



EDC SUSTAINABLE FINANCE FRAMEWORK

Canada

 EDC

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Introduction & Purpose

The need to work towards a more sustainable, equitable world has never been greater. With the urgency of climate change and the perseverance of historical social injustices, we see the market embracing, even demanding, better environmental, social and governance practices. It's the reality of business today and, we believe, will only continue to accelerate.

Export Development Canada (EDC) has an important role to play in advancing a trade ecosystem which helps reduce Canada's trade gap, 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 when it comes to this type of investment, and spans relevant support across several of our existing programs, such as cleantech and inclusive trade, and the potential to support targeted business through our Sustainable Bond Framework.

Purpose of EDC's Sustainable Finance Framework

The EDC Sustainable Finance Framework (the "Framework") outlines EDC's approach for classifying direct financing transactions as sustainable. It allows visibility into how we track and report on what we consider sustainable finance, as well as our progress against our ESG objectives. This Framework will be an important element in supporting our science-based targets and, ultimately, net zero by 2050.

It is also foundational to help EDC's customers transition more effectively, build their competitive advantage and innovate. It allows us to be more intentional with risk so we can use the full breadth of our risk appetite to provide support that might not otherwise be available to exporters.

Specifically, the Framework:

- Defines the scope, criteria thresholds, and definitions used to determine whether transactions classify 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 assess credibility; and
- Outlines credible activities as potential opportunities for customers to explore as they develop and execute on their own sustainability goals.

This Framework will be applicable from November 1st, 2023 onwards. Annually, EDC will review the Framework to ensure alignment with market developments and update as needed. This Framework is separate from and in addition to EDC's [Sustainable Bond Framework](#). At a future date, this Framework will be expanded to apply to a broader range of EDC's products and offerings beyond direct financing transactions.



Sustainable Finance Eligibility

Scope

EDC's Sustainable Finance Framework and associated objectives apply to EDC's direct lending business activities, including our corporate lending, structured and project finance, and mid-market lending portfolios.

The Framework covers three categories of sustainable finance where EDC has outlined specific criteria that will be used to assess the eligibility of transactions:

Dedicated purpose

Direct financing in this category qualifies as sustainable finance if 100% of EDC's capital provided is directed towards eligible green, social and/or transition activities listed in Tables 1-3 in the following section; or

General corporate purpose—pure play

Direct financing in this category qualifies as sustainable finance if the customer generates 90% or more of its revenue from eligible green, social or transition activities listed in Tables 1-3 in the following section

General corporate purpose—sustainability-linked loans¹

Direct financing in this category qualifies as sustainable finance if:

- The transactions' terms are linked to pre-determined sustainability performance targets; and
- The sustainability-linked loan aligns with relevant guidelines such as the APLMA/LMA/LSTA [Sustainability-linked Loan Principles](#) (SLLP)²; and
- The borrower meets the strategic elements necessary for the structure to align with all five core components of the SLLP, and there is no minimum level of ESG performance or exclusions required²

Eligible Green, Social and Transition Activities

Tables 1-3 detail the green, social and transition activities of EDC's borrowers used to determine eligibility for dedicated purpose financing and general corporate purpose financing as defined under Scope.

These tables have been developed with reference to relevant industry guidelines such as the ICMA Green & Social Bond Principles and existing taxonomies such as the Climate Bonds Taxonomy and EU Taxonomy.

Each eligible activity or technology is intended to support (1) the achievement of the UN Sustainable Development Goals ("SDGs") and, where applicable, (2) the transition to a lower carbon economy.

¹ Sustainalytics notes that given the range of variables and benchmarking involved in sustainability-linked issuances (including the sectoral considerations, strength of key performance indicator(s) and sustainability performance target(s), historical data, peer performance, etc.), the applicability, strength and ambitiousness of these variables are usually evaluated on a case-by-case basis. In this context, Sustainalytics has not reviewed the criteria defined for financing sustainability-linked instruments in the Framework.

² Demonstrated through a credible independent external review, made available to EDC.

Table 1: Eligible Green Categories



Eligible Green Category: Renewable Energy

Eligible Green Activities/Technologies

The acquisition, development, manufacturing, construction, operation, transmission, distribution and maintenance of renewable energy assets (i.e., equipment, infrastructure and facilities), including:

- Offshore and onshore wind
- Solar facilities, including solar photovoltaic and concentrated heat and power generation (where more than 85% of electricity is generated from solar energy sources)
- Bioenergy production from waste biomass whose sources include agriculture and forestry residues, RSPO-certified palm oil residues, and wastewater and sewage sludge
- Bioenergy production from non-waste feedstock that are fully certified from sustainable sources³ with: i) life cycle emissions up to 100 grams of CO₂e/kWh for electricity generation; or ii) in the case of biofuel production, projects that achieve substantial life cycle emissions reductions of at least 65%⁴ lower than the noted fossil-fuel baseline⁵
- Marine renewables such as tidal and wave power facilities, ocean thermal energy conversion and salinity gradients
- Green hydrogen and ammonia generation facilities using electrolysis powered by renewable energy⁶
- Geothermal energy facilities with life cycle emissions <100g CO₂/kWh
- Run-of-river⁷ hydropower without artificial reservoir or low storage capacity
- For hydropower facilities operational after 2019⁷: life cycle carbon intensity is below 50 gCO₂e/kWh or power density is greater than 10 W/m²
- For hydropower facilities operational before 2019⁷: life cycle carbon intensity is below 100 gCO₂e/kWh or power density is greater than 5 W/m²
- Refurbishment, operation or maintenance of existing hydroelectric facilities, provided the size of the dam or reservoir is not increased and meets the hydropower criteria above. If the project increases the size of the dam or reservoir, it is subject to a new environmental and social impact assessment by a credible body where there is no significant risk, controversies or expected negative impact identified by the assessment

Exclusions

- Application of renewable energy technology in processes from the fossil fuel industry
- Bioenergy production that competes with food production, takes place on land with high biodiversity, or depletes carbon pools in soils
- Bioenergy production using peat, palm oil and non-certified feedstock
- Wastewater and sewage sludge that is derived from fossil fuel operations
- Ocean thermal projects with fossil fuel backup (not including power monitoring, operating and maintenance equipment, as well as resilience or protection measures/restart capabilities)
- Transmission lines directly connected or dedicated to fossil fuel power
- Gas capture projects based on active landfills
- Landfill gas capture for flaring
- Plastics, rubber, tire-derived fuels for energy conversion

3 For biofuel feedstock production, credible sustainable certification schemes include the ISCC Plus; Bonsucro (for sugarcane); Round Table on Responsible Soy (RTRS); Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC) (for wood and wood pellets).

4 Pre-2021 installations with 60% lifecycle emission reduction below the fossil fuel baseline and pre-2015 installations with 50% lifecycle emissions reduction below the baseline.

5 Fossil fuel baselines for biofuel production facilities: i) biofuels (for transportation) - 94 gCO₂e/MJ; ii) bioliquids (production of electricity) - 183 CO₂e/MJ; and iii) bioliquids (production of heat) - 80 CO₂e/MJ.

6 As defined under the "Renewable Energy" category of the Framework.

7 For all new hydropower projects regardless of size, an environmental and social impact assessment by a credible, third-party body is required per project. There should be no significant risk, controversies or large-scale irreversible and significant negative impact identified by the assessment.

- Waste-to-energy projects including the following:
 - Landfill gas capture from closed or decommissioned landfills with 75% or more gas capture efficiency
 - Incineration of municipal solid waste for energy generation with recyclables, especially plastics, separated prior to energy conversion
- Nuclear power plants (including Small Modular Reactors) with the following eligibility criteria:
 - Development and operation of new nuclear plants
 - Refurbishment of existing nuclear power plants, including dedicated supporting infrastructure to increase lifetime or capacity
 - Research and development of advanced technologies for nuclear power generation and the secure management/storage of radioactive waste
 - All nuclear power projects will be undertaken in jurisdictions that have regulations and regulatory enforcement mechanisms to address site selection, the safe operation of nuclear power facilities, and the safe management of radioactive waste from nuclear power facilities. Qualifying projects will also be subject to jurisdictional or entity-level policies to ensure the responsible sourcing of uranium, and qualifying jurisdictions will have in place processes to pursue viable options for the secure, long-term storage of high-level radioactive waste
- Construction, development, operation, acquisition and maintenance of electricity transmission and distribution systems that:
 - Are dedicated to connecting renewables to the power grid; or
 - Support the integration of at least 90% renewable electricity to the grid; or
 - Enable generation capacity where 67% or more of newly enabled installed capacity has an emissions threshold below 100 gCO₂e/kwh measured on a life cycle basis over a rolling five-year period; or
 - Have an average systems grid emissions threshold⁸ below 100 gCO₂e/kwh over a rolling five-year period
- Renewable energy⁹ projects that replace baseload generation to avoid surpassing the grid's limit

⁸ Calculated as the total annual emissions from power generated connected to the system, divided by the total annual net electricity production in that system.

⁹ As defined under the "Renewable Energy" category of the Framework.



Eligible Green Category: Energy Efficiency

Eligible Green Activities/Technologies

Activities that increase energy efficiency and/or reduce energy consumption or greenhouse gas (“GHG”) emission intensity, including¹⁰:

- Manufacture and installation of energy efficient equipment and technologies (e.g., LED lighting, non-fossil fuel powered heating, ventilation, air conditioning/cooling (HVAC) systems)
- Manufacture and installation of equipment, technology or software aimed at improving energy efficiency, such as smart meters and peak demand management technology, energy performance monitoring equipment and other hardware and software solutions aimed at reducing power consumption, such as power saving features, machine learning and artificial intelligence applications
- Energy management infrastructure, equipment and systems, such as smart grid technology, including wide area monitoring system components, advanced and smart meters, monitoring and control automation devices and big data or computing platforms
- Manufacture and installation of energy storage infrastructure, equipment and systems that are connected to renewables¹¹ or connected to a grid that meets the electricity transmission and distribution system criteria defined in the “Renewable Energy” category of the Framework (e.g., batteries and green hydrogen fuel cells)
- Energy efficient electric powered district heating and cooling systems¹²
- Retrofit of renewable energy power plants to make them more energy efficient
- Cogeneration and combined heat and power plants that are powered by concentrated solar power, solar thermal or biomass waste¹³
- Micro-grids providing power solutions for remote and/or off-grid communities, campuses and businesses that are powered by renewables¹⁴ and with fossil fuel back-up limited to less than 15%
- Modernization of broadband networks moving from copper to fibre optic or hybrid fibre coaxial and retrofitting legacy networks
- Mobile network upgrades from older technologies to the latest technologies, such as 5G or 4G LTE

Exclusions

- Energy-efficient technologies designed or intended for processes that are inherently carbon intensive or primarily powered by fossil fuels, including:
 - i) oil or gas-fired boilers, cogeneration and CHP units; and
 - ii) production processes in heavy industries such as cement, steel, aluminum
- Batteries or other storage technologies dedicated to fossil fuel production
- Energy efficiency improvements to transmission lines directly connected or dedicated to fossil fuel power
- Waste heat from fossil fuel production or operations
- Cogeneration and combined heat and power plants that powered by coal, oil or natural gas
- Microgrids with fossil fuel back-up more than 15%

¹⁰ Where possible, reductions in energy consumption or GHG emissions intensity achieved by the activities under this category will be demonstrated by a credible third-party assessment.

¹¹ As defined under the “Renewable Energy” category of the Framework.

¹² Sustainalytics considers best practice for such systems to be powered with electricity from renewable energy or grids with GHG emissions below 100gCO₂e/kWh.

¹³ With feedstock as defined under the “Renewable Energy” category of the Framework.

¹⁴ As defined under the “Renewable Energy” category of the Framework.



Eligible Green Category: Pollution Prevention and Waste Management

Eligible Green Activities/Technologies

Construction, development, operation, acquisition and maintenance of systems, technologies and equipment that support pollution prevention and control, including:

- Recycling processes and infrastructure¹⁵ that support the source segregation of waste and includes the following: i) processing of mixed residual waste to produce feedstock for waste-to-energy projects where the majority of recyclables are segregated before energy conversion; ii) processing of recyclable waste such as steel, aluminum or glass; iii) processing of food, green or garden waste to produce compost for agricultural, municipal or consumer applications; iv) processing of inorganic sludge; v) electronic-waste recycling; and vi) mechanical recycling of plastic
- Improve measures and technologies to reduce air pollution and improve air quality, such as the installation of smokestack scrubbers, process upgrades and sensors to monitor or test emissions control or compliance

Exclusions

- Recycling of electronic waste without robust waste management processes to mitigate associated risks
- Chemical recycling of plastic
- Prevention of air pollution that directly results from fossil fuel production
- Prevention of air pollution that directly results from technologies that are inherently reliant on fossil fuels as an energy source
- GHG emissions reductions in fossil fuel production and/or distribution facilities, or in heavy industries such as steel, aluminum and cement

¹⁵ Where waste collection vehicles are considered, such vehicles will meet the direct emissions threshold specified in the “Clean Transportation” category below.



Eligible Green Category: Environmentally Sustainable Management of Living Natural Resources and Land Use

Eligible Green Activities/Technologies

Activities related to using natural resources in a way that enhances the resilience of ecosystems and the benefits they provide, including:

Forestry

- Activities that increase and/or support afforestation and reforestation using native tree species that are well-adapted to site conditions and with a sustainable management plan in place
- Sustainably managed forestry with zero deforestation that is aiming for 100% certification by a recognized third-party certification, such as: the i) Forest Stewardship Council (“FSC”); ii) Programme for the Endorsement of Forest Certification (“PEFC”); iii) Sustainable Forest Initiative (“SFI”), and the iv) American Tree Farm System

Agriculture

- Sustainably managed agriculture, that is 100% certified by a recognized third-party certification (e.g., Canada Organic, USDA Organic, UTZ, or Rainforest Alliance)
- Techniques and technologies that improve resource use efficiency and promote sustainable crop agriculture, such as advanced irrigation technologies (e.g., high-efficiency drip, flood or pivot irrigation), climate-resilient seeds and crops,¹⁶ organic pesticides and herbicides, organic fertilizer such as manure and compost as well as other novel organic fertilizers, no-till farming systems and crop rotation, satellite farming or site-specific crop management that enables data-driven agriculture management to improve efficiency of resources (e.g., remote sensing and GIS equipment)
- R&D and production of alternative proteins with: i) evidence of life cycle GHG emissions being significantly lower than meat counterparts; and ii) production that procures raw materials from certified sustainable sources
- Urban agriculture production, such as vertical farming, hydroponics and aeroponics that are coupled with implementation of strong energy efficiency measures and renewable energy procurement
- Livestock management projects that reduce methane gas or GHG emissions such as manure management with biodigesters¹⁷

Exclusions

- Industrial livestock management projects and projects that use animal by-products apart from manure
- Manufacture, purchase or distribution of inorganic, synthetic fertilizers, pesticides or herbicides
- Agricultural units that include livestock production units
- Equipment that runs directly on fossil fuels such as those powered by diesel
- Techniques and technologies implemented on livestock production units
- Genetically modified organisms and crops

¹⁶ Based on vulnerability assessments and adaptation plans to identify and respond to the relevant climate risks.

¹⁷ For manure management with biodigestors, Sustainalytics notes that the use of livestock residue for biomass energy may improve the environmental performance of some agricultural operations, however, large- and mid-scale livestock farming have significant carbon and water footprints that are not addressed by the use of livestock by-products in energy generation. Furthermore, such farming techniques may contribute to land degradation, biodiversity loss and deforestation. Nevertheless, Sustainalytics considers that the use of residues from day-to-day operations of existing facilities for energy generation provides positive impacts in the short term.

Aquaculture

- Environmentally sustainable fishery and aquaculture that is 100% certified by a recognized third-party certification (e.g., Marine Stewardship Council, Aquaculture Stewardship Council, Global G.A.P for Aquaculture, Best Aquaculture Practices (2 stars or more))
- Ecological restoration and aquatic biodiversity conservation of coastal, marine, freshwater and watershed environments, including wetlands

Conservation & protection from deterioration

- Remediation of contaminated sites (including supporting environmental professional services, such as the collection¹⁸ and treatment of contaminated soil) that are not associated with the Borrower's own activities
- Nature and biodiversity conservation, including achieving favourable conservation status of natural and semi-natural habitats and species, or preventing their deterioration



Eligible Green Category: Green Buildings and Infrastructure

Eligible Green Activities/Technologies

- Certified green buildings, such as LEED, with a minimum of 'Gold', BOMA Best with a minimum of Gold, BREEAM with a minimum of 'excellent', ENERGY STAR (85 or above), Toronto Green Standard (v2) Tier 2 or higher
- Refurbishment of commercial, residential or public buildings which results in energy savings of 30% or more over baseline energy consumption (pre-retrofit)
- Buildings that have achieved, based on third-party assessment, GHG emissions performance or primary energy demand in the top 15% of their city, province/state or country

Exclusions

- Development or acquisition of industrial facilities designed or intended for activities that are ineligible per the Framework criteria
- Buildings designed for the purpose of extraction, storage, transportation or manufacture of fossil fuels

¹⁸ Where waste collection vehicles are considered, such vehicles will meet the direct emissions threshold specified in the "Clean Transportation" category below.



Eligible Green Category: Clean Transportation

Eligible Green Activities/Technologies

Acquisition and/or upgrade, development, manufacturing, construction, operation and maintenance of dedicated low-carbon transport assets, including:

- Energy efficient private transport: i) electric or hydrogen vehicles with zero direct emissions; or ii) hybrid vehicles (with CO₂ emission thresholds of <75 gCO₂/km or 120.70 gCO₂/mile¹⁹)
- Energy efficient public transport: i) electrified or hydrogen powered passenger rail, trams or buses with zero direct emissions; or ii) hybrid passenger rail, trams or buses with CO₂ emissions threshold of up to 50 gCO₂/passenger-km (pkm) or 80.47 gCO₂/p-mi
- Energy efficient freight transport: i) electrified or hydrogen freight rail with zero direct emissions; or ii) freight rail with direct emissions threshold below 25 gCO₂/tonne-km or 40.23 gCO₂/tonne-mi
- Transportation infrastructure dedicated to supporting the operation of energy-efficient private and public transport defined above, including expansions and capacity improvements of metro/train networks and station upgrades, traffic and public transport control centres and terminals, bus rapid transit infrastructure such as dedicated lanes, depots and bus stops, electric charging stations and hydrogen fueling stations
- Information, Communication and Technology (“ICT”) systems that improve asset utilization such as car-sharing schemes²⁰
- Specialized parts or components exclusively intended for the above-mentioned low-carbon transportation such as EV batteries and battery components²¹
- Public walking and cycling infrastructure and cycling schemes
- Zero direct emissions miscellaneous vehicles such as cranes, forklifts and excavators or waste collection vehicles with direct emissions threshold of below 25 gCO₂/km

Exclusions

- Systems and infrastructure dedicated to the transportation of fossil fuels or fossil fuels blended with alternative fuels
- Efficiency improvements involving conventional fossil fuel combustion engines
- Freight rail where the share of fossil fuel freight transported is more than 25% in mass
- Parking facilities (even if charging and alternative fuel infrastructure are included)
- New construction of roads and retrofits to existing road infrastructure and road bridges
- Fossil fuel filling stations and other assets which prolong the life and/or facilitate the use of fossil fuel powered transport
- Components wholly dedicated to or intended for ICE and CNG vehicles and supply chain
- Facilities manufacturing ancillary parts such as seats, frames etc. that are not specialized for low-carbon transportation

¹⁹ Emission estimation based on the methodology by Worldwide Harmonized Light Vehicle Test Procedure.

²⁰ This excludes ride-hailing services.

²¹ Where a production facility or an asset makes parts for both conventional and low-carbon vehicles, a pro-rata approach will be followed to identify the proportion of investments dedicated for eligible low-carbon transportation.



Eligible Green Category: Sustainable Water and Wastewater Management

Eligible Green Activities/Technologies

Activities that improve quality, reliability and conservation of water, including:

- Infrastructure and technologies that help collect, treat, recycle or reuse water, including desalination plants that are either: i) powered by low-carbon sources such as renewables²²; or ii) have an average carbon intensity of electricity used at or below 100 gCO₂e/kWh
- Water conservation initiatives, such as water metering, monitoring and reporting, active leakage control, pressure management, digitalization and automation
- Water capture and storage infrastructure, including storm water management systems, aquifer storage, rainwater harvesting systems
- Water distribution infrastructure, such as pipelines, pumping stations and drains, gravity-fed canal systems

Exclusions

- Treatment of wastewater from fossil fuel operations
- Equipment or methods dependent on fossil fuels
- Integrated Water and Power Plant (IWPP) with fossil fuel power
- Desalination plants without appropriate waste management plan for brine disposal



Eligible Green Category: Climate Change Adaptation

Eligible Green Activities/Technologies

Activities that reduce the negative impact of climate change, including:

- Infrastructure and equipment to increase resilience against physical impacts of climate change, such as sea level change, extreme weather events and natural disasters (e.g., flood mitigation barriers and wildfire mitigation and management)
- Information support systems and communications technology, such as climate observation, monitoring technologies for GHG emissions and early warning systems

Exclusions

- Climate change adaptation infrastructure projects without vulnerability assessment and adaptation plan

²² As defined under the "Renewable Energy" category of the Framework.



Eligible Green Category: Circular Economy Adapted Products, Production Technologies and Processes

Eligible Green Activities/Technologies

Activities that preserve value in the form of energy, labour and materials, including:

- Procurement of 100% secondary (recycled or reused waste) materials (e.g., fabrics, metals, fibres, glass, wood and mechanically recycled plastics) as an input in manufacturing and industrial processes
- Production of products that can be recycled or composted where the input feedstock is from recycled/reused waste
- Production of new resource-efficient or low carbon products that are RSB-certified
- Production of aluminum-based consumer products where 90% or more of input is scrap or recycled aluminum
- Production of plastics that meets all of the following criteria: i) production with at least 90% of recycled, renewable or bio-based input (that is RSB-certified); and ii) at least 90% is not intended for single use consumer products; and iii) all products are recyclable
- Development and manufacturing of sustainable packaging certified by a recognized third-party certification such as the FSC, PEFC, SFI and Recycled Paperboard Alliance (“RPA 100”)
- Minerals-based materials recovery or recycling in mining and industrial materials processes, post-production
- Repair activities that result in products being put back to their original use with very minimal or without any further pre-processing
- Increasing the capacity utilization of a product or asset during its useful life (e.g., through sharing²³ and/or predictive maintenance)

Exclusions

- Collection, treatment or disposal of hazardous waste

²³ This excludes sharing business models such as car-sharing or home-sharing schemes.

Table 2: Eligible Social Categories



Eligible Social Category: Affordable Basic Infrastructure

Eligible Social Activities/Technologies

Activities related to the development, construction, expansion or improvement of basic infrastructures:

- Free-of-cost public access to clean drinking water
- Free-of-cost public access to sanitation and sewage treatment
- Access to clean and affordable energy through grid development or expansion to areas where access is clearly inadequate or does not exist²⁴
- Affordable housing, including shelters, halfway homes and community housing for low-income²⁵ individuals and families or equity-seeking groups²⁶ with measures in place to ensure affordability, such as rent caps or rent control²⁷

Exclusions

- Transmission infrastructure connected to a dedicated fossil fuel power plant



Eligible Social Category: Access to Essential Services—Health and Education

Eligible Social Activities/Technologies

Activities related to the construction, development, operation, acquisition and maintenance of publicly available healthcare and education services that are free for all or subsidized²⁴ for low-income²⁵ or equity seeking groups²⁶, including:

- Public, non-profit hospitals, clinics, mental health facilities, elder care facilities, facilities for people with disabilities
- Public schools, universities, colleges, libraries and early childhood education centers

²⁴ “Clearly inadequate” areas are defined as areas where electricity access is unstable, including those where there are repeated power cuts, voltage/power fluctuations or unsafe transmission infrastructure based on a credible research/study.

²⁵ Low-income defined by: i) official government definitions in areas where the projects operate; or ii) in the absence of such definitions, household income that is below 80% of the median income level.

²⁶ EDC defines equity-seeking groups as: women, Indigenous peoples, Black and other racialized communities, persons with disabilities, and members of the 2SLGBTQI+ community.

²⁷ Sustainalytics considers it good practice to have a mechanism in place to limit the monthly expenditure on housing to no more than 30% of a household’s income, regardless of whether the housing is for rent or ownership.



Eligible Social Category: Economic Inclusion & Participation

Eligible Social Activities/Technologies

Activities related to driving equitable access to resources and services, including:

- Support to Micro, Small and Medium Enterprises (“MSMEs”)²⁸ that:
 - Are majority (at least 50%) owned by Indigenous²⁹ peoples or other equity-seeking groups²⁶
 - MSMEs that face significant adversity as a result of a natural disaster or pandemic
 - MSMEs that provide jobs for low-income²⁵ individuals or equity-seeking groups²⁶ as part of a credible or government job creation program
- Supply chain financing to MSMEs that are: i) majority (at least 50%) owned by equity-seeking groups²⁶; and are ii) non-tier 1 suppliers
- Financial Services to Indigenous nation and/or community owned economic development corporations and businesses³⁰ that:
 - Support social programs and economic opportunities for community members
 - Enable Indigenous ownership and equity participation in economic projects or assets located in traditional territories and/or First Nations reserves, recognizing the often unique legal and business requirements of Indigenous businesses
 - Support and build export capacity for Indigenous communities and businesses
- Employment generation and job training programs, such as capacity building and upskilling initiatives for low-income²⁵ individuals or equity-seeking groups²⁶
- Provision of financial services, including microfinance, to low-income²⁵ or equity-seeking groups²⁶ with financial advantages (e.g., flexible or lenient payment terms and interest rates below market rate) and responsible lending practices in place³¹

Exclusions

- MSME loans that finance involvement in fossil fuel exploration, production and distribution, child or forced labour as well as the activities as per EDC's Exclusionary Criteria defined in the section below.

²⁸ EDC defines Micro/Small segment companies as those with \$0 CAD to \$10M CAD in annual revenue, and Medium segment companies as those with \$10M CAD to \$300M CAD in annual revenue..

²⁹ Defined as First Nations, Inuit and Métis Peoples across Canada.

³⁰ While EDC intends to solely finance businesses that develop projects to support social and economic enhancement in indigenous communities, Sustainalytics notes that this activity does not place a restriction on the size of the business that may receiving financing. Sustainalytics believes that larger companies are less likely to face challenges in their needs for and accessing of capital than MSMEs.

³¹ Responsible lending practices will be in place to understand the borrowers' financial situation, help ensure that the borrowers understand the terms of the loan to mitigate risks for the borrowers and avoid predatory lending.



Eligible Social Category: Food Security and Sustainable Food Systems

Eligible Social Activities/Technologies

- Financing and support to smallholder farmers³² in countries or regions with an explicit need to tackle food security or food loss.³³ Examples include technical capacity building or training to increase the nutritional quality of agricultural product
- Projects aimed at reducing food loss and waste, such as investment in infrastructure and facilities such as warehouses that improve storage, food conservation and distribution or enhance connectivity in the food chain to avoid food losses in countries or regions with an explicit need to tackle food security or food loss³⁴
- Developing access to nutrition programs that address malnutrition for vulnerable populations in areas with an explicit need to tackle food security³⁴ and which will be made affordable to all regardless of ability to pay

Exclusions

- Projects involving livestock for industrial-scale meat processors or producers
- Genetically modified crops

Eligible Social Category: Loans to Registered Social Enterprises and Not-for-Profit Organizations

Eligible Social Activities/Technologies

- Provision of loans to registered social enterprises /non-profit organizations with the explicit purpose of supporting disadvantaged communities and equity-seeking groups²⁶

Exclusions

- Lending to religious and political institutions

³² Smallholder farmers as defined by the FAO as those who manage less than 10 hectares of farming area, at: <http://www.fao.org/family-farming/detail/en/c/273864/>

³³ The explicit need to tackle food security or food loss in these countries or regions must be supported by a credible source.

Table 3: Eligible Transition Categories

For purposes of this framework, EDC will consider a project or company as “transitional” if it can meet the following conditions:

- Customer has identified a credible transition pathway to decarbonize the activity as illustrated through use of science-based targets that align with the Paris Agreement, and are accompanied by credible climate disclosures; and
- The economic activity (i) enables the wider application or integration of low or zero-emissions solutions that significantly reduce GHG emissions relative to industry norms in the short to medium term, and; (ii) does not lead to a lock-in of carbon-intensive assets when considering the economic lifetime of those assets; as reflected in the Eligible Transition Activities below.

EDC will evaluate each transition opportunity in the context of its alignment with industry leading guidelines, or any other relevant transition taxonomy, as applicable, and with EDC’s net-zero trajectory. This definition will be re-visited within a year of the release of the Sustainable Finance Action Council’s short-form taxonomy.



Eligible Transition Category: Carbon Capture Utilization and Storage (“CCUS”)

Eligible transition Activities/Technologies

- Acquisition, development, construction, installation, operation and maintenance of CCUS technologies for the purpose of decarbonizing transitional activities in compliance with this Framework, and with long-term carbon storage
- Research and development of CCUS technology and related capabilities

Exclusions

- CCUS for the purpose of Enhanced Oil Recovery (“EOR”) activities



Eligible Transition Category: Low-Carbon Intensity Fuels

Eligible transition Activities/Technologies

Activities related to the development, manufacture, equipment and distribution of low carbon fuels, including:

- Production of ethanol, renewable diesel, co-processing of biocrude, sustainable aviation fuel, synthetic fuel and renewable natural gas, from waste as well as non-waste feedstock,³⁴ compliant with the Department of Natural Resources Canada’s (“NRCan”) [Clean Fuels Program](#) carbon intensity thresholds defined as follows: life cycle carbon intensity of eligible liquid clean fuels equal to or below 50 gCO₂e/MJ, carbon intensity of eligible gaseous clean fuels equal to or below 36 gCO₂e/MJ³⁵

Exclusions

- Hydrogen production using solid fossil fuels such as coal
- Steam methane reforming without CCUS
- Production processes involving CO₂ sourced from fossil fuel operations

³⁴ In accordance with the requirements of the Clean Fuels Program, eligible projects will demonstrate how they use existing provincial and federal regulatory frameworks and best practices to ensure feedstock sustainability and how biomass feedstocks will be grown and harvested in a sustainable manner. Sustainalytics notes the uncertainty around the specific feedstocks that may be used, and that the environmental and social impacts associated with the feedstock, including those related to direct and indirect land use change, vary based on the type of feedstock.

³⁵ Sustainalytics considers good practice to have lifecycle emissions at least 65% lower than the fossil fuel baseline and notes that these intensities deviate from the percentage of reduction that is considered credible for biofuel production.

- Production of low carbon marine fuels such as renewable electricity based marine fuels in the form of e-methanol, electricity for use in batteries, bio-diesel and bio-methane and bunkering infrastructure for Liquefied Natural Gas as marine fuel in alignment with the International Marine Organization's goal and Poseidon Principles trajectory
- Production, research and development, storage, distribution and related infrastructure for blue or turquoise hydrogen that aligns with the [CertifHy's recommended threshold for Carbon Intensity](#) for green and low carbon hydrogen, which is set at 60% below the intensity of hydrogen produced from natural gas (currently set at 36.4 gCO₂e/MJ)
- Infrastructure to support the integration of low carbon intensity fuels as defined under this category for energy-intensive applications including storage, transportation (e.g., pipeline) and fueling systems



Eligible Transition Category: Production Efficiency Technologies

Eligible Transition Activities/Technologies

- Chemical recycling of plastics only in cases where the life cycle emissions of the recycled plastic is lower than primary fossil fuel stock and end-use application is not intended for single-use consumer products

Eligible Transition Category: Natural Gas (Midstream and Downstream)

Eligible Transition Activities/Technologies

Production of power and/or heat generation:

- For the retrofit of existing facilities: i) life cycle GHG intensity of less than 240 gCO₂e/kWh; and ii) evidence of methane leakage measurements or estimates from its supply chain (if any)
- For new facilities: i) life cycle GHG intensity of less than 100 gCO₂e/kWh; and ii) there is an intent to switch away from coal or oil, or to deliver services for seasonal peaks, storage or high-temperature heat for industries; iii) evidence of methane leakage measurements or estimates from its supply chain (if any)

Exclusions

- New or existing gas-fired projects with no carbon capture and/or blending with low-carbon gases (or with lifecycle emissions intensity of 410-650 gCO₂e/kWh)
- New or expansion of gas transmission and distribution pipelines in the US and EMEA region

Eligible Transition Category: Steel Manufacturing

Eligible Transition Activities/Technologies

- Manufacture of steel in blast furnace with emissions intensity below 1.551 tCO₂e/t³⁶ of steel and, in addition, following a credible decarbonization pathway where one of the following criteria is met:
 - expected lifetime emissions intensity is below 1.101 tCO₂e/t³⁷ of steel, or
 - the facility is expected to be in alignment with the Transition Pathway Initiative's (TPI) decarbonization pathway throughout its lifetime
- Steel manufacture through Direct Reduced Iron (DRI) using renewable energy, natural gas or grey hydrogen with Electric Arc Furnace (EAF)
- Retrofit of blast furnace facilities with low-carbon feedstock (biochar) and/or CCUS resulting in an emissions intensity lower than 1.551 tCO₂e/t³⁶ of steel product
- Research and development expenditures for smelting reduction and direct electrolysis

Exclusions

- New blast furnace route without carbon capture and storage

Eligible Transition Category: Cement Manufacturing

Eligible Transition Activities/Technologies

- Production facilities with emissions intensity below 0.546 tCO₂e/t³⁸ of cementitious product and following a credible decarbonization pathway where one of the following criteria is met:
 - expected lifetime emissions intensity is below 0.449 tCO₂e/t³⁹ of cementitious product; or
 - the facility is expected to be in alignment with TPI's decarbonization pathway throughout its lifetime
- Retrofit measures, such as improvements in thermal and electric efficiency, switch to renewable energy,⁴⁰ reduction of clinker-cement materials and CCS/CCUS that are expected to result in an emissions intensity lower than 0.546 tCO₂e/t³⁸ of cementitious product

Exclusions

- Financing of energy efficiency, alternative fuel usage and/or clinker substitution projects without known direct CO₂ emissions intensity

36 Aligned with TPI's 2025 2-degree benchmark scenario for the steel sector for 2026. This threshold will be updated on a continuous basis to ensure alignment with TPI's benchmark scenario for the relevant year at the time of financing.

37 A steel production facility must demonstrate it falls under the pathway by meeting the threshold at the halfway point of lifetime of the facility. 1.045 tCO₂e/t is the TPI value for the year 2038 for the steel sector, assuming a plant lifetime of 30 years.

38 Aligned with TPI's 2025 2-degree benchmark scenario for the cement sector for 2026. This threshold will be updated on a continuous basis to ensure alignment with TPI's benchmark scenario for the relevant year at the time of financing.

39 A cement production facility must demonstrate it falls under the pathway by meeting the threshold at the halfway point of lifetime of the facility. 0.449 tCO₂e/t is the TPI value for the year 2035 for the cement sector, assuming a plant lifetime of 25 years.

40 Specifically, the renewable energy sources defined under the "Renewable Energy" category of this Framework.

Eligible Transition Category: Aluminum Manufacturing

Eligible Transition Activities/Technologies

- Aluminum manufacturing facilities with specific emissions intensity thresholds (emissions intensity below 4.108 tCO₂e/t⁴¹ of aluminum) and following a credible decarbonization pathway where one of the following criteria is met:
 - expected lifetime emissions intensity is below 2.121 tCO₂e/t⁴² of aluminum, or
 - the facility is expected to be in alignment with TPI's decarbonization pathway throughout its lifetime
 - Retrofit measures resulting in GHG emissions below 4.108 tCO₂e/t⁴¹ of aluminum, such as deploying novel anode technologies, use of renewable energy, retrofit of old smelters and improvement in thermal efficiency
-

Eligible Transition Category: Mining and Extractive Sectors

Eligible Transition Activities/Technologies

- Specific measures for the decarbonization of mining operations that include the following:
 - Electrification of equipment
 - Measures aimed at improving the energy efficiency of mining sites
 - Deploying renewable energy⁴³
 - Eligible mines should have undergone an environmental and social impact assessment and not be involved in any controversies
-

Exclusions

- Extraction of fossil fuels
 - Expenditures related to mine reclamation and closure
-

Eligible Transition Category: Aerospace

Eligible Transition Activities/Technologies

- Support for the purchase of/investment in commercial aircrafts with:
 - conventional propulsion systems with known fuel-efficiency over baseline technology and with a plan to increase the use of Sustainable Aviation Fuels (SAF) such as through long-term purchase agreements (where the increase in SAF use aligns with a recognized decarbonization trajectory for the financed portfolio or the company's fleet); or
 - low-carbon propulsion system or modified gas turbine engine (such as hybrid- and turbo-electric, battery electric or fuel-cell powered).

41 Aligned with TPI's 2025 2-degree benchmark scenario for the aluminium sector for 2026. This threshold will be updated on a continuous basis to ensure alignment with TPI's benchmark scenario for the relevant year at the time of financing.

42 An aluminium production facility must demonstrate it falls under the pathway by meeting the threshold at the halfway point of lifetime of the facility. 2.03 tCO₂e/t is the TPI value for the year 2038, assuming a plant lifetime of 30 years.

43 Specifically, the renewable energy sources defined under the "Renewable Energy" category of this Framework.

Eligible Transition Category: **Shipping Ports Infrastructure**

Eligible Transition Activities/Technologies

- Port infrastructure such as bunkering infrastructure for low-carbon fuels (biofuels, hydrogen, ammonia and methanol) and shore power infrastructure or cold ironing systems, such as high voltage grid, transformers, power distribution system, control panel and frequency converter
 - Investment to support shore power (AMP) infrastructure or cold ironing system including high voltage grid, transformers, power distribution system, control panel and frequency converter. Where the infrastructure is in a region with grid carbon intensity of 200 gCO₂e/kWh or more, the financing will be accompanied with plans to install onsite renewable energy
-

Eligible Transition Category: **Airport**

Eligible Transition Activities/Technologies

Activities related to support of low-carbon airport infrastructure, including:

- Electric or renewable energy powered ground support equipment
 - Hydrogen/ low-carbon/ electric charging or refueling infrastructure
 - Programs for better air traffic management
 - Airports certified with ACI's Airport Carbon Accreditation (ACA) with Level 4 or above
-

Exclusionary Criteria

EDC will not allocate sustainable financing to assets in the following areas:

- Arms, defense and military;
- Tobacco;
- Gambling; and
- Adult entertainment.

The process for vetting eligible assets is outlined in the Governance Section of the Framework.

Governance

Asset Identification, Screening and Monitoring

Responsibility over the Sustainable Finance portfolio, including the screening, identification, validation, monitoring and reporting of assets within it, will lie with the Sustainable Finance team. The Sustainable Finance team will work in close collaboration with the relevant lines of business to support the screening of transactions, ensure the validity of all assessments against the Framework and to best support EDC's Sustainable Finance customers.

The Sustainable Finance team will also work closely with all other teams under the direction of the Chief Sustainability Officer, to ensure the alignment of the Framework and Sustainable Finance Portfolio to EDC's broader ESG objectives and commitments. Please refer to the following sections on Reporting and Risk Management for more information.

Reporting

Overview

EDC is committed to accuracy and transparency in our Sustainable Finance reporting. Information on our definitions, measurement methodology and controls for ESG key performance indicators for each calendar year will be available in our integrated annual reporting suite, which can be found in the [corporate reporting](#) section of our website.

Once operational we plan to publish our Sustainable Finance results for each calendar year in a publicly available report.

Our reporting process for sustainable finance will involve:

- Collecting relevant data from both internal and external sources;
- Reviewing each transaction that qualifies as sustainable finance against our eligibility criteria;
- Ensuring business teams review all relevant data; and
- Carrying out independent limited assurance before finalization.

Metrics and Reporting Basis

The following table summarizes the reporting basis that will be used and the frameworks that will be leveraged against each of the eligible Sustainable Finance categories covered under this Framework.

Sustainable Finance Category	Description	Applicable Frameworks	Reporting Basis
Dedicated purpose	Loans where proceeds are directed towards eligible green, social and/or transition activities	EDC Sustainable Finance Framework	EDC's total committed loan amount
General corporate purpose—pure play	Loans extended to customers whose core business comprises eligible green, social and/or transition activities	EDC Sustainable Finance Framework	EDC's total committed loan amount
General corporate purpose—sustainability-linked	Designated loans where the terms of the loan are tied to the borrower's achievement of pre-determined sustainability targets	APLMA/LMA/LSTA Sustainability-linked Loan Principles EDC Sustainable Finance Framework	EDC's total committed loan amount

Risk Management

As a financial institution, we recognize that identifying, managing and mitigating E&S risks is intrinsic to our business. EDC's Environmental and Social Risk Management (ESRM) Policy Framework defines and structures our approach to these risks, through our policies, guidelines and procedures. It sets out EDC's commitment to ensuring that E&S risks are duly considered throughout the transaction process.

With a mandate to help Canadian businesses navigate, manage and take on risk to support their growth beyond Canada's borders, EDC knows that our business decisions and activities have the potential to impact the environment and local communities. We also understand the inter-linkages between environmental and social issues and risks, and that efforts to address them often require a multi-dimensional approach.

In considering the risk associated with a particular transaction, EDC assesses customers' activities across the value chain to identify both the likelihood of environmental and social impacts and the severity of any potential impacts, and seeks to address identified issues. Our approach is informed by the IFC Performance Standards and, as articulated in the [Environmental & Social Review Directive](#) (ESRD), these, along with the Equator Principles and OECD Common Approaches, are the standards applied for project-related transactions.

External Review



This Framework was developed by EDC with the support of Morningstar Sustainalytics, a globally recognized provider of ESG research, ratings and data. Specifically, Tables 1-3 in the Eligible green, social and transition activities section were developed jointly by [Sustainalytics](#) and EDC.

For over 25 years, Sustainalytics has been at the forefront of developing high-quality, innovative solutions to meet the evolving needs of global investors. Today, Sustainalytics works with hundreds of the world's leading asset managers and pension funds who incorporate ESG and corporate governance information and assessments into their investment processes. Sustainalytics also works with hundreds of companies and their financial intermediaries to help them consider sustainability in their policies, practices and capital projects.

The information, data, analyses and opinions provided by Sustainalytics for this Framework are proprietary to Sustainalytics or its third-party content providers. They are provided for informational purposes only and do not constitute investment advice nor an endorsement of any product, project, investment strategy or consideration of any particular environmental, social or governance related issues as part of any investment strategy. They are not warranted to be complete, timely, accurate or suitable for a particular purpose. In no event the data provided by Sustainalytics for this Framework shall be construed as part of an offering, nor shall be considered as an offer or advertisement to buy a security, solicitation of votes or proxies, expert opinion or negative assurance letter as defined by the applicable legislation. The use of the information and data herein is subject to the conditions available at <https://www.sustainalytics.com/legal-disclaimers>.

Framework Amendments

EDC 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. EDC will also review and monitor legal, regulatory, technological and economic developments in ESG.

Updates to qualifying sustainable finance activities and criteria will be subject to review by a qualified independent external reviewer. Any future updated version of this Framework that may exist will either maintain or improve the then current levels of transparency and reporting disclosure requirements, including the corresponding review by the external reviewer and will be published on our website.

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This document may contain statements about future events and expectations that are forward-looking in nature. Such forward-looking statements may include those related to our vision, commitments, goals and targets to help Canada increase exports in a sustainable and responsible manner. Readers are cautioned not to place undue reliance on these statements as a number of risk factors and uncertainties could cause actual results to differ materially from the expectations, commitments, and targets expressed in such forward-looking statements. The types of projects and assets shown in the Framework are for illustrative purposes only EDC may engage in sustainable financing from time to time with respect to green, social, sustainable and/or transition assets; however, the description of EDC's products and services in this Framework is not a commitment to provide any product or service or to earmark any specific product or service for any particular purpose described in this Framework.

Because of the limitations and uncertainties in climate and sustainability science and risk reporting, we have relied on a variety of market practices, taxonomies, guidelines and standards, making good faith estimations and assumptions in developing this Framework. 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 (including data from our customers), economic and market trends (including changes in interest rates and the existence of a global market for sustainable and responsible Canadian exports), changes in applicable domestic and international laws, the need for active, continued participation of stakeholders (including our customers, financial institutions, enterprises and governmental and non-governmental organizations), 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. These and other factors may lead EDC to adapt our sustainable finance targets and reporting to reflect a changing climate and regulatory context.

Particularly, readers should be aware that in order to develop this Framework, EDC has assumed, among other things, continued growth in customers and their green, social, and/or transition activities and ability to achieve their sustainability performance targets in light of changes in economic conditions, laws, policies, and evolving technological, climatic and other trends. If assumptions are deemed inaccurate, it may impact EDC's ability to meet our sustainable finance targets.

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