EXPORT DEVELOPMENT CANADA

CLIMATE-RELATED DISCLOSURE

2023 INTEGRATED ANNUAL REPORTING SUITE

EDC

Canada

EXPORT DEVELOPMENT CANADA

ACCELERATING THE EXPORT IMPACT

2023 CLIMATE-RELATED DISCLOSURE

An update on our climate risks, opportunities and net zero commitment

"Our approach to climate is centred around achieving net zero emissions across our operations and business lines by 2050—a goal aligned with the Government of Canada and the Paris Agreement."

Lorraine Audsley
Chief Risk and Sustainability Officer

ABOUT EDC

Export Development Canada (EDC) is a Crown corporation dedicated to helping Canadian companies of all sizes succeed in global markets. We're Canada's export credit agency and a member of the Government of Canada's international trade portfolio, with offices and representations across Canada and around the world. Since 1944, we've equipped Canadian companies with the tools they need—trade knowledge, connections and financial solutions, including loans, equity and insurance—to grow their business with confidence. Underlying our support is a commitment to sustainable, responsible and inclusive business, aimed at strengthening the way trade serves society and our planet.

About this report

In 2018, EDC became the first export credit agency (ECA) in the world and the first Canadian Crown corporation to declare support for the recommendations of the **Task Force on Climate-related Financial Disclosures** (TCFD). Since then, we have strengthened how we manage climate-related risks and opportunities and increased the transparency of our disclosures for the benefit of our stakeholders. With the issuance of our fifth report, we continue to enhance the alignment of our disclosures with current and emerging global reporting standards.

EDC's 2023 Climate-Related Disclosure covers information about our governance, strategy and climate-related risk management. The report also provides details on our climate-related metrics and targets, and our overall performance with respect to our net zero plan. Information is disclosed in alignment with our **Transparency and Disclosure Policy**, which sets out EDC's framework for the disclosure of information pertaining to our business in a manner that balances the confidentiality required by our customers with the information sought by the public.

We are proud to be working to accelerate climate action and building out our expertise in the management and disclosure of the climate-related risks and opportunities most relevant to our business and operations.

Reporting period

The contents of this climate report focus on the fiscal year that ended December 31, 2023, with reference to noteworthy prior period achievements relevant to our climate change journey.

External assurance reference

PricewaterhouseCoopers (PwC) performed an independent limited assurance engagement for a selection of EDC's environmental, social and governance (ESG) metrics, including climate-specific key performance indicators (KPIs). The 2023 assurance statement can be found **here**.

Related publications

Information on our climate-related disclosure is also a key component of our **integrated annual report**. Additionally, we publish annual progress reports, strategies, policies and plans, as well as integrated and individual reports outlining our corporate priorities, goals and progress.

For more detailed information regarding our climate-related efforts, please refer to the following documents:

- **Climate Change Policy**
- **Due Diligence Framework: Climate Change**
- **Sustainable Bond Framework**
- **Sustainable Finance Framework**
- **2022 Net Zero Update**
- **Sustainable Bond Impact Report**

Other supporting documents and disclosures include:

Policies and frameworks

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

Corporate planning and reporting

- **EDC's 2030 Strategy**
- **Corporate plan summaries**
- **2023 Integrated Annual Report**
- **2023 Human Rights Report**
- **Canada Account annual reports**
- **Financial reports**
- **2021 Materiality Assessment**
- **Annual Public Meeting**

2023 CLIMATE HIGHLIGHTS

2023 was a year of continued environmental action and exciting progress for us at EDC. Here are just a few of the climate-related highlights of the year.

PROVIDED A RECORD OF MORE THAN $12 BILLION

in support for cleantech business in 2023, achieving our target two years ahead of schedule.

PARTICIPATED IN THE UNITED NATIONS CLIMATE CHANGE COP28 CONFERENCE

to engage with ECAs, the Berne Union Climate Working Group, the Export Finance for Future (E3F) Coalition and various financial institutions on key ESG issues.

PUBLISHED THE EDC SUSTAINABLE FINANCE FRAMEWORK

for greater visibility into how we track and report on sustainable finance.

CONTRIBUTED TO THE MODERNIZATION OF THE OECD ARRANGEMENT

on Officially Supported Export Credits, which included expanding the scope of climate-friendly projects and technologies, ensuring they benefit from more favourable financing terms.

BECAME A FOUNDING MEMBER OF THE NET ZERO EXPORT CREDIT AGENCIES ALLIANCE (NZECA),

a new initiative by the Glasgow Financial Alliance for Net Zero (GFANZ) that encourages members to reach net zero by 2050.

CHAIRED THE BERNE UNION CLIMATE WORKING GROUP,

a dialogue between ECAs to solve climate challenges and help facilitate the low-carbon transition.

PARTICIPATED IN CLIMATE-RELATED SUMMITS

including the World Biodiversity Summit, the Sustainable Finance Summit, the Building Momentum Toward Net Zero conference and the World Energy Transition Summit to advance conversations on topics including decarbonization, sustainable finance, nature-based solutions and more.

EXCEEDED OUR CLIMATE TARGET

to reduce exposure in six of our most carbon-intensive sectors by 45% from 2018 baseline levels by 2023.

Message from Lorraine Audsley, Chief Risk and Sustainability Officer

EDC's strategic vision is to build a stronger and more sustainable economic future for all Canadians. One of the biggest challenges we're facing, in building toward that future, is climate change.

It is the most complex issue of our time, with an impact that is visible, measurable, widespread and accelerating. The need for action is, likewise, urgent.

As the Intergovernmental Panel on Climate Change (IPCC) wrote in a 2023 report summarizing the findings from its major reports over the last five years: "There is a rapidly closing window of opportunity to secure a liveable and sustainable future for all."

Knowing this, EDC is committed to using its position as an international financier to help enable a low-carbon economy, while also supporting Canadian exporters in their efforts to be competitive and sustainable over the long term.

It is my role as Chief Risk and Sustainability Officer to focus on balancing risks and opportunities in pursuit of these goals. Specific to climate, the group I lead is focused on integrating our net zero objectives into EDC's 2030 strategy and corporate risk management framework to drive sound climate risk-related decision-making.

In 2023, we updated a key piece of that risk framework, our Climate Change Policy, in response to feedback received during extensive public consultations. The updated policy includes commitments to disclose our financed emissions starting in 2024, and to set science-based targets for priority sectors and products. Additionally, our position on thermal coal was updated to clarify our commitments related to this sector.

Bolstered by this foundation, our approach to climate is centred around achieving net zero emissions across our operations and business lines by 2050—a goal aligned with the Government of Canada and the Paris Agreement.

"EDC is committed to using its position as an international financier to help enable a low-carbon economy, while also supporting Canadian exporters in their efforts to be competitive and sustainable over the long term."

To get there, we plan to support our customers in their efforts to decarbonize, increase capital for activities that accelerate the reduction of greenhouse gas (GHG) emissions, set and achieve interim climate targets, and engage with domestic and international peers and partners on best practices.

Last year, we made important progress on this plan. We launched EDC's Sustainable Finance Framework, which allows greater visibility into how we track and report on sustainable finance, as well as our progress toward net zero objectives. This framework is meant to foster innovation and decarbonization while helping to make our customers more competitive. It is also an important element in supporting our science-based targets to reduce emissions in our portfolio. With the framework in place, we look forward to working with partners from financial institutions to further deploy sustainable finance solutions.

A strong example of our international engagement came at COP28 in December, when EDC became a founding member of the UN-convened Net Zero Export Credit Agencies Alliance (NZECA)—the first net zero alliance of public finance institutions. The goal of the alliance is for members to achieve net zero economies by 2050 by helping to decarbonize global trade and mobilize joint action from public and private finance. By joining NZECA, we're doing our part to support a level playing field that ensures Canadian businesses remain competitive in the economy of the future and are supported in their pathways to decarbonization.

We've already taken promising steps forward in our approach to risk and sustainability, and we're continuously striving to be better. I look forward to continuing our work with EDC's stakeholders to create a more prosperous and resilient future for Canadian exporters, and a cleaner future for the planet we share.

Lorraine Audsley
Chief Risk and Sustainability Officer

Introduction

With the world seeing record temperatures, unprecedented floods, droughts, wildfires and other climate-related natural disasters, 2023 served as a stark reminder of the need for urgent climate action.

The impacts of our changing climate are becoming costlier, and it's clear that all nations and all sectors of their economies have roles to play in addressing these problems.

Climate risk is global, requiring the adaptation and resilience of governments and companies worldwide. In Canada, the 2021 Net-Zero Emissions Accountability Act formalized Canada's commitment to achieve net zero emissions by 2050. In 2022, Canada released the 2030 Emissions Reduction Plan, which provides a roadmap for how Canada will meet its enhanced Paris Agreement target of reducing emissions by 40%–45% from 2005 levels by 2030.

In 2023, the United Nations Framework Convention on Climate Change (UNFCCC) published the first Global Stocktake, which evaluates how the world is tracking toward the goals of the Paris Agreement. The findings were considered at COP28 in Dubai, which culminated in a final agreement, the UAE Consensus, that marks a historic shift to transition away from the fossil fuel economy. For businesses and investors, COP28 signalled the need to transition to a clean energy economy, as evidenced in the list of commitments, including the commitment to reduce methane from the oil and gas sector, and the recognition that:

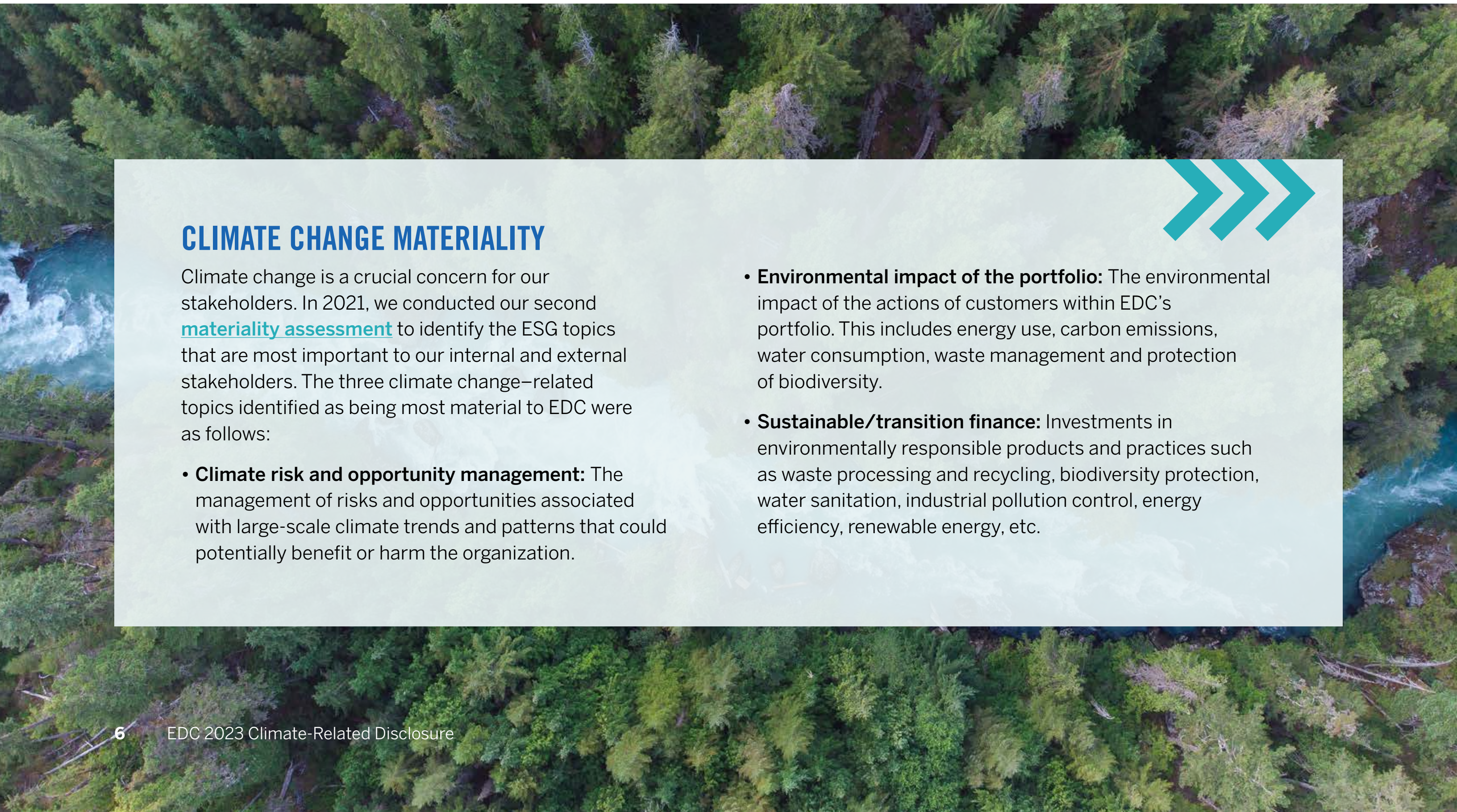
- renewable energy is the key solution to abate emissions; and
- the means of implementation, especially climate finance, are critical to actualizing the ambition.

Governments, including the Government of Canada, will need to account for this shift when submitting their new Nationally Determined Contributions by COP30 in 2025.

EDC is uniquely positioned to help Canadian exporters innovate, capitalize on emerging global opportunities and strengthen their practices to manage climate-related risks and opportunities. More than two decades ago, we began our journey to making responsible and sustainable business practices a priority for our operations and our customers, commencing with the publication of our first Environmental Review Directive in 2001 and underlined more recently in our 2021 commitment to reducing emissions from our portfolio and our operations as a means to achieving net zero by 2050.

Most recently, in December 2023, EDC joined the Glasgow Financial Alliance for Net Zero's new Net Zero Export Credit Agencies Alliance, an initiative to advance ECA commitments to align with the Paris Agreement and achieve net zero by 2050.

This report details the actions EDC is taking to meet the urgency of the climate crisis.



CLIMATE CHANGE MATERIALITY

Climate change is a crucial concern for our stakeholders. In 2021, we conducted our second materiality assessment to identify the ESG topics that are most important to our internal and external stakeholders. The three climate change–related topics identified as being most material to EDC were as follows:

- **Climate risk and opportunity management:** The management of risks and opportunities associated with large-scale climate trends and patterns that could potentially benefit or harm the organization.
- **Environmental impact of the portfolio:** The environmental impact of the actions of customers within EDC's portfolio. This includes energy use, carbon emissions, water consumption, waste management and protection of biodiversity.
- **Sustainable/transition finance:** Investments in environmentally responsible products and practices such as waste processing and recycling, biodiversity protection, water sanitation, industrial pollution control, energy efficiency, renewable energy, etc.

OUR CLIMATE ACTION TIMELINE

2001
Issued our **Environmental Review Directive**.

2005
Issued our **Environmental and Social Risk Management (ESRM) Policy**.

2010
Issued an **updated ESRM Policy** that expanded on our environmental and social commitments.

2012
Made **supporting companies in the cleantech sector** a corporate priority.

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

2016
Began measuring and disclosing annual contributions to the Government of Canada's climate finance commitments under the **UN Framework Convention on Climate Change**.

2017
Publicly committed to **no longer financing thermal coal power plants**.

Helped facilitate more than **$1 billion in cleantech exports** for the first time.

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

2019
Began work on establishing our **first carbon reduction target**.

Issued our first dedicated **Climate Change Policy**, including a thermal coal position.

2020
Announced our **2023 climate target** to reduce lending exposure to carbon-intensive sectors.

Published our Due Diligence Framework: Climate Change.

2021
Became the first export credit agency to **commit to net zero emissions by 2050**.

2022
Set and disclosed **2030 science-based climate targets for the airlines and upstream oil and gas sectors**.

Confirmed EDC's support for **Canada's Glasgow Statement implementation guidelines**.

2023
Updated our **Climate Change Policy**.

Published the **Sustainable Finance Framework**.

Established the **Climate and Energy Transition Team**.

Joined the **Taskforce on Nature-related Financial Disclosures Forum**.

Joined the **Net Zero Export Credit Agencies Alliance**, which is part of the Glasgow Financial Alliance for Net Zero.

Our climate progress and priorities

2023	2024–2026
Governance	
In 2023, we: • Appointed Lorraine Audsley as EDC's Chief Risk and Sustainability Officer, to further enhance the integration of net zero into EDC's corporate risk management and decision-making • Established the Climate and Energy Transition team to define and operationalize our net zero commitments • Dedicated more resources to centralize actions and responsibilities related to EDC's sustainable finance strategy • Continued to focus on ESG education, with 40% of executives completing the Competent Boards ESG designation • Linked executive compensation to the development of internal reporting dashboards to enhance the monitoring of EDC's performance against its sector-based emissions reduction targets and financed emissions	From 2024 to 2026, we plan to: • Continue to add internal resources with climate expertise, including management roles • Continue to enhance the climate-related expertise of our Executive Management team and the Board of Directors
Strategy	

In 2023, we:
• Supported Canada's international climate commitments through continued implementation of EDC's support for Canada's Glasgow Statement
• Released the Sustainable Finance Framework, outlining our approach for classifying direct financing transactions
• Continued to develop our net zero transition plan by advancing our climate engagement with customers, industry and the public sector
• Established a cross-functional stakeholder working group to implement operational emissions abatement
• Continued to execute our strategy to support the cleantech ecosystem:
  • Updated cleantech definition, and continued increasing our cleantech industry knowledge, support and collaboration
  • Hosted EDC's seventh annual Cleantech Export Week, which, for the first time, was held in four cities across Canada
• Evolved our climate scenario analysis:
  • Undertook our fourth climate-related scenario analysis, including the impact analysis of physical climate-related risks
  • Enhanced the granularity of our physical risk exposure assessment and the approach to impact assessment
	From 2024 to 2026, we plan to:
	• Further embed our net zero goal into EDC's corporate strategy and decision-making
	• Increase engagement with customers on net zero transition opportunities, specifically how EDC can support Canadian exporters focused on climate-related technologies and services
	• Continue to enhance the implementation of EDC's climate strategy through evolving our approach on climate scenario analysis and trends at the portfolio level
	• Continue to develop external relationships with organizations that are strategic to our net zero objective
	• Continue to explore risks and opportunities related to nature and biodiversity

Our climate progress and priorities

2023	2024–2026
Risk management	

In 2023, we:
• Refined our approach to assessing climate-related physical risk, in both credit and non-credit risk contexts
• Refined our approach to incorporating climate-related risks into credit decisions
• Initiated engagement with external data service providers to identify opportunities to leverage ESG information for use in our credit assessments
	From 2024 to 2026, we plan to:
	• Support the implementation of climate risk identification and assessment tools by:
	  • Refining our climate scenario analysis for physical and transition risk exposure at the portfolio level
	  • Continuing to develop and mature our approach to incorporating climate-related risks into credit decisions
	• Continue to build expertise and capability to manage transition and physical risks at transaction levels

Metrics and targets	
In 2023, we: • Achieved our initial climate-related target (set in 2019) to reduce exposure in six of our most carbon-intensive sectors by 45% by 2023 • Achieved our 2025 cleantech target • Continued to focus on our 2030 science-based climate targets for the upstream oil and gas sector and airlines sector • Continued to progress against our science-based interim operational emissions reduction target for Scope 1 and 2 emissions and Scope 3 business travel emissions • Obtained third-party verification of our operational Scope 1, Scope 2 and Scope 3 business travel emissions • Developed a preliminary operational emissions reduction roadmap • Published absolute financed emissions associated with our financing portfolio in alignment with the Partnership for Carbon Accounting Financials (PCAF) methodology in our 2022 Climate-Related Disclosure • Developed and implemented internal reporting dashboards to enhance the monitoring of our performance against our sector-based emissions reduction targets and financed emissions • Obtained reasonable-level assurance for the use of proceeds from sustainable bonds • Developed a two-year roadmap to strengthen our sustainable bond impact reporting by increasing alignment with the International Capital Market Association's (ICMA) Harmonized Framework for Impact Reporting	From 2024 to 2026, we plan to: • Continue to improve upon our interim target-setting approach in alignment with our net zero commitment • Continue to develop capabilities to measure, monitor and report progress on the achievement of targets • Continue to improve our financed emissions data quality score by enhancing our data, inputs and assumptions • Continue to improve impact reporting for EDC's sustainable bond offering and align with the ICMA Harmonized Framework for Impact Reporting • Implement operational emissions reduction roadmaps for head office and business travel

Governance

At EDC, our governance structure plays a pivotal role in aligning our organization's strategies with our climate goals.

With our Board of Directors and various specialized management committees and teams, EDC's climate-related governance structure includes a diverse range of competencies and expertise.

Having a clear and formalized governance structure is key to ensuring greater leadership and accountability around the decisions we make. Below and on the next page, we've outlined the way our organization has been structured to ensure we can realize our vision of Canada as a global trade leader while continuing our journey toward net zero.

Board and management oversight

The Board of Directors oversees our ESG direction, strategy and risk management policies, including our Climate Change Policy and Environmental and Social Risk Management (ESRM) Policy. ESG-related matters, including climate change, continue to be a standing item at board meetings. Our Executive Management team and committees are composed of key leaders, executives and board directors who are responsible for setting priorities, allocating resources and ensuring effective governance specific to climate matters.

In January 2023, EDC appointed Lorraine Audsley as the Chief Sustainability Officer to oversee the integration of ESG considerations into our strategy and culture, as well as in our support for Canadian companies. In June, Ms. Audsley also resumed her previous role as Chief Risk Officer, Global Risk Management, to oversee the financial, operational and strategic risks of the organization, including compliance and ethics, risk quantification, enterprise risk management, credit adjudication and portfolio oversight functions.

Key senior leadership roles with a climate focus reporting to the Chief Risk and Sustainability Officer include:

- **Vice-President, ESG Advisory:** Responsible for managing ESG performance at the customer and transaction level, strengthening the customer experience and streamlining points of contact.
- **Vice-President, ESG Integration:** Responsible for managing ESG performance at the portfolio level, building our path to net zero, conducting forward-looking research, improving our ESG data and reporting, operationalizing sustainable finance and strengthening our policies and positions.
- **Vice-President, Risk Quantification and Enterprise Risk:** Responsible for leading the annual climate scenarios exercise in line with the TCFD expectations and other regulatory guidance.

At the business level, in 2023 we established the Climate and Energy Transition team and added resources to support the operationalization and refinement of EDC's sustainable finance strategy. The key responsibility of the Climate and Energy Transition team is to define and operationalize our net zero commitments.

To further incentivize the implementation of our net zero plan, we amended the ESG component of our long-term incentive plan in 2023. In addition to the performance against our 2023 climate target, executive compensation is linked to the development of internal reporting dashboards to enhance the monitoring of EDC's performance against its sector-based emissions reduction targets and financed emissions.

Board and executive management knowledge mobilization

As at the end of the year, 82% of EDC's board members held a Competent Boards ESG designation, which includes climate change as a core topic, compared to 58% in 2022. At the Executive Management team level, 40% of executives now hold the same designation, compared to 21% in 2022.

CLIMATE GOVERNANCE STRUCTURE

Board oversight

BOARD OF DIRECTORS

Oversees EDC's ESG direction, strategy and policies. In 2023, ESG-related matters, including climate change, continued to be a standing item at each board meeting.

BOARD COMMITTEES

Risk Management Committee

Oversees EDC's Enterprise Risk Management Framework, including the ESRM Policy Framework, and reviews select transactions identified to be of higher risk.

Chair: Pierre Matuszewski (July 2023 to present), Lindsay Gordon (January to June 2023)

Frequency of meetings: At least once per quarter (six times in 2023)

Climate topics discussed: Climate scenario analysis; climate disclosure roadmap; physical risk; transition risk; ESG assessments for specific transactions; and general risks, opportunities and considerations relating to ESG.

Business Development and Performance Committee

Focuses on climate developments through the lens of strategy implementation and impact, including KPIs. Receives regular updates on the climate strategy through our carbon intensity dashboard and cleantech performance.

Chair: Vacant (June 2023 to present), Pierre Matuszewski (until June 2023)

Frequency of meetings: At least once per quarter (five times in 2023)

Climate topics discussed: Performance against ESG objectives and targets, including support for clean technology and support within EDC's inclusive trade investments program; and product, partnership, and customer successes and opportunities in building capabilities to help Canadian companies along their ESG journey.

Management oversight

MANAGEMENT

Serves as the central body responsible for setting priorities, allocating resources and ensuring effective governance specific to climate-related matters.

Enterprise Strategy Committee

Provides oversight and guidance for all strategic initiatives, decisions and outcomes across the enterprise, including climate strategy and initiatives. Also serves as the oversight authority for the ESG Executive Committee.

Chair: Todd Winterhalt, Senior Vice-President, Communications, Marketing and Corporate Strategy Officer

Frequency of meetings: Bi-weekly

Climate topics discussed: EDC's position on the energy transition (decarbonization), TNFD and biodiversity, approval of the ESG Executive Committee terms of reference.

ESG Executive Committee

Receives regular reporting on the performance progress of our climate-related initiatives, including our approach to climate action and updates on our net zero commitment.

Chair: Lorraine Audsley, Senior Vice-President, Chief Risk and Sustainability Officer

Frequency of meetings: Bi-weekly

Climate topics discussed: Net zero pathways; global climate reports; TCFD reporting best practices; carbon targets; internal climate dashboards; and GFANZ commitment.

Risk Management Committee

Oversees the management of risk governance and control activities, and reviews and endorses transactions for board approval, including those related to elevated climate-related risks.

Chair: Lorraine Audsley, Senior Vice-President, Chief Risk and Sustainability Officer

Frequency of meetings: Weekly

Climate topics discussed: Climate-related risk in relation to escalated transactions; and climate risk scenario analysis and results.

Relationship and Transaction Committee

Provides guidance and direction on proposed business solutions, strategic account direction and approval of onboarding and escalated non-credit issues including climate issues.

Chair: Mohit Bhatla, Vice-President, Corporate Lending

Frequency of meetings: Twice per week as needed

Climate topics discussed: Climate-related risk as it relates to transactions and/or customers.

Enablers

BUSINESS GROUPS

ESG Integration

Responsible for managing ESG performance at the portfolio level, building our path to net zero, improving our ESG data and reporting, building sustainable finance, and strengthening our policies and positions.

ESG Advisory

Responsible for identifying, assessing and monitoring non-credit risks (including environmental and social risks) for companies and transactions, in line with the requirements set out in the ESRM Policy Framework.

This team conducts due diligence and advises the business on prospective transactions.

Climate and Energy Transition

Responsible for defining and operationalizing EDC's net zero commitments, leading EDC's climate-related risk management, and identifying opportunities linked to Canada's energy transition.

Cleantech

Responsible for managing a portfolio of cleantech companies, developing tailored solutions and driving the development of international business connections.

ESG Policy and Research

Responsible for coordinating, developing, monitoring and supporting the operationalization of EDC's policies, positions and sector papers, by conducting research and engaging with internal and external stakeholders.

ESG Reporting and Outreach

Responsible for collecting information on ESG metrics and targets to develop external reports and managing engagement with EDC's stakeholders on our ESG performance.

Risk Management

Assesses and supports effective climate risk management and reporting. Responsible for incorporating climate risks into our credit risk assessments and due diligence process opportunities.

SUPPORTING CORPORATE FUNCTIONS

Internal Audit

Provides independent assurance to the Board of Directors and Executive Management team in accordance with EDC's Internal Audit Charter.

Legal and Compliance

Advises on climate governance activities, policies and procedures to ensure compliance with climate-related regulations.

External

ESG ADVISORY COUNCIL

Composed of prominent experts across a variety of fields. Serves as a sounding board and challenge function that provides advice to EDC's President and Executive Management team. The Chair of the Board of Directors is an ex officio member and represents an important linkage between the council and the board, along with EDC's President and CEO.

Strategy

At EDC, we believe that supporting a transition to a lower carbon and climate-resilient economy is key to realizing a sustainable future for Canada.

Embedding ESG principles in everything we do is a corporate value and a key enabler of our 2030 strategy, EDC's blueprint for guiding actions in alignment with our mandate to support and develop Canada's export trade. EDC's ambition to be a champion of progress and catalyst for change, in Canada and around the world, will require us to stretch our risk appetite and consider different approaches to risk without compromising our ESG principles. The sound ESG principles at the core of our corporate decisions are key to EDC's long-term sustainability as an organization, and a lower carbon and climate-resilient economy for Canada.

The importance of ESG to our internal and external stakeholders was confirmed by the outcome of EDC's 2021 materiality assessment. Specifically, the identification of climate risk and opportunity management, environmental impact of the portfolio, and sustainable/transition finance as topics material to EDC underlined the significance of committing to net zero emissions across our business lines and the development and operationalization of a transition plan.

NET ZERO BY 2050

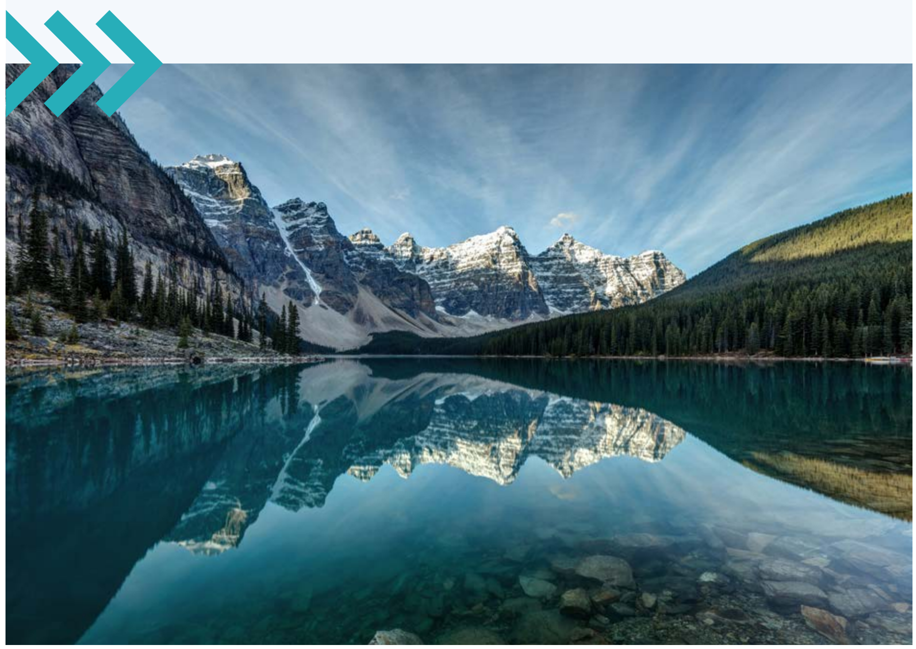
In 2021, we committed to becoming a net zero institution by 2050. Our plan includes reducing emissions in our portfolio and our operations to net zero. For EDC, net zero means that the emissions generated by recipients of our financial products are balanced by the emissions removed by recipients of our financial products and services over a specified period. Under the net zero scenario, residual emissions are "neutralized" by projects or companies that capture, use or store the emissions already in the atmosphere.

Achieving our climate goals will require long-term commitment and significant work in partnership with our customers, stakeholders and peers. We have developed plans to guide the decarbonization of our portfolio and operations, striving to align our approach with best practices set out by international bodies such as the Organisation for Economic Co-operation and Development (OECD), global alliances such as the Net Zero Export Credit Agencies Alliance, and leading frameworks like the Task Force on Climate-related Financial Disclosures.

EDC's plan to achieve net zero emissions includes:

- **Calculating financed emissions:** Calculating our portfolio financed emissions in alignment with the PCAF methodology and improving our data quality over time.
- **Interim climate targets:** Setting science-based targets to reduce financed emissions over time.
- **Operational emissions:** Reducing our operational GHG emissions to net zero through science-based reduction targets, and balancing any residual emissions through carbon removals.
- **Sustainable finance:** Providing capital to our customers for activities that can help them accelerate the reduction of their GHG emissions.

To demonstrate transparency and accountability in our efforts to achieve net zero, we are calculating and reporting emissions from our portfolio and operations in alignment with global carbon accounting standards. In 2021, EDC joined the Partnership for Carbon Accounting Financials. EDC's operational emissions are quantified in alignment with the GHG Protocol. Building on the established baseline emissions, we set interim targets that will help us build the momentum needed to drive emissions reductions in line with a 1.5°C pathway.



OUR 2050 NET ZERO COMMITMENT

INTERIM TARGETS

PORTFOLIO
Reduce our financing support to the six most carbon-intensive sectors by 45% below 2018 levels by 2023.

TARGET ACHIEVED AND EXCEEDED

AIRLINES
Achieve a 37% reduction in emissions per passenger kilometre by 2030 against a 2020 baseline.

NOT ON TRACK TO MEET THE TARGET*

OIL AND GAS
Achieve a 15% reduction in our financing portfolio related to upstream oil and gas production by 2030 and a 3% shift in the composition of that production from oil to gas against a 2020 baseline.

ON TRACK TO MEET THE TARGET

CLEANTECH
Achieve $10 billion in business facilitated in the cleantech sector in 2025.

TARGET ACHIEVED AND EXCEEDED

OPERATIONAL EMISSIONS
Achieve a 32% reduction in Scope 1, 2 and Scope 3 business travel emissions by 2030 from a 2019 baseline.

ON TRACK TO MEET THE TARGET

LONG-TERM TARGET

BY 2050, WE WILL REACH

NET ZERO

EMISSIONS IN OUR PORTFOLIO AND OPERATIONS

* *Relative exposure to the emissions-intensive airlines sector increased due to unexpected early payments.*

KEY FOCUS AREAS / SHORT- TO MEDIUM-TERM PRIORITIES

CUSTOMER ENGAGEMENT

Engage with our customers on climate matters to obtain a better understanding of their transition plans and needs, and adjust our approach to enhance our support for their climate transition efforts.

- Increase engagement with customers on net zero transition opportunities, specifically how EDC can support Canadian exporters focused on climate-related technologies and services.

PARTNER, INDUSTRY AND PUBLIC SECTOR ENGAGEMENT

Pursue opportunities to share knowledge and best practices specific to climate and net zero approaches to facilitate change at scale.

- Continue to develop external relationships with organizations that are strategic to our net zero commitment, to enable us to support a level playing field as we decarbonize across borders.

SUSTAINABLE FINANCE

Equip our customers with the capital they need to grow their business in alignment with net zero.

- Finance strategic transition opportunities to support the global shift to a low-carbon economy.

ENABLING FOUNDATIONAL CAPABILITIES

Strengthen foundational capabilities, including governance, data, training and capacity building, as well as communications and disclosure.

- Continue to refine accountabilities and roles for climate-related risk and opportunity management, data quality and implementation planning.
- Continue to enhance data and reporting infrastructure to measure, monitor and report on our progress.
- Integrate climate change within EDC's risk management processes and build the capability to manage transition and physical risks at transaction and portfolio levels.
- Continue to enhance disclosures with global reporting standards.
- Implement operational emissions abatement opportunities.

GLASGOW STATEMENT

As of January 1, 2023, EDC no longer provides new direct financing to the unabated international fossil fuel sector. This aligns with our commitment to the Government of Canada's emissions reduction plans, and is consistent with the Paris Agreement and our adherence to the Glasgow Statement.

Beyond the scope of the Glasgow Statement, we are also no longer providing new indirect business support (i.e., insurance, bonding or guarantees) for Canadian oil and gas producers' international upstream and downstream operations.

We are following the policy environment closely and will continue to work with our government partners to ensure we remain aligned with Canada's climate actions and objectives. In July 2023, the Government of Canada released its framework and guidance related to inefficient fossil fuel subsidies and committed to phasing out public financing of the fossil fuel sector, with its first actions being to study current public financing by 2024 and then to release an implementation plan later that year. Although EDC provides commercial business support and not subsidies, we will support the government as it undertakes its review.

Support to the oil and gas sector

EDC's reporting follows the North American Industry Classification System (NAICS), a global reporting system used by the federal government and other international agencies. As a result, our business support for the oil and gas sector includes transactions that relate to an oil and gas company's adoption or purchase of cleantech solutions that reduce its carbon or environmental footprint. It also includes indirect business such as electricity trading.

Our cleantech-related support for the oil and gas sector totalled $102 million in 2023, a decrease from $464 million in 2022. While the number of cleantech transactions increased to eight in 2023 from three in 2022, they were of smaller value compared to the previous year. The amount of cleantech-related support will fluctuate year-over-year given that transactions vary in scope and size.

As outlined below and consistent with previous years, the majority of our business support to the sector in 2023 was indirect, through short-term insurance coverage[1] and bonding[2]. Together, the insurance and bonding support represent 88% of our overall business facilitated for the sector.

[1] *Short-term insurance coverage refers to EDC's accounts receivable insurance, which protects a company from losses in the event of non-payment from their buyer.*

[2] *EDC's bonding support provides an up to 100% risk transfer guarantee to the Canadian exporter's financial institution, allowing the company to access greater working capital.*

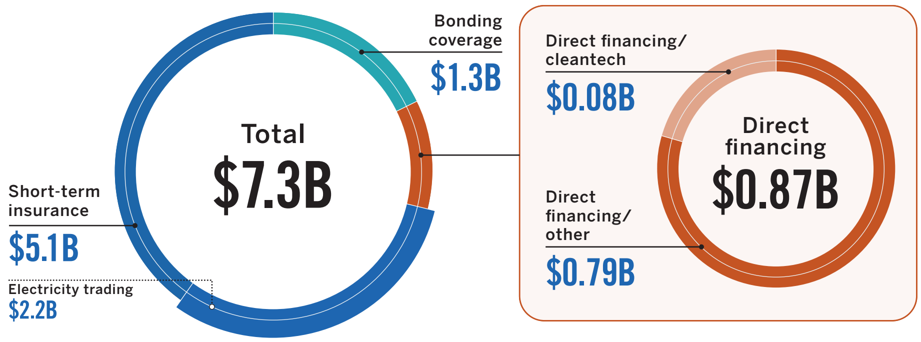
Breakdown of EDC support: year-over-year

- A 42% reduction in direct financing (i.e., loans) to the Canadian oil and gas sector, from $1.5 billion in 2022 to $870 million in 2023. This was driven by a significant decrease in direct financing to companies that provide equipment and services to oil and gas producers. Of our 2023 direct financing support, approximately $80 million was cleantech-related.
- A 25% reduction in short-term insurance coverage, from $6.8 billion in 2022 to $5.1 billion in 2023. In 2023, 43% of this insurance support was specifically related to electricity and energy trading of both traditional fossil fuels and renewable energy such as wind, solar and hydroelectric. As the energy sources cannot be separated out, the amount reported includes both fossil fuel and non–fossil fuel related support.
- A 30% increase in bonding coverage, from $1 billion in 2022 to $1.3 billion in 2023.

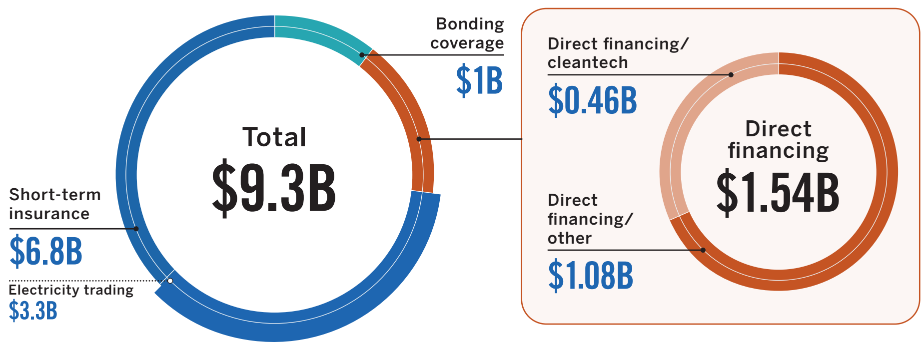
Across the above products and inclusive of cleantech and energy trading–related transactions, EDC facilitated a total of $7.3 billion of direct and indirect business in the oil and gas sector[1] in 2023, compared to $9.3 billion in 2022, a 22% reduction. In 2023, our support to the sector represented 6% of EDC's overall business facilitated of $131.4 billion.

For more information about EDC's business support to the oil and gas sector, please read our 2023 Integrated Annual Report.

2023 support for oil and gas



2022 support for oil and gas



(1) *In 2023, EDC updated its reporting for the oil and gas sector following a validation exercise to ensure the underlying NAICS codes matched our sector definition, which includes all support to oil and gas companies for traditional, cleantech or transition activities. Numbers reported in 2022 have been restated to reflect the updated 2023 oil and gas sector definition.*

Stakeholder engagement

Consistent engagement with our stakeholders is critical to our climate journey. It facilitates open and informed dialogue, and fosters connections, trust, transparency, confidence and support for our key initiatives. We aim to build a community of knowledge-sharing and collaboration through our engagement efforts. We regularly engage with our customers, partners, industry and public sector stakeholders to:

- ensure stakeholders are heard and their views are reflected in our processes;
- gather feedback on best practices and expectations;
- respond to stakeholders in a timely manner;
- increase participation to ensure a more diverse and inclusive engagement; and
- report on the progress EDC has made.

Customer engagement

We are committed to actively engaging with our customers on climate matters to better understand their needs and to adjusting our approach if necessary to enhance our support for their climate transition efforts.

With the majority of our emissions stemming from our portfolio, it is important for us to have insights into our customers' climate-related strategies and performance, and to understand their processes for managing climate-related risks and opportunities.

Since 2020, EDC has required that, for certain products, customers in the upstream and downstream oil and gas sectors commit to disclose corporate climate-related information in alignment with the TCFD recommendations. This requirement helps enhance the future competitiveness and resilience of these customers while helping us better understand the climate-related risks and opportunities associated with our financing. Increased transparency will also help us more accurately quantify our financed emissions through improved corporate GHG data availability.

Engaging with customers allows us to better understand their financing needs along their climate transition and climate risk management journey. This enables us to refine our sustainable finance solutions and informs our due diligence processes.

STAKEHOLDER GROUPS EDC ENGAGES WITH ON OUR CLIMATE CHANGE APPROACH AND PROGRESS

Customers and industry

International organizations

Civil society organizations

Business associations and think tanks

Finance industry peers (banks and ECAs)

ESG Advisory Council

Employees

Additionally, EDC engages closely with our shareholder, the Government of Canada, to ensure alignment with Canadian climate priorities and policies.

Partner, industry, civil society and public sector engagement

In relation to climate, EDC's key objective for engaging with partners, industry and the public sector is to share knowledge and best practices specific to climate risks, opportunities and net zero approaches. Examples of engagement activities in 2023 include:

Stakeholder		Engagement activities
Peers and export credit agencies	Berne Union Climate Working Group	For the first half of 2023, we chaired the working group, which aims to inform ECAs and private credit insurers about innovations in the credit insurance industry that contribute to global problem-solving of climate challenges and making the low-carbon transition.
	G7 Heads of ECAs	In May 2023, EDC participated in the Group of 7 (G7) Heads of ECAs Summit in Rome, where the discussion focused on climate policy implementation progress across ECAs, as well as operationalizing the new revisions to the OECD Climate Change Sector Understanding.
International organizations	Organisation for Economic Co-operation and Development	EDC, working with the Government of Canada, was a key contributor to the modernization of the OECD Arrangement on Officially Supported Export Credits, which included expanding the scope of climate-friendly projects and technologies, ensuring they benefit from more favourable financing terms.
	Glasgow Financial Alliance for Net Zero	In December 2023, EDC joined the new Net Zero Export Credit Agencies Alliance within GFANZ, an initiative to advance ECA practices to align with the Paris Agreement and achieve net zero by 2050. EDC joined as a founding member alongside U.K. Export Finance, the Export and Investment Fund of Denmark, EKN Exportkreditnämnden and Svensk Exportkredit.
Civil society organizations (CSOs)		EDC regularly engages with CSOs on our policies, due diligence practices and ESG priorities. It is an opportunity for us to hear directly from CSOs about their expectations as part of our commitment to open and ongoing dialogue, transparency and active listening. In June, EDC convened a roundtable with representatives from seven CSOs with expertise in climate, biodiversity, human rights and governance.
Business associations and think tanks		EDC maintains strong relationships with influential business associations and think tanks, participating in events that foster thought exchange and collaboration. Climate change issues are now a central component of these conversations at events such as TXF Global and the International Economic Forum of the Americas.

In 2023, we also participated in several industry events and initiatives, including:

- Sustainable Finance Summit (May 2023): to join conversations on impact measurement of sustainable finance efforts, and the value and integration of sustainable finance across the industry.
- World Biodiversity Summit (September 2023): to discuss the urgent need for biodiversity restoration through nature-based solutions and nature-positive investments, bridging climate and biodiversity agendas as part of New York Climate Week.
- World Energy Transition Summit (September 2023): to join conversations on the opportunities for decarbonizing energy-intensive sectors and pursuing a clean energy transition in line with net zero targets as part of New York Climate Week.
- ESG in Fixed Income Americas Conference (September 2023): to discuss the current and upcoming ESG trends in fixed income and the strategies that can be deployed to further drive the growth and development of the green, social and sustainability bonds market in the region.
- Building Momentum Toward Net Zero Conference (November 2023): to engage in Canada's pre-eminent annual climate change conference organized by the Canadian Climate Institute and the Net Zero Advisory Council. EDC's CEO offered opening remarks, and a delegation of EDC representatives participated in the day's discussions.
- United Nations Climate Change Conference or COP28 (November to December 2023): where we engaged with diverse stakeholders, including other ECAs, the Berne Union Climate Working Group, the Export Finance for Future Coalition and financial institutions, to advance climate-related discussions. As part of the Canada Pavilion, EDC hosted a panel that brought together representatives from ECAs and academia to discuss emerging collaborative and innovative solutions being deployed by ECAs to help accelerate ambition and action on climate change. The panel discussed the need for flexible strategies and key partnerships, as well as transparent, inclusive and ambitious action plans to support exporters.
- EDC also hosted its second annual ESG Summit in November 2023 to exchange ideas and best practices related to ESG with mid-market private equity funds. The event was an opportunity to share information on a range of topics including sustainable finance, human rights risk management and transition opportunities for a low-carbon economy.

EDC AT COP28

This year's climate summit was an opportunity for leaders and peers in the export credit industry to gather, share knowledge and drive innovation as we progress toward achieving net zero emissions by 2050. A key highlight was the launch of the UN-convened Net Zero Export Credit Agencies Alliance, the first net zero alliance comprising public finance institutions globally. As a founding member, EDC will work with other leading members under the alliance to deliver net zero economies by 2050, help decarbonize global trade, and facilitate joint action from public and private finance.

Sustainable finance

EDC has an important role to play in advancing a trade ecosystem while also supporting the responsible use of global natural resources, reducing negative environmental impacts on the planet and increasing equitable outcomes for people. Sustainable finance is one of our primary tools for effecting this kind of change. It spans relevant support across several of our existing programs, such as cleantech and inclusive trade, and has the potential to support targeted businesses through our Sustainable Bond Framework.

Sustainable finance has been a key part of our business for many years. EDC was the first Canadian financial institution to establish a Green Bond Framework (in 2013) and to issue a green bond (in 2014). Today, our delivery of sustainable finance enables businesses to continue to grow while transitioning to more sustainable business practices and materializing their ESG objectives. We work closely with our customers to understand their needs and inform the development of sustainable finance solutions. The tools, resources and methodologies through which we deliver sustainable finance will continue to evolve alongside our customers, best practices, and the needs of society and the environment.

In 2023, we dedicated resources to support the operationalization and refinement of EDC's sustainable finance strategy. In November, we released EDC's Sustainable Finance Framework, which outlines our approach to classifying direct financing transactions as sustainable and supports the tracking and reporting of our sustainable finance portfolio.

Specifically, the framework:

- defines the scope, criteria thresholds and definitions used to determine whether transactions may be classified as eligible sustainable finance at EDC;
- provides a governance process that enables the monitoring, tracking and reporting of all related business activities;
- provides a market-aligned approach and, where applicable, a science-based approach to assessing credibility; and
- outlines credible activities as potential opportunities for customers to explore as they develop and execute their own sustainability goals.

We developed the framework with the support of Morningstar Sustainalytics, a globally recognized provider of ESG research, ratings and data. We will review this framework on an annual basis and look to incorporate any appropriate changes based on the evolution of market guidelines, frameworks, standards and principles, as well as legal, regulatory, technological and economic developments in ESG.

Sustainable bonds

The Sustainable Finance Framework complements EDC's Sustainable Bond Framework, which was released in 2022 as an update to the Green Bond Framework (2013). Bonds are a key tool for financing sustainable activities and businesses. The framework guides future issuances of sustainable bonds and sets out the criteria for green and social projects our bonds can support. The framework was developed in accordance with principles set forth by the International Capital Markets Association.

The volume of transactions financed from green bond proceeds, cumulative from 2014 to 2023, is $2.4 billion. Additional information on sustainable bond performance and projects funded through green bond 5 can be found in the 2023 Sustainable Bond Impact Report. To further enhance the alignment of our sustainable bond reporting practices with ICMA principles, we obtained third-party assurance on the use of the proceeds as they relate to our green bonds. The 2023 assurance statement can be found here.

In 2024, we will continue to establish specific criteria to distinguish a credible transition strategy and identify eligible transition assets.

EDC's sustainable bond categories

Bonds	Description
Green bonds	Support initiatives related to renewable energy, energy efficiency, pollution and waste management, natural resources, clean transport and green buildings, among others.
Social bonds	Support affordable infrastructure, access to health and nutrition, and businesses owned and/or led by members of equity-seeking groups such as women, Indigenous peoples, Black and other racialized communities, persons with disabilities and 2SLGBTQI+.
Transition bonds	Support loans related to activities that significantly reduce GHG emissions. Qualified projects or companies must use the proceeds for decarbonizing activities, must have a credible transition strategy to decarbonize in alignment with the Paris Agreement and cannot rely on locking in carbon-intensive assets.

Sustainable Financing Guarantee

In 2022, we developed our Sustainable Financing Guarantee pilot to help medium-sized and large Canadian businesses transition from carbon-intensive operations to ones that can eliminate or significantly reduce emissions. This is a risk-sharing solution with several Canadian financial institutions to increase the capacity of the Canadian financial sector to provide sustainable-linked funding and learn from one another as we each continue to grow our offerings in this space. Funding from this program will support sustainable initiatives, such as hydrogen solutions, renewable infrastructure and grid modernization, keeping within the construct of each financial partner's sustainable finance framework.

As of year-end 2023, the pilot includes four partner Canadian financial institutions: the Bank of Montreal, Royal Bank of Canada, Desjardins, and the Canadian Imperial Bank of Commerce. The program currently has available funding of $500 million per financial institution partner and is one of the tools in the market that support Canadian businesses transitioning their operations.

Cleantech

Clean technologies are recognized as a critical component in mitigating climate change. For more than 10 years, we've helped Canadian cleantech companies achieve success by providing trade knowledge, financing solutions, equity, insurance and connections. Since launching our sector program in 2012, EDC has supported nearly $41 billion worth of cleantech exports and has become a leading financier of Canada's cleantech industry. Our goal over the long term is to continue to grow our support to the cleantech sector and establish Canada as a leader in clean technologies.

In 2023, we supported 444 cleantech businesses, enabling a record of more than $12 billion in business facilitated. That is up from $8.8 billion in business facilitated and 392 companies served in 2022.

In 2024, we plan to continue the growth of our portfolio of cleantech customers as well as expanding our portfolio of cleantech assets and exposure.

In 2023, we supported 444 cleantech businesses, enabling a record of more than $12 billion in business facilitated. That is up from $8.8 billion in business facilitated and 392 companies served in 2022.

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

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

We apply this definition to our work across key cleantech sectors and subsectors, including:

- agriculture and forestry;
- air, environment and remediation;
- biofuels and bioproducts;
- energy efficiency and green buildings;
- energy infrastructure;
- extractive and industrial materials;
- recycling and recovery;
- renewable power generation;
- transportation and sustainable mobility; and
- water and wastewater.

To maximize our impact, EDC's cleantech team focuses on:

- scaling emerging cleantech companies;
- providing patient growth and working capital, long-term financing and developmental capital for larger renewable energy developers;
- supporting access to new markets and connections;
- providing decarbonization and net zero transition support;
- working with our partners across federal organizations to align on priorities to accelerate growth and provide input for program and policy development; and
- developing sector-specific knowledge and strategies in emerging areas, such as electric mobility, critical minerals, hydrogen and carbon capture.

For additional information on the Canadian cleantech sector, please see EDC's Canadian Cleantech: Powering Progress report, released in 2023.

CUSTOMER STORIES

BUS.COM

Bus.com uses advanced technology to facilitate bus rentals and shuttle services, resulting in more environmentally friendly transit. Since 2014, the company has avoided the release of nearly 60,000 tonnes of GHG emissions into the atmosphere by reducing the number of vehicles on the roads.

Following a significant loss in revenue during the pandemic, Bus.com faced challenges accessing funding to pursue future growth opportunities. EDC provided Bus.com with a credit facility and performance guarantee to successfully secure a $100 million contract in California, as well as providing equity via our Investment Matching Program.

READ THE STORY

VIRIDIS TERRA

Viridis Terra supplies capital, technologies and technical assistance to owners of degraded land to support sustainable forest/agroforest restoration and management. As there are no immediate returns on investments, the company was facing challenges accessing funds and securing customers. EDC's guarantee program enabled Viridis Terra to take out a line of credit. More importantly, EDC was instrumental in helping Viridis Terra land a large contract from a Fortune 500 corporation with the Government of Peru for an Integrated Forest Landscape Restoration project in the Amazon.

READ THE STORY

NORTHLAND POWER INC.

Northland Power Inc. (Northland) is a Canadian power producer and global champion in the offshore wind industry. Over the past 15 years, the company has transitioned from primarily producing natural gas–based energy in Canada to being a worldwide leader in renewable energy.

Northland's partnership with EDC began with the financing of its first offshore wind project in the Netherlands and has since expanded to include two more projects in Poland and Taiwan. These projects will assist local governments in meeting their renewable energy goals. Baltic Power in Poland will provide clean energy to more than 1.5 million households, helping to reduce the country's reliance on coal. Hai Long in Taiwan will contribute to the government's target of 15 gigawatts of offshore wind energy.

EDC's support has been pivotal to Northland's ability to both grow in these regions and meet international ESG standards. Working closely with EDC to conduct environmental and social due diligence, Northland implemented an Environmental and Social Action Plan to ensure that any risks are managed in accordance with international best practices. EDC has also assisted Northland in meeting its capital requirements for renewable energy projects, helping it become a market-leading global developer in the offshore wind sector.

READ THE STORY

Our team continues to collaborate and engage with a growing network of ecosystem partners at the federal and industry level, including, but not limited to:

- Sustainable Development Technology Canada (SDTC);
- Business Development Bank of Canada (BDC);
- Clean Growth Hub;
- Natural Resources Canada;
- Innovation, Science and Economic Development Canada (ISED);
- Environment and Climate Change Canada (ECCC);
- Global Affairs Canada (GAC);
- Canada Cleantech Alliance and its members;
- MaRS;
- Canada Infrastructure Bank (CIB); and
- Canada Growth Fund (CGF).

CLEANTECH EXPORT WEEK

From October 30 to November 6, 2023, we hosted the 2023 **Cleantech Export Week** in Ottawa, Toronto, Montreal and Vancouver. This was the seventh year of the event, which had the theme of *Powering Collaboration and Accelerating Progress*. The event offers a platform for companies, EDC partners and financiers to connect and collaborate, generating momentum to speed up progress in the global race toward decarbonization. Some of the calls to action raised during the event included partnering to drive change, fostering domestic adoption, accelerating and building out the entire critical minerals to the electric vehicle value chain, scaling up the emerging technologies to accelerate decarbonization and focusing on emissions elimination rather than emissions reduction.

Net zero in our operations

We recognize that our operations have an impact on the environment. Although the majority of our GHG emissions are associated with our financing activities, we believe it's important to lead by example.

Understanding and reducing our operational impacts is a key priority for us, especially with regard to energy consumed at our buildings and through business travel. In 2023, we focused on stakeholder engagement to ensure cross-functional alignment when developing our decarbonization roadmap. Stakeholders included internal groups as well as external stakeholders such as our landlord and property manager. Our roadmap includes changes such as modernizing our data centre by migrating to the cloud, implementing energy conservation measures at our head office in Ottawa and encouraging the use of low-carbon transportation options for our employees. We will continue implementing emissions reduction initiatives in 2024.

In 2023, we continued to offset our operational emissions by purchasing and retiring renewable energy certificates (RECs) to compensate for our Scope 2 electricity consumption and carbon offset credits to compensate for our Scope 1 and Scope 3 business travel emissions. We achieved a 25% reduction in Scope 1, 2 and 3 business travel emissions from a 2019 baseline, progressing 78% toward our 2030 target.

Biodiversity

EDC recognizes the importance of nature in achieving global climate and human rights objectives, and acknowledges biodiversity and ecosystem services loss as issues of increasing significance to our stakeholders, our shareholder and the planet. Our exploration of biodiversity is guided by leading global frameworks and initiatives—in particular, the Convention on Biological Diversity (CBD) Post-2020 Global Biodiversity Framework, the Taskforce on Nature-related Financial Disclosures (TNFD) framework and the Science Based Targets Network (SBTN). Using these leading frameworks and initiatives as a guide, in 2023 we prioritized education, awareness and capacity building. We developed and undertook an internal biodiversity awareness campaign composed of a variety of communications and engagement activities, the purpose of which was to educate employees on the importance of biodiversity to EDC and our customers.

Our external engagement activities focused on knowledge-sharing, partnerships and collaboration, including:

- joining the TNFD Forum, a network of organizations that support the TNFD's mission and contribute to the ongoing development of additional guidance;
- chairing the Equator Principles (EP) Association Biodiversity Working Group, a community of learning whose mandate is to educate EP Association members and support the mainstreaming of biodiversity within the association;
- participation in the OECD Biodiversity Working Group, a group of leading ECAs that were tasked with embedding the topic of biodiversity into the OECD Common Approaches;
- knowledge and network building at the World Biodiversity Summit; and
- participation on a Climate-Nature Nexus panel at the Sustainable Finance Summit in Montreal.

We intend to continue exploring nature-related risks, opportunities, impacts and dependencies in line with the recommendations of the TNFD framework. We have begun to investigate some of the tools, methodologies and partnerships that can support us on our journey as we continue our work to understand risks and opportunities related to nature and biodiversity.

Understanding our climate-related risks and opportunities

The impacts of climate change are broad and systemic. We recognize that climate-related risks and opportunities may influence our business and strategic objectives over the short, medium and long term, which is why climate change is integrated into our risk assessment processes. In 2022, climate change risk was introduced as a separate strategic risk under our Risk Taxonomy, and it is now subject to quarterly risk reporting to senior management and the Board of Directors.

Climate-related risks may be categorized as either transition or physical risks. Transition risks result from a global transition to a low-carbon and climate-resilient economy, and though they are risks, they also present opportunities for our business. Physical risks result from extreme weather events and increasing average global temperatures. Climate-related risks can materialize through financial risks, including credit, market, insurance and liquidity risks; strategic risks; operational risks; and reputational risks. Building resilience to these risks requires us to address the vulnerabilities in our strategy and financial planning models, and in our operations.

CLIMATE RISKS AND THEIR TRANSMISSION CHANNELS

CLIMATE RISKS

Transition risk
- Policy and regulation (e.g., carbon tax)
- Technological development (e.g., electric vehicles)
- Consumer preferences

Physical risk
- Chronic (e.g., temperature changes, sea-level rise)
- Acute/catastrophic (e.g., heat waves, floods)

TRANSMISSION CHANNELS

Microeconomic
- Financial impact on individual households and businesses
- Business disruption
- Property damage and liabilities

Macroeconomic
- Unemployment
- GDP changes
- Capital depreciation

BUSINESS RISKS

Financial risk
- Credit
- Market
- Liquidity
- Operational

Non-financial risk
- Reputational
- Strategic
- Physical security
- Model
- Compliance and regulatory

Scenario analysis

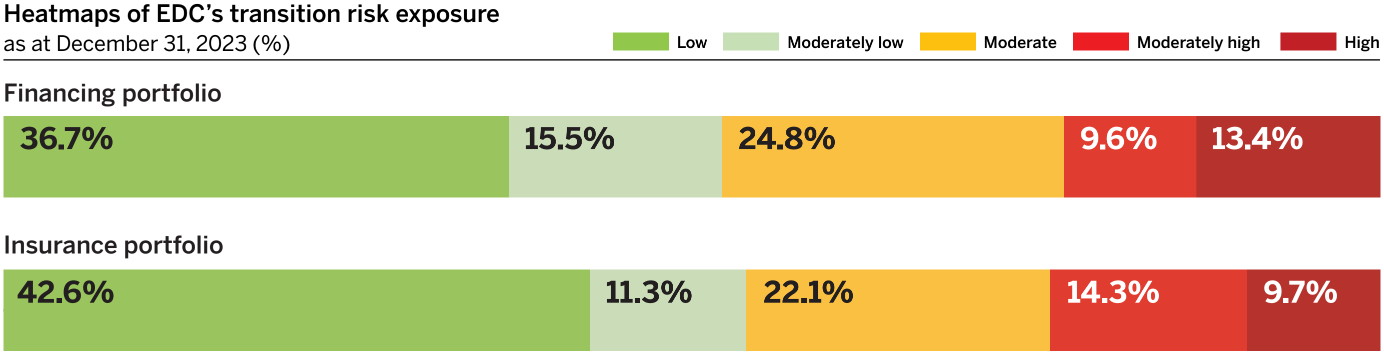
We are continuing to build our technical capabilities to model the impacts of different climate change scenarios because we recognize that being able to better assess climate-related risk will improve our decision-making. We'll achieve this by addressing data quality and availability challenges, leveraging forward-looking assessments of climate-related factors, informed by increasingly robust models as well as emerging regulations in the financial services sector.

We've been performing and refining our approach to scenario analysis since 2020 and have made significant progress in our approach. In 2023, we tested the impact of the [Network for Greening the Financial System's (NGFS) Current Policies]() scenario as of 2050. Under this scenario, no significant policy changes are introduced to reduce emissions by 2050 and physical risk from climate change is maximized. However, transition risk would be minimal as there are no material adjustments to a net zero economy. This scenario was selected to focus on understanding the exposure to physical risk since the previous three climate risk scenarios were focused on climate-related transition risk. The time horizon of 2050 was selected to allow for climate-related physical risks to materialize.

The prior year scenario analysis focused on:

- **2020:** Assessing the impact of a *disorderly transition* to a net zero economy, in which governments would take rapid and disruptive policy action to reduce carbon emissions.
- **2021:** Assessing the five-year (to 2026) impact of an *orderly transition* to a net zero economy, in which governments would take gradual policy action to reduce carbon emissions, resulting in gradual economic readjustments, asset revaluations, increases in energy prices and decreases in the creditworthiness of impacted companies.
- **2022:** Assessing the medium-term (2026 to 2030) impact of a *disorderly and divergent transition* to a net zero economy, in which immediate but divergent policy action across countries and sectors would result in higher transition costs and a quicker phase-out of oil use.

Heatmaps of EDC's transition risk exposure
as at December 31, 2023 (%)



The proportion of the financing portfolio in sectors more exposed to transition risks has decreased over the last year. This was driven by a decline in the proportion of the portfolio exposure in the transportation sector (aerospace), partially offset by an increase in the proportion of the portfolio exposure in the industrials sector (petrochemicals and consumer manufacturing). In the insurance portfolio, the exposure to transition risks remained relatively stable over the last year, with an increase in exposure to industrials offset by decreases in oil and gas and in transportation.

EDC's credit risk exposure to sectors most sensitive to transition risk(1)

Sectors	C$ billion	% of total exposure
Industrials	21.5	12.4
Transportation	10.6	6.2
Oil and gas	3.6	2.1
Metals and mining	1.7	1.0
Power generation	0.3	0.2

EDC's credit risk exposure to sectors most sensitive to physical risk(1)

Sectors	C$ billion	% of total exposure
Transportation	2.2	11.4
Metals and mining	1.8	9.3
Real estate	0.1	0.7

(1) *Includes financing portfolio and credit insurance.*

While transition risk is driven mostly by the customer's sector of activity, physical risk is mainly related to the geographic location of their activities. To be able to conduct a physical risk scenario analysis, it's important to understand the exposure of different sectors and geographic locations to climate-related hazards. To capture the geographic location's exposure to climate-related hazards, we leverage the INFORM database, which contains country-level exposure assessments.

The sector exposure assessment is based on the United Nations Environment Programme Finance Initiative (UNEP FI) approach, resulting in over 1,100 distinct NAICS assessments.

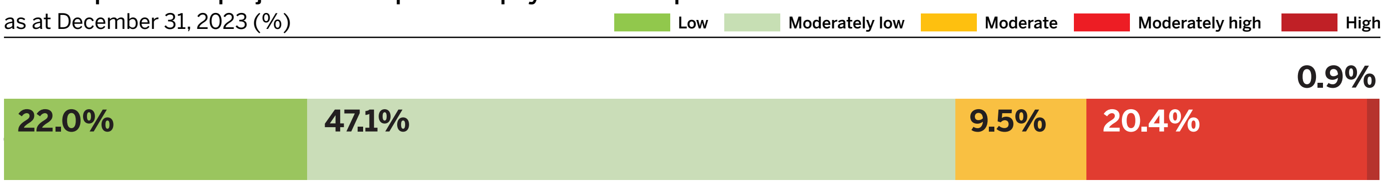
To assess the impact of the scenario on the credit quality of obligors, we leveraged a European Central Bank study on the impact of physical risk on probabilities of default. Due to data limitations, we focused the climate-related risk scenario analysis on the project finance portfolio, where the location of the underlying asset exposures is well understood.

The impact assessment was furthermore based on an average country risk and average impact on probabilities of default by physical risk assessment rating, which may not represent the exposure to extreme physical risk events.

Findings

As of June 2023, EDC's project finance portfolio represented 22% of our overall financing portfolio and 11% of total business exposures. Under the Current Policies scenario, the physical risk impact on the June 2023 project finance portfolio as of 2050 is estimated to increase the expected loss of the portfolio by 9% over the life of exposures and would increase capital demand by 10%.

Heatmap of EDC's project finance portfolio physical risk exposure
as at December 31, 2023 (%)



The physical risk exposure assessment focuses on the project finance portfolio, where EDC data captures the location of operations.

As we continued to improve our ability to conduct scenario analysis to better understand risk exposures and manage climate-related risks, EDC identified potential actions based on the 2023 findings. These include, but are not limited to, the development of a framework to better understand the physical risk exposures to climate change.

In addition, we will continue to evolve our portfolio climate scenario analysis approach to reflect emerging regulatory requirements, combining bottom-up obligor-level analysis with the current top-down perspective and assessing the impact on forecasts of future portfolio exposures. As we enhance our understanding of the potential impact of climate change risk on portfolios and our 2030 strategy, we will continue to incorporate the results of our climate scenario analysis into risk management, financial planning and strategy.

Risk management

The resilience of our business depends on our ability to manage current and future climate change impacts. This will require us to fully integrate our climate risk/opportunity assessment process with enterprise processes and to adapt our strategy and financial planning process accordingly.

Our Environmental and Social Risk Management Policy Framework includes policies, procedures and positions that ensure transactions are subject to rigorous environmental and social assessment. As part of this framework, we have adopted and implemented the Equator Principles and the OECD's Common Approaches for Environmental and Social Due Diligence. We also apply the International Finance Corporation's (IFC) Environmental and Social Performance Standards as the dominant framework for project-related due diligence and benchmarking.

Identifying and assessing climate risks

The identification and assessment of climate-related risks form part of our Enterprise Risk Management Framework and are subject to our non-credit risk assessment process. Our Due Diligence Framework: Climate Change elaborates on our efforts to identify and assess climate-related risk as part of this process. It applies to our customer relationships, as well as project-related and non-project transactions that are reviewed by our ESG Advisory team.

In executing the process, we use our *Navigating Climate-Related Requirements* tool to assist account managers in identifying carbon-intensive customers or transactions and helping our customers understand our climate priorities. Transactions or customers that have been flagged for non-credit climate-related risks through our environmental and social risk management review undergo a climate performance assessment. This involves an assessment of the customer's level of risk and willingness to work with us to achieve stronger climate performance. Depending on the results noted, advisors may recommend the company make commitments to improve their climate performance and disclosure. Where a potential client is unwilling to do so, EDC may decide not to pursue the transaction or exit its relationship with the client.

We've established clear parameters for transactions, such as our decisions to no longer support thermal coal (2019) and international oil and gas (2023). Details specific to each of these decisions are outlined in the due diligence framework cited above.

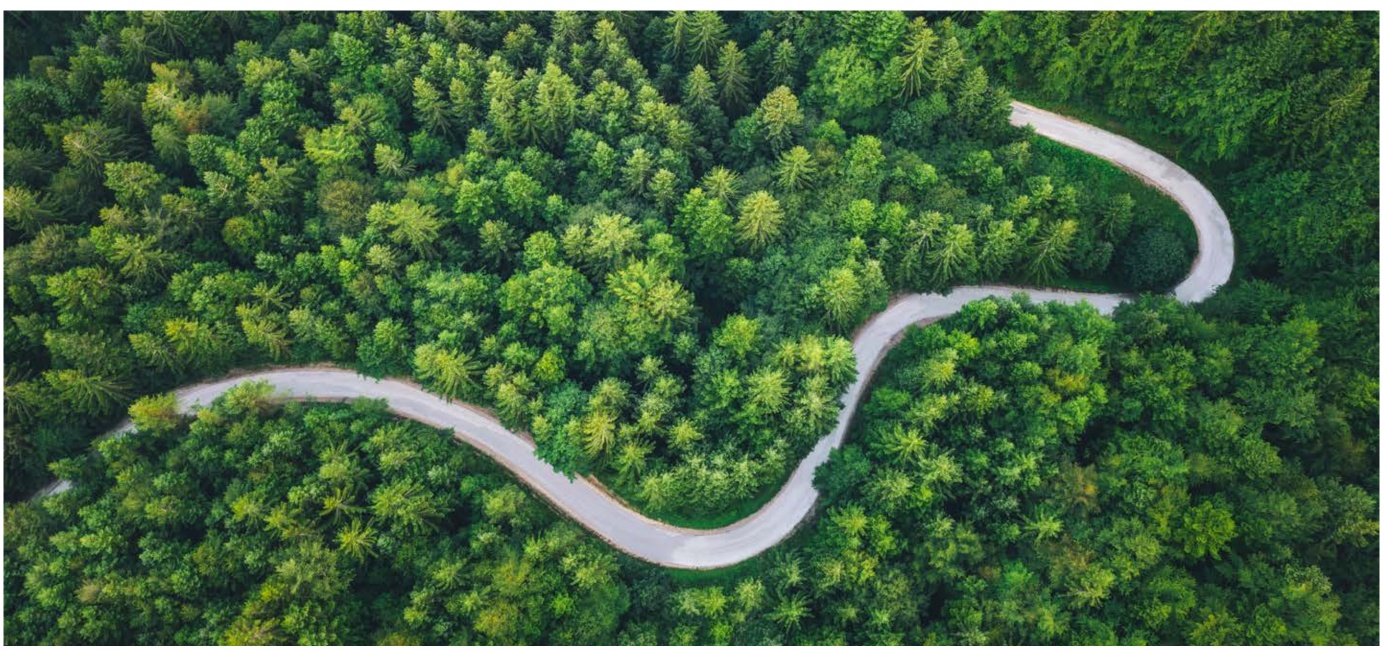
Managing climate-related risk

For identified climate-related risks, we determine the best approach to manage these risks—whether it be by mitigating, transferring, accepting or controlling them. Our financial managers work together with our risk management group to incorporate mitigation and action plans into their underwriting decisions. Depending on the nature of the climate risk identified, financial managers can take action to ensure the risk is reflected in underwriting. For example, they may decide to:

- recognize and assess the increased refinancing risk;
- incorporate anticipated capital and/or operating expenditures into financial models;
- assess the impact on profitability and costs; or
- assess the impact of the associated strategic, reputational or operational risks.

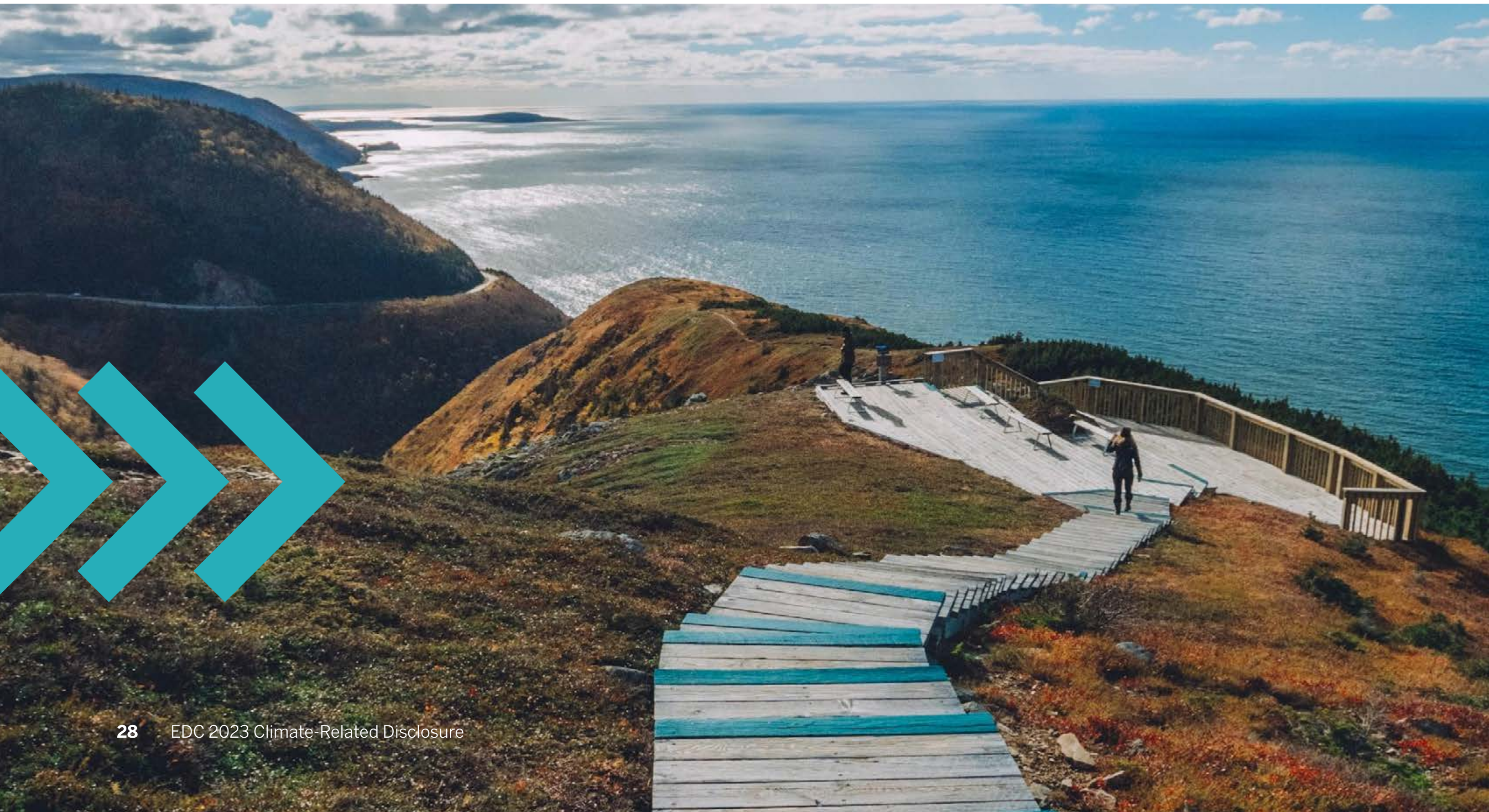
Managing climate-related risk is an area that continues to evolve as we modify and deepen our processes pertaining to capturing climate-related risk in credit decisions.

Climate-related risk is integrated into our Risk Taxonomy as a type of strategic risk. To this end, roles and responsibilities for climate-related risk management are established by the Three Lines of Defence (3LD) model.



Three Lines of Defence applied to climate risk management

Team	Responsibility
First Line of Defence	
Business Development and Underwriting	Manages and monitors risk, including environmental, social and human rights. Conducts pre-screening to flag potential and/or actual environmental and social (E&S) risks to ESG Advisory.
ESG Advisory	Identifies, assesses, manages and monitors environmental, social and human rights risks and issues in compliance with requirements set out in the ESRM Policy Framework, which includes the Climate Change Policy, the Due Diligence Framework: Climate Change and supporting documents. Escalates E&S issues to the ESG Policy team and the Second Line of Defence when additional oversight and guidance are needed.
Relationship and Transaction Committee	Comprises members from the First and Second Lines of Defence, acting as an early triage committee for relationships and transactions assessed as medium to high non-credit risk. Provides oversight as well as objective and effective challenge of risk assessments and recommendations.
Second Line of Defence	
Risk Management Office	Provides objective and effective approval of all risk ratings, with some exceptions.
Risk Quantification	Performs climate scenario analysis and identifies potential impact on EDC's portfolios.
ESG Policy and Research	Develops, implements and maintains the ESRM Policy Framework, which includes the Climate Change Policy and the Due Diligence Framework: Climate Change. Provides guidance to the ESG Advisory team and the Business Development and Underwriting team to ensure alignment of the due diligence process with the ESRM Policy Framework.
Third Line of Defence	
Internal Auditor	Conducts periodic audits to review adherence to ESRM Policy Framework principles and to the standards, guidelines and procedures detailed in its supporting documents. Provides independent assurance to senior management and the board regarding the effectiveness of the First and Second Lines of Defence, and that they are managing and controlling risk. Provides independent assurance that ESRM-related policies are fully implemented.



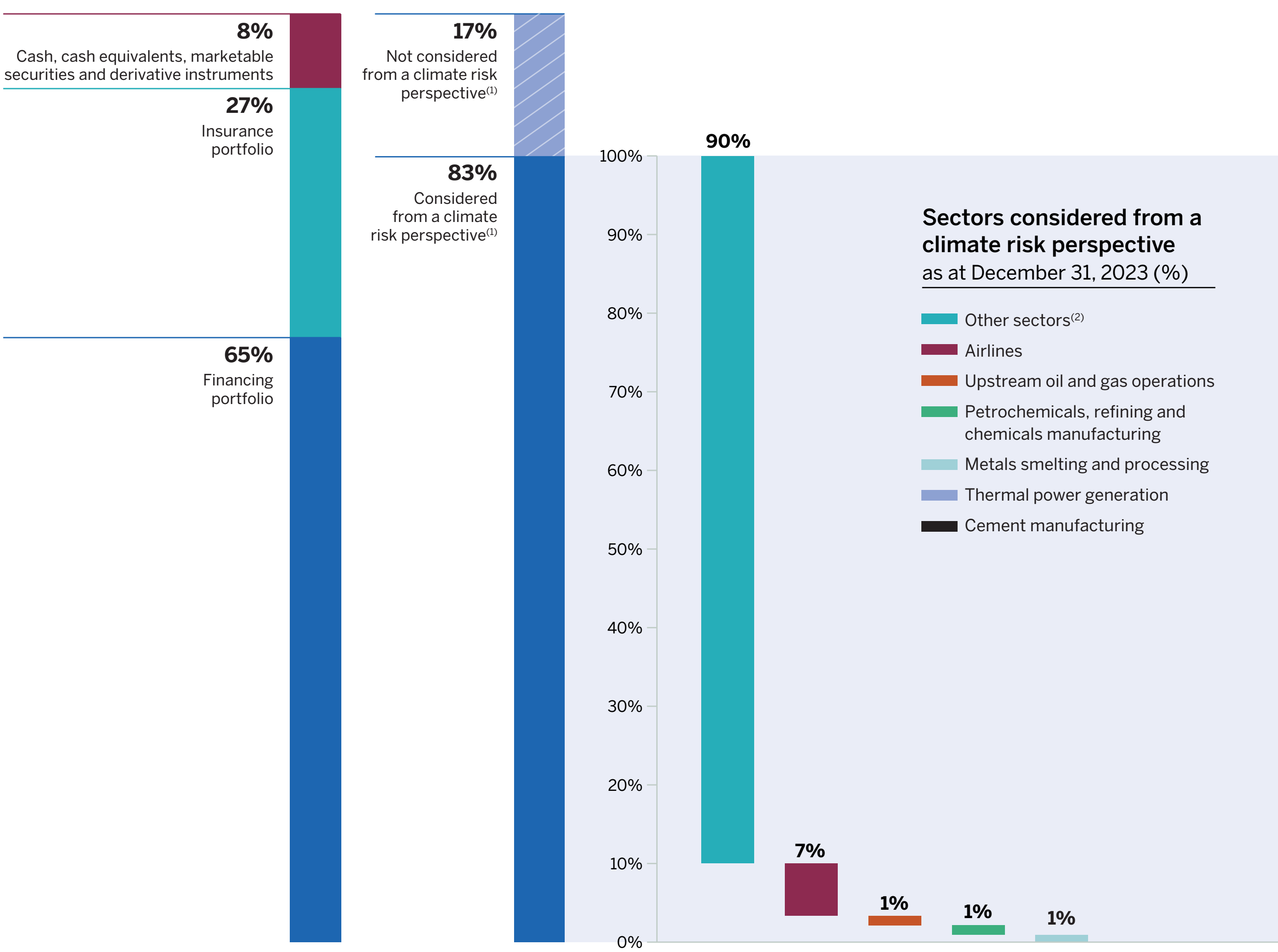
Metrics and targets

At EDC, we're measuring and managing our performance using key metrics and setting clear targets to inform our decision-making and monitor progress over time.

A detailed overview of our emissions footprint is critical for guiding our decarbonization strategy. In 2023, our overall carbon footprint was 4,599 tCO_2e of non-financed emissions and 24.8 $MtCO_2e$ of financed emissions from our commercial loans and project finance portfolios. Financed emissions (Scope 3, Category 15) represent EDC's largest source of GHG emissions. In 2023, our financing portfolio made up 65% of our overall portfolio, 83% of which related to sectors considered high impact from a climate risk perspective.

EDC concentration of portfolio
as at December 31, 2023 (%)

EDC's financing portfolio
as at December 31, 2023 (%)



(1) *Financing exposure considered from a climate risk perspective focuses on structured and project financing, and corporate lending (Canada and international). The portion not considered relates to exposure where the carbon intensity of the funding cannot be effectively determined, or where EDC does not have material influence on the carbon intensity of funded operations.*

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

Financed emissions

In 2021, EDC joined the Partnership for Carbon Accounting Financials (PCAF), an industry-led partnership to facilitate the transparency and accountability of the financial industry to the Paris Agreement. In doing so, EDC committed to assessing and disclosing the GHG emissions associated with our portfolio on an annual basis. 2023 marks the second year in which we are disclosing our Scope 1 and 2 financed emissions for our commercial lending and project finance portfolios across all sectors, along with Scope 3 upstream emissions for the energy and mining sectors, and Scope 3 downstream emissions for the upstream oil and gas sector.

The results from our financed emissions calculations will enable EDC to make more data-driven decisions at the portfolio and transaction levels to meet our climate targets and mitigate climate-related transition risks. 2023 was spent building the foundations for measuring and monitoring EDC's progress to net zero. We continued to refine the methodologies for our in-scope sectors, seeking to increase the percentage of reported emissions by obtaining data from external sources. We developed an internal reporting dashboard, automated to enhance the reliability of EDC's financed emissions calculations and the availability of results.

Going forward, we will continue to improve the transparency of our disclosure by measuring and reporting the GHG emissions associated with our financing portfolio, in line with the PCAF methodology. Specifically, we aim to:

- expand coverage to other asset classes as PCAF guidance becomes available;
- continue to improve our data quality score to support the credibility and accuracy of the data and outcomes, and to guide decisions more effectively at the portfolio and transaction levels; and
- seek to provide more Scope 3 transparency on material sectors, as indicated by PCAF, where data becomes available.

In addition, we need to understand where the most material transitional risks are and use our data to drive behavioural change in the identified risk areas, including in sectors and regions.

Portfolio values	Units	2023	2022	2021
Loan book	C$ billions	**77.2**	70.4	63.7
Total portfolio coverage (commercial loans + project finance)	%	**99.1**	99.3	99.2
Data coverage	%	**100**	100	100

Targets related to our portfolio

Since committing in 2021 to net zero by 2050, EDC has continued to mature its climate-related risk management practices. The following year, EDC disclosed two science-based 2030 sector targets for the airlines and upstream oil and gas sectors. In addition, we are refining our approach to measuring and tracking our investments in sustainable finance.

Overview of interim targets and 2023 progress

✓ Met › Remain on track to meet — Not on track to meet

Target	Metric	Unit	Baseline	2023	Progress
Reduce our financing support to the six most carbon-intensive sectors by 45% below 2018 levels by 2023	Exposure	C$ billions	$22.4 billion (2018)	**6.9**	✓
Achieve a 37% reduction in emissions per passenger kilometre from our airlines financing portfolio by 2030 against a 2020 baseline	Emissions intensity	Grams of carbon dioxide (gCO_2)/ passenger kilometre (km)	131.7 (2020)	**141.6**	— (1)
Achieve a 15% reduction in our financing portfolio related to upstream oil and gas production by 2030 against a 2020 baseline	Loan-weighted production volume	Exajoules (EJ)	1.86 (2020)	**1.17**	›
Achieve a 3% shift in the composition of production from oil to gas against a 2020 baseline	Technology mix (share of oil relative to gas)	Percentage (%)	56.1% oil (2020)	**7.2**	›
Achieve $10 billion in business facilitated in the cleantech sector in 2025	Exposure	C$ billions	n/a	**12.2**	✓

(1) *Relative exposure to the emissions-intensive airlines sector increased. This is due to unexpected early payments.*

2023 climate target

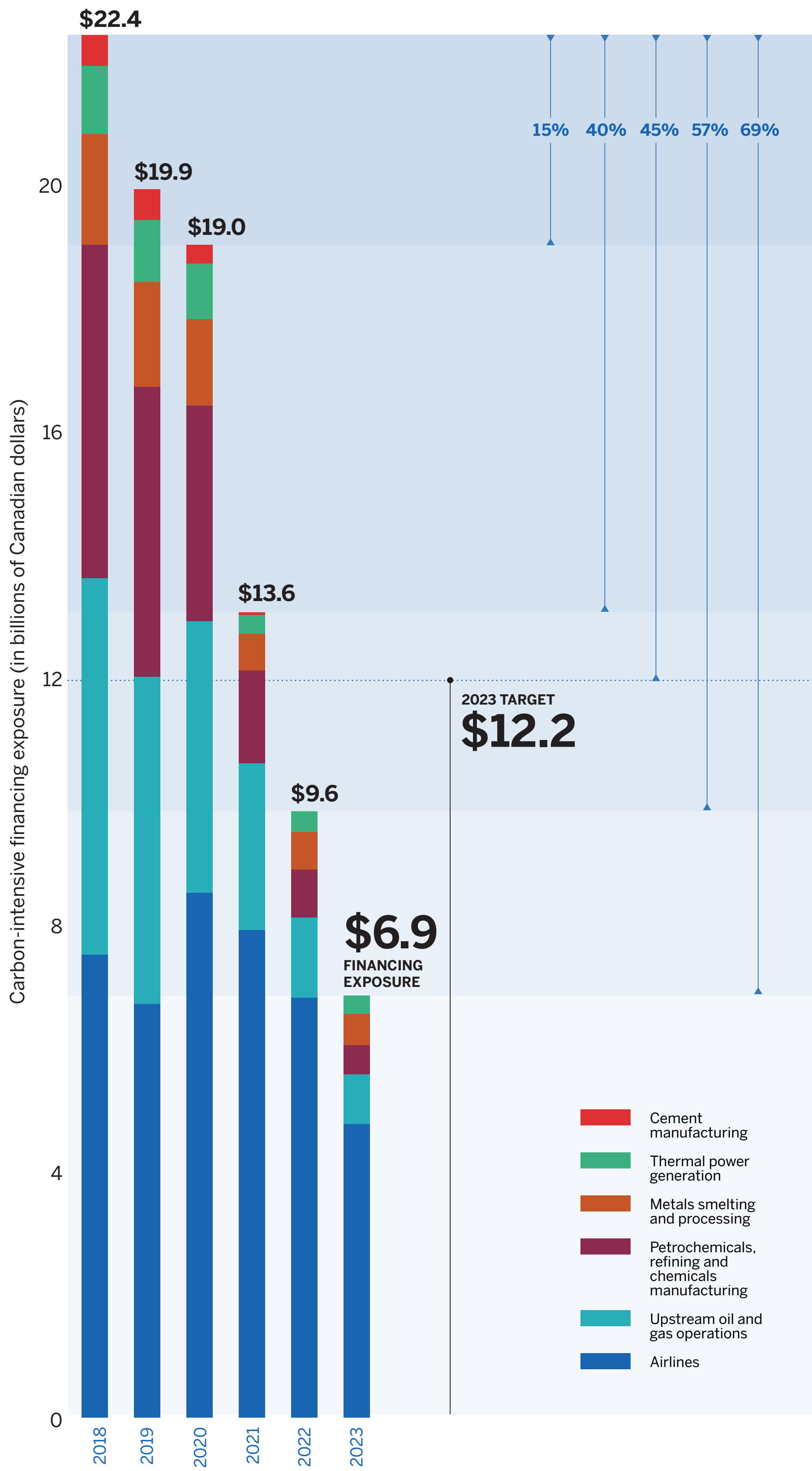
Prior to our 2050 net zero commitment, we set an interim target to reduce exposure in our six most carbon-intensive sectors by 45% by 2023 from 2018 baseline levels. The target, which was originally set in 2019 and committed EDC to a 15% reduction, was updated in 2020 to a 40% reduction and subsequently to a 45% reduction commitment in 2022, as we surpassed our initial goal.

Our six most carbon-intensive sectors are as follows:

- Upstream oil and gas operations
- Airlines
- Petrochemicals, refining and chemicals manufacturing
- Metals smelting and processing
- Thermal power generation
- Cement manufacturing

By the end of 2023, exposure to our six most carbon-intensive sectors was $6.9 billion, compared to $22.4 billion in 2018. We not only met our target but exceeded it, achieving a reduction of 69%. The success of EDC's first climate target was the result of full participation across the organization, at all levels of leadership and operations. The initial purpose of this 2023 target was to address the areas of climate risk exposure in our portfolio. As this 2023 target comes to an end, we are shifting to an impact and strategic engagement–based approach that will allow EDC to continue managing our portfolio risks, while also supporting sectors in transition.

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



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

2030 science-based sector targets

In 2022, EDC set science-based sector targets for 2030, starting with two sectors representing a significant share of our financing portfolio and associated emissions: airlines and upstream oil and gas. Targets were set in line with the Paris Agreement Capital Transition Assessment (PACTA) for Banks methodology. They define the transition required in each sector by 2030 to achieve net zero by 2050. Calculations of target progress were automated in 2023 and visualized through a dashboard, allowing greater transparency and understanding of the targets throughout the organization, as well as reducing the operational risk that may arise from manual calculations and document management.

For more information on our target setting methodology, please see the Technical Supplement included in our 2022 Net Zero Update.

Airlines

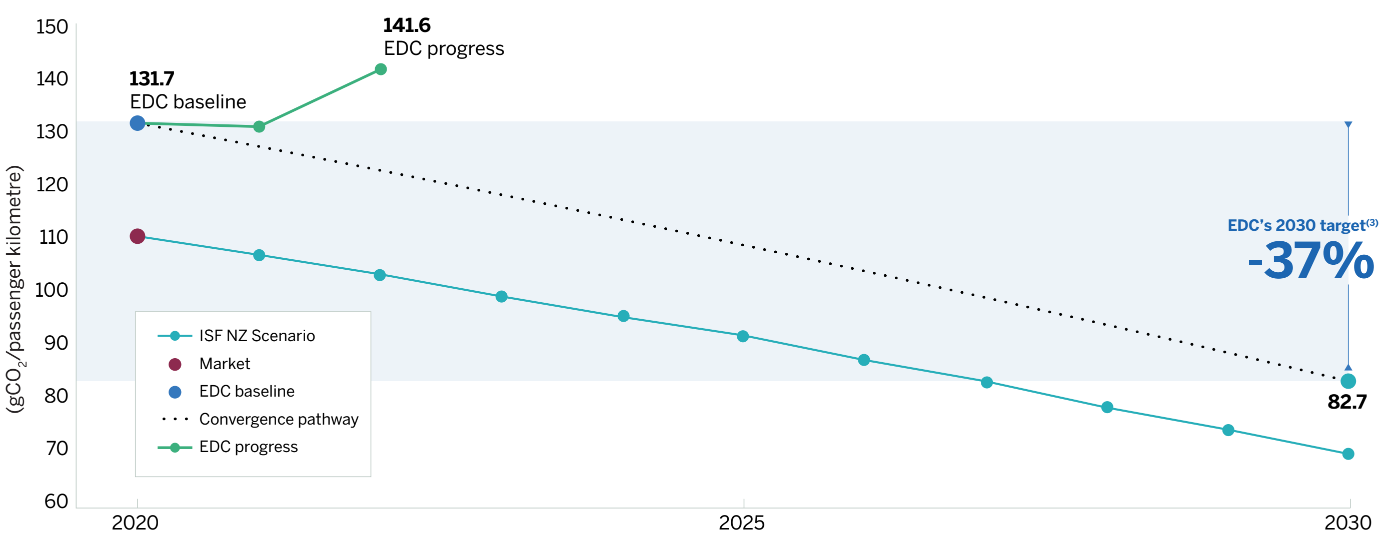
Target: Achieve a 37% reduction in emissions per passenger kilometre in our airlines financing portfolio by 2030, against a 2020 baseline.

In 2023, the emissions intensity associated with our aviation portfolio was 141.6 gCO_2/passenger kilometre, representing a 7.5% increase in portfolio emissions intensity from our 2020 baseline. This is approximately 20% above the convergence pathway (118.06 gCO_2/passenger kilometre). Relative exposure to the emissions-intensive airlines sector increased due to unexpected early payments.[(1)]

We continue to work with our customers, Canadian exporters and partners to understand how EDC can best support the sector's decarbonization journey. EDC recognizes that, while the target itself is in the airlines sector, collaboration across the entire value chain is needed to produce a valuable impact on the target. In 2023, we focused our efforts on building a short- and medium-term strategic plan that will allow us to produce clearer and more tangible transition outcomes for the Canadian aerospace sector. As part of our effort to learn from our customers and industry experts, we are currently engaging with a non-profit organization to learn about the latest methodologies and scenarios for science-based targets.

In the near term, we can aim to support Canadian aerospace exports that deliver fuel efficiency, while also pursuing longer-term opportunities to support scaling up the supply of sustainable aviation fuels (SAFs) and new propulsion technologies that offer low-carbon alternatives to traditional jet fuels.

Airlines decarbonization pathway to 2030[(2)]



(1) *The target is "not on track," in part due to the exit—i.e., payments rolled off in 2023—of lower intensity emissions. The target is a ratio of intensity, which fluctuates based on how the intensity changes over time. External and exogenous variables impact the target, such as the unavailability of sustainable aviation fuels and other emissions reduction technologies within the airlines industry that are not yet at commercial scale.*

(2) *Projections have been informed by 2021 asset-level data and finalized 2022 year-end loan book. Progress is subject to change as a result of shifts in company-level emissions data.*

(3) *The ISF Net Zero Scenario was used to set EDC's 2030 target and project EDC's convergence pathway past 2030.*

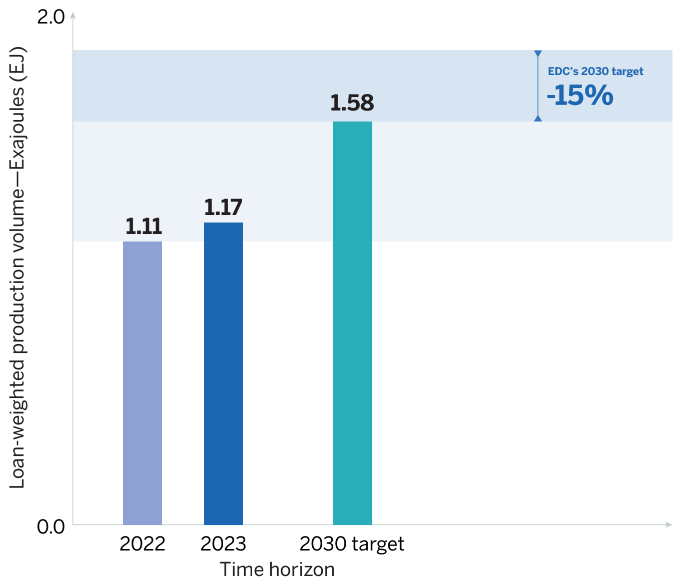
Upstream oil and gas

Target: Achieve a 15% reduction in our financing portfolio related to upstream oil and gas production by 2030 and a 3% shift in the composition of that production from oil to gas against a 2020 baseline.

In 2023, we remained on track to meet our 2030 climate target for upstream oil and gas production. The loan-weighted production volume of our upstream oil and gas portfolio was 1.17 exajoules, representing a 37% decline from our 2020 baseline.

To align our upstream oil and gas portfolio with our decarbonization pathway, our intention is to remain engaged with domestic customers, in line with the Glasgow Statement. We will provide support in developing new low-carbon revenue streams and reducing their operational footprint through technology solutions (e.g., carbon capture, utilization and storage (CCUS) and methane capture).

Upstream oil and gas decarbonization pathway to 2030



Sustainable finance targets

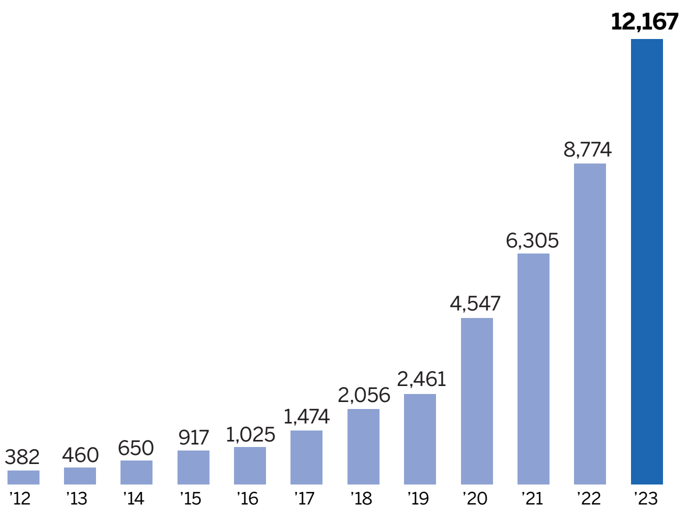
Cleantech

Target: Achieve $10 billion in business facilitated in the cleantech sector in 2025.

In 2023, we supported 444 cleantech businesses, enabling $12.2 billion in business facilitated. That is up from $8.8 billion in business facilitated and 392 companies served in 2022. The successful closure of several large transactions in the renewable energy sector enabled us to reach and exceed our target of $10 billion ahead of schedule.

With the launch of our new Sustainable Finance Framework in 2023, we now have well-defined criteria to help us set additional sustainable finance goals and targets to further guide our efforts, and have greater capacity to work toward those targets. For example, we are assessing certain metrics—such as the percentage of exposure to renewable energy and energy efficiency activities compared to overall exposure—to better monitor and communicate our progress toward net zero by 2050.

Cleantech business facilitated
as at December 31, 2023
(in millions of Canadian dollars)



Climate finance in developing countries

In 2023, we provided $397.5 million in climate finance support as part of the Government of Canada's commitment to the UN Framework Convention on Climate Change, which is directed to low-carbon or carbon-resilient transactions in developing countries.

Targets related to our operations

Targets: Achieve a 32% reduction in our Scope 1, 2 and Scope 3 business travel emissions by 2030 from a 2019 baseline.

Continue to purchase and retire carbon offsets and renewable energy certificates to compensate for our operational emissions.

Achieve net zero emissions for our Scope 1, 2 and Scope 3 business travel emissions by 2050.

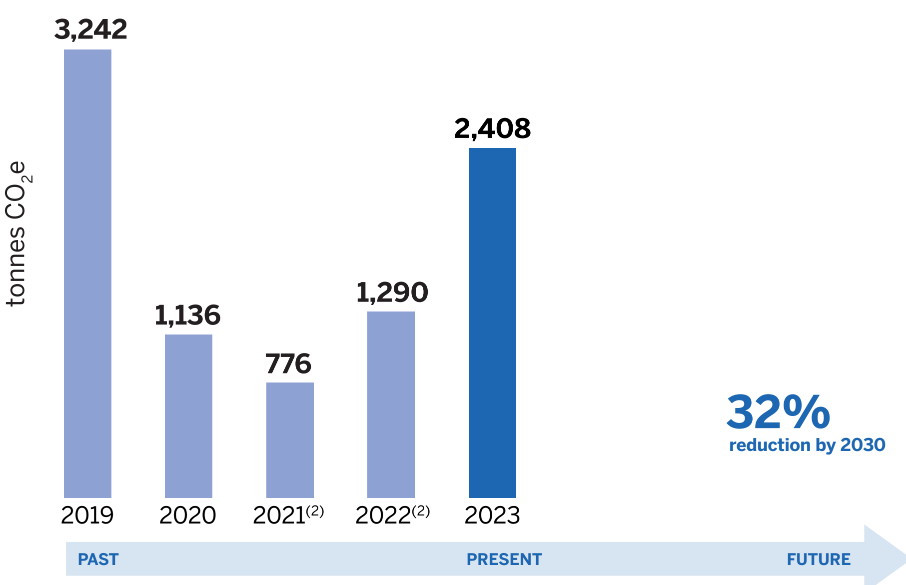
In 2023, our Scope 1, 2 and Scope 3 business travel operational emissions were 2,408 tCO_2e, with a carbon intensity of 1.30 tCO_2e per square foot, compared to 1.42 tCO_2e in 2022 for our Scope 1 and 2 emissions. While operational emissions increased by 87% from the prior year due to an increase in business travel activities as restrictions were completely lifted at the end of 2022, we achieved a 25% reduction in emissions compared to our baseline year of 2019. We purchased 2,222 tCO_2e of carbon offsets and 7,231 MWh of renewable energy certificates to compensate for our operational emissions.

In 2023, we focused on engaging the appropriate internal and external stakeholders by establishing cross-functional stakeholder working groups for the two most material components of our target scope: head office and business travel emissions.

To address our head office emissions reduction commitment, we performed an energy audit to determine further opportunities for operational efficiencies and long-term emissions reduction in our building. The findings of the audit report informed the development of our preliminary emissions reduction roadmap. The working group also engaged with our building property manager and landlord to ensure alignment of commitments, targets and emissions reduction initiatives prior to finalizing our roadmap.

To address travel-related emissions, EDC conducted a pilot program that saw the allocation of a carbon budget for travel. The carbon budget is calculated using our business travel target trajectory and is distributed based on each team's annual travel requirements. This solution allows for control of travel-related emissions while also allowing flexibility for teams to make travel decisions within their specific carbon budget. The results of the pilot, as well as its potential rollout to all teams, will be assessed in 2024.

2030 operational emissions interim target[1]



EDC's interim operational emissions reduction target

- Absolute emissions reduction target
- Near-term target by 2030
- Developed using Science Based Targets initiative (SBTi) methodology
- Aligned with SBTi criteria
- Covers all of EDC's Scope 1 and 2 emissions as well as its Scope 3 business travel emissions

(1) Operational emissions are defined as the sum of emissions from Scope 1, Scope 2 and Scope 3 business travel.

(2) 2022 and 2021 GHG emissions have been restated to reflect a change in current methodology.

Appendix

Task Force on Climate-related Financial Disclosures Index

At EDC, we aim to share our progress on implementing the TCFD recommendations. Below is a mapping of the TCFD recommendations and where we have addressed them.

Recommended disclosures	Page reference
Governance: Disclose the organization's governance around climate-related risks and opportunities	Pages 10–11
a) Describe the board's oversight of climate-related risks and opportunities	Page 10
b) Describe management's role in assessing and managing climate-related risks and opportunities	Pages 10–11
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning where such information is material	Pages 12–26
a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term	Page 24
b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning	Pages 12–23
c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Pages 25–26
Risk management: Disclose how the organization identifies, assesses and manages climate-related risks	Pages 27–28
a) Describe the organization's processes for identifying and assessing climate-related risks	Page 27
b) Describe the organization's processes for managing climate-related risks	Pages 27–28
c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management	We will work toward addressing in future reporting.
Metrics and targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	Pages 29–34
a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	Pages 29–34, 36–37
b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and the related risks	Pages 34, 36–37
c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	Pages 29–34, 36

Measuring and tracking our climate progress

Category	Metric	Category	Unit	2023	2022	2021
Operational GHG emissions[1]	Scope 1 emissions	Natural gas and fuel use	tCO_2e	**423.7**	493.3	431.3
	Scope 2 emissions (location-based)	Electricity use	tCO_2e	**186.1**	175.3	206.7
	Scope 3 emissions	Other	tCO_2e	**3,989.5**	1,572.5	1,165.2
	Scope 1, 2 (location-based) and 3 emissions	**Total GHG emissions**	**tCO_2e**	**4,599.3**	**2,241.1**	**1,803.2**
	Emissions intensity		tCO_2e/sq. ft.	**1.30**	1.42	1.36
			tCO_2e/employee	**2.29**	1.11	0.93
Financed GHG emissions[2][3]	Scope 1 and 2 (all sectors)	Commercial loans	$MtCO_2e$	**11.2**	13.0	15.4
	Scope 3 upstream (energy and mining sectors)	Commercial loans	$MtCO_2e$	**8.0**	2.0	2.0
	Scope 3 downstream (upstream oil and gas sector)	Commercial loans	$MtCO_2e$	**2.4**	1.3	4.3
	Scope 1 and 2 (all sectors)	Project finance	$MtCO_2e$	**2.6**	3.7	5.1
	Scope 3 upstream (energy and mining sectors)	Project finance	$MtCO_2e$	**0.6**	0.2	0.5
2030 climate targets	Airlines sector: Emissions per passenger kilometre[4]		gCO_2e/km	**141.6**	130.6	–
	Airlines sector: Percentage reduction in emissions per passenger kilometre (2020 baseline)[4]		%	**-7.5%**	0.8%	–
	Upstream oil and gas: Loan-weighted production volume		Exajoules (EJ)	**1.17**	1.11	–
	Upstream oil and gas: Percentage reduction in loan-weighted production volume (2020 baseline)		%	**37%**	40%	–
	Upstream oil and gas: Share of oil production		%	**50.2%**	42.9%	–
	Upstream oil and gas: Share of production from oil to gas		%	**7.2%**	13.1%	–
Transition risks	Carbon-intensive financing exposure[5][6]		$ billions	**6.9**	9.6	13.6
	Reduction in carbon-intensive financing exposure[6]		%	**69%**	57%	39%
Physical risks	See **heatmaps** in Risk Management section		n/a			
Capital deployment	Green bonds underwritten	Financing	$ billions	**2.4**	2.4	2.4
	Cleantech business facilitated		$ billions	**12.2**	8.8	6.3
	Cleantech financial customers		Number	**444**	392	324
	Climate finance in developing countries[7]		$ millions	**397.5**	256.2	84.9
Other	Renewable energy certificates (RECs)[8]		MWh	**7,231**	7,409	–
	Carbon offsets purchased[8]		tCO_2e	**2,222**	1,133	–

(1) *2022 and 2021 GHG emissions have been restated to reflect a change in current methodology. The new methodology includes more accurate assumptions such as the inclusion of backup generator fuel use into Scope 1 emissions, recalculation of EDC's proportionate share of our head office and the adoption of updated emissions factors.*

(2) *To support EDC's PCAF financed emissions calculations, we use both reported and estimated emissions. For reported emissions, EDC leverages publicly disclosed emissions via S&P. For estimated emissions, EDC leverages A) S&P-provided Global Industry Classification Standards sector emissions averages for Scope 1, 2 and 3 upstream, and Scope 3 downstream; B) PCAF emissions factors for Scope 1, 2 and 3 upstream; and C) an internal methodology that uses statistical correlation to calculate average emissions, which are extrapolated for the remainder of the portfolio for Scope 3 downstream emissions. Year-over-year variations in the Scope 3 emissions can likely be attributed to lag time in the reported data that impacts the average calculation.*

(3) *The PCAF methodology does not cover all potential NAICS codes present in EDC's portfolio. In instances such as these, EDC used an alternative methodology leveraging S&P emissions data to supplement the missing information and complete the calculation.*

(4) *Relative exposure to the emissions-intensive airlines sector increased due to unexpected early payments.*

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

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

(7) *"Climate finance" refers to "local, national or transnational financing that seeks to support mitigation and adaptation actions that will address climate change," as stipulated by the UN Framework Convention on Climate Change and the Paris Agreement. Total climate financing signed by EDC during the reporting period is translated to Canadian dollars based on the year-end foreign exchange rate.*

(8) *As a result of retrospective restatements of operational emissions, carbon offsets and renewable energy certificates for 2022 no longer match reported emissions. Refer to GRI 305 in the GRI Standards Content Index for information on calculation methodology.*

Operational GHG emissions by category[1]

GHG category and metric		Emissions source	2023	2022	2021
Scope 1 (tCO_2e)		Natural gas and fuel use (head office)	**423.7**	493.3	431.3
Scope 2 (tCO_2e)		Electricity (head office)	**186.1**	175.3	206.7
Scope 1 and 2 (tCO_2e)			**609.8**	**668.6**	**638.0**
Scope 3 (tCO_2e)	Category 1: Purchased goods and services	Procurement (head office)	**533.5**	104.9	233.9
	Category 3: Fuel- and energy-related activities	Electricity well-to-tank (WTT) emissions	**251.7**	239.8	236.1
		Natural gas WTT emissions	**79.9**	85.3	76.3
		Diesel WTT emissions	**1.9**	–	–
	Category 5: Waste generated in operations	Waste (head office)[2]	**21.2**	19.7	2.8
		Waste (regional offices)	**4.4**	4.1	0.6
	Category 6: Business travel	Long haul (>3,700 km)—without radiative forcing	**1,217.6**	394.1	119.1
		Short haul (<3,700 km)—without radiative forcing	**423.3**	150.1	12.0
		Rail travel	**14.9**	7.9	0.1
		Hotel stays	**55.1**	25.2	1.2
		Employee vehicles	**77.1**	38.5	3.8
		Car rentals	**10.4**	5.9	1.8
	Category 7: Employee commuting	Employee commuting[3]	**344.0**	154.4	147.5
	Category 8: Upstream leased assets	Electricity (regional offices)	**166.2**	147.2	158.0
		Electricity (international offices)	**598.0**	20.9	13.5
		Natural gas (regional offices)	**21.4**	115.3	102.7
		Natural gas (international offices)	**105.0**	2.7	1.7
	Category 13: Downstream leased assets	Electricity (subleased from head office)	**19.8**	15.1	17.8
		Natural gas (subleased from head office)	**44.1**	41.4	36.4
Scope 3 (tCO_2e)			**3,989.5**	**1,572.5**	**1,165.2**
Scope 1, 2 and 3 (tCO_2e)			**4,599.3**	**2,241.1**	**1,803.2**

(1) *2022 and 2021 GHG emissions have been restated to reflect a change in current methodology. The new methodology includes more accurate assumptions such as the inclusion of backup generator fuel use into Scope 1 emissions, recalculation of EDC's proportionate share of our head office and the adoption of updated emissions factors.*

(2) *Includes emissions from paper consumption.*

(3) *The increase in employee commuting emissions from 2022 to 2023 is due to an updated hybrid work policy that was put in place in 2023.*

General disclaimer and information about forward-looking statements

Certain statements included in this report constitute "forward-looking statements" within the meaning of the United States *Private Securities Litigation Reform Act of 1995* and under Canadian securities laws, including statements on our strategy, plans, future financial and operating performance, or assumptions on other things that have not yet taken place. By their nature, forward-looking statements are not guarantees of future performance and involve risks, uncertainties and other factors that may cause actual results, performance or achievements of EDC to be materially different from those implied by such statements. EDC cautions that its assumptions may not materialize and that current economic conditions render such assumptions, although reasonable at the time they were made, subject to greater uncertainty. Accordingly, readers are advised not to place undue reliance on forward-looking statements.

Forward-looking information typically includes words and phrases about the future, such as: anticipate, believe, estimate, expect, plan, will, intend, goal, target, forecast, project, strategy and outlook. Forward-looking information is designed to help you understand management's current views (which may change) of our economic, environmental, social and governance-related impacts and objectives, and it may not be appropriate for other purposes.

There are multiple factors that EDC may not be able to foresee and accurately predict, including many that are beyond our control. These factors include the availability of comprehensive and high-quality data, economic and market trends, changes in applicable domestic and international laws, the need for active, continued participation of stakeholders, the development and deployment of new production methods and technologies, and our ability to internally deploy the resources necessary to provide further ESG-based services to our customers, among other unforeseen events or conditions.

Important risk factors that could affect the forward-looking statements in this report include, but are not limited to, expectations, estimates, projections and assumptions relating to: EDC's ability to implement certain strategies and initiatives, including relating to emissions targets, sustainable finance targets, scenario analyses, risk mitigation strategies and changes to enterprise risk management; future investments in and the availability of carbon emissions-reduction technologies; the impacts of existing and planned investments; North American and global economic growth; applicable laws, rules, regulations and government policies; and the availability and cost of labour on the timelines anticipated and with the capabilities required, as well as the availability and cost of services, capital requirements and technology developments by third parties. Readers are cautioned that the foregoing lists are not exhaustive. Reference should also be made to EDC's integrated annual report and our most recent annual information form available on EDC's website, for a description of major risk factors and material assumptions relating to EDC.

Examples of forward-looking information in this report include: our views regarding our ability to address climate-related risks and opportunities; our planned measures to address climate change impacts in our operations; and our expectations respecting the impact of sustainable finance and cleantech to enable us to achieve our climate goals.

Material risks that could lead to different results include the risks that: our strategies may change, be unsuccessful or have unanticipated consequences; the views of governments regarding the pursuit of carbon reduction strategies may change; our estimates and forecasts or the data underlying our estimates may prove to be inaccurate; we may be affected by regulatory risks and increased regulatory burdens or delays; we may be affected by terrorism, sabotage, blockades, civil unrest, social or political activism, or the outbreak of illness (such as a pandemic like COVID-19); we may experience serious challenges relating to the development and use of new technology or lack the technologies needed to advance our goals; we may experience negative publicity with respect to the handling of climate-related matters; and we may experience disruptions in our operations and other development and operating risks.

Material assumptions that we have made include assumptions regarding: the continuing pursuit of carbon reduction strategies by governments; our ability to implement our strategies successfully; our ability, and our contractors' ability, to comply with current and future environmental, safety and other regulatory requirements and to obtain and maintain required regulatory approvals; our ability to deploy sufficient capital to fund the expenditures and implement the operational changes necessary to achieve our climate-related goals; and the availability or development of technologies needed to achieve our climate-related goals.

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CONTACT

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

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