

AMENDMENT TO THE 2009-2013 CORPORATE PLAN

Connecting
Facilitating
Leveraging

This is a summary of the amendment to the 2009-2013 Corporate Plan that was approved by the EDC Board of Directors in May 2009 and by the Governor in Council on May 14, 2009 in accordance with the relevant provisions of the Financial Administration Act.

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Introduction

Canada, like most other industrialized countries, has entered into a period of economic recession. Deteriorating global economic conditions and turbulent financial markets have resulted in declining confidence levels for consumers, lenders, insurers and investors.

In this time of economic uncertainty, Canadian companies are increasingly looking for ways to access capital and mitigate risk. However, slowing growth and rising levels of risk have resulted in fewer sources of available capital and insurance. For example, while Canada's financial institutions are working hard to fill the gaps in the credit market left by non-bank providers, market capacity remains limited.

Governments around the world are taking steps to lessen the impact of the global credit crunch and allow companies access the capital and risk mitigation they need to maintain and expand their business. The G-20 countries have pledged USD \$250 billion over the next two years to assist trade financing through export credit agencies and international development banks. In keeping with this commitment, EDC will play an important role in helping Canadian exporters and investors through the current economic downturn.

EDC had already seen demand for its solutions increase during the last quarter of 2008. This trend has continued into 2009 as companies look to navigate through what continues to be a challenging economic environment. In the first quarter of 2009, EDC's combined financing and insurance volumes have already reached \$17.4 billion – an increase of nearly \$1 billion over the same period in 2008. This has resulted in 728 new EDC customers, for an average of \$275 million of new business every single business day of 2009.

In working with these companies, EDC remains guided by its expertise in risk management and its commitment to sound financial management. This focus will ensure that the Corporation is well-positioned to respond to the needs of its customers today and into the future.

As part of the 2009 Budget: *Canada's Economic Action Plan*, the Government of Canada has introduced measures which will enable EDC to respond to a wider range of companies through its existing programs, including lending and insurance. This amendment to the 2009-2013 Corporate Plan outlines the broadened scope in which EDC's activities can now be applied for purposes of clarity and consistency.

Canada's Economic Action Plan

Through *Canada's Economic Action Plan*, the Government of Canada introduced a number of measures aimed at improving access to capital and strengthening Canada's financial system. More specifically, the Budget instituted a series of measures to provide increased financial flexibility for financial Crown Corporations, including EDC. In EDC's case, these measures are intended to better enable EDC to help creditworthy Canadian companies with viable business plans access financing and risk mitigation.

Given the importance of bringing greater credit capacity to the Canadian marketplace as quickly as possible, *Canada's Economic Action Plan* temporarily expanded EDC's mandate for a two-year period to give it greater flexibility to participate in the domestic market in a manner that is complementary to the products and services available from commercial institutions. This will enable EDC to, for example, fill gaps in the domestic market where possible, share risk with private sector financial institutions, insurance providers and the surety industry and add the capacity missing from the market due to existing credit constraints.

Canada's Economic Action Plan also temporarily suspended the regulations related to domestic financing and insurance (as defined therein). This suspension enables EDC to provide such support under its traditional export mandate without having to seek Ministerial authorization.

In addition, to assist EDC in responding to company needs, Canada's Economic Action Plan raised the Corporation's contingent liability limit from \$30 to \$45 billion and increased its authorized capital limit by \$1.5 billion to \$3 billion. These actions build on the Government's investment of an additional \$350 million in capital for EDC in the November 2008 Economic and Fiscal Statement. This capital will help bring up to \$1.5 billion of added credit capacity to the market. As well, the increase in EDC's share capital limit described above allows the Government to invest additional capital in EDC should it be necessary. No additional funds were provided to EDC through the budget.

Finally, *Canada's Economic Action Plan* has also ensured that the Government has greater financial flexibility in responding to the current economic situation through use of the Canada Account. In this regard, the Government has increased the limit on the Canada Account from \$13 to \$20 billion to better enable support for business it deems is in the national interest but is outside EDC's risk parameters.

EDC's Domestic Activity

In deploying this new flexibility, EDC will focus on those areas where it can provide the greatest value. This will include export-related activities which would have been governed by regulations and domestic trade-related activities where EDC's actions can help strengthen Canada's and Canadian companies' ability to trade both now and in the future. EDC expects that its domestic activities will primarily be undertaken under its existing programs.

Financing Activities

Activities undertaken by EDC utilizing the new domestic mandate will complement the products and services available from commercial financial institutions and commercial insurance providers, allowing EDC to operate in a commercial space without disrupting current bank-client relationships. The Corporation has therefore been engaging with Canada's banks and BDC bilaterally and through the Business Credit Availability Program (BCAP) to ensure complementarity and to provide a channel through which the banks can bring forward export and domestic needs where there is limited market capacity.

Through its participation in the BCAP initiative, EDC, along with representatives of Canada's main banks and BDC, will be able to identify and share market information and obstacles to enhanced capital, as well as bring forward and triage transactions which require additional capacity from EDC and/or BDC.

EDC's financing activity under the new domestic mandate will be complementary to that of the commercial financial institutions and BDC. EDC will carry out its purposes with respect to domestic trade and domestic business in a manner that complements the products and services available from commercial financial institutions and commercial insurance providers. In keeping with our core mandate, EDC support will continue to be available to all exporting companies.

Bonding

EDC will be working with the domestic sureties, banks and its customers to bring additional bonding capacity to the Canadian market across all sectors.

For example, EDC will add capacity to Canada's surety market through re-insurance. On April 9, 2009, EDC announced its domestic bonding program for the Canadian surety industry to facilitate up to CAD 1 billion in domestic surety credit in 2009, which has the potential to provide support for up to CAD 2 billion in contracts for Canadian companies. An announcement for the Canadian banking industry on EDC's domestic bonding is expected in the near future.

Credit Insurance

Ongoing discussions are also taking place between EDC and Canada's domestic credit insurers with the goal of reaching an agreement to add additional capacity to domestic credit insurers by way of re-insurance and to share coverage if necessary to fill market gaps¹. EDC's preference is to provide capacity through the domestic credit insurers. However, there may be circumstances where it is necessary to provide coverage directly to Canadian companies or provide coverage for risks that the market will not cover.

An update on these discussions will be provided to Government of Canada officials in the 2010-2014 Corporate Plan.

Domestic Business Activity Reporting for 2009

Under the *Budget Implementation Act*, the Government of Canada is required to provide regular status reports to Parliament in respect of all measures included in *Canada's Economic Action Plan*. To support the development of these reports, EDC is providing information to the Government which includes reporting on BCAP (lending and guarantee activity), reporting on domestic bonding activity, and reporting on how EDC is providing reinsurance capacity in the domestic credit insurance market.

In addition, EDC's 2010-2014 Corporate Plan will include EDC's business projections (export and domestic) for 2009 and into the planning period and will provide more details related to all of EDC's budget-related activities. EDC will work closely with DFAIT, Finance and Treasury Board officials in the development of the Corporate Plan, which will be submitted to the Minister of International Trade in the fall of 2009, as required under the Financial Administration Act.

EDC will continue to illustrate how the Corporation is helping Canadian companies by delivering on its core mandate as well. EDC is expanding its communications on major transactions carried out with respect to our core mandate as well as the new flexibility, and EDC's quarterly business results.

In addition, the Corporation's employees will communicate the details of EDC's plans to customers and partners at financial institutions through their regular working relationships. The EDC website is being updated to include a dedicated webpage outlining how the Corporation is responding to the domestic powers.

EDC will continue to engage with officials from DFAIT and Finance on the implementation of those elements of Canada's Economic Action Plan which relate to EDC.

Note

As explained in the 2009-2013 Corporate Plan, EDC funds its cash requirements in international capital markets through borrowings by any appropriate means, including issuing bonds, debentures, notes and other evidence of indebtedness. Although not explicitly stated in the current plan, it should be noted that the Corporation may request a loan from the Minister of Finance, payable from the Consolidated Revenue Fund, in the event that EDC does not have sufficient access to the markets.

¹An agreement was reached with Canada's private credit insurers on May 14, 2009 to collaborate to facilitate \$1 billion in new domestic credit. For more information, please visit http://www.edc.ca/english/docs/news/2009/mediaroom_16447.htm.