualism and develop a bilingual work culture, opportunities are also being created outside the classroom for employees to practice in a day-to-day work environment.

In addition to benefiting our customers, together these measures result in a more engaged employee base. Our employee retention rate in 2011 was 90.3 per cent.

## Corporate Social Responsibility

Delivering value also means operating in a socially responsible manner, which forms an integral part of our larger economic goal of enhancing Canada’s trade performance. To ensure we stay in step with international best practices, in 2011, we conducted a strategic review of our CSR practices, benchmarking ourselves against our peers. For highlights on our environmental and social performance throughout 2011, please see the Corporate Social Responsibility section of this report. We also publish a comprehensive CSR annual report slated for release in May 2012.

# APPENDICES

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Performance Measures: 2012 Commitments..... 81

Key CSR Milestones ..... 83

List of Agreements, Frameworks, etc. .... 86

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Acronyms ..... 90

| G3.1 Content Index - Financial Services Sector Supplement - Application Level B |                                                                                                                                                                                                |          |                                                                                                                                                                                                                                            |                     |             |
|---------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------|
|                                                                                 | Application Level B                                                                                                                                                                            |          |                                                                                                                                                                                                                                            | Assured by          |             |
| STANDARD DISCLOSURES PART I: Profile Disclosures                                |                                                                                                                                                                                                |          |                                                                                                                                                                                                                                            |                     |             |
| 1. Strategy and Analysis                                                        |                                                                                                                                                                                                |          |                                                                                                                                                                                                                                            |                     |             |
| Profile Disclosure                                                              | Description                                                                                                                                                                                    | Reported | Cross-reference/Direct answer                                                                                                                                                                                                              | Reason for omission | Explanation |
| 1.1                                                                             | Statement from the most senior decision-maker of the organization.                                                                                                                             | Fully    | <a href="#">AR</a> - Message from the Chair<br><a href="#">AR</a> – Message from President and CEO<br><a href="#">CSR</a> - Message from Chief CSR Advisor                                                                                 |                     |             |
| 1.2                                                                             | Description of key impacts, risks, and opportunities.                                                                                                                                          | Fully    | <a href="#">AR</a> – 2011 Summary<br><a href="#">CSR</a> – Economic Impact<br><a href="#">CP</a> – Executive Summary pp. 5-7                                                                                                               |                     |             |
| 2. Organizational Profile                                                       |                                                                                                                                                                                                |          |                                                                                                                                                                                                                                            |                     |             |
| Profile Disclosure                                                              | Description                                                                                                                                                                                    | Reported | Cross-reference/Direct answer                                                                                                                                                                                                              | Reason for omission | Explanation |
| 2.1                                                                             | Name of the organization.                                                                                                                                                                      | Fully    | <a href="#">AR</a> – home page<br><a href="#">CSR</a> – Corporate Profile<br><a href="#">WWW</a> (About Us)                                                                                                                                |                     |             |
| 2.2                                                                             | Primary brands, products, and/or services.                                                                                                                                                     | Fully    | <a href="#">AR</a> – Deploying Innovation Solutions<br><a href="#">CSR</a> – Our Products and Services<br><a href="#">CP</a> – EDC's Financing and Insurance Solutions see Annex, pages 96-99                                              |                     |             |
| 2.3                                                                             | Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.                                                                    | Fully    | <a href="#">AR</a> – Executive Management Team<br><a href="#">CP</a> – Managerial and Organizational Structure and Board and Committee Structure (Annex 1 - pages 94-97)<br><a href="#">WWW</a> – Contact Us – Our Offices - International |                     |             |
| 2.4                                                                             | Location of organization's headquarters.                                                                                                                                                       | Fully    | <a href="#">AR</a> – Corporate Representations<br><a href="#">WWW</a> – Contact Us – Our Offices - Canada                                                                                                                                  |                     |             |
| 2.5                                                                             | Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report. | Fully    | <a href="#">AR</a> – EDC Around the World<br><a href="#">WWW</a> – Contact Us – Our Offices Around the World                                                                                                                               |                     |             |
| 2.6                                                                             | Nature of ownership and legal form.                                                                                                                                                            | Fully    | 100% owned by the Government of Canada (Crown Corporation)<br><a href="#">AR</a> - see map: EDC Around the World<br><a href="#">CSR</a> – Corporate Profile                                                                                |                     |             |

| 2. Organizational Profile (Cont'd) |                                                                                                        |          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                     |             |
|------------------------------------|--------------------------------------------------------------------------------------------------------|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------|
| Profile Disclosure                 | Description                                                                                            | Reported | Cross-reference/Direct answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Reason for omission | Explanation |
| 2.7                                | Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries). | Fully    | <a href="#">AR</a> - EDC Around the World<br><br><a href="#">CSR</a> – Corporate Profile/EDC Around the World<br><br><a href="#">WWW</a> – See contact us – Our offices - International                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                     |             |
| 2.8                                | Scale of the reporting organization.                                                                   | Fully    | EDC is a Crown Corporation wholly owned by the Government of Canada that provides trade financing, insurance and risk management services to Canadian exporters and investors in up to 200 markets worldwide. EDC has 16 international representations with nearly 40 staff. EDC also has 17 offices across Canada. EDC has its Headquarters in Ottawa, Ontario, Canada.<br>Number of employees: 1056<br>Net Revenues: \$1.30 billion<br>Total Capitalization: \$10.8 billion<br>Quantity of products or services provided: insurance and financing. The quantities of each provided in 2011 are noted below:<br><br>Financing: \$14.6 billion<br>Insurance: \$88 billion<br><br><a href="#">AR</a> – Net Financing and Investment Income<br><br><a href="#">CSR</a> - Corporate Profile - Our Products and Services |                     |             |
| 2.9                                | Significant changes during the reporting period regarding size, structure, or ownership.               | Fully    | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                     |             |
| 2.10                               | Awards received in the reporting period.                                                               | Fully    | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                     |             |
| 3. Report Parameters               |                                                                                                        |          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                     |             |
| Profile Disclosure                 | Description                                                                                            | Reported | Cross-reference/Direct answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Reason for omission | Explanation |
| 3.1                                | Reporting period (e.g., fiscal/calendar year) for information provided.                                | Fully    | Calendar Year<br><br><a href="#">AR</a> - Management's Discussion and Analysis                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                     |             |
| 3.2                                | Date of most recent previous report                                                                    | Fully    | We report annually; previous report covered calendar year 2010 and is available online<br><br><a href="#">WWW</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                     |             |
| 3.3                                | Reporting cycle (annual, biennial, etc.)                                                               | Fully    | Annual for both<br><br><a href="#">AR</a> – Management's Discussion and Analysis<br><br><a href="#">CSR</a> – In this Report                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                     |             |

| 3. Report Parameters (Cont'd) |                                                                                                                                                                                                                                                                                                             |          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                     |             |
|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------|
| Profile Disclosure            | Description                                                                                                                                                                                                                                                                                                 | Reported | Cross-reference/Direct answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Reason for omission | Explanation |
| 3.4                           | Contact point for questions regarding the report or its contents.                                                                                                                                                                                                                                           | Fully    | Phone numbers and e-mail provided<br><a href="#">CSR</a> - In this report and see Contact the CSR Team<br>WWW - <a href="#">CSR section</a> and <a href="#">Contact Us</a><br><a href="#">CSR</a> - In this Report<br>WWW - <a href="#">Our Commitment</a> and <a href="#">Contact Us</a>                                                                                                                                                                                                                                                                                 |                     |             |
| 3.5                           | Process for defining report content.                                                                                                                                                                                                                                                                        | Fully    | The report's content is based on guidance from many sources including our strategic CSR priorities, the Global Reporting Initiative (GRI), a materiality test with internal stakeholders and a CSR Report Feedback Advisory Group of external stakeholders. The report content was determined by those areas identified as part of our CSR Framework: Business Ethics, Environment, Transparency, Community Investment and Employee Engagement.<br><br><a href="#">CSR</a> – <a href="#">In this report</a> and <a href="#">CSR – CSR at EDC</a> – see Materiality Matrix |                     |             |
| 3.6                           | Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).                                                                                                                                                                                            | Fully    | Report covers all EDC's operations, except where indicated<br><br><a href="#">CSR</a> - In this report                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                     |             |
| 3.7                           | State any specific limitations on the scope or boundary of the report                                                                                                                                                                                                                                       | Fully    | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                     |             |
| 3.8                           | Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.                                                                                           | Fully    | No major changes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                     |             |
| 3.9                           | Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols. | Fully    | <a href="#">CSR</a> Assurance Statement and Operational Footprint<br><a href="#">CSR</a> - Assurance Statement<br><br><a href="#">CSR</a> - Operational Footprint                                                                                                                                                                                                                                                                                                                                                                                                         |                     |             |
| 3.10                          | Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).                                                                       | Fully    | No re-statement in the reporting period                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                     |             |
| 3.11                          | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.                                                                                                                                                                                   | Fully    | None                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                     |             |
| 3.12                          | Table identifying the location of the Standard Disclosures in the report.                                                                                                                                                                                                                                   | Fully    | <a href="#">CSR</a> – GRI Table                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                     |             |
| 3.13                          | Policy and current practice with regard to seeking external assurance for the report.                                                                                                                                                                                                                       | Fully    | <a href="#">CSR</a> - <a href="#">In this report</a> , External assurance statement<br><a href="#">CSR</a> – Independent Reviewer's Report                                                                                                                                                                                                                                                                                                                                                                                                                                |                     |             |

| 4. Governance, Commitments, and Engagement |                                                                                                                                                                                                                                                                                                                |          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                     |             |
|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|-------------|
| Profile Disclosure                         | Description                                                                                                                                                                                                                                                                                                    | Reported | Cross-reference/Direct answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Reason for omission | Explanation |
| 4.1                                        | Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.                                                                                                                         | Fully    | <a href="#">AR</a> – Corporate Governance Practices – see Committee Mandates                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                     |             |
| 4.2                                        | Indicate whether the Chair of the highest governance body is also an executive officer.                                                                                                                                                                                                                        | Fully    | <a href="#">AR</a> – Accountability and Operations<br><a href="#">WWW</a> – See Management and Governance                                                                                                                                                                                                                                                                                                                                                                                                                       |                     |             |
| 4.3                                        | For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.                                                                                                                                | Fully    | Except for the President and CEO, all Board members are independent and non-executive officers.<br><a href="#">AR</a> – Accountability and Operations<br><a href="#">WWW</a> – See Management and Governance, Board of Directors                                                                                                                                                                                                                                                                                                |                     |             |
| 4.4                                        | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.                                                                                                                                                                                              | Fully    | <a href="#">AR</a> – Communication with Stakeholders<br><a href="#">CSR</a> – Stakeholder Engagement                                                                                                                                                                                                                                                                                                                                                                                                                            |                     |             |
| 4.5                                        | Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).                                                                              | Fully    | Board member compensation is not linked to the Corporation's performance<br><a href="#">AR</a> – Corporate Governance Practices at EDC – see Senior Management Evaluation and Succession, Director Remuneration                                                                                                                                                                                                                                                                                                                 |                     |             |
| 4.6                                        | Processes in place for the highest governance body to ensure conflicts of interest are avoided.                                                                                                                                                                                                                | Fully    | <a href="#">AR</a> – Corporate Governance Practices – see Corporate Social Responsibility and Culture of Ethical Conduct<br><a href="#">CSR</a> – Ethics and Compliance<br><a href="#">WWW</a> – Compliance Officer                                                                                                                                                                                                                                                                                                             |                     |             |
| 4.7                                        | Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.                                                                                              | Fully    | <a href="#">AR</a> – see Committee Mandates – Nominating and Corporate Governance Committee<br><a href="#">WWW</a> – Board of Directors                                                                                                                                                                                                                                                                                                                                                                                         |                     |             |
| 4.8                                        | Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.                                                                                                                     | Fully    | <a href="#">AR</a> – Corporate Social Responsibility<br>CSR – <a href="#">Defining CSR at EDC</a> ; <a href="#">Ethics and Compliance</a> ; <a href="#">Corporate Loans</a> - see Environmental and Social Risk Management Policy; <a href="#">Human Rights</a> – see Performance Measures,<br><br>WWW - <a href="#">Corporate Information</a> – see About Us, <a href="#">Anti-Corruption Policy Guidelines</a> ; <a href="#">Environmental and Social Risk Management Framework</a> ; <a href="#">Code of Business Ethics</a> |                     |             |
| 4.9                                        | Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles. | Fully    | <a href="#">AR Corporate Social Responsibility</a> , <a href="#">Culture of Ethical Conduct</a> , and <a href="#">Committee Mandates</a><br><br>CSR – Environmental and Social Assessment – see <a href="#">Equator Principles</a> and IFC Standards; <a href="#">Environmental and Social Risk Management Policy</a> ; and <a href="#">Human Rights Statement</a> ;                                                                                                                                                            |                     |             |
| 4.10                                       | Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.                                                                                                                                                          | Fully    | <a href="#">AR-Committee Mandates</a> ; <a href="#">AR Corporate Social Responsibility</a> - see Chief CSR Advisor appointed; and <a href="#">Culture of Ethical Conduct</a>                                                                                                                                                                                                                                                                                                                                                    |                     |             |

| 4. Governance, Commitments, and Engagement (Cont'd) |                                                                                                                                                                                                                                                                                                                                |          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                     |             |
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| Profile Disclosure                                  | Description                                                                                                                                                                                                                                                                                                                    | Reported | Cross-reference/Direct answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Reason for omission | Explanation |
| 4.11                                                | Explanation of whether and how the precautionary approach or principle is addressed by the organization.                                                                                                                                                                                                                       | Fully    | <a href="#">AR (Risk Management)</a> - Committee Mandates, see Risk Management Committee<br><br><a href="#">CSR</a> – Environmental and Social Assessment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                     |             |
| 4.12                                                | Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.                                                                                                                                                                          | Fully    | CSR – <a href="#">List of Agreements, Frameworks</a> ; <a href="#">Equator Principles and IFC Performance Standards</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                     |             |
| 4.13                                                | Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic. | Fully    | CSR - <a href="#">Equator Principles and IFC Performance Standards</a> ; <a href="#">List of Agreements, Frameworks, etc.– see Memberships</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                     |             |
| 4.14                                                | List of stakeholder groups engaged by the organization.                                                                                                                                                                                                                                                                        | Fully    | <a href="#">CSR</a> - 2011 Stakeholder Engagement Issues                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                     |             |
| 4.15                                                | Basis for identification and selection of stakeholders with whom to engage.                                                                                                                                                                                                                                                    | Fully    | <a href="#">CSR</a> - 2011 Stakeholder Engagement Issues<br><a href="#">CSR</a> – Materiality Matrix                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                     |             |
| 4.16                                                | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.                                                                                                                                                                                                                      | Fully    | EDC engages with stakeholders on a continual basis. In addition to responding to stakeholder enquiries (see: Access to Information and Privacy and Public Enquiries), several events take place during our calendar year: two meetings with EDC's CSR Advisory Council members; one meeting with our Industry Stakeholder Panel; on a yearly basis, a roundtable at the Prospectors and Developers Association of Canada Convention, touching extractive industry-related topics. In addition, EDC arranges special consultations such as the multi-stakeholder Roundtable on Security and Human Rights in Colombia. The full list of key stakeholder engagements can be found at:<br><a href="http://edccsr.lfc.pcomms.ca/publications/2011csr/english/7-1.shtml">http://edccsr.lfc.pcomms.ca/publications/2011csr/english/7-1.shtml</a> ( <a href="#">Stakeholder Engagement</a> - click the box to access the table). Finally, engagement took place as part of the report preparation process through the creation of a CSR Report Feedback Advisory Group. The group's feedback and EDC's response is contained in "In this Report".<br><br>CSR – 2011 <a href="#">Stakeholder Engagement</a> and <a href="#">Access to Information</a> |                     |             |
| 4.17                                                | Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.                                                                                                                                        | Fully    | Engagement took place as part of the report preparation process through the creation of a CSR Report Feedback Advisory Group. The group's feedback and EDC's response is contained in "In this Report".<br><br>CSR - <a href="#">2011 Stakeholder Engagement Issues</a><br>CSR - <a href="#">Access to Information &amp; Privacy; Public Enquiries</a><br>CSR – <a href="#">In This Report</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                     |             |

| STANDARD DISCLOSURES PART II: Disclosures on Management Approach (DMAs) |                                                                                                                                                       |          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| G3.1 FSSS DMAs                                                          | Description                                                                                                                                           | Reported | Cross-reference/Direct answer                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Further Comments                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| DMA PS                                                                  | Disclosure on Management Approach PS                                                                                                                  |          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Aspects                                                                 | Product Portfolio                                                                                                                                     |          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| FS1                                                                     | Policies with specific environmental and social components applied to business lines.                                                                 | Fully    | CSR – <a href="#">Corporate Loans</a> ,<br><br>WWW – <a href="#">Environmental and Social Risk Management Policy</a>                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| FS2                                                                     | Procedures for assessing and screening environmental and social risks in business lines.                                                              | Fully    | AR – Committee Mandates – see <a href="#">Audit Committee</a><br><br>CSR - <a href="#">Environmental and Social Assessments</a> , <a href="#">Human Rights</a> and <a href="#">Project Reviews</a><br><a href="#">Environmental and Social Risk Management Policy</a><br><br>WWW – <a href="#">Understanding EDC's Project Review Process</a><br>WWW – <a href="#">Environmental Review Directive</a><br>WWW – <a href="#">OECD Recommendations on Common Approaches on the Environment</a> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| FS3                                                                     | Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions. | Fully    | <a href="#">CSR</a> we monitor projects supported by EDC<br><a href="#">Equator Principles</a> – see Principle 9: Independent Monitoring & Reporting<br><br>WWW – <a href="#">Understanding EDC's Project Review Process</a> (see Monitoring over the long-term)<br>WWW – <a href="#">OECD Recommendations on Common Approaches on the Environment</a> (see IV. Evaluation, Decision and Monitoring)                                                                                        | As an example: for the Kupol Project: Between 2005 and 2011, we actively monitored the project, which included a follow up site visit in 2008 and a requirement for Kinross to submit Annual Environmental Monitoring Reports to the Lenders. The Lenders' Independent Environmental and Social Consultant also visited the site on an annual basis to ensure the project continued to comply with the various commitments included in the project's Environmental and Social Impact Assessment (ESIA), Environmental and Social Action Plan and loan documentation. |
| FS4                                                                     | Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to business lines.            | Fully    | CSR - see <a href="#">Performance Measures</a> (Objective Two, 2011) and Internal Audits                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| FS5                                                                     | Interactions with clients/investees/business partners regarding environmental and social risks and opportunities.                                     | Fully    | <a href="#">CSR</a> - Environmental and Social Assessments<br>AR – Committee Mandates – see <a href="#">Audit Committee</a><br>CSR - <a href="#">Environmental and Social Assessments</a> , <a href="#">Project Reviews</a> , <a href="#">Human Rights</a> ,<br><a href="#">CSR</a> – see Internal Audits)                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|                                                                         | Audits                                                                                                                                                | Fully    | AR - <a href="#">Risk Management</a> - see Committee Mandates – Risk Management Committee                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|                                                                         | Active Ownership                                                                                                                                      | Fully    | AR <a href="#">Corporate Mandate</a> , AR – <a href="#">Corporate Governance</a> – see Risk Management Committee and CSR and culture of ethical conduct                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|                                                                         |                                                                                                                                                       |          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| DMA EC                                                                  | Disclosure on Management Approach EC                                                                                                                  |          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Aspects                                                                 |                                                                                                                                                       |          | <b>EC 1 - Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.</b><br><br><a href="#">AR</a> – Financial Results Overview<br><a href="#">CSR</a> – <a href="#">EDC in Numbers</a> and <a href="#">Economic Impact</a>                                                                                              | EDC's mandate is to promote economic growth in Canada through the support of Canadian exports and investment abroad. EDC helped generate \$70.5 billion of Canada's GDP (about 5.2 %), representing 707,000 jobs (about 4.1% of national employment) Report addresses issue identification and strategy development.                                                                                                                                                                                                                                                 |
|                                                                         | Economic Performance                                                                                                                                  | Fully    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|                                                                         | Market presence                                                                                                                                       | Fully    | <a href="#">AR - Corporate Representation</a> see map – EDC Around the World<br><br><a href="#">WWW</a> – see Our Office                                                                                                                                                                                                                                                                                                                                                                    | EDC has 16 international representations with nearly 40 staff.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|                                                                         | Indirect economic impacts                                                                                                                             | Fully    | <a href="#">CSR</a> – Economic Impact                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |

| STANDARD DISCLOSURES PART II: Disclosures on Management Approach (DMAs) |                                      |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                          |
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| G3.1 FSSS DMAs                                                          | Description                          | Reported  | Cross-reference/Direct answer                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Further Comments                                                                                         |
| DMA EN                                                                  | Disclosure on Management Approach EN |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                          |
| Aspects                                                                 |                                      |           | EN 1 Materials used by weight and volume: CSR - <a href="#">Environmental Performance: Operational Footprint</a>                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                          |
|                                                                         | Materials                            | Fully     | EN 2 Percentage of materials used that are recycled input materials<br>CSR - <a href="#">Environmental Performance: Operational Footprint</a>                                                                                                                                                                                                                                                                                                                                               |                                                                                                          |
|                                                                         | Energy                               | Fully     | EN3 Direct energy consumption by primary energy source:<br>CSR - <a href="#">Environmental Performance: Operational Footprint</a>                                                                                                                                                                                                                                                                                                                                                           |                                                                                                          |
|                                                                         | Water                                | Fully     | EN8 Water consumption by source (the municipality of Ottawa provides the water source): CSR - <a href="#">Environmental Performance: Operational Footprint</a>                                                                                                                                                                                                                                                                                                                              |                                                                                                          |
| DMA LA                                                                  | Disclosure on Management Approach LA |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                          |
| Aspects                                                                 |                                      |           | LA2 Total number and rate of employee turnover by age group, gender and region<br>Information on employee age is confidential.                                                                                                                                                                                                                                                                                                                                                              |                                                                                                          |
|                                                                         | Employment                           | Fully     | <a href="#">AR</a> - Delivering Value to EDC's Customers and Partners – Employee retention: Overall retention is 90.3%; disaggregated turnover rates by age group, gender and region is n/a.                                                                                                                                                                                                                                                                                                |                                                                                                          |
|                                                                         |                                      |           | EDC made a significant investment in 2011 in training of all employees in behavioural and collaborative skills and in Lean services technology and process improvements with the objective of increasing productivity and reducing waste.<br><br>Employee training is delivered through blended learning approaches with increased use of online modules, embedded and informal learning, etc.. As a result, it is no longer feasible to track the number of days of training per employee. |                                                                                                          |
|                                                                         | Training and education               | Fully     | <a href="#">AR</a> - see A Culture of Learning, and Training<br><a href="#">CSR</a> – 2011 Performance Measure results                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                          |
|                                                                         | Diversity and equal opportunity      | Fully     | <a href="#">CSR</a> – Corporate Profile, see: CSR at EDC in Numbers: Employee Engagement                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                          |
| DMA HR                                                                  | Disclosure on Management Approach HR |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                          |
| Aspects                                                                 |                                      |           | HR1 – Number of significant investment agreements that have undergone human rights screening                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                          |
|                                                                         | Investment and procurement practices | Fully     | <a href="#">CSR</a> – Human Rights                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                          |
| DMA SO                                                                  | Disclosure on Management Approach SO |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                          |
| Aspects                                                                 |                                      |           | SO1 – Programs and practices that assess and manage the impacts of operations on communities<br><a href="#">CSR</a>                                                                                                                                                                                                                                                                                                                                                                         | EDC's Environmental and Social Risk Management Framework includes a review of social impacts of projects |
|                                                                         | Local communities                    | Partially | SO4 – Actions taken in response to incidents of corruption<br><a href="#">CSR</a> - Combating Corruption <a href="#">WWW</a> – Business Ethics – Anti-corruption program                                                                                                                                                                                                                                                                                                                    |                                                                                                          |
|                                                                         | Corruption                           | Fully     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                          |
| DMA PR                                                                  | Disclosure on Management Approach PR |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                          |
|                                                                         |                                      |           | PR5 - Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                          |
|                                                                         | Marketing communications             | Fully     | <a href="#">AR</a> – <a href="#">Measuring our success</a>                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                          |

| STANDARD DISCLOSURES PART III:<br>Performance Indicators |                                                                                                                                                                                                                               |          |                                                                                                                                                                                                                                          |
|----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Product and Service Impact                               |                                                                                                                                                                                                                               |          |                                                                                                                                                                                                                                          |
| Performance Indicator                                    | Description                                                                                                                                                                                                                   | Reported | Cross-reference/Direct answer                                                                                                                                                                                                            |
| Product portfolio                                        |                                                                                                                                                                                                                               |          |                                                                                                                                                                                                                                          |
| FS6                                                      | Percentage of the portfolio for business lines by specific region, size (e.g. micro/SME/large) and by sector.                                                                                                                 | Fully    | WWW – <a href="#">Aggregate data on business by region, sector</a><br><a href="#">AR</a> – 2011 Highlights EDC served 7,787 Canadian companies, 6,169 SMEs                                                                               |
| FS8                                                      | Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose.                                                                                   | Fully    | <a href="#">CSR – Support for Cleantech</a>                                                                                                                                                                                              |
| Audit                                                    |                                                                                                                                                                                                                               |          |                                                                                                                                                                                                                                          |
| FS9                                                      | Coverage and frequency of audits to assess implementation of environmental and social policies and risk assessment procedures.                                                                                                | Fully    | <a href="#">CSR</a> – Project Reviews                                                                                                                                                                                                    |
| Active ownership                                         |                                                                                                                                                                                                                               |          |                                                                                                                                                                                                                                          |
| FS10                                                     | Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues.                                                                | Fully    | <a href="#">CSR</a> – Project Reviews (this reflects the minimal number of interactions with clients on environmental and social issues)                                                                                                 |
| FS11                                                     | Percentage of assets subject to positive and negative environmental or social screening.                                                                                                                                      | Fully    | <a href="#">CSR</a> – Project Reviews<br>(as a financial institution, specific dollar values of loans are not provided, so a percentage of total assets is not available )                                                               |
| FS12                                                     | Voting polic(ies) applied to environmental or social issues for shares over which the reporting organization holds the right to vote shares or advises on voting.                                                             | Fully    | AR <a href="#">Corporate Mandate</a> , AR – <a href="#">Corporate Governance</a> – see Risk Management Committee and CSR and culture of ethical conduct                                                                                  |
| Economic                                                 |                                                                                                                                                                                                                               |          |                                                                                                                                                                                                                                          |
| Performance Indicator                                    | Description                                                                                                                                                                                                                   | Reported | Cross-reference/Direct answer                                                                                                                                                                                                            |
| Economic performance                                     |                                                                                                                                                                                                                               |          |                                                                                                                                                                                                                                          |
| EC1                                                      | Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments. | Fully    | <a href="#">AR – 2011 Performance Highlights</a><br><a href="#">AR - Consolidated Financial Statements</a><br><br>CSR – <a href="#">Social Impact</a> – Employee-led Community Initiatives<br><a href="#">CSR – Economic Performance</a> |
| EC2                                                      | Financial implications and other risks and opportunities for the organization's activities due to climate change.                                                                                                             | Fully    | <a href="#">CSR</a> – Climate Change                                                                                                                                                                                                     |
| EC3                                                      | Coverage of the organization's defined benefit plan obligations.                                                                                                                                                              | Fully    | <a href="#">CP</a> – EDC's Business Strategy – pp 31-32<br><br>AR - <a href="#">Retirement Benefit Obligations</a>                                                                                                                       |
| Indirect economic impacts                                |                                                                                                                                                                                                                               |          |                                                                                                                                                                                                                                          |
| EC9                                                      | Understanding and describing significant indirect economic impacts, including the extent of impacts.                                                                                                                          | Fully    | <a href="#">CSR – Economic Impact</a><br><br><a href="#">CP</a> – Creating Benefits for Canada (pages 55-56)                                                                                                                             |

| STANDARD DISCLOSURES PART III:<br>Performance Indicators |                                                                                                                                                        |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Product and Service Impact                               |                                                                                                                                                        |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Environmental                                            |                                                                                                                                                        |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Performance Indicator                                    | Description                                                                                                                                            | Reported  | Cross-reference/Direct answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Materials                                                |                                                                                                                                                        |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| EN1                                                      | Materials used by weight or volume.                                                                                                                    | Fully     | <a href="#">CSR – Environmental Performance: operational footprint</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| EN2                                                      | Percentage of materials used that are recycled input materials.                                                                                        | Fully     | <a href="#">CSR – Environmental Performance: operational footprint</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Energy                                                   |                                                                                                                                                        |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| EN3                                                      | Direct energy consumption by primary energy source.                                                                                                    | Fully     | Primary source of consumption is from the public utility Hydro Ottawa. At a local level, there are three main sources of generation that supply the Ottawa area: R.H. Saunders (powered by water and located on the St. Lawrence River at Cornwall), Lennox (powered by oil and natural gas and located on Lake Ontario near Napanee) and Darlington (powered by nuclear fuel and located on Lake Ontario near Oshawa. There are of course many other sources of generation that contribute to our supply needs, including several hydro-electric generating stations on the Ottawa River, interconnections with Hydro Quebec and of course the generating stations further to the west (Pickering, etc.). The mix of supply from these sources varies hour-by-hour and day-by-day and when equipment maintenance or power outages occur, one source may replace another.<br><br>Total electricity use was 16,273,289 kWh in 2011 which equates to 58,583 GJ<br><br><a href="#">CSR – Environmental Performance: operational footprint</a> |
| EN4                                                      | Indirect energy consumption by primary source.                                                                                                         | Fully     | Indirect energy consumption was insignificant.<br><br><a href="#">CSR – Environmental Performance: operational footprint</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| EN5                                                      | Energy saved due to conservation and efficiency improvements.                                                                                          | Fully     | Data for 2011 is not reflective of general conservation performance due to a move to new headquarters premises                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| EN7                                                      | Initiatives to reduce indirect energy consumption and reductions achieved.                                                                             | Fully     | Data for 2011 is not reflective of general conservation performance due to a move to new headquarters premises                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Emissions, effluents and waste                           |                                                                                                                                                        |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| EN22                                                     | Total weight of waste by type and disposal method.                                                                                                     | Partially | <a href="#">CSR – Environmental Performance: operational footprint</a> (see paper recycling and Responsible Disposal)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Products and services                                    |                                                                                                                                                        |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| EN26                                                     | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.                                               | Fully     | CSR – <a href="#">Environmental and Social Assessments</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Social: Labor Practices and Decent Work                  |                                                                                                                                                        |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| Performance Indicator                                    | Description                                                                                                                                            | Reported  | Cross-reference/Direct answer                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Employment                                               |                                                                                                                                                        |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| LA1                                                      | Total workforce by employment type, employment contract, and region, broken down by gender.                                                            | Fully     | Information on employee age is confidential.<br><br><a href="#">AR</a> - Overall retention is 90.3%; disaggregated turnover tares by age group, gender and region is n/a.<br><br><a href="#">CSR</a> – EDC in Numbers – see Employee Engagement - all data refers to full time employees; 92% of employees are at Headquarters<br>Number of employees - Headquarters: 976, International Offices: 13 employees, Regional Canadian Offices: 67 employees                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Labor/management relations                               |                                                                                                                                                        |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| LA4                                                      | Percentage of employees covered by collective bargaining agreements.                                                                                   | Fully     | EDC is not covered by a collective bargaining agreement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Training and education                                   |                                                                                                                                                        |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| LA11                                                     | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. | Fully     | <a href="#">AR</a> - <a href="#">A Culture of learning, Training</a>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

| Social: Labor Practices and Decent Work (Cont'd) |                                                                                                                                                                                         |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|--------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Diversity and equal opportunity                  |                                                                                                                                                                                         |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| LA13                                             | Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.         | Fully     | AR – <a href="#">Board of Directors</a><br><br>CSR – <a href="#">CSR Governance - Advisory Council</a><br>CSR – <a href="#">CSR at EDC in Numbers – see Employee Engagement</a>                                                                                                                                                                                                                                                                              |
| Social: Human Rights                             |                                                                                                                                                                                         |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Performance Indicator                            | Description                                                                                                                                                                             | Reported  | Cross-reference/Direct answer                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Investment and procurement practices             |                                                                                                                                                                                         |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| HR1                                              | Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening. | Fully     | CSR – <a href="#">Human Rights</a><br>CSR – <a href="#">Project Reviews</a> (Projects reviewed and signed under the Environmental Review Directive and Equator Principles, 2011) Category A, B and C projects represent our significant investments (see list at: 2011 Project Reviews: Category A, B and C). Human rights assessment and further due diligence according to EDC's human rights methodology were conducted on four of twelve projects (30%). |
| HR3                                              | Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.          | Partially | CSR – <a href="#">Human Rights</a> – see 2011 Performance Measures Results<br>75% of target groups (Sector-specific financing teams, Commercial Markets Financing team and the Political Risk Insurance team) were trained on a new pre-screening tool that identifies all CSR risks, including human rights.                                                                                                                                                |
| Assessment                                       |                                                                                                                                                                                         |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| HR10                                             | Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.                                                                     | Fully     | CSR – <a href="#">Human Rights</a>                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Social: Society                                  |                                                                                                                                                                                         |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Performance Indicator                            | Description                                                                                                                                                                             | Reported  | Cross-reference/Direct answer                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Local communities                                |                                                                                                                                                                                         |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| SO1 (FSSS)                                       | Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.             | Fully     | CSR – <a href="#">Environmental and Social Assessments</a> and <a href="#">Project Reviews</a> – see Ma'aden-Alcoa Case Study<br>CSR – <a href="#">Corporate Loan Case Study</a> – Kinross and the Kupol Gold Mine<br><br>WWW – <a href="#">Disclosure of Projects</a> – Reporting on Transactions – see D3 - Environmental and Social Reporting                                                                                                             |
| SO1 (G3.1)                                       | Percentage of operations with implemented local community engagement, impact assessments, and development programs.                                                                     | Fully     | CSR – <a href="#">Environmental and Social Assessments</a> and <a href="#">Project Reviews</a> – see Ma'aden-Alcoa Case Study<br>CSR – <a href="#">Corporate Loan Case Study</a> – Kinross and the Kupol Gold Mine                                                                                                                                                                                                                                           |
| SO9                                              | Operations with significant potential or actual negative impacts on local communities.                                                                                                  | Fully     | CSR – Environmental and Social Assessment - <a href="#">Project Reviews</a> – see Ma'aden-Alcoa Case Study                                                                                                                                                                                                                                                                                                                                                   |
| SO10                                             | Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.                                                | Fully     | CSR – <a href="#">Environmental and Social Assessments</a><br>CSR – Environmental and Social Assessment - <a href="#">Project Reviews</a> – see Ma'aden-Alcoa Case Study<br>CSR – <a href="#">Corporate Loan Case Study</a> – Kinross and the Kupol Gold Mine                                                                                                                                                                                                |
| Corruption                                       |                                                                                                                                                                                         |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| SO2                                              | Percentage and total number of business units analyzed for risks related to corruption.                                                                                                 | Fully     | CSR – <a href="#">Combating Corruption (enhanced due diligence assessments)</a><br>53 assessments (17%) required enhanced due diligence (corruption) out of 315 general CSR reviews conducted.                                                                                                                                                                                                                                                               |
| SO4                                              | Actions taken in response to incidents of corruption.                                                                                                                                   | Fully     | CSR – <a href="#">Ethics and Compliance</a><br><br>WWW – <a href="#">Business Ethics – Anti-corruption Program</a>                                                                                                                                                                                                                                                                                                                                           |
| Social: Product Responsibility                   |                                                                                                                                                                                         |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Performance Indicator                            | Description                                                                                                                                                                             | Reported  | Cross-reference/Direct answer                                                                                                                                                                                                                                                                                                                                                                                                                                |
| Product and service labelling                    |                                                                                                                                                                                         |           |                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| PR5                                              | Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.                                                                               | Fully     | AR – <a href="#">Delivering Value to EDC's Customers and Partners</a>                                                                                                                                                                                                                                                                                                                                                                                        |

# PERFORMANCE MEASURES: 2011 ACHIEVEMENTS

## Business Ethics

|                        |                                                                                      |
|------------------------|--------------------------------------------------------------------------------------|
| <b>Objective:</b>      | Raise awareness of <i>Code of Conduct</i>                                            |
| <b>Activity:</b>       | Administer online e-tool to refresh employee awareness of the <i>Code of Conduct</i> |
| <b>Measure/Target:</b> | 100% participation                                                                   |
| <b>Result:</b>         | 100% participation                                                                   |

## Combatting Corruption

|                        |                                                                                                                                                                                                                                    |
|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Objective:</b>      | Raise customer awareness of risk of bribery in international business transactions                                                                                                                                                 |
| <b>Activity:</b>       | Broader dissemination of online anti-corruption tool to EDC customers via industry associations                                                                                                                                    |
| <b>Measure/Target:</b> | Publication by at least eight industry associations via their online vehicles                                                                                                                                                      |
| <b>Result:</b>         | Implementation was delayed due to a redesign of edc.ca. By year end, two industry associations had published the anti-corruption quiz. Efforts continue to raise awareness among exporters of the risks of bribery and corruption. |

## Transparency

|                        |                                                                                                                                                     |
|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Objective:</b>      | Maintain public awareness of support for projects with environmental implications                                                                   |
| <b>Activity:</b>       | Assure pre-notification of Category A projects for a minimum of 30 days via edc.ca                                                                  |
| <b>Measure/Target:</b> | Disclose number of days of pre-notification for each Category A project — minimum 30 days pre-notification for 100% of eligible Category A projects |
| <b>Result:</b>         | 100% of eligible Category A projects were disclosed for a minimum of 30 days                                                                        |

## Project Reviews

|                        |                                                                                                                                                                                                                                                                                             |
|------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Objective One:</b>  | Operationalization of EDC's Environmental and Social Risk Management Framework                                                                                                                                                                                                              |
| <b>Activity:</b>       | Completion of Project Review Summaries on all eligible Category A projects                                                                                                                                                                                                                  |
| <b>Measure/Target:</b> | Project Review Summaries completed for 100% of eligible Category A projects                                                                                                                                                                                                                 |
| <b>Result:</b>         | EDC signed three Category A projects in Q4, 2011. As a result, project summaries were posted in early in 2012. Internal procedures for the preparation of Project Review Summaries were refined.                                                                                            |
| <b>Objective Two:</b>  | Raise employee awareness of EDC's corporate environmental and social risk assessment commitments                                                                                                                                                                                            |
| <b>Activity:</b>       | Voluntary completion of awareness tool related to the principles of the corporate environmental and social risk management commitments and processes                                                                                                                                        |
| <b>Measure/Target:</b> | 75% of all employees, 90% of targeted employee groups with direct responsibility for transactions are subject, and 100% of EDC's Executive Committee                                                                                                                                        |
| <b>Result:</b>         | Delay in implementation. The online tool was developed, tested and approved by management. The target groups were revised to focus on those groups directly responsible for implementation of EDC's environmental and social risk management commitments. Deployment scheduled for Q2/2012. |

## Human Rights

|                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Objective:</b>      | Strengthen human rights assessment process                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Activity:</b>       | Training for target EDC employees on process for human rights assessment                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Measure/Target:</b> | 75% participation by target groups                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Result:</b>         | Training was conducted for the targeted groups (sector-specific financing teams, Commercial Markets Financing team and the Political Risk Insurance team) on the use of a new pre-screening tool that identifies all CSR risks, including human rights. We took a team approach rather than focusing on target-based training of individuals. Nonetheless, attendance at training sessions was high and the pre-screen tool's usage by these same teams is mandatory and monitored. |

## Climate Change

|                        |                                                                                                                                                                                                                                                                                            |
|------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Objective:</b>      | Provide greater transparency on climate change information related to EDC's project portfolio                                                                                                                                                                                              |
| <b>Activity:</b>       | Ensure public availability of Environmental and Social Impact Assessments (ESIAs) for Category A projects in non-G7 countries, noting those cases where estimated greenhouse gas emissions (GHG) for first year of operations exceed 100,000 MT, consistent with IFC Performance Standards |
| <b>Measure/Target:</b> | Data on estimated GHGs exceeding 100,000 MT provided through ESIAs for 100% of Category A projects signed in 2011 consistent with IFC Performance Standards                                                                                                                                |
| <b>Result:</b>         | GHG data for Category A projects in non-G7 countries was contained in the ESIAs                                                                                                                                                                                                            |

## Support for Cleantech

|                        |                                                                                                                                                                                                                                                                                                                                                                                         |
|------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Objective:</b>      | Provide targeted support for environmental technologies                                                                                                                                                                                                                                                                                                                                 |
| <b>Activity:</b>       | Monitor support for companies identified in the alternative fuels, renewable energy and environment supply chains and transactions identified as environmental exports                                                                                                                                                                                                                  |
| <b>Measure/Target:</b> | No target established: commitment to provide data on number of Canadian exporters supported                                                                                                                                                                                                                                                                                             |
| <b>Result:</b>         | Slight decline from 276 in 2010 to 259 in 2011 companies supported (combining number of companies supported plus investee companies), with an increase in volume of business supported (from \$436 million to \$561 million); this is consistent with overall EDC business where the volume of business supported was up significantly, despite the fewer number of exporters supported |

## Operational Footprint

|                        |                                                                                    |
|------------------------|------------------------------------------------------------------------------------|
| <b>Objective:</b>      | Measure and manage EDC's operational footprint                                     |
| <b>Activity:</b>       | Establish new methodology to measure and report footprint data in the new building |
| <b>Measure/Target:</b> | Establish methodology for tracking footprint data in the new EDC building          |
| <b>Result:</b>         | Methodology established for implementation in 2012                                 |

## Community Investment – International Business and Trade Education

|                        |                                                                                                                                                                                                                                                                                                                                                                                                             |
|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Objective:</b>      | Open undergraduate scholarship program to increase accessibility among Canadian students                                                                                                                                                                                                                                                                                                                    |
| <b>Activity:</b>       | Increase in EDC's scholarships and number and breadth of universities represented across Canada                                                                                                                                                                                                                                                                                                             |
| <b>Measure/Target:</b> | 350 eligible scholarship applicants, 63 universities                                                                                                                                                                                                                                                                                                                                                        |
| <b>Result:</b>         | 305 eligible scholarship applicants, 52 Canadian universities. This represents a shortfall from our target. To address this gap, we will put in place an enhanced promotion plan to reach a higher number of eligible students during the next application cycle, including the use of social media, as well as efforts to open access to students from full-time accredited programs at Canadian colleges. |

## Community Investment – Employee Volunteerism

|                        |                                                                                                                               |
|------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| <b>Objective:</b>      | Support for local and international community investment through employee volunteerism                                        |
| <b>Activity:</b>       | Placement of EDC employee volunteers in international enterprise development projects in emerging markets through CARE Canada |
| <b>Measure/Target:</b> | Minimum 3 EDC employee volunteer placements, one of which assigned in CARE Canada Ottawa operation                            |
| <b>Result:</b>         | Two volunteers were assigned to Zambia, one to India and one to CARE Canada headquarters for periods of four months each      |

# PERFORMANCE MEASURES: 2012 COMMITMENTS

## Business Ethics

|                        |                                                                                                                                                                              |
|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Objective One:</b>  | Increase awareness of the <i>Code of Conduct</i>                                                                                                                             |
| <b>Activity:</b>       | Administer online training tool to refresh employee awareness of the <i>Code of Conduct</i> and inform them of changes to the Code anticipated to be implemented during 2012 |
| <b>Measure/Target:</b> | 100% participation                                                                                                                                                           |
| <b>Objective Two:</b>  | Inform/create awareness of the new Values and <i>Ethics Code of Conduct for the Public Sector</i> applicable to all employees of EDC                                         |
| <b>Activity:</b>       | Administer online training tool to inform employees of the Public Sector Code and its application (to come into force during 2012)                                           |
| <b>Measure/Target:</b> | 100% participation                                                                                                                                                           |

## Combatting Corruption

|                        |                                                                                      |
|------------------------|--------------------------------------------------------------------------------------|
| <b>Objective:</b>      | Raise customer awareness of risk of bribery in international business transactions   |
| <b>Activity:</b>       | Undertake customer-focused events to raise awareness of the risks of corruption      |
| <b>Measure/Target:</b> | Undertake a minimum of three customer events in different sectors to raise awareness |

## Transparency

|                        |                                                                                                               |
|------------------------|---------------------------------------------------------------------------------------------------------------|
| <b>Objective:</b>      | Maintain public awareness of support for projects with environmental and social implications                  |
| <b>Activity:</b>       | Assure publication of Project Review Summaries for Category A projects                                        |
| <b>Measure/Target:</b> | Publication of Project Review Summaries for all Category A projects within 90 days of signing the transaction |

## Project Reviews

|                        |                                                                                                                                                      |
|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Objective One:</b>  | Transition to the use of the updated IFC Performance Standards (2012 version)                                                                        |
| <b>Activity:</b>       | As of June 30, 2012, conduct reviews on <i>new</i> ERD transactions against the updated IFC Performance Standards (2012 version)                     |
| <b>Measure/Target:</b> | 100% of eligible projects reviewed using the updated IFC Performance Standards (2012 version)                                                        |
| <b>Objective Two:</b>  | Raise employee awareness of EDC's corporate environmental and social risk assessment commitments                                                     |
| <b>Activity:</b>       | Voluntary completion of awareness tool related to the principles of the corporate environmental and social risk management commitments and processes |
| <b>Measure/Target:</b> | Complete training of 90% of targeted employee groups with direct responsibility for transactions are subject, and 100% of EDC's Executive Committee  |

## Human Rights

|                        |                                                                           |
|------------------------|---------------------------------------------------------------------------|
| <b>Objective:</b>      | Strengthen human rights assessment process                                |
| <b>Activity:</b>       | Refine system for non-project human rights assessment in EDC transactions |
| <b>Measure/Target:</b> | System and processes improved and deployed for non-project transactions   |

## Climate Change

|                        |                                                                                                                                                                                                                                                                        |
|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Objective:</b>      | Sustain greater transparency around disclosure of GHG data for Category A projects                                                                                                                                                                                     |
| <b>Activity:</b>       | Ensure public availability of Environmental and Social Impact Assessments (ESIAs) for Category A projects in non-G7 countries where estimated greenhouse gas emissions (GHG) for first year of operations exceed 100,000 MT, consistent with IFC Performance Standards |
| <b>Measure/Target:</b> | Disclosure of data on estimated GHGs provided through ESIAs for 100% of Category A projects in non-G7 countries signed in 2012 consistent with IFC Performance Standards                                                                                               |

## Support for Cleantech

|                        |                                                                                                                                     |
|------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| <b>Objective:</b>      | Provide targeted support for Cleantech firms                                                                                        |
| <b>Activity:</b>       | Develop clear gating criteria and processes to facilitate the execution of financing and insurance transactions for Cleantech firms |
| <b>Measure/Target:</b> | Implementation of process improvements                                                                                              |

## Operational Footprint

|                        |                                                                   |
|------------------------|-------------------------------------------------------------------|
| <b>Objective:</b>      | Measure and manage EDC's operational footprint                    |
| <b>Activity:</b>       | Implement the methodology and data collection in the new building |
| <b>Measure/Target:</b> | Establish a new operational footprint baseline                    |

## Community Investment – International Business and Trade Education

|                        |                                                                                                                                  |
|------------------------|----------------------------------------------------------------------------------------------------------------------------------|
| <b>Objective:</b>      | Increase the representation and access of eligible Canadian students to the EDC scholarships                                     |
| <b>Activity:</b>       | Increase in EDC's scholarships eligible applicants and number and breadth of universities and colleges represented across Canada |
| <b>Measure/Target:</b> | 350 eligible scholarship applicants representing 75% of 85 targeted Canadian universities and colleges                           |

## Community Investment – Employee Volunteerism

|                        |                                                                                                                      |
|------------------------|----------------------------------------------------------------------------------------------------------------------|
| <b>Objective One:</b>  | Increase employee knowledge and awareness of volunteering opportunities                                              |
| <b>Activity:</b>       | Consolidate the offer of volunteer programs in a single place for employees to have easy access                      |
| <b>Measure/Target:</b> | Increase the number of charitable donations applications received from employees compared to 28 received during 2011 |
| <b>Objective Two:</b>  | Review the EDC-CARE Canada partnership                                                                               |
| <b>Activity:</b>       | Undertake evaluation of past performance                                                                             |
| <b>Measure/Target:</b> | EDC-CARE Canada partnership evaluated for renewal and new multi-year agreement negotiated                            |

# KEY CSR MILESTONES

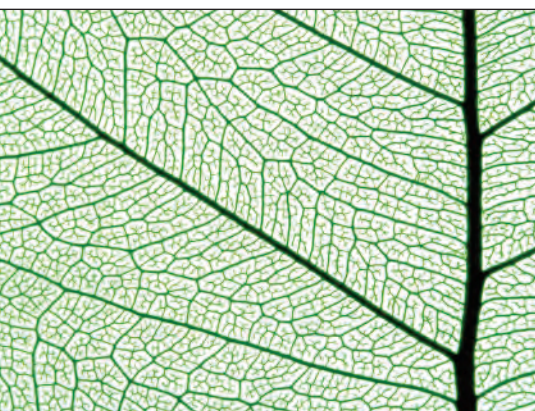


## Pre-1999

- › Conflict of Interest Policy
- › Code of Conduct
- › Code of Business Ethics

## 1999

- › Environmental Review Framework



## 1999-2000

- › OECD Action Statement on Bribery
- › Education and Youth Employment (EYE) Strategy signs first agreements
- › Launch of CSR Strategy

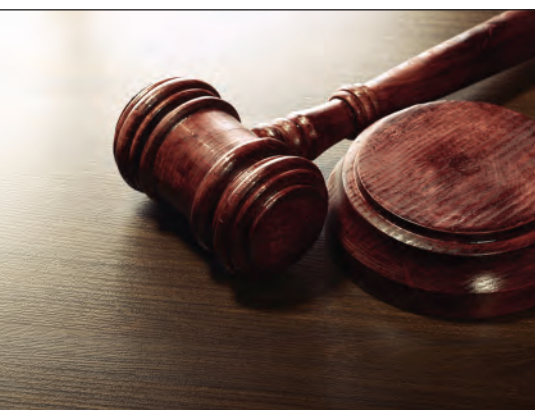
## 2001

- › Launch of Compliance Program
- › Office of the Auditor General of Canada (OAG) Environmental Audit
- › First Disclosure Policy
- › Creation of CSR Advisory Council
- › Appointment of Chief Environmental Advisor
- › Creation of Advisory Council on CSR
- › Environmental Review Directive (ERD)
- › EnviroExports Initiative



## 2002

- › OECD Common Approaches
- › Anti-Corruption Program
- › Human Rights MOU signed with DFAIT



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## 2003-2004

- › Office of the Auditor General of Canada (OAG) Special Examination of CSR
- › Release of 1st CSR Report
- › 1st Chief Environmental Advisor's Report
- › Revisions to OECD Common Approaches
- › Community Donations Policy established
- › CSR Framework established
- › Review (Phase 2) of Canada's Implementation and Enforcement of the OECD Bribery Convention



## 2005

- › Revisions to Disclosure Policy
- › 2nd Chief Environmental Advisor's Report
- › CSR Course Launched
- › First Environmental Policy
- › 2nd CSR Report



## 2006

- › Revisions to Charitable Donations Policy
- › Scholarship Program expanded
- › Market-and sector-specific multi-stakeholder consultations
- › Integration of environment and sustainability into EYE Investment Goals
- › 3rd CSR Report



## 2007

- › Introduced Disclosure of Wrongdoings Policy
- › Established baseline indicators for measurement of operational footprint
- › Online Code of Conduct training
- › Adoption of Equator Principles
- › 4th CSR Report

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## 2008

- › CSR Strategic Review
- › Creation of Chief CSR Advisor role and team
- › Statement on Human Rights
- › Adopted LEED gold standard for new headquarters building
- › Expanded Disclosure practices
- › Environmental Finance Chair at University of Waterloo
- › EDC Care Partnership
- › Developed Employee Value Proposition
- › 5th CSR Report



## 2009

- › EDC's CSR strategic priorities set: climate change, human rights, transparency
- › OAG Special Examination of CSR, and of environmental and social review practices
- › EDC/IFC Environmental and Social Assessment Standards client workshop introduced
- › Membership of CSR Advisory Council expanded
- › Introduced Ethics Experts Best Practices workshop
- › EDC's reputation risk assessment practices and processes benchmarked
- › 6th CSR Annual Report/assured/GRI rated/published only online
- › Biannual employee opinion survey conducted



## 2010

- › Introduced Environmental and Social Risk Management Framework comprising:
  - › Environmental and Social Risk Management Policy,
  - › Environmental and Social Review Directive and
  - › revised Disclosure Policy
- › Benchmarking for CSR Strategic Review
- › Strategic Review of all Community Investment initiatives
- › Updated Stakeholder Mapping for improved identification of issues and concerns



## 2011

- › Review (Phase 3) of Canada's Implementation and Enforcement of the OECD Anti-bribery Convention
- › Elected Member of Equator Principles Steering Committee

# LIST OF AGREEMENTS, FRAMEWORKS, ETC.

## Legislation

- ▶ *Corruption of Foreign Public Officials Act* (1998, c.34 as amended)
- ▶ *Export Development Act* (R.S., 1985, c. E-20, as amended)
- ▶ *Federal Accountability Act* (2006, c.9 as amended)
- ▶ *Public Servants Disclosure Protection Act* (2005, c.46 as amended)

## Agreements

- ▶ **Convention on Combatting Bribery of Foreign Public Officials in International Business Transactions** (1997 – Government of Canada)
- ▶ **Equator Principles** (2007)
- ▶ **Extractive Industries Transparency Initiatives** (2007 – Government of Canada)
- ▶ **OECD Guidelines for Multinational Enterprises** (2000 – Government of Canada)
- ▶ **OECD Principles and Guidelines to Promote Sustainable Lending Practices in the Provision of Official Export Credits to Low Income Countries** (2008)
- ▶ **OECD Recommendation on Bribery and Officially Supported Export Credit** (adopted 2001, most recently revised 2006)
- ▶ **OECD Revised Council Recommendation on Common Approaches on the Environment and Officially Supported Export Credits** (adopted 2001, most recently revised 2007 — the “Common Approaches”)
- ▶ **United Nations Environment Program (UNEP) Statement by Financial Institutions on the Environment & Sustainable Development** (1999)
- ▶ **Voluntary Principles on Security and Human Rights** (March 2009)
- ▶ **World Trade Organization Agreement on Subsidies and Countervailing Measures Agreement** (1995 – Government of Canada)

## Memberships

- ▶ Berne Union
- ▶ Boston College
- ▶ Canadian Business Ethics Research Network
- ▶ Canadian Business for Social Responsibility
- ▶ Conference Board Corporate Community Investment Council
- ▶ Conference Board Corporate Ethics Management Council
- ▶ Equator Principles Steering Committee
- ▶ EthicsCentre
- ▶ Multilateral Financial Institutions Working Group on Environment (MFI-WGE)
- ▶ OECD Working Party on Export Credits and Credit Guarantees (Government of Canada)
- ▶ Reputation Risk Institute
- ▶ Transparency International
- ▶ United Nations Environment Program – Financial Institutions Initiative (UNEP-FII)

## Internal To EDC

- ▶ **Anti-Corruption Guidelines and Procedures**
- ▶ **Code of Business Ethics**
- ▶ **Code of Conduct (1998)**
- ▶ **Disclosure Policy**
- ▶ Environmental and Social Risk Management Framework which includes:
  - ▶ **Environmental and Social Risk Management Policy**
  - ▶ **Environmental and Social Review Directive**
  - ▶ **Disclosure Policy**
- ▶ **Statement of Commitment to Corporate Social Responsibility (2003)**
- ▶ **Statement on Human Rights**

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# ACRONYMS

AR - Annual Report  
ARD - Acid Rock Drainage  
ATIA - *Access to Information Act*  
ATIP - Access to Information Policy  
CDIA - Canadian Direct Investment Abroad  
CP - Corporate Plan  
CSR - Corporate Social Responsibility  
DMA - Disclosure on Management Approach (for GRI Index)  
EC - Economic Performance Indicator - GRI  
ECA - Export Credit Agency  
EN - Environmental Performance Indicator - GRI  
EOS - Employee Opinion Survey  
EP - Equator Principles  
EPFI - Equator Principles Financial Institutions  
ERD - Environmental Review Directives  
ESIA - Environmental and Social Impact Assessment  
FDI - Foreign Direct Investment  
FPIC - Free Prior Informed Consent  
FTE - Full-time Equivalent  
GCP - General Corporate Purpose Loan  
GHG - Greenhouse Gas  
GRI - Global Reporting Index  
HR - Human Rights Performance Indicator - GRI  
IC - Federal Information Commissioner  
IFC - International Finance Corporation  
kg - Kilogram  
km - Kilometres  
kWh/fte - Kilowatt hour/Full-time Equivalent  
LA - Labour Practices and Decent Work Performance Indicator - GRI  
LEED - Leadership in Energy and Environmental Design  
NGOs - Non-governmental organizations  
OECD - Organisation for Economic Co-operation and Development  
OECD WGB - OECD Working Group on Bribery  
PA - *Privacy Act*  
PDAC - Prospectors and Developers Association of Canada  
PR - Product Responsibility Performance Indicator - GRI  
PS - Performance Standards  
SEED - Faculty of Environment's School of Environment, Enterprise and Development (University of Waterloo)  
SO - Society Performance Indicator - GRI



## WANT TO KNOW MORE?

If you would like more information, please contact us at

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