2022-2026 CORPORATE PLAN SUMMARY

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EDC

TAKE ON THE WORLD

Canada

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EXECUTIVE SUMMARY

Export Development Canada (EDC) is a financial Crown corporation that provides Canadian companies with the solutions they need, when and where they need them, to go, grow and succeed internationally. Our mandate is to support and develop, directly or indirectly, Canada's export trade and Canadian capacity to engage and respond to international business opportunities. Our mandate was amended in 2020 to include domestic support, in order to contribute to Canada's economic response and recovery to the COVID-19 pandemic.

The 2022-2026 Corporate Plan continues from the 2021-2025 Plan in marking the first period of a new strategic journey for EDC, one that aims to contribute to building Canada's trade competitiveness by accelerating the success of Canadian companies in high growth international markets. The focus of EDC's long-term strategy is to accelerate the international growth of medium-sized exporters—the key drivers of Canada's economic performance. To support the performance of the segment, EDC is shifting to a high-touch model; one that specifically tailors EDC's solutions and expertise for higher growth companies.

This plan will outline EDC's customer needs driven approach to providing targeted products and services that support Canadian businesses; detailing the investments we are making to create a high-touch experience for medium-sized companies, while also delivering impactful solutions for all segments of the Canadian business landscape.

EDC's strategic direction continues to reinforce that environmental sustainability, social equality, and responsible governance (ESG) that are central to our value proposition and key to the international success of Canadian companies. This plan will highlight the investments we will make to strengthen our ESG practices and our support for Canadian companies doing the same. As the world continues to mature its ESG practices and standards, we see this as a key lever for international success of Canadian companies.

Notably in 2021, EDC made public its commitment to become a net-zero institution by 2050. Our plan includes reducing the number of carbon intense assets in our portfolio and lowering our own operational and carbon footprint, as well as increasing our support for innovative Canadian business that are contributing to the low-carbon transition. Achieving our climate goals will require long-term commitment and significant work in partnership with our customers, stakeholders, and peers.

During the COVID-19 pandemic, we acted quickly to adjust our business operationally and financially to better support Canadian companies. As we slowly move out of the crisis into recovery, this plan will demonstrate how we will shift from a responsive posture, to one that supports and prepares Canadian companies for growth in a post-COVID economy. This plan will also highlight how we will leverage the relationships we gained through our pandemic response, as a springboard for enhanced collaboration with public and private sector partners.

In 2017, our mandate grew, with the creation of FinDev Canada, Canada's Development Finance Institution (DFI), established as a wholly owned subsidiary of EDC. FinDev Canada's mandate is to provide development financing and technical assistance that is consistent with Canada's international development priorities and the United Nations Sustainable Development Goals. The Government of Canada conducted an operational review of FinDev Canada in the spring of 2020 to assess its operations and provide recommendations for the next phase of its growth. This review, supported by increased resources announced in Budget 2021, provided an opportunity to assess our progress and ability to deliver on our mandate, opening the door to a new phase of growth.

1.0 OVERVIEW

Canada's prosperity relies on international trade and investment, where one in six jobs depend, directly or indirectly, on Canadian trade. While international trade is critical to our prosperity, Canada's relative trade performance has lagged relative to its OECD peers over the last 20 years. As globalization continues to bring new players into the global trade system, Canada will need to leverage its diversity and innovation to maintain a meaningful share of the international trade.

EDC is Canada's export credit agency and a member of the Government of Canada's international trade portfolio. Our role is to level the playing field for Canadian companies doing business internationally, by giving them a platform to grow and providing the tools they need to expand and diversify. As such, EDC has defined a clear role for the organization in building back Canada's share of international trade through its 2030 Strategy.

While a variety of reasons contribute to Canada's recent trade performance, EDC – as Canada's export credit agency – has reflected and defined a clearer role for the organization in supporting Canada to build its share of international trade with its 2030 strategy. EDC's 2030 Strategy aims to improve Canada's trade performance, accelerate the success of Canadian companies in high-growth international markets, delivering targeted products and services to exporters, particularly in those industries in high demand internationally.

EDC also recognizes the increasing importance of Environmental, Social and Governance (ESG) principles in ensuring that long-term trade growth is sustainable and equitable, creating the positive environmental and social impact that Canadians demand.

At its heart, EDC is about managing the risks of international business. Our core offering is a set of financial solutions and knowledge products that give Canadian exporters of all sizes, their supply chains and their bankers, the confidence to move forward with international sales. Our business operates on commercial terms—we do not provide grants or subsidies.

In 2020, we served over 24, 500 unique customers. More than 12, 200 Canadian companies used one of our financial solutions and another 14,970 Canadian companies used at least one of our knowledge solutions, an increase of 45 percent and 92 percent respectively from 2019. We helped facilitate $102.3 billion dollars in Canadian business in 147 countries and contributed to the maintenance of about half-a-million Canadian jobs. For more details on our 2020 corporate performance, please refer to our 2020 Integrated Annual Report[1].

A large portion of our business is delivered in partnership with Canada's banks and private credit insurers. By working with a range of partners including Canada's Trade Commissioner Service (TCS), insurance providers, banks and other export-oriented firms, government departments and agencies, business associations, financial institutions and logistics companies, we reach more Canadian companies and accelerate their ability to conduct business abroad.

1 https://www.edc.ca/en/about-us/corporate/corporate-reports/2020-annual-report.html

As Canada begins to emerge from the COVID-19 crisis, we can reflect on the critical role that EDC played in the Government of Canada's response to the pandemic and the worst downturn since the 2008-2009 financial crisis. The organization swiftly shifted to remote working status and normalized its operations so that its employees remained safe and able to commit themselves to serving Canadian companies.

As it has done in the past to boost EDC's effectiveness in times of crisis, the Government of Canada expanded EDC's domestic powers to support Canadian businesses facing the extreme economic challenges brought on by the pandemic. This allowed us to provide our solutions to non-exporting Canadian companies and to provide relief and support to thousands of struggling Canadian businesses. We made our solutions more accessible by expanding our risk appetite and introduced more flexibility into our core products.

Beyond our core business line, we collaborated in the design and delivery of two new Team-Canada COVID-19 response programs: the Business Credit Availability Program (BCAP) and the Canada Emergency Business Account (CEBA). EDC recognizes that the crisis had a great impact on Canadian business, especially the micro and small companies that did not have the resources to weather the storm. Through these emergency programs, EDC is proud to have helped more than 897,000 businesses with CEBA and provided more than 1600 BCAP Guarantees when they were needed the most.

The CEBA program has now moved into the asset management phase and BCAP is scheduled to end December 31, 2021. EDC is prepared to support Canadian companies as they return to more normal operations and prepare for growth opportunities in the post-COVID-19 economy. We are projecting increased business volume starting in 2022 and throughout the planning period, as we support Canadian companies through this transition. Over the planning period, we will leverage an expanded approach to risk to support more Canadian companies so they can confidently enter new markets, grow their international sales, and diversify their businesses.

As we move into the recovery phase, we will focus on Canada's medium-sized companies as they will be the catalysts to increase trade. We will consider the unique challenges of this segment to develop more targeted tools and solutions to help them drive economic recovery and future prosperity for Canada. To do this, we are evolving our service model to support a 'higher-touch' engagement with these companies, to ensure they are supported through each step of their export journey. At the same time, we will invest in our digital capabilities to create an improved customer experience and allow micro and small companies to be served in a more relevant and sustainable way.

Our commitment to environmental, social, and governance (ESG) and contributing positively to critical issues such as climate change, human rights, and social governance, underscore all our activities. We also aim to be a leader in supporting Canadian companies transition to a lower carbon future and seize new business opportunities. We will do so by deploying capital to support the transition of carbon-intensive sectors and by helping to drive climate-related disclosure, supporting clean technology, and innovation, as Canada works toward achieving net-zero emissions by 2050.

2.0 ENVIRONMENT AND CONTEXT

2.1 GLOBAL ECONOMIC CONTEXT

The global pandemic remains the focal point of the near-term outlook for the world economy. Current growth and expectations support a rebound spanning both 2021 and 2022. This year, significant momentum will propel global economic growth to 6%, followed by an equally impressive 5.5% gain in 2022. Most economies in the developed and emerging worlds will benefit from resurgent activity.

Three key factors will contribute to this resurgence. First, the general success of mass immunizations in developed markets will move a large share of the global economy toward herd immunity, enabling the restart of industries that remained in a COVID-19 chasm since the initial outbreak. However, the recovery in developing markets, which have less fiscal policy room to manoeuvre and more limited and slower access to vaccines, is expected to lag that of developed markets. Second, the United States' massive stimulus program, which began in the second quarter of this year, will give a considerable boost to growth stateside, as well as in Canada and across the world. Third, pent-up demand in the global economy – as evidenced by a massive pileup of cash in demand deposits in developed economies – will be unleashed with the onset of more normal economic activity.

While world production has enough capacity to manage the growth, there are temporary supply shortages for key inputs as globally integrated supply chains struggle to keep up with the rapid pace of recovery. As such, the general price level has been affected, giving rise to broad inflationary concerns. These fears are expected to dissipate as the global production machine ramps up, but there is additional worry that current price increases may alter inflationary expectations. While this is clearly a risk to the forecast, we believe central banks will be able to manage those expectations and are already doing so.

Global conditions are ripe for firms that are ready for growth. Many are scrambling to make sure they have secured supplies and are willing to pay higher prices for them. All firms will need to watch their margins; earnings are almost guaranteed to rise sharply, but there is a possibility that higher input prices compress margins and compromise profits. Ultimately, those that can fill orders are in for a significant growth this year and next.

As robust as the near-term forecast is, growth could surpass our predictions. Pent-up pressure is significant and, if unleashed all at once, would require significant effort on the part of industry to accommodate the growth. While we are reasonably optimistic on our base case projections, volatility remains high as widespread failure in pandemic containment or the emergence of aggressive COVID-19 variants, could stall recovery and stretch many governments' stimulus programs to the limit. While recovery is strongest and more certain in developed nations with higher vaccination rates, emerging markets will lag, particularly those with populations without access vaccines. Additionally, other non-COVID factors such as inflation risk and supply chain bottlenecks may impact the recovery and growth trajectory.

2.2 CANADIAN ECONOMIC CONTEXT

Canada's economic journey through the pandemic has been similar to that of other developed nations—no surprise given our reliance on international trade—and it is international activity that will largely power the aggressive recovery that is currently underway. After a 4.9% performance this year, Canada will surpass the advanced economy average of 4.4% in 2022.

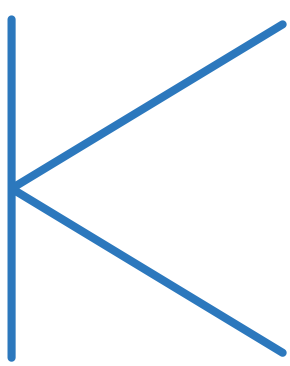
The journey has been full of contrasts, whereby the recovery after a quick and sharp fall is divergent, and certain sectors of the economy fare significantly better than others—a K-shaped path to recovery. Exporters in the agri-food, wood products and mining industries fared particularly well and are expected to continue over-performing over the near-term outlook. However, industries such as aerospace, airlines and other tourism-related activities have been especially hard-hit, although there is a significant near-term growth story for those that do survive.

Primary producers are generally expected to benefit from higher, albeit temporary, world prices for their wares. The outlook for final manufactured goods is less certain, as shortages of inputs could hobble production in spite of robust demand conditions. The semiconductor shortage has been a particular concern for producers of autos and parts, who are otherwise facing strong demand for their wares.

Overall, Canadian trade this year will be distorted as it bounces back from depressed COVID-19 levels. We expect a 17% increase of exports in 2021 and 3.4% in 2022.

Canada's outlook will find itself increasingly dependent on exports. Unlike most OECD economies, Canada entered the pandemic with a housing bubble and unusually high consumer debt, and when the initial flurry of growth subsides, we will be back to weak domestic fundamentals. Fortunately, diversification of exports into fast-growing emerging economies holds out hope for a decent growth path.

"K-shaped" Recovery



Sector	Country	Age/Income
• Big Tech • Retail Tech • Telecom • Agri-food	• Less-indebted • Sovereign Wealth Fund • Growth Sectors	• High Savers • High Net Worth • Baby Boomers
• Mix • Various	• Mix • Various	• Mid-leveraged • Average Savings • Mid-career
• Travel • Oil & Gas • Aerospace • Old Retail	• Oil & Gas Producer • Tourism-focused • Trade-dependent • High-debt, Foreign-held & Denominated	• Highly Leveraged • Low Savings • Millennials

2.3 EDC CONTEXT

Like most organizations providing crucial services to Canadians during the COVID-19 pandemic, EDC challenged itself to find a balance for its employees, while supporting Canadian companies. We quickly adapted to remote working and accelerated investments in key digital infrastructure to accommodate the new working reality. We remain committed to employee wellness and seek to be a corporate champion for inclusion, diversity and equity.

We are proud to have been recognized as one of Canada's Top 100 Employers for the 14th time, as one of the National Capital Region's Top Employers, and as one of Canada's Greenest Employers for 2021. We also made Forbes' 2021 list of Canada's Best Employers. The strengths, which underpin our success and enable us to drive benefits for Canada, include:

- A flexible and broadened mandate that enables us to evolve our solutions to support and develop trade for a diverse range of Canadian companies;
- More than 75 years of business and risk management experience in more than 200 markets;
- International representations in 21 key markets, allowing us to be where our customers are, and where they are going, and leverage relationships with the TCS, international buyers and borrowers;
- A domestic footprint of 20 offices and successful partnerships with Canada's major financial institutions;
- A highly engaged workforce, as demonstrated by our Spring 2021 employee engagement survey which placed EDC in the top 15 percent of Canadian organizations for its employee Net Promoter Score in response to the question "I would recommend EDC/FinDev Canada as a great place to work";
- Strong customer satisfaction and loyalty among exporters who have worked with EDC, as demonstrated by a Net Promoter Score in the top 15 percent of North American B2B companies;
- Extensive partnerships with the private sector and government;

SUPPORTING CANADA'S COVID-19 RESPONSE

EDC entered the pandemic with many strengths—from our expertise and balance sheet, to our people and partnerships—that positioned us to help deliver on Canada's COVID-19 response plan.

On March 25, 2020, Canadian Parliament passed an *Act Respecting Certain Measures in Response to COVID-19*, which included amendments to the *Export Development Act*, broadening EDC's mandate and scope of activity to include increased domestic powers until December 31, 2021. This decision, modelled on the temporary expansion of our domestic powers during the financial crisis in 2008, enabled EDC to provide financing and credit solutions to all Canadian businesses in the domestic market. In doing so, we focused on where we could provide the greatest value.

Our objective was to ensure that Canadian companies, particularly small- and medium-sized firms, as well as the commercial financial sector and private credit insurance providers, had access to much needed liquidity in the immediate aftermath of the crisis. To do so, we collaborated with Business Development Bank of Canada (BDC) and the private sector to ensure that Canadian companies had the solutions they needed. Appendix X contains details on our COVID-19 Response.

We also partnered with Global Affairs Canada, Finance Canada and Innovation, Science and Economic Development on the design of various programs to help companies manage the initial phase of the crisis, and we will continue to collaborate during the transition to recovery and return to growth.

During this transition, we will continue to be guided by our expertise in risk management and commitment to sound financial management. This will ensure that the we are well-positioned to respond to the needs of our customers as they re-establish their operations and seek growth opportunities in the post-COVID economy.

OPPORTUNITIES AND CHALLENGES

We regularly assess our operations to identify both challenges and opportunities. Highlights of this assessment are included in the following tables and have helped to inform our strategic direction and the areas where we can deliver the most value to Canadian companies and drive Canadian trade.

EXTERNAL ENVIRONMENT

	Opportunites	Challenges
Federal Partners	Canadian companies stand the best chance of succeeding internationally when they have a coordinated network of support at home. To this end, we continue to work closely with our Federal partners to improve experience for Canadian companies and offer a seamless experience. These partners include the Trade Commissioner Service (TCS), Business Development Bank of Canada (BDC), Canadian Commercial Corporation (CCC), Sustainable Development Technology Canada (SDTC), Innovation, Science and Economic Development Canada (ISED), Environment and Climate Change Canada (ECCC), and Farm Credit Canada (FCC). EDC's stewardship of the Minister of Small Business, Export Promotion and International Trade's Business Economic and Trade Recovery Committee (BETR), is a top priority to improve customer experience and collaborate with federal partners. In late 2021 and throughout 2022, EDC will work with ISED and other government partners to develop ISED's Hyper Growth Passport Program, to support high growth companies and aid them in scaling up. For more details, please see the Leverage our Partnerships section 3.2.5.	While all partners within Canada's trade ecosystem must be aware of each other's offerings to ensure a seamless experience for all Canadian companies, there is currently no clear agreement on how to deploy these offerings.
Private Sector Partners	Partnership with the private sector continues to provide significant opportunity for EDC to add risk capacity to the market, fill gaps in the private sector and help more Canadian companies. Opportunity exists to collaborate in new ways with financial partners, industry associations and innovation centers particularly to the benefit of small and micro enterprises.	Financial institutions are rapidly evolving their solutions, technology, delivery methods and processes to meet increasing demands from clients. We must continue to evolve our digital capabilities to engage with these partners.

	Opportunites	Challenges
Canadian Companies	The economic recovery period will bring opportunities to serve and support companies of all sizes.	As the economy begins to open, Canadian companies will be challenged to secure their supply chains as global shortages becoming more prevalent. Subsequent waves of the pandemic may contribute to a level of unpredictability on just how quickly and strongly Canadian businesses will be able to open back up.
EDC as Canada's Export Credit Agency (ECA)	EDC is a critical tool in the Canadian trade ecosystem to ensure Canadian companies can compete internationally. Our broad range of products sets us apart from other ECAs, positioning us as a leader in innovation as we address the needs of exporters. However, as other ECAs evolve in response to economic pressures and the changing global trade landscape, EDC must be more proactive to provide innovative solutions and support trade. There is an opportunity for EDC, as Canada's ECA, to leverage the terms of the OECD Arrangement to facilitate and, in some cases, create trade opportunities for Canadian companies, particularly in the medium and large segments. In addition, most successful ECAs have a strong alignment with industrial and innovation policy and the export strategies of their respective governments. This enables ECAs to increase their risk appetite. Increased engagement with other government departments and agencies responsible for these policies will help to highlight these opportunities.	EDC will continue to invest in relationships with ECA peers and advocate for a more advanced OECD ESG framework to raise the bar on due diligence requirements. This work will be critical to ensure we are working towards similar goals to create a level-playing field for Canadian companies. In addition, non-OECD economies that do not adhere to the OECD Arrangement on Export Credits have become increasingly important providers of export credits, disrupting the level playing field. EDC will continue to support the Government of Canada as it works to eliminate competitive disadvantages to Canadian companies.

INTERNAL ENVIRONMENT

	Opportunities and Challenges
Environmental Social and Governance (ESG)	We are committed to sustainable and responsible business—good business and good trade can contribute to a better Canada and a better world. This is why EDC is integrating sound ESG principles and practices at the core of our 2030 corporate strategy. They will not only guide how we operate but will be part of our value proposition to companies we support across all segments and sectors. In 2020, we formalized our ESG Strategy objectives, which demonstrates how we are evolving our approach to environmental, social and governance principles to create meaningful impact. The strategy is not just about our current suite of policies and processes, but about how we are building new, sustainable products and services, how we engage with our customers and stakeholders, and how we promote sustainable financial products as a key to building a resilient economy. We will look to provide more proactive support to our customers through the development of strong ESG frameworks to support their resiliency, meet standards and set them up for success as they expand into more diverse and challenging global markets. Our ESG strategy builds on our strong foundation in ESG and sets us up to develop our expertise further as we seek to be a role model and leader in supporting our partners and customers.
Human Resources	Over the planning period, we will continue supporting our employees as they transition from remote work, to a more hybrid model. The unpredictability of COVID-19 means we must continue to adjust, while providing tools, training and support that prioritize wellness.
Inclusion, Diversity and Equity (ID&E)	We value and respect the differences among our employees and celebrate the diversity that comes from being a global organization. We are dedicated to ensuring systemic barriers are addressed for employees who are Black, Indigenous or part of other traditionally marginalized groups.
Digital Strategy	To remain relevant in a global marketplace increasingly shaped by technology and to deliver on the long-term EDC strategy, we must invest in our core business and digital infrastructure. The COVID-19 crisis underscored the need to become a truly digital organization, in order to meet rapidly evolving customer expectations. These investments will continue throughout the planning period. Over the first half of 2021, EDC made progress on an integrated business-led digital strategy and roadmap. We will continue to evolve our digital resources and capabilities, in order to address the distinct needs of each customer segment.

The COVID-19 crisis highlighted new areas of risk and opportunity for Canada and accelerated many large-scale trends that had already begun shaping the global economy and Canada's trade and investment performance prior to the crisis. Taken together, these trends provide context for our corporate direction moving forward:

1. **Technology**

    - A lasting feature of the COVID-19 crisis will be its impact on the future of work and a hastening of the move toward digitization and e-commerce.
    - The resulting change in needs and expectations has accelerated digital transformation across the economy. Many sectors, including finance, manufacturing, retail, agriculture, and mining, had already been looking at more relevant digital offerings enabled by the simplification and automation of internal processes.
    - The COVID-19 crisis has further accelerated customer expectations and needs for on-line commercial banking and insurance services, which accelerated the digital transformation across the economy.

2. Global trade is changing

- Prior to the crisis, global production had evolved to a model where many countries no longer specialized in industries, but rather in specific tasks along the value chain. This shift saw many emerging markets capture more labour-intensive manufacturing tasks and standardized services.
- We also saw a sharp rise in protectionism, an erosion in rules-based trade, and specific actions contrary to previously negotiated free trade agreements. These developments have had profound implications for Canada.
- The pandemic renewed calls for on-shoring as a means of maintaining supply, while at the same time protectionist rhetoric continued to challenge the principles of free, fair and open trade.
- Post-COVID globalization trends are expected to focus on regional supply chains and strategic sectors, such as critical infrastructure, medicines, medical devices and information and communication technologies. Governments and the private sector will focus on ways to build resilience and agility.
- There is a growing shift in ECA models, where ECAs have a strong alignment with industrial policy from their respective governments. This enables focus and collaboration among partners within national trade facilitation systems.

3. Canadian competitiveness

- Canada's share of global exports has fallen from more than 4 percent in 2000, to 2.3 percent in 2018, resulting in unrealized trade potential of more than $150 billion annually for Canadian exporters.
- Among the factors that contributed to this loss of competitiveness, is a gap in access to trade opportunities, knowledge and capital, faced by Canadian companies during critical periods of growth and capital formation.
- This, together with digital and physical infrastructure challenges, results in a lack of mid-sized global champions.

4. COVID-19 policy response

- The unprecedented and synchronized nature of the economic shock led to unusual unanimity around a full-scale approach to fighting the downturn.
- Many countries announced extraordinary fiscal measures, including those that had yet to repay the last once-in-a-generation rescue package, and major central banks helped ease liquidity conditions via interest rate cuts and other unconventional monetary policy tools.
- A run-up in public debt threatens to crowd-out private sector spending, which could act as a drag on growth for years to come. However, reining stimulus in before the recovery takes hold comes with its own perils.
- Similarly, monetary officials are balancing an accommodative interest rate environment against emerging price pressures and the risk of asset price bubbles.

5. Environmental, Social and Governance (ESG)

- Increased incidences of extreme weather events put climate change, among other concerns surrounding corporate behaviour, close to the top of the international agenda prior to the crisis.
- The alignment of corporate, government and consumer interests present an opportunity to transition to a cleaner and more resilient energy future.
- Although there are many different views around the role of fossil fuels to meet the world's growing energy needs, EDC has made a stance and committed to net-zero greenhouse gas (GHG) emissions by 2050.
- Industry has a role to play in addressing the risks of adverse human rights impacts related to their business activity and are increasingly being held accountable by the public.
- Shortcomings in risk management, incentive structures, board supervision, disclosure and accounting standards and the remuneration policies of many large institutions are now firmly in the spotlight.

2.4 OVERSIGHTS AND REVIEWS

EDC reports to Parliament through the Minister of Small Business, Export Promotion and International Trade. We are governed by a Board of Directors; whose representatives are from the private sector and are appointed by the Government of Canada.

We are accountable and responsive to the Government of Canada through several oversight mechanisms including the Corporate Plan and Annual Report, both of which are approved by the Minister and tabled in Parliament, and the Ministerial Statement of Priorities and Accountabilities (SPA). [A copy of the 2021 SPA can be found in Appendix I]. Ministerial directives also form part of this system of oversight and we are compliant with six directives as outlined in Appendix VIII, including the most recent COVID-19-related Ministerial Directive and the associated legislative change, which extended our mandate to include domestic businesses operating in Canada.

2018 LEGISLATIVE REVIEW

Section 25 of the *Export Development Act* (the Act) requires that the Minister of International Trade Diversification, in consultation with the Minister of Finance, initiate a review of the provisions and operation of the Act every 10 years. Among other things, the review examines different aspects of our role, functions, and governance, as well as how we should evolve to meet the needs of Canadian companies.

The 2018 Legislative Review examined our complementary role with the domestic private sector, our ability to meet evolving Canadian business needs in a changing global context and our adherence to high corporate social responsibility standards. The review process involved consultations with the Canadian public, whereby interested parties had the opportunity to submit their views through a website. The Minister's 2018 Legislative Review Report of EDC was tabled in Parliament on June 20, 2019. While there is still the potential for Parliament to review the Minister's report, the findings have been instructive in the development of our new corporate strategy, as well as ongoing relationship building with federal and private sector partners.

At the same time, COVID-19 had significantly changed the Canadian landscape when these findings were generated. In some cases, outstanding issues related to our role in the domestic credit insurance market were superseded by the extension of our domestic powers to help deploy the pandemic response. In other cases, the pandemic accelerated or supercharged areas of interest in the findings, such as our ability to take risk. While risk is an ongoing point of our engagement with government officials, the pandemic response has seen us take on a significantly elevated risk profile. Engagement with the Board and government officials on the development of the new strategy will address the longer-term view on risk appetite and how we evolve this through the recovery phase and beyond. Similarly, we continue to evolve our Environmental, Social and Governance (ESG) practices consistent with the Legislative Review findings, Ministerial letters, and public expectations. EDC is renewing its suite of ESG policies over the course of the fall of 2021 and will undertake stakeholder and shareholder consolations.

SPECIAL EXAMINATIONS

A special examination is mandated at least every 10 years under the *Financial Administration Act* (FAA) and a report on the findings must be submitted to the Board of Directors. The most recent review was completed by the Office of the Auditor General (OAG) in 2018 and focused on three key areas: our approach to risk management, organizational transformation and corporate management practices. We were pleased that the conclusions of the OAG's Special Examination Report validated our Enterprise Risk Management (ERM) project plans. We have finalized the ERM structure and the components of a sound, enterprise risk framework are being put in place to manage specific and corporate-wide operational and financial risks. The specific findings of this examination and EDC's response is available through the OAG website.[1]

ENVIRONMENT AUDIT

The Act also stipulates that the OAG must undertake an audit of the design and implementation of EDC's *Environmental and Social Review Directive* (the ESRD Audit) every five years. The 2019 audit is now complete, and the findings were tabled in Parliament. As articulated in EDC's responses to the OAG's recommendations on the ESRD, EDC will be implementing any actions committed to in future updates of the ESRD and associated process. A copy of the 2019 Environmental and Social Audit is publicly available.[2]

1 https://www.oag-bvg.gc.ca/internet/English/parl_oag_201805_12_e_43044.html
2 https://www.oag-bvg.gc.ca/internet/English/parl_otp_201912_e_43500.html

3.0 GOALS AND OBJECTIVES

3.1 MAIN OBJECTIVES

2022 EDC OBJECTIVES

EDC's 2022 – 2026 objectives are grounded in our 2030 vision and strategy to create a positive impact on Canadian trade and our commitment to support Canadian businesses' economic recovery from the COVID-19 pandemic.

As outlined in the 2020 Annual Report, EDC's 2030 Strategy picks up where our previous five-year strategy ended. While the 2016-2020 Strategy focused on growing EDC's customer base, the 2030 Strategy emphasizes EDC's role as Canada's export credit agency in addressing Canada's trade performance. In essence, EDC's 2030 Strategy aims to help reverse Canada's trade performance gap by supporting and accelerating the success of Canadian companies in high growth international markets. By focusing on a segmentation approach to delivering targeted products and services to exporters in target sectors, EDC will drive future Canadian trade competitiveness, particularly for those industries in high demand internationally.

Throughout the planning period, our focus has evolved from responding to the immediate exporting challenges resulting from the COVID-19 pandemic, to positioning EDC as a key player in the post-crisis recovery. With the shift into the economic recovery phase, COVID-19 response programs, such as the Canada Emergency Business Account (CEBA) and the Business Credit Availability Program (BCAP), will be less of a focus for EDC, as we turn our attention to providing more targeted products and services to help Canadian companies capitalize of opportunities as global markets begin to reopen.

EDC's 2022 objectives will focus on meeting the specific needs of each different customer segment.

We are moving to position the customer at the heart of our organizational model. The key will be to move from designing solutions aimed at a broad array of companies, to solutions that address the specific needs of micro, small, medium, and large Canadian companies. We will also leverage our expanded risk approach, developed during the pandemic response period, and our knowledge business to ensure that Canadian companies have the tools and expertise they need to enter new markets, grow their international sales and diversify their businesses.

We continue to place a priority on medium-sized firms that are the emerging catalysts to Canadian economic growth—through increased trade. EDC is shifting the way it listens and responds to the unique needs of these companies, by bringing together experts from across business lines to work directly with customers and deploy the solution suites that will accelerate their international growth.

Canadian micro- and small businesses are the foundation of the Canadian economy, contributing to growth, innovation and job creation, and many are already engaged in international trade. The current environment, however, presents unique challenges for these companies that do not have the resources and expertise of larger businesses. To better serve this growing segment, EDC will invest in our digital capabilities, to ensure these companies can easily and quickly access the products and services they need, throughout their export journey.

Large companies are the backbone of the Canadian economy and drive most of Canada's export and international investment.

The move to a segmentation strategy will mean that EDC is better equipped to respond to the specific needs of businesses of different sizes as they seek out international opportunities. The priority for 2022 will be to continue to enhance our ability to listen and innovate, to ensure our solutions meet the evolving needs of Canadian businesses. These priorities will be enabled by continued investment in EDC's digital and ESG capabilities.

LEADING WITH VALUES

An important part of developing our 2030 strategy was deepening the thinking around the core values that guide the way we conduct our business. These are:

- Our customers success is our success
- We act with integrity and are ethical, genuine and transparent
- We strive to make the communities we live and work in better
- We care about people and our impact on the environment

We will strive to embed these values at the centre of everything we do.

These values are embedded in the priorities outlined in this plan.

Our customer's success is our success

We act with integrity and are ethical, genuine and transparent

We strive to make the communities we live and work in better

We care about people and our impact on the environment

COVID-19 RESPONSE

As the full extent of the impact of COVID-19 on the Canadian economy continues to play out, business uncertainty remains. Although early signs point to healthy economic recovery, we anticipate that a return to growth will be uneven across the country, across sectors and across global markets.

The “K” recovery model, mentioned in section 2.2, provides clear implications for the role we will play to support the recovery of the Canadian economy: where our core offerings will be needed, where we need to intensify our efforts in key sectors poised for significant growth, and where Canada can cultivate a new generation of global leaders.

In 2020, we structured our COVID-19 response into the four phases outlined below. EDC has now shifted into Phase 3, focusing on rebuilding and re-orienting towards growth.

- **Phase 1: Response** – Our initial priority was to respond to our clients’ needs and assume a leadership role in the Government of Canada’s COVID-19 response.
- **Phase 2: Restructuring and Recovery** – We will assist Canadian companies as they weather bankruptcies, industry consolidation, bad debts, claims and supply chain disruptions.
- **Phase 3: Rebuilding** – With an expected, uneven economic resurgence, we will be responsive to emerging opportunities in sectors coming out ahead, as well as the specific needs related to sectors that are slower to recover. We will also capitalize on new partnerships formed throughout the crisis to reach more companies in new ways.
- **Phase 4: Return to Growth** – We will position Canadian companies for international trade growth as the world emerges from the crisis period and returns to a more synchronized, broad-based growth. Building on the previous phase, we will leverage the partnerships and collaboration within the trade portfolio to amplify Canadian capabilities and find new opportunities for Canadian companies. We will focus on supporting medium-sized companies to ensure they can capitalize on their growth potential and drive the Canadian economy forward.

3.2 THE 5 KEY ENABLERS

In developing the 2030 Strategy, EDC identified five key enablers that will guide the organization into its new direction. These enablers also act as the key areas of transformation investment over the planning period.

- Being more intentional with **RISK**
- Embedding **ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) PRINCIPLES** in everything we do
- Understanding that our **PEOPLE** are our greatest asset
- Leveraging our **PARTNERSHIPS**
- Enhancing our **DIGITAL CAPABILITIES**

3.2.1 ENHANCE OUR DIGITALLY ENABLED CAPABILITIES

Considering the new realities and challenges emerging from the COVID-19 pandemic, enhancing our digital capabilities are an even bigger priority.

In 2020, EDC sought client and partner feedback to inform a transformation roadmap that will help us to deliver on our long-term strategy and better serve Canadian companies during the post COVID-19 recovery phase.

Three elements inform EDC's digital investments:

- **Increase customer centricity** – We will upgrade our digital capabilities to marketplace expectations (clients, partners and shareholder). This includes easy digital payments, simple single sign-on to our systems and easy access to our product and services on the web when it makes sense.
- **Easy and timely access to relevant data** – We will enable our clients to have easy access to relevant information about our products and services and our employees will have easy access to pertinent information to provide relevant advice to clients for more informed decisions.
- **Larger impact on the Canadian economy** – We will scale our existing support and develop new business models to help us reach more companies, particularly in the medium segment and specific sectors such as Advanced Technology.

DIGITAL ROADMAP

The improvements in our digital resources and capabilities are top priority for enabling increased customer focus and will be key to our plans to address the distinct needs of each customer segment.

Notable accomplishments in building our digital foundations included, replacing some legacy systems, improving our cybersecurity posture, increasing infrastructure capability to enable all employees to work remotely and the launch of new COVID-19 products with partner financial institutions.

The COVID-19 crisis underscored the importance of digital capabilities. The new normal will be increasingly digital for our clients, partners and employees, and we need to be prepared to play in this environment to serve more Canadian companies and engage with our partners. To support our business strategy we must upgrade our digital assets, by shifting to the cloud, overhauling our data infrastructure and digitizing our client interactions through a single sign-on and digital payment capability.

In order to support our business strategy, our digital assets have to be upgraded at all levels, from our data center shift to the cloud, to an overhaul of our data infrastructure and a significant push to digitize our client interactions, namely by offering single sign-on and digital payments.

3.2.2 EMBED ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) IN EVERYTHING WE DO

Attention to environmental sustainability, social equality, and responsible governance issues is rising among governments, businesses, and individuals, as the world faces unprecedented challenges in these areas. We believe that sustainable, responsible and inclusive trade is a powerful force for good in Canada and the world.

During 2021, EDC made progress on a robust agenda to strengthen its ESG practices and invest in capabilities to support Canadian companies do the same.

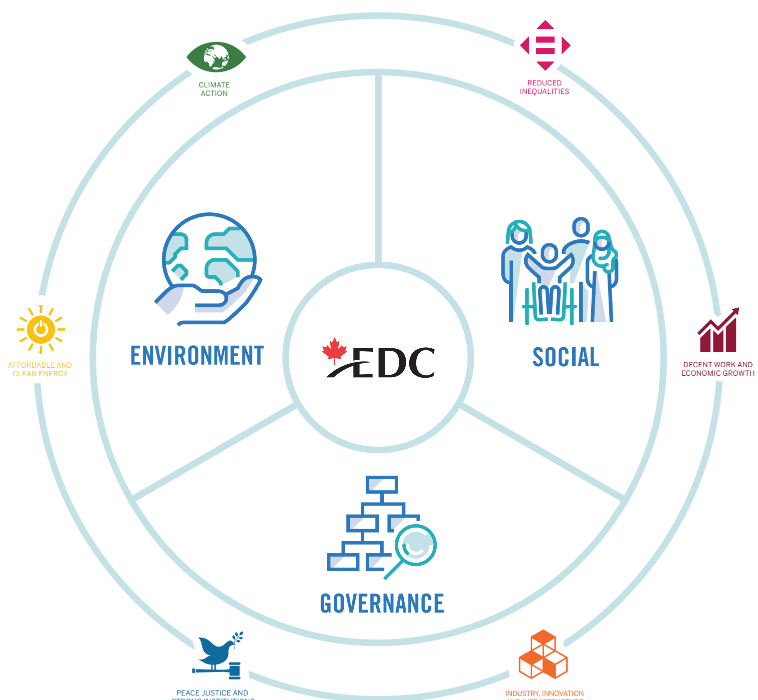
Our mandate is to help Canadian companies do business in some of the world's most challenging markets. We understand that there are ESG–related risks involved in the business we support, and that it is critical to have strong procedures to identify, assess and manage these risks.

While EDC has a longstanding history of strong ESG practices, we recognize that ESG extends beyond risk mitigation and is central to our long-term sustainability, international competitiveness and the long-term success of Canadian companies' and Canada's continued prosperity. It is why EDC is placing ESG at the heart of our 2030 Corporate Strategy, where sound ESG practices are at the core of our business decisions. ESG will not only dictate how we operate but will be part of our value proposition to the companies we support across all segments and sectors.

Underpinning our ESG strategy are four objectives:

1. Make ESG a prominent and standard feature across the organization, including our people, communications, and reporting.
2. Support our customers in considering ESG in the evolution of their business.
3. Demonstrate leadership among export credit agencies and influence among financial institutions.
4. Provide additional support for growing and emerging sectors of the Canadian economies aligned with ESG principles e.g. Cleantech.

Our ESG framework reflects the programs and commitments in each area of ESG and will continue to evolve as we develop the strategy.



OUR APPROACH TO ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT

We are committed to high environmental and social standards as we help Canadian companies of all sizes diversify into new markets with diverse challenges and opportunities. Our approach seeks to strengthen our customers' long-term competitiveness and drive positive change on important societal issues.

Our Environmental and Social Risk Management (ESRM) team works to identify and manage risks associated with our customers' transactions and, when required, provide guidance and monitor progress against action plans or recommendations.

We review and revise our policies regularly, to ensure they are relevant and aligned with international frameworks, including the OECD Common Approaches, the Equator Principles, Task Force on Climate Related Financial Disclosures (TCFD) and the UN Guiding Principles on Business and Human Rights (UNGPs).

Informed by these frameworks, and by consultation with experts and stakeholders, our ESRM policies govern our approach to respecting the environment and people and guide decision making in the transactions we support. These include EDC's:

- *Environmental and Social Risk Management (ESRM) Policy*
- *Environmental and Social Review Directive*
- *Climate Change Policy*
- *Human Rights Policy*
- *Transparency and Disclosure Policy*

Over the past two years, we have implemented policy commitments stemming from our 2018/2019 policy review, evolved our risk management approach in response to evolving industry best practice and increased transparency around these approaches. We have published due diligence frameworks for both Human Rights and Climate Change, which will be updated as required. In May 2021, as part of our 2020 Annual Report, we published our third TCFD Disclosure, which articulates the actions EDC is taking to address the climate-related implications of its business. We also published a specific Human Rights Disclosure, which describes how we embed human rights into our risk management approach.

This year's focus remains on strengthening our approach to building and using leverage and enabling remedy[1] - helping us advance our human rights risk management and ensure that our efforts achieve better outcomes for people and the environment.

We continue to engage with stakeholders as we implement commitments stemming from our policies. In October and November of 2020, EDC held three engagement sessions with representatives of civil society organizations. These meetings were an opportunity for EDC's President and CEO, and members from our executive management team, to hear directly from stakeholders and share EDC's progress regarding the environment, human rights, and business integrity. We will integrate feedback into our upcoming policy review.

In 2021, we launched an ESRM policy review to ensure our policies and practices continue to align with best practices. Over the next year, we will consult with our employees, EDC's Board of Directors and ESG Advisory Council, government partners, the business sector and civil society organizations to ensure we incorporate perspectives from across the trade ecosystem.

We will also continue to participate in and influence industry and standard-setting bodies such as the OECD and the Equator Principles (EPs). In addition to participating in several of the EP's working groups and co-chairing its Climate Change Working Group, we rejoined the Steering Committee in 2020 to help shape the association's management and strategic direction.

1 https://www.edc.ca/content/dam/edc/en/corporate/corporate-social-responsibility/environment-people/principles-leverage-remedy.pdf

HUMAN RIGHTS

Our *Human Rights Policy*, published in 2019, aligns our publicly expressed policy commitments with our progress on human rights due diligence processes, and reflects our work to align our practices to the United Nation Guiding Principles on Business and Human Rights (UNGPs). The Policy is also aligned with the Government's expectation that Canadian companies active abroad respect human rights, operate transparently and in consultation with host governments and local communities, and work in a socially and environmentally responsible manner while respecting applicable laws, and adopt voluntary best practices and internationally respected guidelines on Responsible Business Conduct.

We continue to implement our policy commitments as described in our 2019-2022 Policy Implementation Plan. We track progress against the implementation plan in our Annual Report, which includes a dedicated Human Rights Disclosure[1].

At the core of our Human Rights Policy is our commitment to preventing and managing human rights risks and impacts that in our transactions, and to enable remedy when impacts nevertheless occur. With support from Shift[2], the leading centre of expertise on the United Nations Guiding Principles on Business and Human Rights, as well as an internal cross-functional working group, we developed our Principles on Leverage and Remedy[3] to put these commitments into practice. These principles were also informed by external stakeholders and approved by the executive management team in December 2020.

The focus for 2021, is on developing a suite of tools to implement our Principles on Leverage and Remedy and integrate them into our due diligence and decision-making processes. We also identified areas that required leverage and remedy. These include:

- focus on remedy in resources and extractive sectors in Latin America;
- support climate transition with Canadian oil and gas; and
- focus on social issues linked to solar power, a strategic sector for Canada and EDC.

Our work on leverage and remedy is important to translating our policy commitments into a systematic, organization-wide practice that advances our human rights risk management practices and ensures that our efforts will achieve better outcomes for people and the environment. This ongoing work will also help us align with industry best practices, guide our approach to human rights risk management and decision-making, and provide clarity to our stakeholders regarding our approach to important human rights concepts.

EDC was involved in the Equator Principles Steering Committee discussions leading up to Equator Principles 4[4] (EP4), specifically around the language related to the management of impacts on Indigenous Peoples and human rights, and in developing guidance to implement EP4. EDC implemented this new EP4 approach, as of July 1, 2020. Throughout the planning period, we will continue to implement EP4 and contribute to the discussion for enhancing remedy in Equator Principles Financial Institutions (EPFIs)-linked transactions.

We participated in the OECD Environmental and Social Practitioner group and, in February 2020, delivered a presentation on Indigenous Peoples and the notion of free, prior and informed consent (FPIC) in the Canadian context. In September 2020, along with a peer export credit agency, we presented our human rights–related due diligence approach for customers active in the telecommunications and software industries. This presentation spurred an informal working group with other export credit agencies on the issue of human rights in these industries. In February 2021, we presented an update on the implementation of our *Human Rights Policy* and our work on leverage and remedy. In this reporting period, we will continue to participate in this practitioner group and find opportunities to discuss and promote consistent practices, tools and resources for ECAs.

In March 2021, EDC joined the Financial Institutions Practitioners Circle, led by Shift, to discuss key challenges and opportunities in implementing the UNGPs. We will remain active in this forum throughout the planning period and continue to contribute to discussions on business and human rights.

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1 https://www.edc.ca/content/dam/edc/en/corporate/corporate-reports/annual-reports/2020-human-rights-disclosure.pdf
2 https://shiftproject.org/
3 https://www.edc.ca/content/dam/edc/en/corporate/corporate-social-responsibility/environment-people/principles-leverage-remedy.pdf
4 https://equator-principles.com/ep4/

SUPPORT FOR CLIMATE CHANGE INITIATIVES

We aim to be a leader in supporting Canadian companies as Canada transitions to a lower-carbon future. We will do so through an ongoing commitment to Canada's carbon-intensive sectors by helping to drive climate-related disclosure, transition, and innovation, as Canada works toward achieving net-zero emissions by 2050. We are proud to report that we are already compliant with Budget 2021's requirement for Crown climate reporting and are viewed as a leader in this space.

In 2019, we set a target to reduce our exposure to the most carbon intensive sectors by 15 percent over five years against a December 31, 2018 baseline. This meant reducing the carbon intensive exposure of our financing portfolio to $19.1 billion in 2023 from $22.4 billion in 2018, a decrease of approximately $3.3 billion over the five-year period.

The COVID-19 pandemic in 2020 presented challenges to progressing toward our carbon target. The economic impact of the pandemic resulted in actions by the Government of Canada to increase EDC's support to companies, some of which were in the carbon-intensive sectors subject to our target. Throughout the year, we sought to balance short-term COVID-19 related imperatives with our medium- and long-term climate change objectives, as articulated in our *Climate Change Policy*. With clearly defined parameters guiding our business in these sectors, we made progress despite the challenges – in fact, we attained our 2023 target ahead of schedule.

While the COVID-19 crisis required that EDC mobilize support for Canadian companies, it also presented an opportunity to foster long-term, trusted relationships with carbon-intensive companies, where we can influence the shift to a low-carbon future. As part of that work, in 2020 we began asking oil and gas customers receiving EDC's financing products (>$5M, >2-year tenor), and that are not already doing so, to align with the recommendations of the Task Force on Climate Related Financial Disclosures[1] (TCFD). Our goal is to be proactive and transparent in our approach to carbon intensive sectors. This means working directly with oil and gas companies and industry associations to share our climate commitments and requirements, such as the TCFD. In doing so, we are supporting this important sector of the Canadian economy and collaborating to support the transition to a low-carbon future.

As we continue to build and strengthen our climate and environmental commitments, we are mindful that governments, institutions, and individuals have voiced their support for greater action. Following direction provided in the 2020 Statement of Priorities and Accountabilities (SPA) EDC publicly committed in July 2021[2] to net zero emissions by 2050 and net-zero emission across our own global operations by 2030. Our EDC Net-Zero Emissions Plan[3] will include interim reduction targets for the most carbon intensive sectors for 2023 and 2030, supported by sustainable finance objectives. As a result, EDC will:

- Reduce our financing support to the six most carbon intensive sectors by 40% below 2018 levels by 2023. This is the first step toward phasing out new direct government support for international carbon intensive fossil fuel projects and companies, as committed to by Canada and the G7.
- Drive further emissions reductions through science-based, sectoral emission intensity targets by 2023. These targets, which we will set and publicly disclose by July 1, 2022, will encompass those businesses operating in our most carbon intensive sectors.
- Set and disclose a sustainable finance target by July 1, 2022 to increase our support for innovative Canadian business aligned with the low-carbon transition through mechanisms such as our cleantech solutions, Green Bonds, and sustainability-linked lending and knowledge products.
- Reduce our operational emissions to net-zero by 2030 and considering, only as a last resort, purchasing carbon offsets—a means of compensating for emissions—as an interim solution or where reasonable alternatives are not found.

We will communicate our progress through continued engagement with our shareholder and stakeholders, and through our TCFD Disclosure in EDC's Annual Report. Our 2020 TCFD disclosure was published in EDC's Integrated Annual Report[4].

1 https://www.fsb-tcfd.org/
2 https://www.edc.ca/en/about-us/newsroom/edc-net-zero-2050.html
3 https://www.edc.ca/content/dam/edc/en/non-premium/edc-net-zero-emissions-2050.pdf
4 https://www.edc.ca/content/dam/edc/en/corporate/corporate-reports/annual-reports/2020-climate-related-disclosure.pdf

As co-chair of the Equator Principles Climate Change Working Group, EDC worked with other Equator Principles Financial Institutions (EPFIs) to ensure a more focused integration of climate change-related risk in the updated Equator Principles Environmental and Social Risk Management Framework for project-related transactions. Equator Principles 4 (EP4), which we implemented on July 1, 2020, includes updated disclosure requirements, as well as a requirement that EPFIs consider climate-related physical and transition risks, based on specific criteria. As noted, we will continue to support the Equator Principles by implementing EP4 throughout the planning period.

In 2020, we also provided $142 million in climate finance to support the Government of Canada's commitment to the UN Framework Convention on Climate Change, which supports low-carbon or carbon-resilient transactions in developing countries. We will continue to support clean and low carbon business throughout the planning period.

CANADA'S LARGEST FINANCIER OF CLEANTECH

In partnership with the private sector and several government departments, agencies and Crown corporations, EDC is proud to be one of the largest providers of financial solutions to cleantech companies in Canada. In addition to support through our corporate account, EDC also administers the cleantech Canada Account envelope, established by the government to support early stage and capital-intensive clean technologies. After making cleantech a corporate priority in 2012, EDC has facilitated more than $13.5 billion in cleantech exports, investments, and trade opportunities. In 2020, we provided support to 288 cleantech companies (a 27% increase over 2019), facilitating more than $4.5 billion in clean and low carbon activities, an 80% increase from 2019.

For 2021, EDC has set a Business Facilitated target for the cleantech sector of $5.45B and is seeking to serve over 310 customers. In addition, EDC issued three outstanding Green Bonds in 2020, which financed 20 transactions. We anticipate that 6.1 million tonnes of CO_2 emissions will be avoided as a result of these bonds, representing a 46% increase in avoided emissions from the previous year.

Going forward, EDC will continue to prioritize support to Canadian cleantech companies and low-carbon businesses. Through the development of our Sustainable Finance framework, EDC will also support larger emitters as they transition to a Net-Zero commitment.

BUSINESS INTEGRITY

Corruption and bribery distort trade, undermine the free flow of goods and services and inhibit economic growth, which is why anti-corruption and bribery efforts have always been at the core of our ESG strategy. We continue to support Canada and other leading trading nations in their efforts to fight corruption and abide by the Organization for Economic Cooperation and Development's (OECD), Recommendation on Bribery and Officially Supported Export Credits. We will also continue to support the Canadian delegation to the OECD by contributing to and participating in anti-bribery and corruption conversations and implementing our enhanced commitments to business integrity.

Our *Code of Conduct* outlines our commitment to not knowingly support transactions that have been facilitated by the offer or the giving of a bribe. Our *Financial Crime Policy* establishes the due diligence program elements to support this commitment and broader financial crime prevention, detection and deterrence commitments.

In 2017, the Board approved our *Financial Crime Policy*, which replaced our *Anti-Corruption Policy* Guidelines with a broader[1] Financial Crime Program. The Financial Crime Program addresses risks relating to corruption, bribery, money laundering, terrorist financing, external fraud and economic sanctions.

1 A revised Financial Crime Policy is being developed and was presented to the Board in September 2021 for approval.

A key component of our ESG Strategy is increased accountability and business integrity throughout our organization and customers' businesses. This includes training to enable front-line employees to discuss sustainable and responsible business practices with customers, to mitigate our own risk and promote ESG as a competitive advantage. We continue to leverage our automated risk assessment tool, and our underwriting and business development staff conduct baseline due-diligence reviews on every transaction. If risk indicators are present and require enhanced due diligence, our team then considers risk mitigation measures. In addition, we are conducting customer engagement to educate them on the importance of implementing strong ESG practices to strengthen their risk management and give them a competitive advantage.

We continue to invest in and implement technology updates to our Financial Crime Program and enhance our policies and practices to align with international standards and best practices. The Financial Crime Program will be fully implemented in 2022.

3.2.3 BEING MORE INTENTIONAL WITH RISK

The long-term, sustainable success of our customers hinges on our knowledge of international trade and ability to take on and manage financial and non-financial risks. A well-defined approach to risk helps ensure that we balance our customers' interests and what is best for Canadian trade—while upholding the principles of responsible business.

We are continually maturing our risk management practices, guided by our Risk Management Maturity Model, which measures progress across six risk attributes. Additionally, our risk taxonomy—a comprehensive set of risk categories that formalize, define and classify risk—enables consistent risk identification, categorization and reporting. This taxonomy ensures that those involved in risk identification consider all types of risks that could affect our objectives, promotes common language for risks and ensures that risk information is aggregated to provide a holistic enterprise view.

The Risk Taxonomy is reviewed by senior management on an annual basis. The three risk categories in our risk taxonomy are:

1. Financial: Risk associated with our revenue generating and financing activities.
2. Strategic: Risk to strategic objectives arising from ineffective business strategies, improper implementation of business strategies, or a lack of responsiveness to changes in the business environment.
3. Operational: Risk of direct or indirect losses due to failure attributable to people, processes, systems, or external events.

We encourage risk-related discussions throughout the organization, which are balanced with a customer-focused mindset. Risk management tools, reporting channels and risk and response plans, are leveraged to keep risk awareness top of mind in our decision-making processes.

Senior management reviews strategic and operational risk profiles. Risks that are considered to have the highest potential impact and likelihood of occurrence on a residual basis (i.e., bearing in mind existing controls and processes) are identified as "Top Risks."

We monitor financial risks—risks associated with our financial services and revenue generating activities—for their impact on specific portfolios, concentration types, product groupings, and to the Corporation as a whole.

In response to the financial and operational strains placed on Canadian exporters due to the COVID-19 pandemic, and in support of Government of Canada COVID-19 related initiatives, we took on additional levels of risk to support our customers. We manage this increased risk by performing risk assessments and establishing appropriate response plans. To reflect this increase in our Risk Appetite, we developed a Crisis Risk Appetite Statement to complement our existing Risk Appetite Statement. The Top Risks consider the shift in priorities as part of our ongoing support for Canadian business during the COVID-19 crisis.

3.2.4 OUR PEOPLE ARE OUR GREATEST ASSET

The success of our Business Strategy throughout the planning period is dependent on sound management of our most valuable resource – our people. Our business strategy provides the roadmap for change—but it is our employees who will drive that change.

COVID-19 IMPLICATIONS

The impact of the COVID-19 pandemic will continue to reshape how we live, work, and play for years to come. As the world moves forward with a global economic recovery and we progress to a post-pandemic future, EDC will continue to ensure the safety and wellness of employees.

We were quick to transition to a fully remote workplace and deliver COVID-19 related programs to support Canadian businesses. We continued to provide flexible work arrangements and special leave to support employees, as they manage extenuating circumstances (ie. school closures) during the pandemic.

As we cautiously begin to reopen our physical offices, we know that our current and future workforce will demand more flexibility than pre-pandemic times.

The COVID-19 pandemic challenged us to reflect on who we are as an organization, how we want to grow and what the future of work will look like for EDC, as we move through the recovery phase.

INCLUSION, DIVERSITY AND EQUITY (ID&E)

We seek to build an inclusive workplace culture at EDC and FinDev Canada; one that is diverse and welcoming and where all employees - regardless of their gender, race, ethnicity, sexual orientation, ability or experience - are valued and supported throughout the employee lifecycle, with equal opportunities, transparency and fairness embedded into all processes and practices.

We will continue to bring increased transparency and accountability to our ID&E work and share our progress with employees. We will also continue to collaborate with our Employee Resource Groups to develop new strategies to address gaps identified through engagement survey listening sessions. Priorities include transparent hiring and promotion practices; completing the Intercultural Development Inventory assessment for all leaders; launching the ID&E metrics dashboard; developing a self-identification awareness campaign; and, creating a stronger mentoring culture.

In 2021, we rolled out a 5 Key Behaviours training program to all employees. This training outlines the behaviours we expect from all EDC employees and how they will help to unlock our full potential, while creating a healthy, welcoming and inclusive workplace culture. Building on that foundation, we continue to embed the ERG listening session insights and perspectives into all new ID&E learning and development training. This approach will help make our organization an inclusive, diverse and equitable workplace, where everyone has a strong sense of belonging and connection to our corporate culture.

TALENT

As a result of the shift to remote work due to the pandemic, we are no longer limited by a candidate's physical location, and can now hire from across Canada to fill most domestic roles. As we prepare for the post-pandemic economy, attracting and retaining talent in this competitive environment will be critical. We will continue to offer a positive employee experience and ensure our Human Resource programs are inclusive, flexible and competitive.

RECOGNIZING WELLNESS AS AN EMPLOYMENT DIFFERENTIATOR

We pride ourselves on delivering an employee experience that focuses on employee health and well-being. In addition to the support provided in response to COVID-19, our wellness program provides employees with tools and resources to help maintain a healthy lifestyle at work and at home. In 2021, we strengthened our focus on mental health with the launch of Mental Health in the Workplace training for leaders and employees. Together, these programs support employee health and well-being, and help maintain EDC's position as one of the best places to work in Canada.

3.2.5 LEVERAGE OUR PARTNERSHIPS

Partnerships are one of the five key enablers of our 2030 Strategy. Leveraging the foundation and capabilities that have been built, we remain focused on fostering a trade ecosystem, through an established and expanding network of partnerships, to spark trade for Canada.

The COVID-19 pandemic further underscored the importance of partnerships and collaboration within the Canadian financial sector, federal and provincial departments, stakeholder groups, and Canadian companies, to respond and adapt to the economic challenges. Our partners have become a key voice, providing market intelligence and feedback that enables us to adapt programing and product criteria to reduce barriers and complexity to trade, and better address the needs of Canadian companies.

Our financial institutions and government partners played a crucial role in enabling us to operationalize the Business Credit Availability Program (BCAP) Guarantees and COVID-19 support programs, which would not have been possible without their speed, agility, and cooperation. Building on these strong relationships, we delivered more than $1billion in support through the BCAP program through our partner banks and credit unions.

As we transition to supporting the economic recovery for Canadian businesses, we will continue to drive impact through partnerships to reach more micro and small companies through digital channels and the reliance model. Continued investment our Inclusive Trade Strategy (outlined in section 3.3) will also enable us to reach more under-represented groups and level playing of the Canadian trade economy.

PARTNERING WITH BANKS

In partnership with Canadian financial institution partners, we have served more than 3,700 customers through our working capital solutions (WCS), with an average growth of more than 20 percent per year for the last four years.

We will leverage the momentum gained during COVID-19, to drive impact within our micro, small, medium, and large segments, by maximizing our FI network. We will continue to collaborate with FIs, and increase awareness of our products and services as well as the importance of international trade

Our FI partnerships have enabled us to simplify our processes, drive innovation and bring new products to the market, in order to support more Canadian companies and exporters.

PARTNERING WITH BROKERS

Through the relationships we have built with our credit insurance network, we continue to explore and advance opportunities to reach more companies. Insurance brokers play a pivotal role in helping us achieve this goal and as such, we are focusing our efforts on the following:

- Increasing our value proposition to both brokers and clients.
- Streamlining operations and increasing new business capacity.
- Using broker insight to help us target key improvement initiatives that increase relevance and experience; and
- Equipping brokers with new and refreshed sales tools, as well as offer training as required

Throughout the planning period, we will continue to engage and build relationships with new and existing broker partners.

INCLUSIVE TRADE PARTNERSHIPS

A fundamental pillar of the Inclusive Trade Strategy, further detailed in the plan, is the collaboration and development of partnerships with trusted organizations that support the economic development and advancement of diversity and inclusion initiatives for diverse and underrepresented Canadian businesses. Our Inclusive Trade Strategy aims to create an equitable playing field that enables more diverse and under-represented Canadian businesses to achieve success in global markets, by removing barriers to entry and increasing accessibility to products and services. Collaboration and partnerships are integral in driving more reach, relevance, and sourcing intelligence to address market gaps and support more Canadian businesses owned and led by women, Indigenous Peoples, Black Canadians, people of colour, people with mixed abilities and those from the LGBTQ2+ community.

BUSINESS PARTNERSHIPS

We are seeking strategic business partnerships from a diverse range of export-oriented organizations to support companies along their export journey and maximize Canadian trade. These include the Government Alliances team, which consists of federal, and crown partners working to advance Canada's trade mandate and economic trade recovery program and enable seamless service and faster outcomes for Canadian businesses. In addition, the Private and Associations team focuses on developing partnerships to make trade more accessible to Canadian business by meeting exporters where they are through digital distribution networks.

Partnerships with organizations such as our government partners, Fonds de solidarité FTQ, MaRS Discovery, Google Canada and Start-Up Canada help to increase our market exposure, reach more Canadian companies and build new capabilities and solutions that foster our partner ecosystem.

We will continue to deepen our existing alliances and explore opportunities to develop joint and collaborative solutions with financial and non-financial partners, to support more Canadian Companies, particularly SMEs. To maximize impact, we will continue with a targeted and integrated approach to advance opportunities within our high priority sectors and micro, small and medium segments

TEAM CANADA PARTNERSHIPS

As part of our commitment to a "Team Canada" approach to advancing Canadian Trade, we have built strategic alliances with key federal and crown partners in the trade ecosystem to leverage each other's capabilities. We will look to build these relationships to improve collaboration and better serve Canadian exporters.

To support a collaborative, diverse and cross-government model of support for business, the federal Business, Economic and Trade Recovery (BETR) initiative, chaired by EDC, was created to foster greater collaboration and innovation within the Small Business, Export Promotion and International Trade portfolio, with a focus on achieving a robust economic recovery and longer-term inclusive growth.

CANADIAN COMMERCIAL CORPORATION (CCC)

Collaboration between EDC and CCC enables both organizations to leverage their respective areas of expertise to identify trade opportunities for Canadian exporters and help them compete in global markets. CCC continues to work with EDC to determine the foreign markets that are the most receptive to the government-to-government procurement opportunities. Over the balance of 2021 and into 2022, EDC and CCC will develop a more focused and collaborative market identification and business strategy that facilitates access by Canadian exporters to contracting opportunities with identified foreign governments. Our regular engagements and alignment at all levels allows our teams to better coordinate efforts to support customers throughout their exporting journey and carry out our shared portfolio mandate.

TRADE COMMISSIONER SERVICE (TCS)

Our partnership with the TCS continues to expand and deepen. EDC and the TCS signed a renewed Memorandum of Understanding (MOU) to expand strategic areas of cooperation, advancing both organizations' mandates to provide value to the Canadian exporting community.

We will continue to identify opportunities to strengthen the partnership and are developing greater coordination, coherence, and complementarity to address national and global economic opportunities and challenges for Canadian businesses and Canada's international competitiveness. Through continued collaboration, we will focus on opportunities that enhance Canadian businesses access to a suite of federal trade and business development services to help them grow and compete in global markets.

FARM CREDIT CANADA (FCC)

Our partnership with the FCC continues to follow the theme of strengthening collaboration from both a knowledge and marketing perspective, as well as with implementing regional strategies to increase frontline engagement and understanding of our respective offerings. From an ecosystem perspective, we are continuing to consult with FCC on research and exploration into areas that support agri-food and agribusinesses throughout their growth journey and recovery from the COVID-19 pandemic. We are also collaborating to support innovative and cross-sectoral Canadian agri-products, such as Winnipeg's Merit Functional Foods. Together with FCC and the TCS, we provided the company with the support they needed to build a world class, made-to-order facility with a specialized purpose: to extract food-grade canola and pea protein for the global food and beverage industry.

BUSINESS DEVELOPMENT BANK OF CANADA (BDC)

Our alliance with BDC enables both organizations to leverage our respective areas of expertise, to better support Canadian companies throughout their growth journey. In 2018, we launched our EDC-BDC Tech Loan solution, a direct co-lending facility of up to $50 million for asset-light technology businesses followed by our second joint program, the EDC-BDC Purchase Order (PO) Financing program which launched in 2019 and was enhanced in 2021 to reflect recovery needs. The PO financing program is available to support SMEs in their domestic and international contracts.

Most recently, this partnership has been key to delivering on the government's response to the COVID-19 pandemic through the Business Credit Availability Program (BCAP) and COVID-19 support programs developed to support Canadian companies through this crisis. Through BETR, we remain focused on maximizing the level of support to Canadian companies in helping them recover from the business impacts of COVID-19.

Regular engagement with BDC allow our teams to better communicate and coordinate efforts to advise customers and work with our FI partners.

INTERNATIONAL PARTNERSHIPS

TCS PARTNERSHIP ABROAD

EDC and the Trade Commissioner Service (TCS) have had an overarching collaboration Memorandum of Understanding (MoU) since 2013. Through this agreement, EDC and the TCS aim to provide more seamless services to Canadian exporters and investors.

Collaboration with the TCS is equally long-standing and frequently international. The TCS has on-the-ground representation in more than 160 cities worldwide. EDC benefits from this sizeable network as we are relatively limited in terms of global coverage and all but one of EDC's international representations abroad are collocated with their TCS counterparts. As such, the type of coordination outlined in the MOU happens on a near daily basis. Through this collaborative effort, EDC and the TCS can help more Canadian exporters and investors go, grow, and succeed internationally.

Information sharing between EDC and the TCS is key to our success. Both organizations share operational plans, international buyer prospect lists and planned events, ensuring that short to long-term areas of focus are aligned and if needed, allow for pooling of resources for the benefit of Canadian companies.

Collaboration between TCS and EDC representatives through trade promotion and trade creation activities is a key undertaking for both organizations in markets abroad and helps to address a major challenge for small businesses—the cost and difficulty of connecting with international buyers and opportunities. EDC representatives often partner with the TCS to provide knowledge services including webinars and information sharing events.

Both EDC and the TCS understand that Canadian companies have a better chance of succeeding internationally when they have a network of support available to them. As such, when it comes to trade creation, such as match-making activities, EDC's in-market representatives leverage the "Team Canada" approach.

EXPORT CREDIT AGENCY (ECA) PARTNERSHIPS

Partnerships with ECAs enable EDC to:

- build streamlined and standardized approaches to working with other ECAs on shared transactions;
- collaborate to support Canadian businesses' international supply chains;
- respond to requests from other ECAs to support our mutual customers; undertake more risk sharing; and
- better serve our customer needs.

Some of the specific tools EDC employs to partner with other ECAs include: (i) memoranda of understanding, wherein we formalize our relationship with another ECA at the highest organizational levels to commit to continue to build our relationship, share knowledge, and create shared opportunities; and (ii) reinsurance agreements, where we will formalize arrangements for reinsurance and risk-sharing in order to encourage transactions of shared interest and to ensure transactions under such agreements flow smoothly.

An important forum for engaging and collaborating with our peers is the International Union of Credit and Investment Insurers (the "Berne Union"), a not-for-profit association with a membership that spans the world's largest and most active export credit agencies, multilateral financial institutions and private underwriters of credit and political risk insurance. EDC is an active contributor to many of the Berne Union's committees and specialized working groups. We also engage with ECAs within the OECD export credit group, to better understand each other's practices and to evolve the shared rules and guidelines under which OECD member country ECAs operate.

3.3 CONTRIBUTING TO GOVERNMENT OF CANADA PRIORITIES

At the time that this Plan was approved by EDC's Board of Directors, a 2022 Statement of Priorities and Accountabilities (SPA) had not been issued. This Plan reflects guidance contained in the previous SPA, provided in March 2021, as well as ongoing consultation and dialogue with the Minister, her office, and government officials.

Canadian companies have a better chance of succeeding internationally when they have a network of support at home. Over the planning period, we are committed to supporting Canada's economic recovery and leveraging a "Team Canada" approach to trade. To do so we will work closely with key Government partners including the TCS, the Business Development Bank of Canada (BDC), the Canadian Commercial Corporation (CCC), Farm Credit Canada (FCC), Innovation, Science and Economic Development Canada (ISED), Environment and Climate Change Canada (ECCC), Natural Resources Canada (NRCan) and Sustainable Development Technology Canada (SDTC).

Our priorities in the near term include pandemic recovery efforts, support for small and medium-sized enterprises and under-represented groups, as well as climate change and net-zero commitments, including support for the Just Transition from fossil fuels. Priorities over the longer-term include a return to trade diversification, promoting the benefits of Canada's free trade agreements, continued support for medium-sized companies, refining our commitment climate change objectives, seamless collaboration and service to exporters, and adjusting our approach to risk to support more companies and contribute to economic growth.

Underlying these priorities is a commitment to collaboration within the Government's Trade portfolio. In this regard, we are proud to chair the Minister of Small Business, Export Promotion and International Trade's Business, Economy, Trade and Recovery (BETR) team, which brings together all Canadian Trade Portfolio partner organizations to promote collaboration and innovation to increase opportunities for Canadian businesses. Collaboration initiatives are discussed throughout the Plan and in Appendices I (SPA) and X (COVID-19 Response).

The closer collaboration with our partners that we enshrined during the pandemic period further underlined the need for data and information sharing. In accordance with previous direction from the Minister, EDC provides quarterly reporting that demonstrates performance against Government objectives and priorities. We will complete the internal transition to the Government's North American Industry Classification Standard (NAICS) in 2022.

We have firmly embedded ESG principles in every aspect of our business and look forward to supporting the Government of Canada's development of a renewed Responsible Business Conduct Strategy. We will also review our own suite of environmental and social risk management policies beginning in the fall of 2021 into 2022 and in this context will be undertaking open and transparent industry and civil society consultations.

In addition, non-OECD economies that do not adhere to the OECD Arrangement on Export Credits have become increasingly important providers of export credits, further disrupting the level playing field established by the Arrangement and fueling a call by many members to modernize the Arrangement to ensure its long-term relevance. As part of the Canadian delegation to the OECD, led by our counterparts at Global Affairs Canada (GAC) and Finance Canada, EDC will continue to actively support the Government of Canada as it works to eliminate competitive disadvantages to Canadian companies. As the OECD is increasingly the forum where like-minded economies aim to advance responsible business commitments, EDC will support GAC, Finance and Environment and Climate Change Canada in developing Canada's responsible business commitments at the OECD.

SHOWCASE: UNDERREPRESENTED GROUPS IN TRADE

INCLUSIVE TRADE STRATEGY

The COVID-19 pandemic disproportionally affected diverse and underrepresented businesses, exacerbating the economic inequalities that these businesses face. With ESG as one of the key enablers of our 2030 Strategy, we are committed to strengthening our impact on inclusion, diversity and equity.

Our Inclusive Trade Strategy is focused on growing our support for under-represented groups; Canadian exporting businesses owned or led by women, Indigenous Peoples, Black Canadians, people of colour, people with mixed abilities, and those from the LGBTQ2+ community to address the barriers they face.

Our programs seek to build awareness and understanding of exporting and improve access to our financial and non-financial solutions, to help diverse-owned companies grow internationally. We have established a $200 million Inclusive Trade Investment Program (ITIP), to provide equitable access to capital and create more opportunities for women-, Indigenous- and minority-owned and led businesses. We are also improving our processes for identifying and collecting diversity identification data and enhancing our ability to measure impact, to better serve and support more businesses owned or led by women, Indigenous Peoples, Black Canadians, people of colour, people with mixed abilities, and those from the LGBTQ2+ community.

WOMEN IN TRADE

As a participant in the Government of Canada's Women's Entrepreneurship Strategy, we have made significant progress toward our target of serving 2,000 unique women-owned and -led companies and facilitating $6 billion in trade for these companies by 2023. Through our dedicated Women in Trade strategy, established in 2018, we have cumulatively supported nearly 1700 women-owned and women-led companies through our financial and non-financial solutions, and facilitated $4.5 billion in trade. We continue to grow and scale the Women in Trade strategy through our sales channels and our ecosystem of partners such as the TCS' Business Women in Trade (BWIT) program, to reach and serve more women owned and led companies throughout their exporting journey.

Areas of focus will include:

- Expand our reach to the women-owned and -led market segment by:
    - Deepening our engagement with existing strategic and financial institution partners with diversity and inclusion markets objectives; and
    - Working with the Women's Entrepreneurship Knowledge Hub[1] to deliver specific training and access points to information about exporting and EDC resources, to partners and development agencies that provide services to women entrepreneurs, thus building capacity within the ecosystem.
- Create a community to connect women-owned and -led businesses interested in and engaged in trade through online social forums, by leveraging new communication tools;
- Continue to execute on our successful Women in Trade Investment Strategy, which is now part of the broader Inclusive Trade Investments Program (ITIP) and support more women investors;
- Advance our understanding of the impacts on trade for women entrepreneurs with other identity factors such as race, ethnicity, religion, age, and mixed abilities in order to ensure an intersectional approach to increase accessibility of our solutions; and
- Conduct Gender-Based Analysis Plus (GBA+) of our financial solutions to assess how diverse groups experience EDC.

INDIGENOUS BUSINESSES

As one of Canada's fastest growing populations, Indigenous Peoples are a key contributor to Canada's economic success. Indigenous businesses represent a diverse and innovative community, operating across all sectors, with an estimated 60,000 companies contributing more than $30 billion to the economy. Expectations are for this contribution to reach $100 billion within the next few years.

Through our dedicated Indigenous Business Strategy, we are committed to supporting Indigenous companies to explore, grow and capitalize on opportunities that accelerate their international success. We are advancing well against our 2023 target of serving 400 Indigenous-owned and led companies and facilitating $650M in trade—serving more than 160 companies for $295 million in trade facilitated since 2020.

Our strategy includes outreach and awareness, tailored support of our knowledge and financial solutions, and community investment programs. We recognize there are unique needs and challenges for Indigenous businesses, particularly Indigenous women-owned companies, and are working with Indigenous stakeholders to ensure our strategy reflects the unique historical and cultural context within which Indigenous businesses operate.

1 https://wekh.ca/about/

Areas of focus will include:

- Leveraging a Memorandum of Understanding with the Canadian Council for Aboriginal Business (CCAB), BDC and FCC to support the sustainability and growth of Indigenous businesses and entrepreneurs through the post COVID-19 economic recovery period. We will collaborate to build awareness of the full range of financing and other resources available and provide capacity-building education around international trade;
- Broadening our position within the Indigenous Business support ecosystem and leveraging our partnerships to increase access to trade solutions, capital and connections for Indigenous companies;
- Expanding our risk appetitite through flexible, creative financial solutions and credit practices that recognize the unique needs and legal structures of Indigenous Businesses;
- Participating in the $150 million National Aboriginal Capital Corporations Association Indigenous Growth Fund (IGF) to provide capital through Aboriginal Financial Institutions to Indigenous businesses and entrepreneurs in Canada.
- Executing on our Indigenous Investment Strategy through the recently expanded $200 million Inclusive Trade Investment Program (ITIP), to increase capital available for Indigenous Businesses;
- Developing Indigenous trade knowledge and advisory content in collaboration with EDC's trade knowledge experts and Indigenous business partners;
- Communicating Indigenous Business success stories; and
- Building connections for Indigenous Businesses through programs such as the Trade Accelerator Program and by growing our database of Indigenous company capabilities to increase matchmaking activities.

BLACK BUSINESSES

Beyond women- and Indigenous-owned and led businesses, we are also expanding our support to all under-represented and underserved segments of the business landscape such as businesses owned and led by Black Canadians. To enable our continued growth and expanded strategy, we are onboarding a new dedicated National Lead to focus on designing and implementing EDC's longer-term strategy and roadmap to help more Canadian Black entrepreneurs go, grow, and succeed internationally. We continue to build long-term relationships with key partners to support Black-owned and -led businesses, and co-develop joint initiatives to build awareness, education and connections to support export growth for Canada's Black entrepreneurs to reach their global potential.

BLACKNORTH

In support of the BlackNorth Initiative, EDC signed the CEO Pledge and committed to fighting anti-Black systemic racism and improving the representation of Black people in boardrooms and executive suites

LGBTQ2+

With an estimated 140,000 LGBTQ2+-owned businesses in Canada today, the economic impact of this segment is growing. Leveraging our partnership with Canada's LGBT+ Chamber of Commerce[1] (CGLCC) the sole body in Canada that can certify a company as an LGBTQ2+ enterprise, we will continue to learn about their challenges and are committed to removing barriers and increasing support for this key business community.

Throughout the planning period we will:

- Enhance our business objectives for the LGBTQ2+ market segment to provide more services to this business community;
- Create a team of EDC expert spokespeople to engage with our employees and provide them opportunities to represent EDC at external events.
- Build a virtual trade community for under-represented and diverse business groups as a safe and open space for creation, support, and innovation. We will leverage this community to tell success stories and further listen and learn about their specific trade challenges.
- Lead and participating in roundtable discussions with LGBTQ2+ entrepreneurs and business leaders, to further understand the unique challenges and barriers these companies experience as it pertains to financing and trade.

1 https://www.cglcc.ca/

SUPPLIER DIVERSITY

As part of EDC's ongoing commitment to inclusion, diversity, and equity, and aligned with the Inclusive Trade strategy, in 2020 we committed to diversifying our own supply chain. We became member of key organizations that certify diverse-owned businesses in Canada (companies owned by women, Indigenous Peoples, Black Canadians, people of colour, people with mixed abilities, and those from the LGBTQ2+ community) to develop a more inclusive procurement process and establish a baseline understanding of the current diversity of our supply chain. We also attended events sponsored by certifying organizations to meet with and expand our network of diverse suppliers.

In 2021, we began to systematically identify diverse suppliers as they register with EDC, and foster procurement opportunities for diverse suppliers by introducing them to relevant buyers and encouraging their participation in EDC's public competitive procurement processes.

Moving forward, we will continue to engage with certifying organizations and diverse suppliers through events, to expand our network and build our knowledge, as we aim to design and launch a formal Supplier Diversity Program and make procurement opportunities more accessible to diverse suppliers.

3.4 SECTOR AND MARKET SUPPORT

To achieve our 2030 vision EDC will balance the needs of Canadian exporters today while positioning Canada to take advantage of longer-term opportunities. Over the next planning period, EDC will focus on building our expertise in key sectors and markets that offer significant and net new growth potential to set up the next generation of globally competitive Canadian exporters.

To do so, we will focus on the following sectors:

- Advanced Manufacturing
- Advanced Digital Technologies
- Clean Technologies
- Agri-Food
- Resources of the Future

In evaluating markets with the most growth potential for Canada, EDC has identified both short-term and longer-term opportunities in the U.S., Europe and Asia. For the majority of exporters, the U.S. is the first international market they supply and is often critical to increasing their reach. EDC will continue to support this first step.

Infrastructure spend in both the U.S. and among Canada-European Union Comprehensive Economic and Trade (CETA) members offers near term potential for Canadian exporters, particularly in clean technology and agriculture industries. Capturing growth in these markets is key to sustaining Canadian trade performance. EDC will support Canadian companies as they pursue opportunities offered by the Canada-EU Trade Agreement, the Canada-United Kingdom Trade Continuity Agreement, as well as the benefits of the Comprehensive and Progressive Agreement for the Trans-Pacific Partnership (CPTPP).

Asian markets offer the greatest net new growth potential for Canadian companies and the largest opportunity to increase Canadian trade performance over the long-term. Over the coming decade it will be critical for Canadian companies to form deeper connections throughout the region, embedding themselves within Asian supply chains. To position Canadian exporters and investors to capitalize on these opportunities, EDC will make investments in building relationships in key Asian markets, in order to build the networks necessary to promote long term and sustainable trade. Throughout the plan period, we will leverage our footprint in Asian markets, as we evolve our strategy.

3.5 EXPECTED RESULTS AND PERFORMANCE INDICATORS

3.5.1 BUSINESS RESULTS

The following provides an overview of our corporate measures for the 2022-2026 planning period. These measures drive our behaviors and contribute to the achievement of the objectives laid out in the Plan, thereby ensuring that we are delivering on our mandate and creating value for Canadian companies engaged in international trade. Success is achieved by meeting or exceeding the target range set for individual measures for the business year. EDC reports out on actual results by way of our Annual Report. Detailed forecast and result information can be found in Appendix III.

Net Promoter Score (NPS)	The measure of our customers' satisfaction, loyalty, and willingness to recommend us to others. EDC's score, relative to other organizations, is strong and remains in the top 15% of North American B2B companies. We expect the NPS score for 2021 to finish at 72.4 and, in 2022, we commit to a range that remains a best-in-class standard of 63-71.
Customers Served	This measure is tied to the corporate objective of helping more Canadian companies succeed internationally, especially small and medium-sized companies. It includes companies that purchase our financial and knowledge products. We anticipate ending 2021 with 28,000 customers served, with 13,500 being financial customers. Looking ahead to 2022, we forecast the number of customers served to remain in the range of 26,000 – 30,000; while the financial customers served range is increasing to 13,000 – 15,000 from the 2021 range of 12,000 – 14,000.
Productivity Ratio (PR)	Our PR captures in aggregate form how well we use our resources. We expect PR to reach 35.0% by year-end and, for 2022, we are increasing the expected PR range to 41-45%.
Total Business Facilitated (BF)	This measure represents the amount of business Canadian companies were able to carry out with the help of EDC's financial solutions. We expect to end the 2021 year with $107.5 billion in business facilitated. Looking forward to 2022, we are forecasting that business facilitated will reach $106.1 billion.
Business Facilitated in Emerging Markets	This measure is an indicator of trade diversification. As a sub-set of business facilitated, it measures the business Canadian companies carry out in emerging markets with the help of EDCs solutions. We expect business facilitated in emerging markets to reach $21.0 B by year-end and we are forecasting growth in the range of 5-15% in 2022.
Business Facilitated in the Cleantech Sector	This measure is also a sub-set of business facilitated and represents the amount of business supported in the Cleantech sector. In 2021, we expect this measure to reach $5.0 B and we anticipate this to grow between 15 and 25% in 2022.
Carbon Target	This measure reflects EDC's commitment to reduce its exposure to the most carbon intensive sectors by 40% over five years against a December 31, 2018 baseline. In 2021, we forecast ending the year at $14.5 B in exposure. This 35% reduction compared to the 2018 baseline is due to asset sales, commitment reductions and repayments. In 2022, we forecast the range of our exposure to further reduce to 11.0-12.0 $B.
Inclusive Trade	EDC aims to create an equitable playing field that enables more diverse and under-represented Canadian businesses to achieve success in global markets. These measures indicate how well we are doing to support women and indigenous run companies. Women in trade is expected to reach 1,800 customers served and $4.3 B in business facilitated in 2021. The number of Indigenous customers served is expected to reach 175, while business facilitated is forecast to reach $320 M in 2021. In 2022, this support is anticipated to increase. We forecast the number of customers served to be in the range of 2,200 – 2,300 for women in trade and 250 -300 for Indigenous businesses. Business facilitated is forecasted to grow between 5.5 – 5.8 $B for women in trade and 530-550 $M for Indigenous businesses.

4.0 FINANCIAL OVERVIEW

4.1 OVERVIEW

EDC is committed to supporting Canada's economic recovery and positioning Canadian companies for international success in the post COVID-19 economy. The move out of crisis and into recovery will have a significant impact on our financial results in 2021 and beyond. The economic scenario underpinning the Corporate Plan anticipates a gradual improvement in the economy in 2021 and as such, our financial projections reflect an improvement in profitability over the Plan period when compared with 2020.

In 2020 EDC continued to support medium-sized exporters, key drivers of economic growth, scale, diversify and grow their international trade success. Work on this objective continues in 2021 and will be a focus over the plan period. To achieve our objectives, we continue to make investments in a number of areas of our business including enhancing our digital capabilities. Additionally, we will continue our work on a digitally enabled operating model for micro and small exporters that will allow us to further extend our reach and effectiveness in understanding and meeting their needs to drive better trade outcomes for Canada. These along with our continued involvement in the pandemic response will lead to higher administrative expenses and as a result we are projecting an increase in the productivity ratio in 2022 and 2023, with the ratio declining in the out years of the Plan. Refer to page 63 for further details.

To ensure that EDC had the capital required to support Canadian businesses during the pandemic, an additional capital injection of $11.0 billion occurred in 2020, bringing total share capital to $12.3 billion. Included in the injection was $5.0 billion of capital earmarked to support the oil and gas sector during the pandemic as requested by our shareholder. As the capital requirements for this business are reduced, the capital surplus will be returned by way of a special dividend and/ or a share buyback. In 2021, we declared and paid a special dividend of $6.7 billion based on the capital surplus position of the BCAP programs, including the oil and gas support. Over the plan period, we expect that any additional capital surplus for the BCAP programs will be returned by way of a share buyback. As well, any eligible dividends calculated based on the approved dividend calculation methodology will be paid by way of a share buyback until such time that our share capital returns to 2019 levels. This will allow EDC to maintain a sufficient retained earnings position to be operationally prepared and financially resilient. Refer to page 62 for further information.

While the 2022-2026 Plan will demonstrate how we will support Canadian businesses returning to normal operations, the COVID-19 pandemic is still ongoing. As such, our actual results could be materially different from the financial projections in this Plan. Items most impacted by the current economic crisis include our forecasts for business facilitated under the BCAP, our estimates for provisions for credit losses as well as claims-related expenses.

4.2 SIGNIFICANT ITEMS

Detailed financial statements and analysis can be found in Appendix V of the Plan. Key items of note are as follows:

- Net income in the range of $708 million to $862 million for the Corporate Plan period. Net income is projected to be $2,065 million in 2021 which is largely the result of provision reversals as the post-pandemic economic outlook improves and realized and unrealized gains.
- Net revenue[1] is projected to be $1.8 billion in 2021 and expected to be within the range of $1.5 billion to $1.8 billion for the Corporate Plan period.
- Our financial position remains strong due to growth in interest earning assets throughout the Corporate Plan period.

1 Net income excluding the provision for credit losses, claims-related expenses, administrative expenses, and unrealized gains and losses on our financial instruments.

4.3 KEY ASSUMPTIONS

A series of key assumptions, including business facilitated, foreign exchange and interest rates all of which have an impact on our business activity and financial performance, drive the plan projections. Using these assumptions, which align with our business strategy and economic outlook, projected financial statements are developed for the planning period, including a forecast to the end of the current fiscal year. Any changes to our business strategy or to the underlying assumptions may materially affect the projections over the planning period.

BUSINESS FACILITATED

The level of business facilitated for each program is presented in the table below.

Table 1: Projected Level of Business Facilitated (2020-2026)

(in millions of Canadian dollars)	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Business Facilitated								
Direct lending	12,990	18,100	15,800	15,400	17,200	19,500	20,600	21,100
Project finance	4,855	3,600	3,300	3,800	3,800	3,900	3,900	4,000
Loan guarantees	3,247	7,500	3,500	4,200	4,600	5,300	5,900	6,000
Investments	298	360	340	310	440	420	410	420
Total financing and investments	21,390	29,560	22,940	23,710	26,040	29,120	30,810	31,520
Credit insurance	58,201	63,500	65,400	63,300	67,300	72,100	77,600	78,900
Financial institutions insurance	9,189	6,800	6,800	7,000	7,000	7,000	7,000	7,000
International trade guarantee	11,701	10,900	11,200	11,600	12,100	12,500	13,100	13,500
Political risk insurance	1,867	300	1,200	500	400	400	200	200
Total insurance	80,958	81,500	84,600	82,400	86,800	92,000	97,900	99,600
	102,348	111,060	107,540	106,110	112,840	121,120	128,710	131,120

Table 2: Projected Level of BCAP Support Included in Business Facilitated (2020-2026)

(in millions of Canadian dollars)	2020 Actual	2021 Plan(1)	2021 Fcst	2022 Plan(2)	2023 Plan(2)	2024 Plan(2)	2025 Plan(2)	2026 Plan(2)
Business Facilitated								
Direct lending	273	-	300	200	200	100	100	100
Loan guarantees	850	4,800	1,000	800	600	400	300	200
Total financing and investments	1,123	4,800	1,300	1,000	800	500	400	300
Credit insurance	17	600	400	-	-	-	-	-
International trade guarantee	661	800	700	600	500	300	300	300
Total insurance	678	1,400	1,100	600	500	300	300	300
	1,801	6,200	2,400	1,600	1,300	800	700	600

(1) 2021 Corporate Plan volumes have been restated to align with the definitions of the BCAP program as provided by the Government of Canada.

(2) While the BCAP program is currently expected to end December 31, 2021, arrangements already entered into prior to that date have the ability to renew. It is these renewals that are shown in 2022 and beyond.

2021 FORECAST

We are projecting a decrease in business facilitated of $3.5 billion in 2021 from the Corporate Plan. The primary reason for the decrease is that the BCAP support volumes have not materialized at the levels anticipated in the Plan. The decline is partially offset by an increase in business facilitated for our credit insurance and guarantee products reflecting continuing demand for risk mitigation resulting from the current economic environment.

2022 PLAN TO 2026 PLAN

We are projecting business facilitated to increase during the planning period which is made up of nominal growth across the existing portfolios as well as new volumes in both financing and insurance that are due to our strategic focus on medium-sized exporters.

FOREIGN EXCHANGE

The Financial Plan uses a month to date average rate as the U.S. dollar foreign exchange rate assumption for the remainder of 2021 and all subsequent years. This methodology removes the volatility associated with yearly exchange rate fluctuations and ensures more comparable projections. The rate used in this Plan, based on the average rate for August 2021, is U.S. $0.79. To provide perspective on the impact of movements in the Canada/U.S. exchange rate on our net income and total assets, a depreciation in the Canadian dollar of 5 cents will result in an increase to net income of $31 million and total assets of $3 billion in 2022 based on current projections.

INTEREST RATES

This forecast is based on Bloomberg financial market data and is driven by supply and demand as well as market expectations for interest rates.

OTHER KEY ASSUMPTIONS

Other (income) expense projections include realized gains or losses on our investments portfolio. The projections are based on a complex model, using market-driven internal rate of returns, which evaluates the expected cash distributions of current and future investments. The realized gains or losses are then estimated based on those projections. Also included are gains or losses on loan sales that are undertaken for a variety of reasons including risk mitigation purposes. Should actual results differ from projections, our profitability and productivity ratio will be impacted.

Due to the volatility and difficulty in estimating fair value gains or losses on long-term debt, marketable securities, investments and related derivative instruments, no forecast for these items is included in the Corporate Plan financial results.

4.4 DIVIDEND AND RETURN OF SHARE CAPITAL

A strong capital position, along with a return to normal profitability levels over the planning period, will result in payments for the return of share capital in each year of the Plan.

Capital injections of $11.0 billion were received in 2020 to provide us with the capital needed to support business undertaken to aid in Canada's recovery from the pandemic. If take-up of pandemic-related support programs is lower than expected and/or if less capital is required to absorb program losses, EDC will return excess capital provided for both the BCAP and oil and gas support by way of a special dividend payment and/ or a share buyback. Special dividends totaling $6.7 billion have been paid in 2021.

The 2021 financial results are expected to lead to share buybacks of $1.7 billion related to the BCAP support, including oil and gas support, and $837 million related to EDC core operations in 2022.

5.0 APPENDICES

APPENDIX I: STATEMENT OF PRIORITIES AND ACCOUNTABILITIES

Minister of Small Business,
Export Promotion and
International Trade

Ministre de la Petite Entreprise,
de la Promotion des exportations et
du Commerce international

Ottawa, Canada K1A 0G2

February 4, 2021

Ms. Martine M. Irman
Chair of the Board
Export Development Canada
150 Slater Street
Ottawa ON K1A 1K3

Dear Ms. Irman:

I am pleased to provide Export Development Canada (EDC) with its 2021 Statement of Priorities and Accountabilities (SPA).

Over the past year, we have faced extraordinary challenges. Now, as we look toward an increasingly clearer horizon, we see that in order to get there, much work lies ahead. However, with every new challenge there is also an opportunity to ensure a brighter, more inclusive and sustainable future for all Canadians. This starts with ensuring our promise to create one million jobs, including by expanding on the successes of the Women's Entrepreneurship Strategy and the Black Entrepreneurship Program. It means working with Indigenous peoples and racialized Canadians, as well as creating supports and opportunities for the young and the old, 5th generation or 1st generation Canadians, the LGBTQ2 community and the differently abled.

This brighter future means putting the fight against climate change into the core of every action we take—ensuring our decisions are in the best interest of future generations and building upon the agreements we have made to Canadians here at home and to our allies abroad. In this, it remains paramount that we support innovative Canadian businesses as they grow through exports —to lead by example and make our part of the global economy even more sustainable. This better future will be emboldened by Canada's leadership on the international stage, and by our steadfast commitment to advancing fair, rules-based trade around the world. All of this future will be possible due to the timely and targeted investments we made into Canadians and their futures throughout the COVID-19 crisis. So as we step forward on the road to recovery, we will know that as our nation faced one of the greatest challenges of modern history, we rose to the occasion and overcame it, securing a brighter future for all Canadians. With that, let's work together to build back better.

…/2

Canada

This begins by looking at the incredible strides EDC has made thus far and the extraordinary service you have provided to Canadians during this trying time. EDC's rapid and robust delivery of new emergency programs, such as the Canada Emergency Business Account (CEBA) and Business Credit Availability Program (BCAP), in addition to its core offerings, is enabling thousands of businesses to weather the crisis and emerge ready to rebuild and grow.

Without EDC, this simply would not have been possible. The figures are staggering in terms of what EDC has delivered: over $41 billion in loans approved to over 823,000 businesses through CEBA, and nearly 1,000 loan guarantees unlocking access to over $1 billion in credit under the BCAP. These remarkable numbers are a testament to EDC's capacity and commitment to serving Canadian businesses.

While these numbers are impressive, our work is not done. COVID-19 has not halted trade, but it has complicated trade from a practical and logistical point of view. We are seeing greater barriers, protectionism and in some cases, export bans on critical products. What has not changed is the fact Canada is dependent on trade for our economic prosperity and now, more than ever, our economic recovery will depend on a return to robust activity in our traditional sectors and diversified exports by companies of all sizes and sectors.

That's why our government remains committed to the core priorities and goals of the ambitious trade agenda outlined in my December 2019 mandate letter from Prime Minister Justin Trudeau. As Minister of Small Business, Export Promotion and International Trade, my priorities will continue to include:

- export growth and diversification;
- export mobilization of Canada's small and medium-sized enterprises (SMEs);
- implementation and maximization of Canada's free trade agreements, including the Canada-United States-Mexico Agreement (CUSMA), the Canada-European Union Comprehensive Economic and Trade Agreement (CETA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership(CPTPP); and,
- maximization of Canada's trade promotion capabilities

In support of the foregoing priorities, I am pleased to provide you with the government's key expectations of EDC in the year ahead:

Business Economic and Trade Recovery Team (BETR)

In my mandate letter, the Prime Minister has asked me to work across my portfolio to ensure that all resources are maximizing Canada's trade capabilities to the benefit of businesses of all sizes, and I am thankful for EDC's leadership in chairing BETR.

Through BETR, it is my expectation that EDC will coordinate specific strategic transactions to advance business growth through international trade—in turn, driving our economic recovery. From key strategic growth sectors like clean tech, health tech, agrifood, agritech and infrastructure,

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to key strategic growth regions such as the countries of CPTPP and ASEAN—EDC should use BETR as a senior-level working committee to mobilize the full suite of tools available in my portfolio to support global growth and prosperity for businesses of all sizes as Team Canada. For example, Canadian exporters supported by the CCC for government to government contracting, in particular for major infrastructure projects, would benefit from a more holistic product offering from EDC.

It is also my expectation that EDC will take steps through BETR to provide Canadian companies a seamless experience when accessing federal business development and trade services to the success of Canadian exporters. This should include a strategic focus on coordinated communication and marketing activities between Crown Corporations, as well as building out digital collaboration capacities in order to ensure that the full range of services available to SMEs is presented and navigable in an efficient, user-friendly way.

Resilience and Growth

For Canadian exporters to be in the best possible position to compete globally, EDC must continue supporting Canada's export diversification agenda, bringing trade finance programs into ever closer alignment with government priorities. Specifically, I am looking forward to EDC establishing service standards for countries where Canada has a free trade agreement (i.e. South Korea, Ukraine, Israel, etc.) or a strong presence in the market (i.e. India, etc.). Furthermore, for Canada's core export markets—as covered by CUSMA, CETA (i.e. Europe Union), and the CPTPP (i.e. Japan, Singapore, Vietnam, etc.)—I would ask EDC to develop enhanced services and products to help Canadian companies take advantage of these important multilateral trade agreements.

EDC's export diversification efforts should continue to focus on: 1) increasing the number of Canadian companies exporting, including SMEs, 2) growing the value of exports by Canadian companies, 3) expanding the types of products and services Canadians are exporting, in particular, those from knowledge-based and data-driven sectors, 4) increasing the number of Canadian exporters from Canada's diverse, racialized communities that are historically under-represented in international trade, and 5) increasing the volume of exports to diverse international markets. This will help accelerate Canadian business growth and fuel an economic revival in a post-COVID environment.

Support for the Modernization of Multilateral Export Credit Agreements

Sustaining a well functioning multi-lateral trade system is a priority for Canada. Canada helped build the rules-based international trade system, and we are always working to make it better and more equitable. It establishes stability and predictability in trade relationships. It ensures balance and fairness. It generates new opportunities for businesses. And it supports and creates prosperity and well-paying jobs for Canadians.

In 2020, the Participants to the Arrangement on Officially Supported Export Credits are embarking on a process to modernize trade rules for export credit agencies. This process presents

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a unique opportunity to ensure that the framework for officially supported export credits is up to date and market reflective, while securing a level playing field for Canadian exporters into the future. Once completed, the new rules would become a standard operating model for OECD export credit providers, including EDC. To this end, EDC's committed engagement is necessary to ensure that negotiated outcomes are credible and robust, compatible with EDC's current operational practices, including its market-reflective approach, and in the interest of Canadian exporters.

I ask that EDC enhance its engagement in this important trade negotiation, including by identifying opportunities and risks in multilateral export credit practices, identifying level playing field challenges for Canadian exporters, and providing analysis of pricing proposals in relation to EDC programs, with a view to minimize subsidies and place Canadian exporters in the best possible competitive position. I expect EDC, with Global Affairs Canada and Finance Canada, to develop a strategy for engagement in these negotiations.

Foreign Direct Investment

Foreign direct investments can also contribute to Canada's export capacity. As such, I ask that EDC collaborate with the Trade Commissioner Service and Invest in Canada to ensure that all related instruments and services to attract foreign direct investment are deployed, and coordinated where appropriate. My request to EDC, similar to Invest in Canada, focuses on foreign direct investments that strengthen our domestic supply chains and those that can play a role in growing Canada's innovation ecosystem while ensuring they generate overall benefits to Canadians.

Climate Change & Cleantech

I want to congratulate EDC on its 2019 Climate Change Policy. Recognizing EDC's commitment to review its Climate Change Policy, and I request that EDC update the Policy to go further in aligning investments across its portfolio with the climate goals of the Paris Agreement. EDC has taken great steps in the recent past to contribute to Canada's commitments for the future, but a more ambitious approach to addressing the challenges of climate change is required. EDC's commitment to reduce its exposure to the six most carbon intensive sectors by 15% by 2023 is commendable, but EDC must also seek to examine the impact of the entirety of its portfolio, not just the most carbon intensive sectors. Specifically, the updated Policy should outline a strategy that will commit EDC to Canada's objectives of net-zero emissions by 2050, considering all sectors of support, and should further consider the merits of setting an interim 2030 emissions reduction objective. In the updated Policy, it is my expectation that EDC only provide financial support to transactions in the oil and gas sector involving Canadian companies, and that EDC fully consider and evaluate GHG emissions and climate change considerations as a key aspect of transaction due-diligence. In particular, I applaud EDC for endorsing the Task Force on Climate-Related Financial Disclosures (TCFD) standards. I encourage EDC to accelerate its work to fully implement the TCFD recommendations in 2021.

In November 2020, the Government of Canada tabled Bill C-12: An Act respecting transparency and accountability in Canada's efforts to achieve net-zero greenhouse gas emissions by the

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year 2050. This legislation includes, at section 23, a requirement that the Minister of Finance must, in cooperation with the Minister of Environment and Climate Change, prepare an annual report respecting key measures that the federal public administration has taken to manage its financial risks and opportunities related to climate change. The Minister of Finance must make that report available to the public. Going forward, I ask that EDC work with the Department of Finance to feed into the Government of Canada report on managing financial risks and opportunities associated with climate change, including with respect to fully implementing the TCFD recommendations within Canadian Crown-corporations.

I also request that the updated Policy outline a framework for consultations with Canadian indigenous peoples, civil society groups, as well as the federal and provincial governments, when supporting domestic energy projects. Building on EDC's existing CSR Advisory Body, I further request that the you review the composition of the Advisory Council to ensure it reflects a diverse range of perspectives and civil society organizations across Canada.

I am proud of the key role EDC plays in supporting the clean technologies sector, including facilitating over $2.5 billion in business in this sector. It is my expectation that EDC build on this important support, and that it will regularly report to me on progress in this important sector of the future. This reporting should continue to include total volumes of business and the total number of clients served in this sector, in addition to providing a further breakdown support to subsectors, and convey what types of projects this support is going toward. In future Corporate Plans, I expect EDC to outline specific steps it will take to increase its support to clean technologies, and explore innovative financing mechanisms to crowd in private financing for projects contributing to achieving Canada's climate goals and commitments. The steps outlined should demonstrate EDC's commitment to rapidly scale up support for sustainable, renewable and equitable climate change solutions, including, but not limited to: renewable energy, energy efficiency, batteries and storage, interconnectors, smart-grid technologies, the electrification of heat, and clean public transportation.

Responsible Business Conduct

EDC should uphold high standards of responsible business conduct (RBC), including by continuing to work collaboratively with RBC leaders, and continuing to use its influence to promote RBC within the business community. I would like to take this opportunity to acknowledge the efforts that EDC has taken to strengthen its RBC policies and augment its RBC reporting in the 2019 Annual Report and the 2020-2024 Corporate Plan.

Moving forward, I encourage EDC to continue to improve its accessibility of information for stakeholders and Canadians to further its accountability related to supporting RBC standards.

Excess Share Capital Dividend

In 2020, EDC has been provided almost $11 billion in additional capital to help Canadian businesses meet the challenges of the COVID-19 pandemic. As outlined in my letter of March 15, 2020, regarding the government's purchase of additional share capital in EDC, I expect EDC to provide quarterly reporting on how it is utilizing this additional capital to support

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Canadian businesses. I also expect that EDC prepare a detailed plan for the return of any excess amount of capital injected that is no longer required for COVID-19 measures. This plan should take into consideration the capital required for any expanded risk EDC may continue to bear in support of ongoing COVID recovery efforts, export diversification and support for SMEs. I ask that any capital required for expanded risk for ongoing COVID support be provided in detail in this plan.

Performance and Accountability

I expect EDC to establish clear targets and track success related to export diversification, support for SMEs, and support for exporters who belong to underrepresented groups to be reflected in the next Corporate Plan and subsequent Annual Reports. I appreciate EDC's delivery of 2019 baseline aggregate data and ongoing quarterly reporting as requested in my letter of March 26, 2020. This reporting is a great opportunity for EDC to measure and demonstrate its success in supporting Canadian exporters.

I also look forward to reporting in future Corporate Plans and Annual Reports to track EDC's financial support to SMEs by number of employees (1 to 99 for small, 100 to 499 for medium), as is the practice for reporting on SME-oriented programming across the Government of Canada. EDC's attention to this request will help establish a uniform approach to tracking and assessing federal support provided to SMEs.

I would like to recognize EDC for taking initial steps in tracking its support to women-owned and led businesses, as well as the industry sectors in which they do business. EDC's recently announced increase in available support through the Women in Trade Investments Program to $100 million is an important step in the right direction. Furthermore, I welcome EDC's new target to facilitate $2 billion in trade by women-owned and led businesses and to serve 1,000 unique customers in this demographic segment by 2023. I ask that EDC continue its work to collect similarly detailed information related to the support of Indigenous and racialized Canadian owned and led businesses.

In addition to tracking and providing specific support to underrepresented exporter segments, as mentioned above, EDC should also increase its support for (and tracking of) knowledge-based and data-driven exporters, including clean technologies, health technologies, agriculture technologies. Identifying and supporting these and other sectors of the future should be a top priority for EDC.

I expect that the requested targets and metrics will be established in a clearly measurable format in all future Corporate Plans and Annual Reports. These tracking mechanisms will assist in understanding how EDC is contributing to government priorities, and will be key to informing future action.

Conclusion

EDC will play a vital role in determining how Canadian exporters perform during the economic recovery and Canada's international competitiveness in the longer-term.

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I would like to thank EDC again, not only for its work in support of exporters during 2019, but also for the corporation's extraordinary service to Canadian businesses during the COVID-19 pandemic. Canadians will continue to rely on EDC to help Canadian businesses and entrepreneurs—and the millions of Canadians they employ—survive this period and grow through the recovery phase. I know that EDC will strive to embody the highest standards of client service, good governance and responsible business conduct as it helps Canadian companies get back on track.

Thank you for your hard work and ongoing collaboration with my office and departmental officials, especially in these recent months. I look forward to continued dialogue, partnership and progress on the priorities outlined in this letter in the year ahead.

Sincerely,

The Honourable Mary Ng, P.C., M.P.

c.c. The Honourable Chrystia Freeland, P.C., M.P., Deputy Prime Minister and Minister of Finance

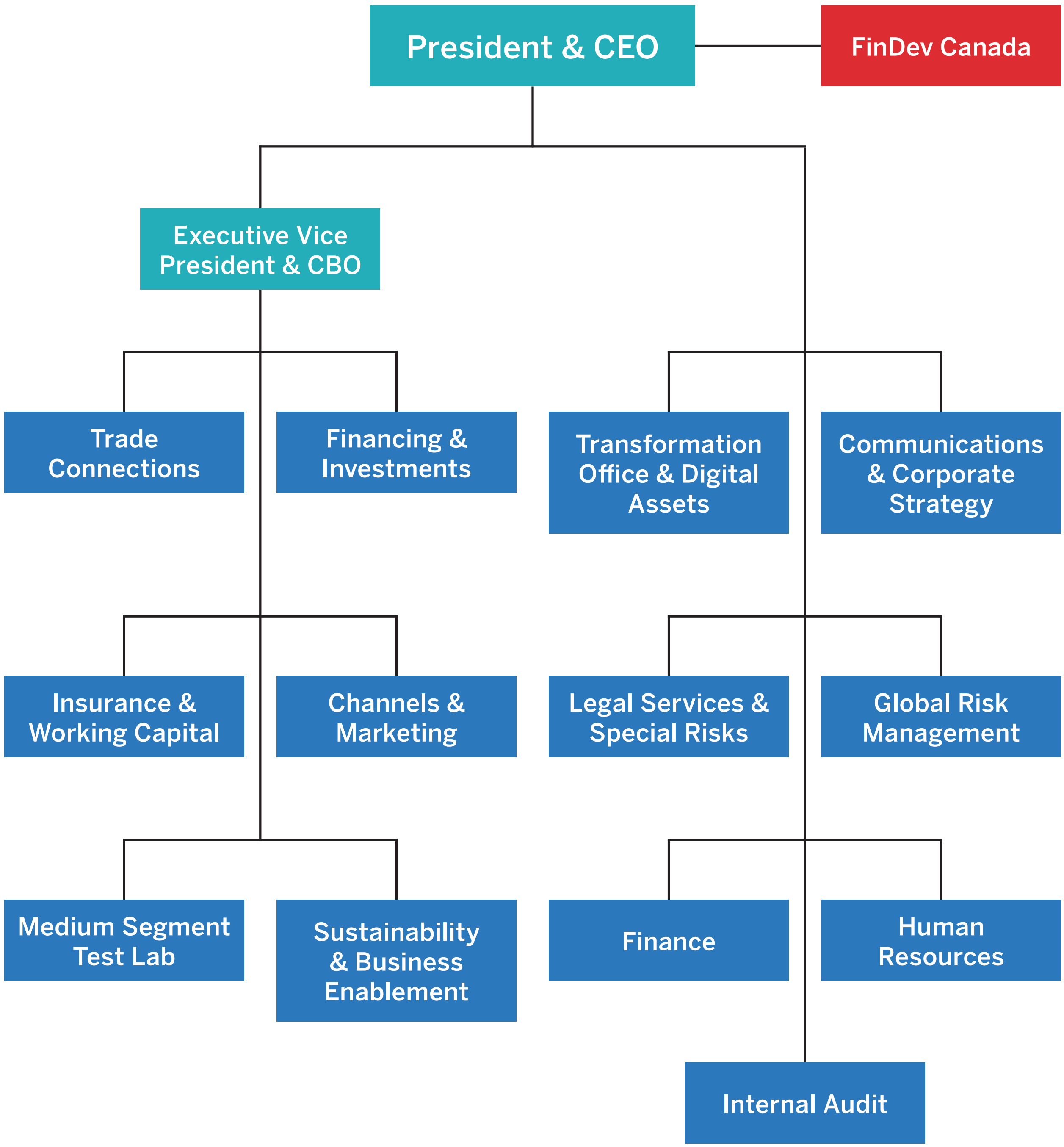
Mr. John Hannaford, Deputy Minister of Foreign Affairs, Global Affairs Canada

Mr. Michael Sabia, Deputy Minister of Finance, Department of Finance

Ms. Mairead Lavery, President and Chief Executive Officer, Export Development Canada

APPENDIX II: CORPORATE GOVERNANCE STRUCTURE

MANAGERIAL AND ORGANIZATIONAL STRUCTURE



BOARD AND COMMITTEE STRUCTURE

Chair of the Board

Board of Directors

Executive Committee

- Has the authority to exercise certain Board powers.
- Deal with urgent matters that arise between Board Meetings.

Business Development and Performance Committee

- Acts as an advisory body to the Board of Directors, through which business performance is reviewed to validate alignment with the strategic direction of the Corporation.
- Provides strategic policy direction as to how EDC can best continue to meet the evolving needs of Canadian exporters and investors.
- Oversees the execution of the strategic direction of the Corporation.
- Monitors the performance of the Corporation against approved business strategies, plans and policies.

Risk Management Committee

- Supports the Board's oversight of the prudent management of EDC's capital structure, including the management of credit, market and other enterprise risks.
- Oversees and recommends updates to the internal policy framework governing authorization of EDC's business activities, and it oversees the authorizations that EDC requires in order to undertake specific transactions.
- Reviews and recommends transactions requiring Board approval and monitors compliance with the *Environmental and Social Review Directive*.
- Oversees EDC's compliance and ethics programs and receives updates on portfolio management activities.

Nominating and Corporate Governance Committee

- Handles matters relating to EDC's governance regime. It provides input on the ethics program for Directors, selection criteria for appointments of the President and the Chair, profiles of the desirable skills and experience required of Directors, consideration of Board candidates, and Board orientation and education programs.
- Oversees the Board governance survey, monitors relations with management, and reviews the membership and mandates of committees.

Human Resources Committee

- Supports the Board's oversight of human resources strategic planning and approves the management succession plan, employee and executive compensation, and the measures and targets for the corporate incentive program.
- Sets objectives and advises the Board on the assessment of the President's performance and oversees the design, investment strategy and performance of pension plans for employees.

Audit Committee

- Ensures Board fulfills its mandate in financial matters, as well as with with respect to reporting any investigations by the VP & Chief Compliance & Ethics Officer, internal and external auditor terms of agreement.
- Approves and monitors important capital and admin expenditures.
- Reviews implications of new accounting policies, internal and external audit results.
- Approves quarterly financial statements for public release.

APPENDIX III: PLANNED RESULTS

SHORT TERM (JANUARY 1, 2021 – DECEMBER 31, 2022)

Performance Indicator	Target(s) 2020 Actual*	2021 Plan	2021 Forecast**	2022 Plan**	Data Strategy
Net Promoter Score	72.5	63.0-71.0	72.4	63.0 – 71.0	Our Net Promoter Score follows an industry standard approach. Surveys are conducted through a combination of online and phone surveys and take place in the calendar year. A random pool of EDC financial customers is selected for the survey, which provides insight on how well we are meeting our customers' needs and delivering on their expectations. Responses are tabulated and weighted, to produce the final Net Promoter Score.
Customers Served	12,211 financial	12,000 – 14,000 financial	13,500 financial	13,000 - 15,000 financial	The Customers Served measure is the count of unique companies EDC transacts with over a 12-month period. We consider a customer to be one that provides EDC with either financial payment or information on their company that goes above and beyond publicly available information. This allows us to expand our knowledge-base and target them for migration to financial products.
	24,305	26,000 - 30,000	28,000	26,000 - 30,000	Our financing and insurance solutions include both Canadian and foreign customers, while our knowledge solutions only include Canadian customers.
Productivity Ratio (%)	33.6%	43 – 47%	35.0%	41.0 – 45.0%	The Productivity Ratio (PR) is the ratio of EDC's administrative expenses to net revenue. It is computed and reported annually.
Total Business Facilitated ($M)	102,348	111,060	107,540	106,110	This is a measure of the amount of business Canadian companies are able to carry out with the help of EDC's financing and insurance solutions. On the insurance side, it represents the value of the exports being insured. On the financing side, it represents the loan amount or guarantee amount, as well as the committed amount for investments.
Business Facilitated in Emerging Markets ($M)	23,707	5-15%	21,000	+5-15%	BFEM is a sub-set of Total Business Facilitated, limited to business carried out in emerging markets.

Business Facilitated in the Cleantech Sector ($M)	4,547	n/a	5,000	+15 – 25%	This measure is a sub-set of business facilitated in the Cleantech Sector. Cleantech is defined as any process, product, or service that reduces environmental impacts through: • Environmental protection activities that prevent, reduce, or eliminate pollution or any other degradation of the environment, • Resource management activities that result in the more efficient use of natural resources, thus safeguarding against their depletion, or • The use of goods that have been adapted to be significantly less energy or resource intensive than the industry standard.
Carbon Target ($M)	19,000	n/a	14,500	11,000 – 12,000	This measure is based on decreasing the carbon-intensive exposure in our lending portfolio. These carbon-intensive sectors include cement manufacturing; thermal power generation; metals smelting and processing; petrochemicals, refining and chemicals manufacturing; upstream oil and gas; and airlines.
Inclusive Trade					For inclusive trade, we measure companies served and business volumes, from program inception, for Women in Trade (WIT) and Indigenous Businesses (IB). For WIT, this measure is the cumulative number of unique companies served and cumulative amount of business facilitated over the multi-year period beginning in 2018. For IB, we measure the number of unique companies served and cumulative amount of business facilitated over the multi-year period beginning in 2020.
Women in Trade		n/a			
Unique Customers Served (cumulative)[†]	1,052		1,800	2,200 – 2,300	
Business Facilitated ($M) (cumulative)[‡]	2,834		4,300	5,500 – 5,800	
Indigenous Exporters					
Unique Customers Served (cumulative)[†]	75		175	250 – 300	
Business Facilitated ($M) (cumulative)[‡]	119		320	530 – 550	

* *Actual results for a given year are comprised of business activities of the fiscal year beginning January 1st and ending December 31st. Results are finalized in the first quarter of the following year. Actual results are gathered and tracked throughout the year via various reporting tools.*

** *Forecasting for the subsequent year begins early in the current year and is finalized early in the fourth quarter.*

NET PROMOTER SCORE

We expect the Net Promoter Score (NPS) for 2021 to be 72.4, above the 2021 Corporate Plan range. Our score, relative to other organizations, is strong and remains in the top 15 percent of North American B2B companies.

In 2022, we anticipate the range to remain at the same level between 63.0-71.0. This range remains a best-in-class standard, while taking into consideration changes to our service model.

The lower end of the range accounts for expected economic volatility post-pandemic and the wind down of some COVID supports. The upper end of the range assumes that economic conditions will improve and that we stay at our historical levels of customer satisfaction by improving our digital offerings to meet customer needs and deliver a better customer experience.

CUSTOMERS SERVED

We expect customers served to reach 28,000 by year-end—within the 2021 Corporate Plan range of 26,000 – 30,000. Year-over-year growth is due to a combination of factors such as the uncertain business environment, perceived risks by Canadian exports, the Government's Extension Business Credit Availability Program (BCAP) from June 30th to December 31st, 2021 and EDC's broadened mandate to support small- and medium-sized domestic companies.

In 2022 we forecast the number of customers served to remain within the range of 26,000 – 30,000; with the financial customers served range increasing to 13,000 – 15,000. Growth in financial customers served reflects the corporate strategy to increase support for small- and medium-sized companies, particularly medium-sized companies, which we have identified as the greatest source of trade growth potential.

PRODUCTIVITY RATIO

In 2021, we expect Productivity Ratio (PR) to reach 35.0% by year-end, below the Corporate Plan range of 43 – 47% outlined last year. This better than anticipated result is primarily due to an update to the forecast for realized gains on investments resulting from strong performance in our private equity and venture capital investments portfolio, a reduction in the forecast administrative expenses as well as a reduction in the forecast for losses on loan sales.

For 2022, the expected range for PR is 41 - 45%, a decrease from 2021 mainly due to a decline in the forecast for realized gains on investments as well as net financing and investment income.

TOTAL BUSINESS FACILITATED

We expect to end the 2021 year with $107.5 billion in business facilitated, an increase from 2020, but below our target of $111.0 billion, due primarily to the fact that BCAP support volumes did not reach anticipated levels. The decline was partially offset by an increase in business facilitated for our credit insurance and guarantee products, reflecting increased demand for risk mitigation resulting from the current economic environment.

Looking to 2022, we are forecasting that business facilitated will reach $106.1 billion, as a result of an increased focus on medium-sized companies and deeper relationships with existing large-sized customers.

BUSINESS FACILITATED IN EMERGING MARKETS

In 2021, we expect business facilitated in emerging markets (BFEM) to reach $21.0 billion by year-end. This is down from what was outlined in the 2021 Corporate Plan target, due primarily to less demand from our banking partners for insurance coverage, which assists them in supporting their customer trade activities. We also saw a reduced appetite in certain emerging markets due to increased levels of risk and increased pressure on pricing in trade finance.

We are forecasting BFEM to grow in the range of 5-15 percent in 2022. This growth will be driven by factors such the global economic recovery and EDC placing more emphasis on international lending activities.

BUSINESS FACILITATED IN THE CLEANTECH SECTOR

Business Facilitated in the cleantech sector is a new measure included in section 3.5 of this report, which supports our Environmental, Social and Governance strategic objectives. This measure is expected to reach $5 billion by year-end 2021.

Growth in 2022 will be driven by expanding our cleantech customer base, and by leveraging relationships with Canadian financial investors to create lending, project finance and guarantee opportunities. Further growth could be accomplished via sustainable finance initiatives.

CARBON TARGET

The carbon target is another new measure included in section 3.5 of this report introduced in 2021. In 2020, we developed our *Climate Change Policy*, to implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and introduce targets. We achieved an important milestone well ahead of schedule by meeting our 2023 target to reduce our lending exposure to carbon-intensive sectors. In 2021, we built on our momentum, elaborating on our efforts to address climate change with new targets. By the end of 2021, we expect to reduce our exposure to carbon-intensive sectors by $4.5 billion compared to 2020, well ahead of our 2023 target.

In 2022, we remain committed to assessing our financing portfolio and making decisions on how to manage its overall carbon intensity. We expect our exposure to be in the range of $11.0 - $12.0 billion as we move toward building the portfolio of the future.

INCLUSIVE TRADE

Inclusive trade is new addition to section 3.5 in support of our 2030 Strategy to make an impact that truly matters to Canadians and to Canada's trade competitiveness – like increasing the number of inclusive and diverse-owned businesses that are exporting. Our strategies tailored to these groups of exporters are about creating a level playing field and improving access to, and the relevance of, EDC services, so that all businesses can achieve their global potential. While focusing initially on women in trade, we broadened our scope to include indigenous businesses. In 2021, we anticipate growth in our support for customers served and business facilitated compared to the previous year for both these groups.

We expect this growth to continue in 2022, as we look to build new partnerships and develop initiatives via these partners to build better reach and awareness among diverse-owned companies.

EDC'S BUSINESS

EDC forecasts, monitors and reports out on four key medium-to-long term performance indicators as detailed below:

Performance Indicator	Target(s) 2023	2024	2025	2026	Data Strategy
Customers Served	15,000 financial 28,000	16,500 financial 28,000	18,000 financial 28,000	18,000 financial 28,000	The medium-to-long term forecast for Customers Served represents continued growth with financial customers up to 2025. Stabilization of total customers served in 2023 beyond, reflects our focus on financial customers, while serving our large customer base.
Productivity Ratio (%)	43.0%	39.7%	36.0%	34.6%	The medium to long term forecast for the Productivity Ratio is a function of our forecasts for administrative expenses and operating revenue. A series of key assumptions, including business facilitated, risk profile of business facilitated, foreign exchange and interest rates and yields, all of which have an impact on our business activity and financial performance, and drive the plan projections in these areas, thereby driving the forecast of the productivity ratio over the medium to long term. We revise the medium- to long-term forecast for the productivity ratio on an annual basis.
Total Business Facilitated ($M)	112,840	121,120	128,710	131,120	Total Business Facilitated measure for the medium to long term is based on growth rates, which vary by product and by year. We revise the medium- to long-term forecast for business facilitated on an annual basis.
Carbon Target ($M)	13,500	n/a	n/a	n/a	The Carbon Target measure was introduced in 2021. The medium- to long-term forecast was set over the 2021-23 period. We will revise this forecast in the coming year evolve with the development of the next iteration of EDC's Carbon Target/science-based targets.

CHIEF EXECUTIVE OFFICER COMMITMENT

I, Mairead Lavery, as Chief Executive Officer of Export Development Canada, am accountable to the Board of Directors of Export Development Canada for the implementation of the results described in this corporate plan and outlined in this Appendix. I confirm that this commitment is supported by the balanced use of all available and relevant performance measurement and evaluation information.

Mairead Lavery

Mairead Lavery, Chief Executive Officer
Export Development Canada

October 22, 2021

APPENDIX IV: CHIEF FINANCIAL OFFICER ATTESTATION

In my capacity as Chief Financial Officer at Export Development Canada, accountable to the Board of Directors of Export Development Canada through the Chief Executive Officer, I have reviewed the financial projections provided in EDC's 2022-2026 Corporate Plan. It is in all material respects, in accordance with International Financial Reporting Standards, based on information available at the time of the preparation of this submission, that I considered necessary, as of the date indicated below. Based on this due diligence review, I make the following conclusions:

1. The nature and extent of the proposal is reasonably described and assumptions having a significant bearing on the associated financial requirements have been identified and are supported.
2. Significant risks having a bearing on the financial requirements, the sensitivity of the financial requirements to change in key assumptions, and the related risk-mitigation strategies have been disclosed.
3. Financial resource requirements have been disclosed and are consistent with the assumptions stated in the proposal, and options to contain costs have been considered.
4. Funding has been identified and is sufficient to address the financial requirements for the expected duration of the proposal.
5. The proposal is compliant with relevant financial management legislation and policies, and the proper financial management authorities are in place or are being sought through the proposal.
6. Key financial controls are in place to support the implementation and ongoing operation of the proposal.

In my opinion, the financial information contained in this proposal is sufficient overall to support decision making.

The Corporate Plan 2022-2026 was approved by EDC's Board of Directors on October 21, 2021.

I, therefore, recommend that you endorse this submission for the Minister for International Trade's approval.

Ken Kember
Senior Vice-President and Chief Financial Officer
Export Development Canada

October 21, 2021

APPENDIX V: FINANCIAL STATEMENTS AND NOTES

STATEMENT OF COMPREHENSIVE INCOME

Table 3: Projected Condensed Statement of Comprehensive Income (2020-2026)

for the year ended December 31 (in millions of Canadian dollars)	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Financing and Investment Revenue:								
Loans	1,828	1,542	1,456	1,428	1,537	1,748	1,929	2,067
Marketable securities	164	75	87	80	82	92	95	98
Investments	14	8	9	2	2	2	2	2
Total financing and investment revenue	2,006	1,625	1,552	1,510	1,621	1,842	2,026	2,167
Interest expense	760	366	342	347	483	703	809	914
Financing-related expenses	26	16	21	12	12	13	13	11
Net Financing and Investment Income	1,220	1,243	1,189	1,151	1,126	1,126	1,204	1,242
Loan Guarantee Fees	55	173	101	109	109	118	130	137
Insurance premiums and guarantee fees	265	255	287	270	276	287	301	309
Reinsurance ceded	(35)	(32)	(31)	(28)	(26)	(26)	(25)	(25)
Net Insurance Premiums and Guarantee Fees	230	223	256	242	250	261	276	284
Other (Income) Expense	(195)	95	(742)	(21)	(60)	(89)	(122)	(164)
Administrative Expenses	543	693	648	661	665	633	624	632
Income before Provision and Claims-Related Expenses	1,157	851	1,640	862	880	961	1,108	1,195
Provision for (Reversal of) Credit Losses	2,080	600	(525)	(175)	(75)	25	225	225
Claims-Related Expenses	416	300	100	175	200	200	175	175
Net Income (Loss)	(1,339)	(49)	2,065	862	755	736	708	795
Other comprehensive income (loss):								
Retirement benefit plans remeasurement	(81)	39	234	33	35	37	38	40
Comprehensive Income (Loss)	(1,420)	(10)	2,299	895	790	773	746	835

2021 FORECAST VERSUS 2021 CORPORATE PLAN

We are forecasting net income of $2.1 billion for 2021, an increase of $2.1 billion from the 2021 Corporate Plan. Items of note regarding this forecast are as follows:

- We are projecting a provision reversal of $525 million compared to a $600 million provision charge in the Plan. The reversal is primarily due to an improvement in the macroeconomic variables used to derive the forecast as the economic outlook has improved at a rate quicker than was anticipated at the time of the 2021-2025 Plan. Additionally, higher provisions were projected for the BCAP program, however the volume did not materialize to the extent contemplated in the Plan and signings have been of a better credit quality than expected.
- Other income has increased by $837 million from the Plan mainly due to the volatility associated with our financial instruments carried at fair value through profit or loss. This includes unrealized gains of $281 million and realized gains of $260 million in 2021 as a result of strong performance in our private equity and venture capital investments portfolio, unrealized gains of $344 million on loans payable, partially offset by unrealized losses on marketable securities and derivatives totaling $265 million. While we do forecast realized gains on investments, a forecast for unrealized gains or losses on investments and other financial instruments is not included in the Plan due to the volatility and difficulty in estimating them.
- Claims-related expenses are projected to decrease by $200 million mainly due to a decrease in the allowance for insurance claims combined with a lower forecast of claim payments as a result of COVID-19.
- Net financing and investment income and loan guarantee fees have decreased by a combined $126 million when compared to the Plan, primarily as a result of a decline in the BCAP support volumes which have not materialized to the levels anticipated in the Plan, as well as foreign exchange translation as a result of the strengthening of the Canadian dollar relative to the U.S. dollar.
- Administrative expenses are projected to decrease by $45 million, as a result of a reduction in professional services costs due to timing delays for certain projects and lower average headcount for the year than was anticipated in the Plan.

2022 CORPORATE PLAN VERSUS 2021 FORECAST

The planned net income for 2022 is $862 million, which is a decrease of $1.2 billion from 2021.

- Other income of $21 million is forecast for 2022 compared to other income of $742 million in 2021 mainly due to realized and unrealized gains on our financial instruments in 2021 as previously discussed. The level of realized gains on investments projected in 2021 is not expected to reoccur in 2022. Due to the volatility and difficulty in estimating fair value gains or losses, a forecast for unrealized gains or losses is not included in the Plan.
- The provision reversal for credit losses is expected to decrease by $350 million as the economic outlook post-pandemic begins to stabilize.
- Claims-related expenses are projected to increase by $75 million in 2022. 2021 results include a release of allowance related to risk adjustments for COVID-19 which are not projected to reoccur at the same level in 2022.

STATEMENT OF FINANCIAL POSITION

Table 4: Projected Condensed Statement of Financial Position (2020-2026)

as at December 31 (in millions of Canadian dollars)	**2020 Actual**	**2021 Plan**	**2021 Fcst**	**2022 Plan**	**2023 Plan**	**2024 Plan**	**2025 Plan**	**2026 Plan**
Assets								
Cash	172	111	239	239	239	239	239	239
Marketable securities	10,476	8,799	8,505	7,447	6,801	8,065	6,172	6,173
Derivative instruments	2,121	1,731	1,850	1,850	1,850	1,850	1,850	1,850
Loans receivable	54,620	53,873	49,067	48,348	48,811	51,868	53,900	57,206
Allowance for losses on loans	(2,626)	(1,709)	(1,807)	(1,440)	(1,191)	(1,035)	(1,080)	(1,139)
Investments	1,964	1,544	2,327	2,417	2,489	2,597	2,711	2,711
Investment in FinDev Canada	300	300	300	300	300	400	500	600
Amounts due from FinDev Canada	1	2	1	2	3	4	6	8
Reinsurers' share of premium and claims liabilities	150	119	119	78	72	69	63	60
Other assets	255	320	272	278	296	301	300	302
Retirement benefit assets	45	27	258	299	344	392	445	488
Property, plant and equipment	40	37	44	43	38	30	22	15
Intangible assets	84	73	65	50	36	28	20	11
Right-of-use assets	122	113	125	115	105	95	85	75
Total Assets	67,724	65,340	61,365	60,026	60,193	64,903	65,233	68,599
Liabilities and Equity								
Accounts payable and other credits	176	143	101	95	95	95	95	95
Loans payable	45,020	46,305	44,791	45,106	45,551	50,718	51,378	54,719
Derivative instruments	1,623	2,018	894	894	894	894	894	894
Lease liabilities	151	144	157	150	142	135	128	121
Retirement benefit obligations	262	235	241	249	259	269	279	289
Allowance for losses on loan commitments	50	90	30	30	30	30	30	30
Premium and claims liabilities	820	805	614	542	543	570	574	589
Loan guarantees	300	309	196	227	232	246	258	251
Total Liabilities	48,402	50,049	47,024	47,293	47,746	52,957	53,636	56,988
Share capital	12,300	12,300	12,300	9,797	8,721	7,447	6,352	5,531
Retained earnings	7,022	2,991	2,041	2,936	3,726	4,499	5,245	6,080
Total Equity	19,322	15,291	14,341	12,733	12,447	11,946	11,597	11,611
Total Liabilities and Equity	67,724	65,340	61,365	60,026	60,193	64,903	65,233	68,599

2021 FORECAST VERSUS 2021 CORPORATE PLAN

Loans receivable are forecast to be $4.8 billion lower than Plan mainly due to changes in foreign exchange rates, higher than anticipated repayments of credit facilities and a decrease in financing business facilitated as previously discussed.

Investments are forecast to be $783 million higher than Plan largely as a result of new private equity investments.

2022 CORPORATE PLAN VERSUS 2021 FORECAST

Loans receivable and loans payable are forecast to be consistent with 2021.

2023 TO 2026

Loans receivable is expected to grow from 2023 to 2026 due to the expected economic recovery as well as newly anticipated business volumes as a result of our strategic focus on medium sized exporters. We will see a corresponding increase in our loans payable as our borrowing requirements are largely driven by our loan portfolio.

Amounts due from our subsidiary, FinDev Canada, increase as a result of debt financing provided by EDC. Refer to Appendix VI for further information on the borrowing by FinDev Canada.

The proportion of our debt to equity increases over the planning period with the debt to equity ratio reaching 4.8 in 2026. Since 2011 we have paid $14.0 billion in dividend payments, including $6.7 billion in special dividend payments relating to the BCAP. Over this same period, we have received capital injections of $11.0 billion. We are projecting to return share capital of $6.8 billion over the planning period, including $2.7 billion related to the BCAP support.

STATEMENT OF CHANGES IN EQUITY

Table 5: Projected Condensed Statement of Changes in Equity (2020-2026)

for the year ended December 31 (in millions of Canadian dollars)	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Share Capital	12,300	12,300	12,300	9,797	8,721	7,447	6,352	5,531
Retained Earnings								
Balance beginning of year	8,442	5,543	7,022	2,041	2,936	3,726	4,499	5,245
Net income (loss)	(1,339)	(49)	2,065	862	755	736	708	795
Other comprehensive income (loss)								
Retirement benefit plans remeasurement	(81)	39	234	33	35	37	38	40
Dividend paid	-	(2,542)	(7,280)	-	-	-	-	-
Balance end of year	7,022	2,991	2,041	2,936	3,726	4,499	5,245	6,080
Total Equity End of Year	19,322	15,291	14,341	12,733	12,447	11,946	11,597	11,611
Return on Equity	-9.2%	-0.3%	13.9%	6.4%	6.0%	6.0%	6.0%	6.9%

Equity has decreased in 2021 due to declarations and payments of a $580 million dividend according to our current dividend policy and a special dividend of $6.7 billion based on the capital surplus position of the BCAP programs and a targeted ICAAP ratio.

Total equity decreases over the Plan period as excess capital is returned by way of share buybacks until such time that our share capital returns to 2019 levels.

STATEMENT OF CASH FLOWS

Table 6: Projected Condensed Statement of Cash Flows (2020-2026)

for the year ended December 31 (in millions of Canadian dollars)	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Cash Flows from (used in) Operating Activities								
Net income (loss)	(1,339)	(49)	2,065	862	755	736	708	795
Adjustments to determine net cash from (used in) operating activities								
Provision for (Reversal of) Credit Losses	2,080	600	(525)	(175)	(75)	25	225	225
Change in the net allowance for claims on insurance	279	(17)	(144)	(37)	7	28	6	15
Depreciation and amortization	39	38	36	36	37	34	34	34
Realized (gains) and losses	(128)	95	(257)	(21)	(60)	(89)	(122)	(164)
Changes in operating assets and liabilities								
Change in fair value of investments and accrued interest on loans receivable	(233)	121	(43)	91	55	49	(4)	(6)
Change in accrued interest and fair value of marketable securities	(98)	-	101	-	-	-	-	-
Change in accrued interest and fair value of loans payable	361	-	(218)	-	-	-	-	-
Change in derivative instruments	(264)	-	(48)	-	-	-	-	-
Other	22	(689)	(272)	(91)	(55)	(45)	(41)	(32)
Loan disbursements	(25,258)	(28,254)	(19,002)	(21,540)	(22,804)	(24,519)	(25,437)	(25,831)
Loan repayments and principal recoveries from loan asset sales	21,963	29,245	22,509	22,326	22,298	21,386	23,339	22,443
Net cash from (used in) operating activities	(2,576)	1,090	4,202	1,451	158	(2,395)	(1,292)	(2,521)
Cash Flows from (used in) Investing Activities								
Disbursements for investments	(367)	(244)	(290)	(368)	(415)	(477)	(505)	(490)
Receipts from investments	188	232	441	330	411	466	521	662
Disbursements for investments in FinDev Canada	(100)	-	-	-	-	(100)	(100)	(100)
Purchases of marketable securities	(8,354)	(13,411)	(7,163)	(10,965)	(9,917)	(10,355)	(8,967)	(8,027)
Sales/ maturities of marketable securities	10,249	16,305	8,812	11,714	10,377	9,460	10,311	8,027
Purchases of property, plant and equipment	(6)	-	7	7	6	6	6	6
Purchases of intangible assets	(2)	-	1	3	2	2	2	2
Net cash from (used in) investing activities	1,608	2,882	1,808	721	464	(998)	1,268	80
Cash Flows from (used in) Financing Activities								
Issue of long-term loans payable	11,922	9,755	10,249	15,835	14,095	15,373	18,694	18,356
Repayment of long-term loans payable	(13,606)	(10,944)	(10,837)	(13,936)	(14,471)	(10,914)	(17,194)	(15,314)
Issue of short-term loans payable	30,321	48,781	43,422	60,985	63,380	60,481	62,119	60,103
Repayment of short-term loans payable	(36,858)	(50,103)	(41,453)	(62,685)	(62,623)	(59,851)	(63,002)	(59,851)
Disbursements from sale/ maturity of derivative instruments	(200)	-	(32)	-	-	-	-	-
Receipts from sale/ maturity of derivative instruments	88	-	21	-	-	-	-	-
Amounts borrowed by FinDev Canada	-	(183)	(137)	(176)	(113)	(58)	(45)	(32)
Issue of share capital	10,967	-	-	-	-	-	-	-
Repurchase of share capital	-	-	-	(2,503)	(1,076)	(1,274)	(1,095)	(821)
Dividend paid	-	(2,542)	(7,280)	-	-	-	-	-
Net cash from (used in) financing activities	2,634	(5,236)	(6,047)	(2,480)	(808)	3,757	(523)	2,441
Effect of exchange rate changes on cash and cash equivalents	(62)	-	(50)	-	-	-	-	-
Net increase (decrease) in cash and cash equivalents	1,604	(1,264)	(87)	(308)	(186)	364	(547)	-
Cash and cash equivalents								
Beginning of year	1,175	2,482	2,779	2,692	2,384	2,198	2,562	2,015
End of year	2,779	1,218	2,692	2,384	2,198	2,562	2,015	2,015
Cash and cash equivalents are comprised of:								
Cash	172	111	239	239	239	239	239	239
Cash equivalents included within marketable securities	2,607	1,107	2,453	2,145	1,959	2,323	1,776	1,776
	2,779	1,218	2,692	2,384	2,198	2,562	2,015	2,015

ACCOUNTING POLICIES AND FUTURE ACCOUNTING CHANGES

The accounting policies used in the preparation of this Financial Plan are in accordance with International Financial Reporting Standards (IFRS). The earnings of the corporation and its subsidiary are not subject to the requirements of the *Income Tax Act*.

AMENDED AND EVOLVING STANDARDS

The International Accounting Standards Board (IASB) has a number of projects underway. The following standards are highly relevant to EDC.

IFRS 17 – Insurance Contracts - In May 2017, the IASB issued IFRS 17, which establishes recognition, measurement, presentation, and disclosure requirements of insurance contracts. The standard requires entities to measure the contract liabilities using their current fulfillment cash flows and revenue to be recognized using one or more of three methods. We are planning to adopt two of these methods – the General Measurement Model and the Premium Allocation Approach – to measure insurance contracts. In June 2020, the IASB made amendments to IFRS 17 to address concerns and implementation challenges raised by stakeholders. The primary impact of the amendments to EDC is the extension of the effective date by two years, to annual reporting periods beginning on or after January 1, 2023. This standard is highly relevant to EDC and will impact our consolidated financial statements and related disclosures; however, the impact cannot be reasonably estimated at this time. We do not anticipate that the other amendments will have a material impact on our implementation.

Interest Rate Benchmark Reform – Phase 2 - In August 2020, the IASB issued Interest Rate Benchmark Reform – Phase 2, which amends IFRS 9 – Financial Instruments, IAS 39 – Financial Instruments: Recognition and Measurement, IFRS 7 – Financial Instruments: Disclosures, IFRS 4 – Insurance Contracts and IFRS 16 – Leases. These amendments are effective for annual reporting periods beginning on or after January 1, 2021 with early application permitted. The amendments include changing the effective interest rate of financial instruments to reflect the change to the alternative benchmark rate, as well as additional disclosures about new risks arising from the reform and how we are managing the transition to alternative benchmark rates. These amendments are highly relevant to EDC and will impact the loans receivable, loans payable and derivative instruments balances on our consolidated financial statements and related disclosures; however, the impact cannot be reasonably estimated at this time. Currently, our project working group is focused on key activities including assessing the impact on existing systems and processes as well as the impact of converting our existing loan and debt agreements to using the new relevant alternative benchmark rates.

COVID-19 Related Rent Concessions - In May 2020, the IASB issued COVID-19 Related Rent Concessions (Amendment to IFRS 16) which provides a practical expedient in assessing whether a COVID-19 related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after June 1, 2020 and there was no impact to the consolidated financial statements.

RISK MANAGEMENT

For a comprehensive discussion on our risk management, please refer to pages 109-117 of our 2020 Annual Report.

CAPITAL MANAGEMENT

CAPITAL ADEQUACY POLICY (CAP)

In December 2017, the Minister of Finance and the President of the Treasury Board formally rolled out a capital and dividend policy framework that applies to large financial Crown corporations, including EDC. The framework represents significant collaboration between the Department of Finance and the financial Crown corporations. The objectives of the framework are to ensure Crown corporations have appropriate methodologies in place to determine their capital adequacy requirements, that they effectively manage their capital in relation to risk and that dividends are paid to the shareholder when capital is in excess of the levels required to deliver on their mandates. The framework also outlines minimum disclosure expectations related to risk, capital and financial performance.

As a financial institution, EDC efficiently manages its capital through the Board-approved Capital Management and Dividend Policy (CMDP) in order to be able to meet the demands of current and future business while maintaining the ability to withstand future, unpredictable risks. This is a key governance mechanism for both management and the shareholder.

A key principle of our CMDP is the establishment of a target solvency standard for EDC that determines the level of capital that is required to cover our exposures even in exceptional circumstances. As a corporation, we target the maintenance of a AA solvency rating, consistent with the level targeted by leading financial institutions. Our capital position is also subject to downside vulnerabilities, and a AA target provides an appropriate level of resilience to the risks we take on in order to fulfill our mandate. EDC pays dividends to the shareholder or returns share capital when there is a capital surplus.

Table 7: Projected Capital Position (2020-2026)

(in millions of Canadian dollars)	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Credit risk	4,829	7,383	5,647	5,341	4,948	4,857	4,942	5,076
Market risk	1,135	1,107	1,080	1,124	1,168	1,226	1,272	1,319
Operational risk	226	231	251	228	243	240	261	275
Total pillar I risks	6,190	8,721	6,978	6,693	6,359	6,323	6,475	6,670
Strategic risk	524	872	553	542	551	578	600	622
Pension plan risk	545	545	594	594	594	594	594	594
Total pillar II risks	1,069	1,417	1,147	1,136	1,145	1,172	1,194	1,216
Total economic capital	7,259	10,138	8,125	7,829	7,504	7,495	7,669	7,886
Capital reserved for strategic initiatives	300	300	300	300	300	200	100	-
Capital reserved to withstand a stressed period	-	-	-	-	-	-	-	-
Total capital demand	7,559	10,438	8,425	8,129	7,804	7,695	7,769	7,886
Supply of capital	19,290	15,232	14,285	12,666	12,372	11,864	11,512	11,527
Capital surplus/ (deficit)	11,731	4,794	5,860	4,537	4,568	4,169	3,743	3,641
EDC target rating	AA	AA	AA	AA	AA	AA	AA	AA
EDC implied solvency rating	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA

In 2020, we received capital injections totaling $11.0 billion of which $5.0 billion was to support the oil and gas sector through the COVID-19 pandemic. While table 7 above includes the total capital position for EDC, the following tables shows the projected capital position for the separate oil and gas support and the BCAP support:

Table 8: Capital - Oil and Gas (2020-2026)

(in millions of Canadian dollars)	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Capital demand	951	3,016	1,455	1,275	853	548	474	454
Supply of capital	5,006	3,066	2,871	1,486	1,304	874	564	489
Capital surplus/ (deficit)	4,055	50	1,416	211	451	326	90	35

Table 9: Capital - BCAP (2020-2026)

(in millions of Canadian dollars)	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Capital demand	1	391	6	-	-	-	-	-
Supply of capital	4,284	3,059	264	-	-	-	-	-
Capital surplus/ (deficit)	4,283	2,668	258	-	-	-	-	-

In order to better understand the drivers behind our capital demand from a macro-economic perspective, the following two tables show a historical breakdown along both a geographical and industry lens.

Table 10: Distribution of the Demand for Credit Risk by Region

Region	2018 Actual	2019 Actual	2020 Actual
Africa and Middle East	24.5%	22.7%	18.1%
Asia and Pacific	23.2%	18.3%	13.8%
Europe and CIS	19.4%	19.0%	23.9%
North America	24.4%	27.7%	37.6%
South and Central America and the Caribbean	8.5%	12.3%	6.6%

Table 11: Distribution of the Demand for Credit Risk by Industry

Industry	2018 Actual	2019 Actual	2020 Actual
Aerospace	9.2%	11.5%	25.3%
Agri-food	1.3%	4.1%	4.3%
Automotive	2.3%	3.7%	4.2%
Construction	2.8%	1.2%	1.1%
Environmental	0.7%	0.2%	0.3%
Financial and insurance services	4.4%	4.4%	2.5%
Forestry	3.6%	3.7%	1.7%
Knowledge technologies	1.5%	1.0%	1.2%
Light manufacturing	6.9%	4.0%	5.5%
Mining	11.7%	16.5%	9.2%
Oil and gas	34.4%	24.1%	19.0%
Sovereign	1.5%	1.7%	3.3%
Surface transportation	3.5%	5.1%	7.8%
Telecom and media	6.6%	9.0%	3.3%
Tourism and government services	0.3%	0.4%	0.3%
Utilities and alternative and renewable energy	9.3%	9.4%	11.0%

The loan capital distribution reflected in tables 10 and 11 is impacted by the corresponding business volumes and risk characteristics as well as risk transfer activities conducted by EDC. The capital distribution is consequently not a direct representation of the outstanding loan amounts by country or industry.

ELIGIBLE DIVIDENDS AND RETURN OF SHARE CAPITAL

Under normal conditions when we generate a capital surplus, the surplus is released back to the Shareholder as a dividend over a certain period of time, which should tie in with the forecasted outlook period. Based on our Capital Management and Dividend Policy, under normal conditions, the amount of dividend shall be based on 20% of available capital surplus; however, the Shareholder and EDC each retains the right to request that a dividend be paid based on a different methodology, or that no dividend be paid. In 2020, as a result of EDC's actions to support Canadian companies through the BCAP programs, EDC did not pay a dividend to the shareholder. In 2021, we declared and paid a $580 million dividend according to our current dividend policy and a special dividend of $6.7 billion based on the capital surplus position of the BCAP programs and a targeted ICAAP ratio.

Over the Plan period, we are requesting that any capital surplus related to both the BCAP programs and EDC core operations be returned by way of a share buyback. The following tables outline the expected return of share capital.

Table 12: Total Dividends and Return of Share Capital (2020-2026)

(in millions of Canadian dollars)	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Total capital demand	7,559	10,438	8,425	8,129	7,804	7,695	7,769	7,886
Supply of capital	19,290	15,232	14,285	12,666	12,372	11,864	11,512	11,527
Capital surplus/(deficit)	11,731	4,794	5,860	4,537	4,568	4,169	3,743	3,641
Calculated dividend	7,280	999	-	-	-	-	-	-
Calculated return of share capital	-	-	2,503	1,076	1,274	1,095	821	756

Table 13: Dividends and Return of Share Capital Oil and Gas (2020-2026)

(in millions of Canadian dollars)	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Total capital demand	951	3,016	1,455	1,275	853	548	474	454
Supply of capital	5,006	3,066	2,871	1,486	1,304	874	564	489
Capital surplus/(deficit)	4,055	50	1,416	211	451	326	90	35
Calculated dividend	2,150	50	-	-	-	-	-	-
Calculated return of share capital	-	-	1,416	211	451	326	90	35

Table 14: Dividends and Return of Share Capital BCAP (2020-2026)

(in millions of Canadian dollars)	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Total capital demand	1	391	6	-	-	-	-	-
Supply of capital	4,284	3,059	264	-	-	-	-	-
Capital surplus/(deficit)	4,283	2,668	258	-	-	-	-	-
Calculated dividend	4,050	-	-	-	-	-	-	-
Calculated return of share capital*	-	-	250	-	-	-	-	-

* *The return of share capital has been capped such that the total dividends paid and share capital returned do not exceed the initial capital injection of the program. Any future capital surplus from the program will be included in EDC core operations.*

In order to pay dividends or return share capital, we raise funds by borrowing. While we have sufficient liquid assets to cover such a payment, these assets are held in order to comply with the parameters of our Liquidity and Funding Risk Management Policy as approved by our Board.

STATUTORY LIMITS

EDC is subject to two limits imposed by the *Export Development Act*:

- A limit on our contingent liability arrangements which is currently $90 billion ('Contingent Liability Limit'); and
- A limit on our borrowings ('Loans Payable Limit'), as discussed on page 70.

Our projected position against each of these statutory limits at year end throughout the planning period is provided in the following table:

Table 15: Statutory Limits (2020-2026)

(in millions of Canadian dollars)	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Contingent Liability Limit	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000
Credit insurance	14,144	14,531	14,686	14,231	15,131	16,228	17,450	17,748
Financial institutions insurance	2,897	1,937	2,383	2,453	2,453	2,453	2,453	2,453
International trade guarantee	11,295	10,006	11,297	11,112	11,042	11,182	11,579	11,877
Political risk insurance	651	519	550	463	423	377	288	288
Loan guarantees	4,173	8,468	4,211	5,060	5,468	6,115	6,705	6,837
Position against limit	33,160	35,461	33,127	33,319	34,517	36,355	38,475	39,203
Percent used	37%	39%	37%	37%	38%	40%	43%	44%
Loans Payable Limit	146,342	267,015	289,350	214,275	189,990	185,580	177,960	172,680
Position against limit	45,020	46,305	44,791	45,106	45,551	50,718	51,378	54,719
Percent used	31%	17%	15%	21%	24%	27%	29%	32%

OPERATING BUDGET AND NOTES

ADMINISTRATIVE EXPENSES AND PRODUCTIVITY RATIO

Table 16: Projected Administrative Expenses and Productivity Ratio (2020-2026)

(in millions of Canadian dollars)	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Salaries and benefits	273	317	305	325	320	318	318	324
Systems costs	53	55	52	55	57	58	60	62
Professional services	42	113	104	102	112	89	81	82
Pension, other retirement and post-employment benefits	58	62	62	49	47	44	41	39
Amortization and depreciation	31	28	26	25	24	19	19	19
Marketing and communications	24	32	26	27	27	27	27	27
Occupancy	27	31	28	29	29	30	30	31
Information services	21	25	22	23	23	23	23	23
Travel, hospitality and conferences	2	5	4	4	4	4	4	4
Other	12	25	19	22	22	21	21	21
Total administrative expenses	543	693	648	661	665	633	624	632
Productivity Ratio	33.6%	44.9%	35.0%	43.4%	43.0%	39.7%	36.0%	34.6%

We are targeting administrative expenses of $661 million for 2022 compared to a current forecast for 2021 of $648 million. Items of significance in our administrative expense projections for 2022 and beyond are as follows:

- As noted in the 2021-2025 Corporate Plan, our focus is to help medium sized exporters scale and grow their international success. In addition, we are creating and implementing a new digitally enabled operating model for micro and small exporters that will allow us to further extend our reach and effectiveness in understanding and meeting their needs to drive better trade outcomes for Canada. These objectives will require a significant investment in a number of areas including the enhancement of our digital capabilities.
- EDC continues to support Canadian businesses in their ESG transition through sharing knowledge and advice and providing financial solutions that help their business succeed in a changing global marketplace. Developing and regularly updating our ESG practices helps ensure EDC and Canada remain leaders in proactive risk management and sustainable and responsible economic development. Investments will need to be made in our people and processes in order to achieve our objectives in this space.

We remain committed to ensuring long term financial sustainability through the management of our productivity ratio (PR), the ratio of EDC's administrative expenses to net revenue. In 2021, we are expecting our PR to decrease when compared with the Corporate Plan primarily due to realized gains in our investments portfolio that were not anticipated at the time of the Plan. While a forecast for realized gains on investments is included in the Plan, given the nature of our private equity and venture capital investments portfolio, they are difficult to predict. Strong performance in this portfolio so far in 2021 has led to a significant drop in PR. PR is also expected to decline due to the reduction in the forecast for administrative expenses as previously discussed as well as a reduction in the forecast losses on loan sales which are undertaken for a variety of reasons including risk mitigation purposes.

In 2022, we are projecting PR to increase to 43.4 per cent mainly due to a more normal level of realized gains on investments as well as net financing and investment income. As mentioned above, a forecast for realized gains on investments is included in the Plan however we do not anticipate the level of gains from 2021 to reoccur in 2022. We anticipate that the PR will gradually decline from 43.4 per cent back towards 35.0 per cent over the Corporate Plan period as we are projecting an increase in revenues. In addition, we expect to realize benefits from our digital investments that will result in further cost savings.

The following tables provide information on our travel, hospitality and conferences expenses from 2018 to 2026. Strong efforts are being made to reduce our travel related expenditures from pre-pandemic levels over the plan period to support our commitment to net zero emissions by 2050.

Table 17: Travel, Hospitality and Conferences Expenses (2018-2026)

(in thousands of Canadian dollars)	2018 Actual	2019 Actual	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Travel*	9,025	9,053	1,372	3,565	3,067	3,421	3,411	3,400	3,400	3,400
Hospitality	1,077	1,480	181	1,228	762	574	574	573	573	573
Conferences	769	840	81	150	76	150	150	150	150	150
Total	10,871	11,373	1,634	4,943	3,905	4,145	4,135	4,123	4,123	4,123

* *2018 and 2019 actuals include travel related to employee training.*

Table 18: Travel, Hospitality and Conferences Expenses as a Percentage of Total Administrative Expenses (2018-2026)

(in millions of Canadian dollars)	2018 Actual	2019 Actual	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Total travel, hospitality and conferences expenses	10.9	11.4	1.6	4.9	3.9	4.1	4.1	4.1	4.1	4.1
Total administrative expenses	489	528	543	693	648	661	665	633	624	632
Travel, hospitality and conferences as a % of total administrative expenses	2.2%	2.2%	0.3%	0.7%	0.6%	0.6%	0.6%	0.6%	0.7%	0.6%

CAPITAL BUDGET AND NOTES

CAPITAL EXPENDITURES

Table 19: Projected Capital Expenditures (2020-2026)

(in millions of Canadian dollars)	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Facilities	4.4	1.7	2.4	1.0	2.5	2.5	2.5	2.5
Information technology	3.6	10.5	9.1	8.8	5.8	5.8	5.8	5.8
Total capital expenditures	8.0	12.2	11.5	9.8	8.3	8.3	8.3	8.3

Facilities capital expenditures include leasehold improvements, furniture and equipment. Information technology capital expenditures include hardware, internally developed and purchased software.

The 2022 facilities capital expenditures are projected to decrease with only minor leasehold improvements anticipated in support of office moves and upgrading building security systems.

No capital expenditures during the plan period meet the requirements for disclosure per the value and risk tests.

OPERATION OF SUBSIDIARIES

EXINVEST INC.

We incorporated Exinvest Inc. in 1995 and acquired shares of Exinvest Inc. in accordance with the applicable provisions of the *Financial Administration Act* and the *Export Development Act*. The authorized objectives of Exinvest Inc. are to establish and/or invest in corporations, partnerships, joint ventures or any other form of unincorporated bodies (financing vehicles), all of which will provide financial assistance for, or to the benefit of, sales or leases of goods, or the provision of services, or any combination thereof.

During 2021 and over the planning period, no new financing vehicles and no potential business transactions are anticipated. We are maintaining the subsidiary so that it will be available for future initiatives if required.

FINDEV CANADA

In May 2017, for the purposes of creating a Canadian Development Finance Institution (DFI), the Government of Canada broadened EDC's mandate and scope of activity to include providing, directly or indirectly, development financing and other forms of development support in a manner that is consistent with Canada's international development priorities. This new mandate is independent and not subordinated to EDC's existing trade mandate. Development Finance Institute Canada (DFIC) Inc. was incorporated on September 14, 2017 and operates under the trade name FinDev Canada.

The Corporate Plan for FinDev Canada is included in Annex I.

Consolidated results for EDC and its subsidiaries are presented in the following tables.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Table 20: Projected Condensed Consolidated Statement of Comprehensive Income (2020-2026)

for the year ended December 31 ***(in millions of Canadian dollars)***	**2020 Actual**	**2021 Plan**	**2021 Fcst**	**2022 Plan**	**2023 Plan**	**2024 Plan**	**2025 Plan**	**2026 Plan**
Financing and Investment Revenue:								
Loans	1,830	1,549	1,465	1,446	1,560	1,778	1,965	2,108
Marketable securities	165	75	87	80	82	92	95	98
Investments	14	8	9	2	2	2	2	2
Total financing and investment revenue	2,009	1,632	1,561	1,528	1,644	1,872	2,062	2,208
Interest expense	760	366	342	348	486	709	816	922
Financing-related expenses	26	16	21	12	12	13	13	11
Net Financing and Investment Income	1,223	1,250	1,198	1,168	1,146	1,150	1,233	1,275
Loan Guarantee Fees	55	173	101	109	109	118	130	137
Insurance premiums and guarantee fees	265	255	287	270	276	287	301	309
Reinsurance ceded	(35)	(32)	(31)	(28)	(26)	(26)	(25)	(25)
Net Insurance Premiums and Guarantee Fees	230	223	256	242	250	261	276	284
Other (Income) Expense	(195)	91	(737)	(23)	(61)	(90)	(123)	(165)
Administrative Expenses	556	713	663	682	687	656	648	657
Income before Provision and Claims-Related Expenses	1,147	842	1,629	860	879	963	1,114	1,204
Provision for (Reversal of) Credit Losses	2,083	608	(512)	(166)	(68)	34	234	233
Claims-Related Expenses	416	300	100	175	200	200	175	175
Net Income (Loss)	(1,352)	(66)	2,041	851	747	729	705	796
Other comprehensive income (loss):								
Retirement benefit plans remeasurement	(81)	39	234	33	35	37	38	40
Comprehensive Income (Loss)	(1,433)	(27)	2,275	884	782	766	743	836

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Table 21: Projected Condensed Consolidated Statement of Financial Position (2020-2026)

as at December 31 *(in millions of Canadian dollars)*	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Assets								
Cash	182	117	246	246	246	246	246	246
Marketable securities	10,563	8,799	8,517	7,457	6,810	8,073	6,179	6,179
Derivative instruments	2,126	1,733	1,855	1,855	1,855	1,855	1,855	1,855
Loans receivable	54,721	54,166	49,371	48,795	49,325	52,491	54,612	57,985
Allowance for losses on loans	(2,630)	(1,723)	(1,820)	(1,458)	(1,213)	(1,063)	(1,113)	(1,176)
Investments	2,032	1,679	2,405	2,522	2,631	2,787	2,959	3,029
Reinsurers' share of premium and claims liabilities	150	119	119	78	72	69	63	60
Other assets	260	141	138	(31)	(125)	(177)	(221)	(249)
Retirement benefit assets	45	27	258	299	344	392	445	488
Property, plant and equipment	40	37	44	43	41	33	24	17
Intangible assets	84	74	65	51	38	30	23	14
Right-of-use assets	123	114	126	116	106	96	86	75
Total Assets	67,696	65,283	61,324	59,973	60,130	64,832	65,158	68,523
Liabilities and Equity								
Accounts payable and other credits	178	144	115	108	106	105	104	103
Loans payable	45,020	46,305	44,791	45,106	45,551	50,718	51,378	54,719
Derivative instruments	1,623	2,018	894	894	894	894	894	894
Lease liabilities	153	145	158	151	143	136	129	121
Retirement benefit obligations	262	235	241	249	259	269	279	289
Allowance for losses on loan commitments	50	90	30	30	30	30	30	30
Premium and claims liabilities	820	805	614	542	543	570	574	589
Loan guarantees	300	309	196	227	232	246	258	251
Total Liabilities	48,406	50,051	47,039	47,307	47,758	52,968	53,646	56,996
Share capital	12,300	12,300	12,300	9,797	8,721	7,447	6,352	5,531
Retained earnings	6,990	2,932	1,985	2,869	3,651	4,417	5,160	5,996
Total Equity	19,290	15,232	14,285	12,666	12,372	11,864	11,512	11,527
Total Liabilities and Equity	67,696	65,283	61,324	59,973	60,130	64,832	65,158	68,523

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Table 22: Projected Condensed Consolidated Statement of Changes in Equity (2020-2026)

for the year ended December 31 *(in millions of Canadian dollars)*	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Share Capital	12,300	12,300	12,300	9,797	8,721	7,447	6,352	5,531
Retained Earnings								
Balance beginning of year	8,423	5,501	6,990	1,985	2,869	3,651	4,417	5,160
Net income (loss)	(1,352)	(66)	2,041	851	747	729	705	796
Other comprehensive income (loss)								
Retirement benefit plans remeasurement	(81)	39	234	33	35	37	38	40
Dividend paid	-	(2,542)	(7,280)	-	-	-	-	-
Balance end of year	6,990	2,932	1,985	2,869	3,651	4,417	5,160	5,996
Total Equity at End of Year	19,290	15,232	14,285	12,666	12,372	11,864	11,512	11,527
Return on Equity	-9.3%	-0.4%	12.2%	6.3%	6.0%	6.0%	6.0%	6.9%

CONSOLIDATED STATEMENT OF CASH FLOWS

Table 23: Projected Condensed Consolidated Statement of Cash Flows (2020-2026)

for the year ended December 31 (in millions of Canadian dollars)	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Cash Flows from (used in) Operating Activities								
Net income (loss)	(1,352)	(66)	2,041	851	747	729	705	796
Adjustments to determine net cash from (used in) operating activities								
Provision for (reversal of) credit losses	2,083	608	(512)	(166)	(68)	34	234	233
Change in the net allowance for claims on insurance	279	(17)	(144)	(37)	7	28	6	15
Depreciation and amortization	39	38	36	36	37	34	34	35
Realized (gains) and losses	(128)	95	(257)	(21)	(60)	(89)	(122)	(164)
Changes in operating assets and liabilities								
Change in fair value of investments and accrued interest on loans receivable	(233)	122	(39)	91	55	49	(4)	(6)
Change in accrued interest and fair value of marketable securities	(98)	-	101	-	-	-	-	-
Change in accrued interest and fair value of loans payable	361	-	(218)	-	-	-	-	-
Change in derivative instruments	(261)	-	(43)	-	-	-	-	-
Other	20	(689)	(267)	(91)	(57)	(46)	(39)	(34)
Loan disbursements	(25,345)	(28,422)	(19,227)	(21,713)	(22,966)	(24,706)	(25,626)	(26,018)
Loan repayments and principal recoveries from loan asset sales	21,965	29,253	22,530	22,351	22,390	21,461	23,434	22,559
Net cash from (used in) operating activities	(2,670)	922	4,001	1,301	85	(2,506)	(1,378)	(2,584)
Cash Flows from (used in) Investing Activities								
Disbursements for investments	(387)	(275)	(311)	(395)	(452)	(525)	(564)	(560)
Receipts from investments	189	232	443	330	411	466	521	662
Purchases of marketable securities	(8,354)	(13,411)	(7,171)	(10,965)	(9,917)	(10,455)	(9,067)	(8,127)
Sales/ maturities of marketable securities	10,249	16,305	8,813	11,716	10,378	9,561	10,412	8,128
Purchases of property, plant and equipment	(6)	-	7	7	3	6	6	6
Purchases of intangible assets	(2)	(1)	1	2	1	2	1	2
Net cash from (used in) investing activities	1,689	2,850	1,782	695	424	(945)	1,309	111
Cash Flows from (used in) Financing Activities								
Issue of long-term loans payable	11,922	9,755	10,249	15,835	14,095	15,373	18,694	18,356
Repayment of long-term loans payable	(13,606)	(10,944)	(10,837)	(13,936)	(14,471)	(10,914)	(17,194)	(15,314)
Issue of short-term loans payable	30,321	48,781	43,422	60,985	63,380	60,481	62,119	60,103
Repayment of short-term loans payable	(36,858)	(50,103)	(41,453)	(62,685)	(62,623)	(59,851)	(63,002)	(59,851)
Disbursements from sale/ maturity of derivative instruments	(200)	-	(32)	-	-	-	-	-
Receipts from sale/ maturity of derivative instruments	88	-	21	-	-	-	-	-
Issue of share capital	10,967	-	-	-	-	-	-	-
Repurchase of share capital	-	-	-	(2,503)	(1,076)	(1,274)	(1,095)	(821)
Dividend paid	-	(2,542)	(7,280)	-	-	-	-	-
Net cash from (used in) financing activities	2,634	(5,053)	(5,910)	(2,304)	(695)	3,815	(478)	2,473
Effect of exchange rate changes on cash and cash equivalents	(62)	-	(50)	-	-	-	-	-
Net increase (decrease) in cash and cash equivalents	1,591	(1,281)	(177)	(308)	(186)	364	(547)	-
Cash and cash equivalents								
Beginning of year	1,285	2,505	2,876	2,699	2,391	2,205	2,569	2,022
End of year	2,876	1,224	2,699	2,391	2,205	2,569	2,022	2,022
Cash and cash equivalents are comprised of:								
Cash	182	117	246	246	246	246	246	246
Cash equivalents included within marketable securities	2,694	1,107	2,453	2,145	1,959	2,323	1,776	1,776
	2,876	1,224	2,699	2,391	2,205	2,569	2,022	2,022

CONSOLIDATED ADMINISTRATIVE EXPENSES

Table 24: Projected Consolidated Administrative Expenses (2020-2026)

(in millions of Canadian dollars)	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Salaries and benefits	282	326	315	338	334	333	334	341
Systems costs	53	56	52	56	57	58	60	62
Professional services	44	116	106	105	115	92	84	85
Pension, other retirement and post-employment benefits	58	63	63	50	48	45	42	40
Amortization and depreciation	31	28	26	25	25	20	20	20
Marketing and communications	24	33	27	28	28	28	28	28
Occupancy	28	31	28	29	29	31	31	32
Information services	21	25	22	23	23	23	23	23
Travel, hospitality and conferences	2	6	4	4	5	5	5	5
Other	13	29	20	24	23	21	21	21
Total administrative expenses	556	713	663	682	687	656	648	657

CONSOLIDATED CAPITAL EXPENDITURES

Table 25: Projected Consolidated Capital Expenditures (2020-2026)

(in millions of Canadian dollars)	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Facilities	4.5	1.7	2.4	1.4	5.5	2.7	2.7	2.7
Information technology	3.7	11.3	9.3	9.6	6.6	6.6	6.6	6.6
Total capital expenditures	8.2	13.0	11.7	11.0	12.1	9.3	9.3	9.3

Facilities capital expenditures include leasehold improvements, furniture and equipment. Information technology capital expenditures include hardware, internally developed and purchased software.

APPENDIX VI: BORROWING PLAN

In accordance with the *Export Development Act* and the *Financial Administration Act*, we raise our funding requirements in international and domestic capital markets by borrowing, which includes issuing bonds and commercial paper.

ASSET/LIABILITY AND MARKET RISK MANAGEMENT

We manage our exposures to interest rate, foreign exchange and credit risks arising from our Treasury operations through a policy framework, including risk and liquidity limits. Our Board policies are consistent with industry practices, approved by our Board of Directors and are compliant with the Minister of Finance's *Financial Risk Management Guidelines for Crown Corporations*.

Market risks to which we are exposed include movements in interest rates and the impact they have on our book of assets and our liability positions, as well as foreign exchange risk as we report our financial results and maintain our capital position in Canadian dollars, whereas our asset book and much of our liabilities are in U.S. dollars or other currencies.

Credit risk from Treasury activities arises from two sources: marketable securities and derivatives. In each case, there is a risk that the counterparty will not repay in accordance with contractual terms. The Board-approved Financial Risk Management Framework establishes minimum counterparty credit rating requirements and maximum exposure limits for the management of credit risk. We also use other credit mitigation techniques to assist in credit exposure management. We have a collateral program in which Treasury swap counterparties may pledge cash collateral in some cases or highly rated sovereign debt from any of Canada, the United States, Great Britain, France and/or Germany, which typically offset a major portion of our credit exposure.

We continually monitor our exposure to movements in interest rates and foreign exchange rates as well as counterparty credit exposures. Positions against policy limits are reported on a monthly basis. In the event of a Market Risk, Liquidity or Counterparty policy limit breach, management shall develop a remediation plan for the Board's review. Our Asset Liability Committee meets, at least quarterly, to review compliance with these policy limits. Board limit compliance for Market, Liquidity, and Counterparty risk is reported quarterly to the Risk Management Committee of the Board.

BORROWING STRATEGIES

STATUTORY BORROWING AUTHORITIES

Our funding activities are governed by sections 12, 13 and 14 of the *Export Development Act* and section 127 of the *Financial Administration Act*. The activities must also comply with the Minister of Finance's *Financial Risk Management Guidelines for Crown Corporations*.

Our funding activities are governed by section 4 of the *Borrowing Authority Act*. Under this Act, borrowings by agent corporations, including EDC, in conjunction with borrowings by the Minister of Finance must not at any time exceed $1,831 billion, subject to the exceptions at sections 5 and 6 of this Act. We will report our borrowings to the Minister of Finance to comply with this Act.

The *Export Development Act* permits us to borrow and have outstanding loans payable up to a maximum of 15 times the aggregate of our current paid in capital and retained earnings as determined by the audited financial statements for the previous year. Based on the 2021 forecast, the maximum borrowing limit allowable under this Act for 2022 is estimated at CAD $214.3 billion (U.S. $170.1 billion), compared to forecast loans payable at the end of 2022 of CAD $45.1 billion (U.S. $35.8 billion).

In accordance with subsection 127(3) of the *Financial Administration Act*, EDC requires the approval of the Minister of Finance to enter into any particular transaction to borrow money, including the time and the terms and conditions of the transaction. We obtain Minister of Finance approval annually for our capital and money markets borrowing plans. Annual Board resolutions permit us to operate within the authorities prescribed by the Minister.

Occasionally, as a result of unforeseen financial market conditions or unexpected variances in approved corporate activity, there may be a need to amend the terms and conditions of the borrowing plans. In such instances, we will continue to seek the approval of the Minister of Finance and report on any associated changes in the Corporate Plan.

Should market conditions warrant, we could also request access to the Consolidated Revenue Fund (CRF). Minister of Finance authority to access the CRF is sought as part of the annual short-term and long-term borrowing approval process.

We may be called upon to respond to unanticipated events and may need to borrow sums of money beyond our annual borrowing plan. Under section 127(3) of the *Financial Administration Act*, EDC may seek additional borrowing authority from the Minister of Finance provided its total indebtedness outstanding at any time in respect of such borrowings does not exceed any statutory limit.

FINDEV CANADA

Pursuant to the corporation's expanded mandate under section 10(1)(c) of the amended Export Development Act, the Development Finance Institute Canada (DFIC) Inc. has been incorporated as a wholly owned subsidiary of EDC and operates under the trade name FinDev Canada. We began capitalizing FinDev Canada in 2018 with a CAD $100 million (U.S. $76 million) capital injection. Additional capitalization of CAD $100 million (U.S. $76 million) took place in each of 2019 and 2020. EDC will provide additional capitalization of CAD $300 million starting in 2024 over a three-year period. EDC is expecting to provide debt financing of CAD $137 million (U.S. $109 million) in 2021 and is currently forecast to provide debt financing of CAD $176 million (U.S. $140 million) in 2022. Our Treasury team will leverage its expertise to undertake all borrowing, investing, hedging and foreign exchange activities on behalf of FinDev Canada, should business requirements or market conditions necessitate access to additional funding.

BORROWING APPROACH

The objective of our funding programs is to ensure that commitments are met within the parameters of our Liquidity and Funding Risk Management Policy. Funding requirements are determined from a base amount as established in the Corporate Plan, adding a buffer for increased needs due to stressed market conditions or additional new business demand.

We issue commercial paper (CP) to meet operating requirements and may, in cases of restricted capital markets access, issue CP to fund long-term requirements for short durations. We issue capital market debt to meet requirements for maturing debt, our loan asset portfolio, the liquidity portfolio, FinDev Canada related funding and future lending activities. The Treasury team seeks to maximize market access and flexibility, price debt issues fairly in the primary market and closely monitor secondary market performance to minimize debt service costs. The team also seeks to take advantage of opportunities to raise funds in currencies which match the currencies of our assets.

Derivatives are used as part of the asset/liability management process. Our policies prohibit the issuance of any financial instrument, derivative, or structured note whose value and hence financial risk cannot be calculated, monitored and managed on a timely basis.

The execution of the borrowing and liquidity strategies is monitored on a daily basis by the Treasury team's management. Monthly reports are provided to senior management and quarterly reports are provided to the Risk Management Committee of the Board.

SOURCES OF FINANCING

MONEY MARKETS BORROWING PROGRAM

We issue commercial paper in the money markets, in various currencies under multiple platforms for cash management purposes to fund our short-term financial commitments as well as to manage interruptions in capital markets access and unpredictable cash flow demands.

The Liquidity and Funding Risk Management Policy requires the liquidity portfolio to meet anticipated cash requirements on a daily basis during a liquidity event. The period required to be covered by the liquidity portfolio is a minimum of one month. Forecast cash requirements are calculated using a one month rolling forecast based on components such as operations, loan disbursements, revolver commitments, debt maturities and non-revolving loan repayments. The target size of the USD component of our liquidity portfolio will be U.S. $5.5 billion (CAD $6.9 billion). We will also maintain a CAD component of the liquidity portfolio with a target size of CAD $300 - $500 million (U.S. $238 - $397 million). In addition, a daily minimum U.S. $2.0 billion (CAD $2.5 billion) of unused CP capacity will be required.

CAPITAL MARKETS BORROWING PROGRAM

The capital markets borrowing program diversifies its funding sources by offering debt securities to investors worldwide. Typical capital markets instruments include, but are not limited to, benchmark global bonds, plain vanilla bonds, structured and medium-term notes.

Structured and medium-term notes may be used to smooth the maturity profile, respond to investor demand or access local currency funding in priority emerging markets. These notes can be issued in a variety of maturities including maturities of under one year as well as longer-dated issues with callable features. Longer-dated callable instruments are swapped into floating or fixed rate obligations. The mix of funding is guided by numerous factors including relative cost, market conditions and the profile of the loan assets portfolio.

TOTAL BORROWINGS – NEW AND OUTSTANDING

2021 BORROWINGS

As at August 31, 2021, we have issued U.S. $5.7 billion (CAD $7.2 billion) in long-term debt compared to the Minister of Finance approved 2021 maximum of U.S. $11.1 billion (CAD $14.0 billion). Commercial paper outstanding amounted to U.S. $2.4 billion (CAD $3.0 billion) as at August 31, 2021 compared to the Minister of Finance authorized 2021 maximum of U.S. $14.0 billion (CAD $17.6 billion).

2021 long-term borrowing is forecast to be CAD $2.3 billion (U.S. $1.8 billion) lower than the 2021 Plan due primarily to higher than anticipated repayments of credit facilities and the appreciation of the value of CAD along with use of short term funding to meet a portion of long term funding requirements. 2021 short-term borrowing outstanding at year end is forecast to be CAD $0.8 billion (U.S. $0.6 billion) higher than the 2021 Plan reflecting use of short-term funding to meet a portion of long-term funding requirements.

In 2021, the liquidity portfolio is forecast to maintain an average balance of CAD $7.7 billion (U.S. $6.1 billion), with a minimum balance of CAD $7.4 billion (U.S. $5.9 billion) and a maximum balance of CAD $7.7 billion (U.S. $6.1 billion).

2022 BORROWINGS

Money Market Borrowings (Short-term Borrowings)

Unpredictable cash flow demands most often result from undrawn revolver commitments, estimated at U.S. $5.4 billion (CAD $6.8 billion) at December 31, 2022. Revolver commitments range in size from approximately U.S. $12 thousand to U.S. $370 million (CAD $15 thousand to CAD $466 million), can provide for same day advances and can be highly concentrated among certain industries and individual borrowers. Revolver utilization rates spiked in 2020 and have remained somewhat elevated throughout 2021. Utilization is forecast to remain stable at the elevated level during 2022. Additional committed facilities which have not yet been drawn are forecast to total U.S. $3.9 billion (CAD $4.9 billion) at the end of 2022.

In 2022, the liquidity portfolio is forecast to maintain an average balance of CAD $7.2 billion (U.S. $5.7 billion), with a minimum balance of CAD $6.9 billion (U.S. $5.5 billion) and a maximum balance of CAD $7.4 billion (U.S. $5.9 billion). The entire liquidity portfolio can be accessed during a liquidity event. At December 31, 2022, short-term borrowings outstanding are projected to be CAD $1.7 billion (U.S. $1.3 billion) lower than the forecast December 31, 2021 short-term borrowings outstanding reflecting a forecast decrease in business volumes.

Capital Market Borrowings (Long-term Borrowings)

The Corporate Plan projects a baseline borrowing requirement of U.S. $12.6 billion (CAD $15.9 billion) with potential additional long-term requirements of U.S. $3.7 billion (CAD $4.7 billion) for contingency purposes. The baseline borrowing requirement is U.S. $5.2 billion (CAD $6.6 billion) higher than the 2021 plan requirement primarily due to increased debt maturities, repayment of share capital and a reduction in the target size of the liquidity portfolio.

Total Outstanding Borrowings

The aggregate principal amount outstanding of borrowings will not at any time in 2022 exceed CAD $47.9 billion (U.S. $38.0 billion), which is well below the maximum statutory limit of fifteen times the current paid in capital and retained earnings, equivalent to CAD $214.3 billion (U.S. $170.1 billion) estimated as of December 31, 2022.

PRIMARY USES OF FINANCING

Refinancing of Maturing Debt – Maturing debt is refinanced through new issuance.

CP Outstanding – Decrease in the level of CP outstanding.

FinDev Canada – Debt financing for operations and projects.

Eligible Dividend – Debt financing for dividend

POTENTIAL INCREASES IN REQUIREMENTS

Increased Lending and Investment Activity – New business activity requirements could increase further if global economic activity outpaces our forecasts and/or world liquidity is reduced. Additional lending and investment program activity could increase borrowing requirements.

Revolver Activity – Higher than forecast utilization of revolver facilities could increase borrowing requirements.

Pre-Funding of 2023 Business Facilitated – We may seek to pre-fund some of our 2023 capital markets requirements to minimize debt service costs and lock-in longer term funding.

Table 26: Capital Markets Borrowing Requirement Projection for 2022

(in millions of U.S. dollars)	**USD**	**2022 Plan**
Decrease/ (increase) in cash from operations	(536)	
Net loan disbursements/ (repayments)	(594)	
Funding Requirements for Fin Dev Canada	140	
Return of share capital	1,986	
Activity from operations		996
Funding required for change in CP outstanding	1,349	
Funding required for change in marketable securities at fair value through profit or loss	(839)	
Refinancing of debt maturities	10,960	
Buybacks	100	
Activity from liabilities		11,570
Forecast Borrowing Requirements for Corporate Plan		**12,566**
Potential increases to cash requirements		
Changes to assumption on lending activity		2,000
Changes to assumption on revolving facilities		750
Reduction of outstanding commercial paper		500
Pre-funding of 2023 volumes/ maturities		500
Forecast Borrowing Requirements Including Contingencies		**16,316**

Table 27: Projected Borrowing Plans (2019-2026)

(in millions of Canadian dollars)	**2019 Actual**	**2020 Actual**	**2021 Plan**	**2021 Fcst**	**2022 Plan**	**2023 Plan**	**2024 Plan**	**2025 Plan**	**2026 Plan**
Capital Markets Borrowing Limit (U.S. $11.1 billion)*	21,685	18,723	13,986	13,986	-	-	-	-	-
Position	14,582	11,298	9,755	10,249	15,835	14,095	15,373	18,694	18,356
Percent used	67%	60%	70%	70%	-	-	-	-	-
Short-Term Borrowing Limit (U.S. $14.0 billion)*	18,179	25,474	17,640	17,640	-	-	-	-	-
Position	9,117	2,781	3,911	4,729	3,028	3,785	4,415	3,532	3,785
Percent used	50%	11%	22%	22%	-	-	-	-	-

* *Refers to 2021 limit. The limits are set each year in consultation with the Department of Finance, and accordingly, there are no limits set for 2022 to 2026.*

Table 28: Projected Total Outstanding Borrowings (2019-2026)

as at December 31 (in millions of Canadian dollars)	**2019 Actual**	**2020 Actual**	**2021 Plan**	**2021 Fcst**	**2022 Plan**	**2023 Plan**	**2024 Plan**	**2025 Plan**	**2026 Plan**
Short-term borrowings	9,117	2,781	3,911	4,729	3,028	3,785	4,415	3,532	3,785
Long-term borrowings	43,287	42,239	42,394	40,062	42,078	41,766	46,303	47,846	50,934
Total borrowings	52,404	45,020	46,305	44,791	45,106	45,551	50,718	51,378	54,719

Table 29: Projected Short-Term Borrowings by Currency (2019-2026)

as at December 31 (in millions of Canadian dollars)	**2019 Actual**	**2020 Actual**	**2021 Plan**	**2021 Fcst**	**2022 Plan**	**2023 Plan**	**2024 Plan**	**2025 Plan**	**2026 Plan**
Canadian dollar	-	-	-	-	-	-	-	-	-
U.S. dollar	9,117	1,760	2,689	4,729	3,028	3,785	4,415	3,532	3,785
Other currencies	-	1,021	1,222	-	-	-	-	-	-
Total short-term borrowings	9,117	2,781	3,911	4,729	3,028	3,785	4,415	3,532	3,785

Table 30: Projected Peaks in Short-Term Borrowings by Currency (2019-2026)

for the year ended December 31 (in millions of Canadian dollars)	**2019 Actual**	**2020 Actual**	**2021 Plan**	**2021 Fcst**	**2022 Plan**	**2023 Plan**	**2024 Plan**	**2025 Plan**	**2026 Plan**
Canadian dollar	10	-	-	-	-	-	-	-	-
U.S. dollar commercial paper	9,117	15,739	2,689	5,606	4,914	5,670	4,410	6,300	5,670
U.S. dollar line of credit	-	-	-	-	-	-	-	-	-
Other currencies	302	2,122	1,222	950	-	-	-	-	-
Total short-term borrowings	9,429	17,861	3,911	6,556	4,914	5,670	4,410	6,300	5,670

Table 31: Projected Long-Term Borrowings (2019-2026)

(in millions of Canadian dollars)	2019 Actual	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Opening balance	44,363	43,287	43,569	42,239	40,062	42,078	41,766	46,303	47,846
Maturities	(14,574)	(13,606)	(10,944)	(10,837)	(13,936)	(14,471)	(10,914)	(17,194)	(15,314)
New issuances	14,872	11,922	9,755	10,249	15,835	14,095	15,373	18,694	18,356
FX translation and other changes	(1,374)	636	14	(1,589)	117	64	78	43	46
Total long-term borrowings	43,287	42,239	42,394	40,062	42,078	41,766	46,303	47,846	50,934

Table 32: Projected Long-Term Borrowings by Type (2019-2026)

as at December 31 *(in millions of Canadian dollars)*	2019 Actual	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Fixed rate	17,456	19,189	17,887	17,743	17,588	17,358	15,074	10,995	8,896
Floating rate	25,831	23,050	24,507	22,319	24,490	24,408	31,229	36,851	42,038
Total long-term borrowings	43,287	42,239	42,394	40,062	42,078	41,766	46,303	47,846	50,934

INTEREST RATE SENSITIVITY

The table below presents the sensitivity of the net financing and investment income to a parallel 100 basis point change in interest rates given the outstanding positions as at December 31:

(in millions of Canadian dollars)		2020
	+100 Basis Points	-100 Basis Points
Change in net financing and investment income	**52**	**(52)**

INTEREST RATE CHANGE

We do not anticipate that a parallel 100 basis point change in interest rates over the plan period would differ materially from the results presented above.

FOREIGN EXCHANGE RISK

The table below presents the sensitivity of the net income to changes in the value of the Canadian dollar versus the other currencies to which we were exposed given the outstanding positions as at December 31:

(in millions of Canadian dollars)		2020
	Increases by 1%	Decreases by 1%
Change in net income	**(6)**	**6**

CANADIAN DOLLAR RELATIVE TO OTHER CURRENCIES

We do not anticipate that a one per cent change in the value of the Canadian dollar versus the other currencies to which we are exposed would differ materially from the results presented above over the plan period.

APPENDIX VII: COMPLIANCE WITH LEGISLATIVE AND POLICY REQUIREMENTS

We take compliance with the Government of Canada's legislative and policy requirements seriously, in order to protect EDC, our employees and the Government of Canada from potential exposure to legal, reputational and financial consequences. We have a suite of policies to address legislative and policy requirements, relevant to our operations. We systematically monitor new Bills tabled in Parliament to ensure we are prepared for continued compliance with any new federal requirements.

COMPLIANCE RISK MANAGEMENT AT EDC

As a Crown corporation engaged in international trade, we are subject to a wide array of compliance obligations.

To manage the risk of non-compliance obligations, including those to the Government of Canada, we have implemented a Compliance Risk Management Program. The Compliance Risk Management program sets out the structure, roles and responsibilities, processes, and controls through which we identify, assess, respond to, monitor and report on compliance risk.

COMPLIANCE WITH MINISTERIAL DIRECTIVES

Ministerial directives are an important component of the Government of Canada's oversight mechanisms for Crown corporations and are issued to EDC under Section 89 of the *Financial Administration Act* (FAA). EDC is compliant with six directives as described below.

In September 2008, together with other federal Crown corporations involved in commercial lending, EDC was issued a directive to give due consideration to the personal integrity of those we lend or provide benefits to, in accordance with Government's policy to improve the accountability and integrity of federal institutions. To implement this directive, we reviewed all of our policies and programs and confirmed that they were sufficient to ensure that due consideration is given to the personal integrity of individuals seeking support or other benefits from EDC, and the effects that transactions into which we may enter could have on our reputation.

In 2014, the Government of Canada issued directives requiring a number of Crown corporations to implement pension plan reforms. We support the principles underlying the directives and have taken action to implement the spirit and intent of these reforms, including increases to employee contributions in the Defined Benefit plan and, a later age of retirement, for Defined Contribution employees hired since 2015. In 2017, a new directive was issued for EDC, repealing the previous directive and granting EDC exemption from strict 50:50 cost sharing, required under the 2014 directive. The exemption helps mitigate high service costs for employees resulting from the closure of the Defined Benefit plan to new employees and ensures the viability and competitiveness of the Defined Contribution plan introduced in 2012. Consistent with the spirit of the reforms, we have implemented cost sharing with our Defined Benefit employees as though the Defined Benefit plan had remained open.

In July 2015, EDC and other federal Crown corporations were issued a directive to align our travel, hospitality, conference and event expenditure policies, guidelines and practices with Treasury Board policies, directives and related instruments on travel, hospitality, conference and event expenditures in a manner that is consistent with our legal obligations. We reported on the implementation of this directive in our 2016- 2020 Corporate Plan and have complied with the directive in a way that does not hinder our ability to deliver on our mandate for Canadian companies. Each year, we also report on our Travel and Hospitality in the Corporate Plan.

On June 1, 2018, the Minister for International Trade Diversification directed EDC to perform any activity consistent with any authorization obtained from the Minister for International Trade Diversification pursuant to section 23 of the *Export Development Act* in respect of the project known as the Trans Mountain Pipeline Expansion.

On March 26, 2020, in accordance with subsection 149(1) of the *Financial Administration Act*, the Minister for International Trade asked EDC to provide specific, ongoing reporting that includes: aggregate baseline data for 2019 on all financial customer transactions; monthly aggregate reporting on the delivery of services under the COVID-19 economic response package; and quarterly aggregate data for all financial customer transactions. This reporting has been implemented as per the criteria provided, which we are sharing with the appropriate Ministers as required. EDC was also asked to provide Board of Director meeting materials upon request, including those related to the following government programs: Business Credit Availability Program, cleantech commercialization support program, Export Diversification Strategy, and support for women entrepreneurship and for Indigenous entrepreneurs.

On March 30, 2020, the Minister for International Trade directed EDC to carry on its activities in accordance with section 23 of the *Export Development Act* as part of its response to the COVID-19, to support and develop domestic business in accordance with any request made under the act as part of that response, and to take any measures necessary to action this directive.

APPENDIX VIII: GOVERNMENT PRIORITIES AND DIRECTION

TRANSPARENCY AND OPEN GOVERNMENT

Maintaining relationships with all our stakeholders based on trust and accountability through accurate and timely disclosure of information is critical to our long-term success. In alignment with the Government of Canada's commitment to open government, we have several mechanisms in place to provide transparency around our business practices and policies.

Our transparency efforts aim to balance the role we play in the commercial banking sector, with the role we play as a Crown corporation. In so doing, we provide access to information while maintaining the commercial confidentiality of our customers. To support these efforts, in 2020 we updated and renamed the *Transparency and Disclosure Policy* (the Policy) that sets out our framework to disclose information pertaining to our business in a manner that balances the confidentiality required by our customers with the information sought by the public. It is intended to provide clarity for all audiences about the work we do, whether they are our employees, customers, members of civil society, or the general public. The Policy is authorized by our Board of Directors and provides the framework that governs our disclosure practices in relation to our business activities.

The updated policy, which was informed by feedback received during public consultations, has resulted in improved reporting practices, including tightened dollar ranges and more relevant descriptions for the transactions we support and disclose. Moreover, the fact that transparency is now included in the policy's title is deliberate and symbolizes our commitment to make transparency central to EDC's culture.

The application of the Policy is overseen by our Compliance Officer and monitored for compliance by our Internal Audit and Evaluation department. In accordance with our current Disclosure Policy, we make available on our website:

- Aggregate quarterly reporting information by region, sector and EDC product/service category;
- Individual transaction information on all financing and political risk insurance to lenders as well as equity transactions;
- Environmental and social reporting to inform the public of Category A projects we are considering for support and, those Category A and Category B projects that have been signed, along with the environmental standards used to review them, and the information reviewed;
- Information relating to Environment, Social, and Governance issues (ESG). This includes reporting on the number of human rights risk assessments conducted, the number of anti-corruption enhanced due diligence reviews conducted, and our involvement in international working groups such as the OECD Working Party on Export Credits and Guarantees and the Equator Principles Association where EDC is a member of the Steering Committee; and
- Formal letters we have received regarding our business and our support for specific transactions, along with our responses.

Beyond disclosures mandated by our disclosure policy, we also disclose on our website:

- Travel and Hospitality expenses;
- Annual Reports on the Administration of the *Access to Information Act*;
- Information about our programs, activities and information holdings (Info Source); and
- Any disclosure reports of wrongdoing under the *Public Servants Disclosure Protection Act*.

In support of increased transparency, we seek input from stakeholders and key Non-Governmental Organizations regarding our business practices. Our ESG Advisory council, made up of prominent experts, advise on, and guide our ESG practices.

We hold public consultations and information sessions to connect with our stakeholders and discuss issues of mutual concern. We also conduct an Annual Public Forum to hear from members of the public and host an annual Stakeholder Panel, which assembles national business and industry associations with shared interests in Canadian trade and investment. During this annual forum, members identify common priorities, competitive issues and market developments, examine issues relevant to Canada's exporters and draw attention to areas where Canada faces opportunities and challenges.

GENDER-BASED ANALYSIS PLUS

While we have not yet identified a formal Gender-Based Analysis Plus (GBA+) assessment process, we monitor and assess GBA+ issues as they arise. We are also establishing a baseline that indicates the diversity of Canadian businesses we support, particularly women-owned and women-led businesses as well as those owned and led by Indigenous Peoples. We have taken steps in 2021 to commence establishing this baseline for Black-owned and Black-led businesses.

To develop this baseline, we have:

- Consulted with key stakeholders in the Canadian women's business community to obtain insights from women-led business, as well as the public and private organizations that support them (includes GAC's Business Women in International Trade (BWIT) division, Business Development Bank of Canada (BDC), Women Business Enterprises (WBE) Canada, and Réseau des Femmes d'Affaires du Québec (RFAQ), among others); Similarly we have partnered with organizations supporting Indigenous businesses including the Canadian Council for Aboriginal Business (CCAB), NACCA, CANDO and ITAC to increase our reach and impact with the Indigenous Business community.
- Consulted within our own organization to better understand our current state and surface ideas and potential roadblocks that may exist in support of women-owned and -led businesses and/or Indigenous-owned and -led businesses, as well as other diverse-owned/-led businesses. For example, working with partners we were able to identify and rectify 3 potential barriers for Indigenous-owned businesses in accessing the Business Credit Availability Program. We plan to continue this equity-lens evaluation of EDC solutions to ensure equitable access is available to all diverse-owned businesses.
- Identified the actual and potential market of women-led businesses and Indigenous-led businesses in Canada (both current exporters and those companies that are export-ready) and developed a formal definition of 'women-owned' and 'women-led' businesses which is also applied to 'Indigenous-owned' and 'Indigenous-led' businesses. This same definition will be applied to 'Black-owned' and 'Black-led' businesses. We will continue research and analysis efforts to further determine and understand the actual and potential market for Canadian businesses owned by person(s) who identify as Black or with other dimensions of diversity.
- Work begun in 2021 to improve capabilities for companies to optionally self-identify the diversity of their ownership with us through digital forms will lead to better disaggregated data and allow improved ability to apply equity-lens analysis through the planning period, aiming to improve service accessibility.
- Developed a corporate roadmap to guide our women's and Indigenous strategies into the planning period. In 2021 we have onboarded a dedicated National Lead for Black Exporters responsible for developing and executing a similar corporate strategy and roadmap to increase support for Canadian Black-owned and -led businesses; and
- In 2020 we became Corporate Members of both WE Connect International in Canada and WBE Canada.

Moreover, we became Patron Members of the Canadian Council for Aboriginal Businesses (CCAB) as well as a Procurement Champion with the Certified Aboriginal Business (CAB) program. Furthermore, in 2021 we also became Corporate Members of the Canadian Aboriginal and Minority Supplier Council (CAMSC).

We will also conduct gender-based analysis of our processes and products to assess if any under-represented groups are affected by our policies and initiatives including those owned and led by people who identify as racialized, LGBTQ2+ and/or living with disabilities. By establishing these baselines, we will be better positioned to identify potential GBA+ considerations over the planning period.

Our leadership in support of the LGBTQ2 community, both within our organization and among the customers we serve, was recognized as part of our Top 100 status in recent years. In 2019, we became an official Corporate Partner of the Canadian Gay & Lesbian Chamber of Commerce (CGLCC).

With the onboarding of our National Lead for Black Exporters, we have begun and will continue to engage with Black business support organizations to build trust, reach and understanding within the Black business community.

Moreover, in 2020 we undertook an inclusive approach to supporting all Canadian companies through the economic downturn caused by COVID-19, to ensure that our COVID-19 response measures are accessible by all businesses.

INCLUSION, DIVERSITY AND EQUITY (ID&E)

Building a safe and inclusive environment where everyone can be their whole, best self in the workplace is of paramount importance at EDC. Details related to our ID&E strategy are outlined in section 3.2.4.

ACCESSIBILITY

We are committed to providing an inclusive and accessible workplace. We will be developing a framework to meet our obligations under the Accessible Canada Regulations in terms of developing an accessibility plan to identify, remove and prevent barriers in our programs, practices and services.

Our corporate head office was designed with accessibility in mind with: exterior access ramps to the lobby level; wider than building code compliant corridors; automatic door openers to washrooms, the Fitness Centre and all floors; counters in washrooms and service areas at accessible heights; adjustable height work stations and a variety of workstation types; spacious access to amphitheater-style boardroom; an infirmary; easy access to the parking garage for barrier free parking; ramps to outside terraces and easily accessible retail space. In addition to a multi-faith religious observance room and gender-neutral washrooms, we also provide increased IT functionality for the mobility and hearing impaired through phone-via-speech recognition and voice command software as well as TTY, a text-based system for communicating over phone lines.

A comprehensive disability management program is available to employees including at work services, accommodation programs, flexible work arrangements and robust health benefits including paramedical services. Employees also have access to an Employee and Family Assistance Program which provides accessibility services for individuals (and their dependents) who are hearing impaired.

SUPPORT FOR CANADA'S GREENING GOVERNMENT STRATEGY

TRANSITION TO A LOW-CARBON ECONOMY

As an important component of Canada's Greening Government Strategy, we endorse and support the Government's efforts to transition Canada to a low-carbon economy. We recognize the risk of climate change to current and future generations and are making efforts to limit, reduce and mitigate our own impact. Our major climate change initiatives are discussed in section 3.2.2 of the Plan.

ORGANIZATIONAL COMMITMENT

We have a dedicated group of passionate volunteers, who promote and implement green initiatives through the Green Team. Established in 2007, the Green Team is championed our Senior Vice-President supporting Sustainable Business & Enablement Group. Its mandate is to support and promote efforts to reduce our operational environmental footprint, specifically in the areas of paper usage, waste sent to landfill, energy and water consumption and business travel. Green Team initiatives allow us to achieve our Climate Change Policy commitments.

The Green Team also serves as a sounding board to promote and integrate "green" initiatives into our practices, while promoting and supporting environmentally conscious initiatives at work and in our communities. The Green Team works closely with internal stakeholder teams such as the ESG Team, Treasury, facilities, our head office landlord Manulife, as well as internal decision makers who have an impact on our operational environmental footprint. Working with these stakeholders, the Green Team helps communicate information regarding our quarterly Waste Audits and sets goals and implements initiatives to reduce our operational footprint. We also have various environmental management programs that align with Canada's Greening Government Strategy, and underpin our commitment to sustainable, green operations. These include:

- Ongoing monitoring of environmental initiatives and progress including: reporting on our operational footprint through our Integrated Annual Report and environmental audits (conducted both internally and externally);
- An in-house waste recycling program focused on decreasing the percentage of waste diverted to landfills;
- Initiatives to reduce paper consumption and employee travel;
- On-going investments in our digital capabilities to allow our customers to leverage our services online (i.e. digital Portfolio Credit Insurance);
- Efforts to locate within environmentally certified (Leadership in Energy and Environmental Design (LEED) and BOMA Canada) buildings, including our Head office in Ottawa, various regional offices and our Green-Mark Certified Singapore office;
- Various employee-led, green initiatives such as our annual Commuter Challenge, Environmental Education seminars and green-oriented Community Investment Day activities;
- Scholarships for students pursuing an education in international business with an environmental or 1-5 Year Corporate Plan;
- Travel-Carbon offset credits, work with or support, Treasury on their pilot project, when and where we are needed;
- Make baseline for our diversion rates 70 percent on our waste audits;
- Green procurement support, including guidance, tools and training; and
- Showcase green initiatives, for people working from home.

APPENDIX IX: COVID-19 IMPACT

IMPACTS

Business lines and activities most affected (facilities closures, redirection of products, move to online, etc.), including:

Labour

EDC response: staff were redeployed to support areas where demand was greatest. As programming is coming to an end, resources will increasingly be deployed back to traditional export support programs.

Service – loss of clients, particular product/service area impacts, changes to processes

EDC response: Parliament's decision to grant us an expanded mandate, has enabled us to leverage our full suite of tools in support of non-exporting companies. We quickly modified our existing products to respond to customer needs by:

- Implementing payment deferrals for a number of our financial programs.
- Disbursing liquidity under previously negotiated credit facilities.
- Paying insurance claims in advance of the waiting period.

Our solutions have been made more accessible by expanding our risk appetite and agility.

COVID-19 RELATED CHANGES TO EXISTING EDC PROGRAMS

These adjustments were phased out in December 2020.

Export Guarantees	Credit Insurance	Financing	Claims
• Additional working capital support for existing guarantee programs. • Temporary liquidity injection via six-month fee payment deferral for existing customers and new customers qualified under the EDC BCAP Guarantee.	• Payment relief on export receivables policies – deferral permitted on an as needed basis. • Increase in risk appetite and flexibility when assessing new buyer coverage requests and in cases of credit deterioration.	• Payment deferral for up to six months on principal and interest payments to provide companies with liquidity relief.	• Waiving of the waiting period for claims under our export policies, allowing companies to file and receive payment for a claim earlier.

Financial – total loss (or gain) attributable to the pandemic, including any government program funding applied for (e.g., wage benefits to prevent layoffs, rent relief through CECRA, etc.) or pandemic-related approved funding requests to Finance

EDC response:

- Core business: As the market stabilized in 2021, we saw a drop from the record demand in 2020 for our Portfolio Credit Insurance Product from 700 new policyholders in 2020 to 300 new policyholders as of September 30th, 2021.
- On the bonding side of our business, our solutions helped support $5.46 billion in trade since the beginning of the year.
- Our financing solutions helped facilitate $15.07 billion in trade since the beginning of the year. Our knowledge products have also provided much needed guidance during the crisis.

Emergency Relief – (if applicable) summarize both government-directed and voluntary actions undertaken by the CC (outside normal business) to provide financial or other relief to Canadians (e.g., rent deferral/reduction, use of facilities for emergency-related items, implementing GoC loan programs, etc.)

EDC response: EDC is proud to be part of the Government of Canada's response to the pandemic and its economic consequences. Parliament's decision to grant EDC an expanded mandate allowed EDC to leverage its full suite of tools in support of non-exporting companies. Beyond our core business line, we also collaborated in the design and delivery of two new Team-Canada programs: the Business Credit Availability Program, or BCAP and the Canada Emergency Business Account, CEBA. We also play a key role in identifying transactions that meet the criteria for the Large Employer Emergency Financing Facility (LEEF) and we are working closely with BDC to provide crucial support to the Oil and Gas sector. We also produced a web-based triage tool, to direct Canadian companies to COVID-19 resources across government

NEW MEASURES TO SUPPORT BUSINESSES DURING COVID-19

CEBA (Canada Emergency Business Account) – This program ceased taking applications on June 30, 2021.	BCAP (Business Credit Availability Program) – This program ended in December 31, 2021.	LEEFF (Large Employer Emergency Financing Facility)
• $60,000 interest-free loan for qualifying businesses. Up to $20,000 of that amount will be eligible for complete forgiveness if $40,000 is fully repaid on or before December 31, 2022. • EDC is supporting the Government of Canada with the administration of the CEBA program and worked with over 230 Canadian Financial Institutions to deliver the program across the country. The CEBA program application period deadline for new applicants ended on June 30, 2021.	• SMEs: Provide financial institutions with a guarantee on loans of up to $6.25M, allowing Canadian businesses to get quick access to the working capital they need to address payroll and operational costs. • Mid-market: Guarantees 75% of new operating credit and cash-flow loans that financial institutions extend to medium-sized companies, from a minimum guarantee amount of $16.75M to a maximum guarantee amount of $80M. • BCAP was set to end in June 2021, however, the Government extended the program until December 31, 2021 as a means to ensure businesses continue to have the support they require to invest in their recovery.	• LEEFF provides bridge financing to Canada's largest employers in order to keep their operations going. It is underwritten by the Canadian Development Investment Corporation rather than EDC. • LEEFF will be used for transactions that previously would have gone against the Canada Account — an EDC-administered tool for the federal government to support transactions deemed of national interest. EDC's role is to identify and transfer potential LEEFF transactions as quickly as possible.

EDC'S ROLE IN THE CANADA EMERGENCY BUSINESS ACCOUNT (CEBA)

We help to deliver the Canada Emergency Business Account (CEBA), by working with Canadian financial institutions to provide funding, validation checks, and administration.

Since its launch, this program has delivered more than $49 billion through 230 financial institutions, providing essential liquidity to more than 897 companies.

EDC'S ROLE IN THE BUSINESS CREDIT AVAILABILITY PROGRAM (BCAP)

We currently offer two forms of BCAP financing guarantees. Our BCAP Guarantee, launched in late March 2020, is geared primarily to small- and medium-sized companies, supporting loans to a maximum of $6.25 million with a guarantee of 80 percent.

Our second guarantee is the Mid-Market Guarantee and Financing Program, which offers expanded support for medium-sized businesses – companies earning revenues between 50 and 300 million dollars – and supports loans in the 16 million to 80-million dollar range, with a guarantee of 75 percent.

The first BCAP guarantee was designed to get liquidity quickly to smaller companies with limited financing sources.

COVID-19 Accomplishments to date [as of September 30, 2021]

- $49 billion cumulative funds disbursed for CEBA • 1616 BCAP guarantees confirmed, representing a guarantee amount of $1.2 billion (total credit extended of $1.5 billion)

Anticipated Stimulus – (if any) How actions outlined in current plan may assist in general pandemic recovery. This should include only items approved or seeking approval in the current plan, not aspirational projects.

EDC response: EDC will continue with current stimulus initiatives with the BCAP program until December 2021, and work to identify new opportunities to meet the evolving needs of Canadian companies through new products and services and by working with government partners to identify synergies and reduce complexity for companies.

FinDev Canada

CORPORATE PLAN SUMMARY

2022-2026

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Executive Summary

FinDev Canada (or the Corporation) is Canada's Development Finance Institution (DFI), a Crown corporation established in 2018 with the mandate to provide financial solutions to the private sector and mobilize private investment in developing countries. Its goals are to economically empower women, develop local markets, and combat climate change, in a manner consistent with Canada's international development priorities.

While the COVID-19 pandemic began only two years into FinDev Canada's operations, we were able to adapt and to continue to support the markets we serve. However, there remains significant uncertainty on the duration and magnitude of the resulting economic and social crises in our target markets, and the negative effects on their economies are expected to continue throughout the 2022-2026 planning period.

Micro, small and medium size enterprises (MSMEs) have been particularly affected, with reduced access to credit following a retreat of commercial financial providers. The disproportionate effect of the crisis on women will also continue to play out for the foreseeable future as more women than men are losing jobs and being pushed into poverty. At the same time, the urgency of the climate crisis continues to grow and is estimated to push an additional 100 million people below the poverty line by 2030. Developing countries are the most impacted by climate change and the least able to mitigate its consequences. Furthermore, natural disasters, receding coastlines and rising temperatures have led to increased food and water insecurity, damage to infrastructure and the services it provides, and the disruption of supply chains.

From the onset of the pandemic, FinDev Canada quickly adjusted its activities in order to deliver on its mandate. Our COVID-19 response strategy, rolled out in 2020 and continued in 2021, focused on transactions that could most effectively inject liquidity into target markets in order to generate impact. A greater emphasis on working with financial intermediaries helped us reach end-clients that most needed support, in a timely manner.

Throughout 2021, FinDev Canada achieved some notable milestones in its corporate growth despite the challenges posed by COVID-19. These include rollout of the updated Environmental and Social Risk Policy, launching a Climate Change Policy, developing a Climate Change Strategy, and internalizing the new Business Integrity function. The Corporation also continued to build its portfolio and services, introducing a new Technical Assistance Facility Menu, and adding blended finance to our financial solutions, while continuing to approve and close new deals. As of June 30, 2021, FinDev Canada booked assets totaling US $294.6 million (58 per cent debt and 42 per cent equity; 48 per cent in sub-Saharan Africa, 39 per cent in Latin America and the Caribbean and 13 per cent multiple geographies) across 22 clients. We also mobilized US $12 million to date and approved six technical assistance projects.

As it is expected that the effects of the pandemic will continue to be felt throughout our target markets well beyond the first year of the 2022-2026 planning period, FinDev Canada expects to **stay the course** adopted in 2020- 2021. As such, we will continue to expand our presence in the financial industry by working with financial intermediaries. Efforts to strengthen our internal capabilities will also be extended over the planning period to maintain our agility to respond to the evolving conditions in our target markets. At the same time, we will explore – and building our readiness for – **new business opportunities** within our priority sectors where gaps persist, and which match FinDev Canada's capabilities.

While FinDev Canada will continue to focus on the priority sectors of **agribusiness** value chain, **green growth** and the **financial industry** to provide an effective in response to the conditions created by the pandemic and the climate crisis, we will also explore sub-sectors within these priority sectors that offer a high potential for impact.

As the world turns its attention to recovery and resilience, governments and development agencies are focused on supporting a "build back better" agenda by improving and expanding access to basic services, particularly for women, and contributing to economic growth, social progress and climate action. We see a potential to play a greater role in the sustainable infrastructure space, as part of our focus on green growth in those areas that are especially relevant to our development impact goals. Similarly, as we deepen our support to the financial industry, we will also look for opportunities to expand into supply chain and trade finance, an area of vulnerability for MSME's in developing countries, and one where we can benefit from the expertise of our parent, Export Development Canada (EDC), in developing innovative solutions.

An additional $300 million capitalization of FinDev Canada announced in the 2021 Federal Budget, and the launch of the $76 million *2X Canada: Inclusive Economic Recovery (2X Canada)* concessional finance facility, will allow us to broaden and deepen our activities with a greater impact. FinDev Canada will continue to collaborate with the Government of Canada throughout the planning period, in order to fulfill its mandate as a critical tool to achieve impact through the private sector in developing countries.

Over the planning period, we will continue to affirm our position as a leader in gender-lens investing by participating in the 2X Challenge global initiative, exploring domains such as the care economy and, as part of implementing our Climate Change strategy, examine the intersectionality of gender-climate investments.

Efforts to play a more active and independent role in developing transactions is a priority for FinDev Canada. While we will continue to partner with other DFIs, we will seek to gradually expand our role in leading the structuring of impactful transactions.

As we transition from a start-up phase to more structured growth, and to position the organization as a leader in the development finance space, we will build on 2021 achievements, enhance existing strategies, policies and frameworks, expand our impact management tools, and continue to build our team, which has grown steadily since the onset of the pandemic. Moving forward, FinDev Canada will implement a hybrid working model, enabling employees to work remotely or in the physical office, while maintaining stringent standards for health and safety. As the recovery takes shape, we will resume our consideration to develop a presence in our target markets.

During the 2022-2026 planning period, FinDev Canada will also work to enhance our profile with the Canadian public, as recommended by the 2020 Operational Review undertaken by the Government of Canada. We will, among other initiatives, leverage social media channels to increase awareness of our clients' successes, foster discussions and promote innovation in the sector and enhance our website and online presence.

In line with our objective to achieve financial sustainability, FinDev Canada's financial forecast indicates that we expect to begin generating profits towards the end of the planning period, while continuing to deliver on our impact mandate.

1 FinDev Canada at a Glance

1.1 Introduction

With a mandate to provide development financing and other forms of development support to the private sector in a manner consistent with Canada's international development priorities, FinDev Canada envisions a more sustainable and inclusive world, where women contribute to, and benefit from economic opportunities. As such, we consider every investment through a gender lens, thereby helping our clients realize the business benefits of empowering women at all levels in the economy.

Since its inception in 2018, FinDev Canada has grown steadily, building a portfolio of impactful transactions of nearly US $300 million at June 30, 2021. We have established ourselves among the Development Finance Institution (DFI) community as a leader in gender-lens investing, and an efficient organization that delivers on client and partner needs in a timely and business-focused fashion.

As we transition from our start-up phase, our goal is to achieve meaningful, demonstrable, and sustainable development impact by contributing to the success of private enterprises in developing countries. Despite the COVID-19 pandemic and the resulting economic and social crises, we were able to rapidly respond and adjust to the circumstances, maintain our growth, meet business and impact objectives, and position the organization as a leader in the market.

The present Corporate Plan reviews the organization's strategic priorities and achievements to date and presents its plans for the period 2022-2026.

1.2 Strategic Positioning

1.2.1 Development Impact Priorities

FinDev Canada's mission is to provide financial solutions to businesses and mobilize private investment in developing countries that generate positive impact in the areas of **women's economic empowerment**, **climate change mitigation and adaptation** and **market development**. These three target impact areas anchor our strategy, with women's economic empowerment standing out as a key goal and a core driver of our decision-making.

FinDev Canada's Development Impact Framework[1] reflects the critical social and economic impacts needed to reduce poverty and achieve a more stable and prosperous future in developing countries. By 2030, FinDev Canada envisions a private sector that accelerates sustainable and inclusive local economic growth, increases women's participation in local economies, creates jobs, and is well-positioned for a low-carbon, climate-resilient future.

Figure 1: FinDev Canada's Development Impact Goals

These development impact priorities align with the challenges facing FinDev Canada's priority markets, which have been exacerbated by the economic and social crises triggered by the COVID-19 pandemic. They also align with several of the United Nations Sustainable Development Goals (SDGs), particularly SDG 5 (Gender Equality), SDG 7 (Affordable and Clean Energy) , SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation and Infrastructure), SDG 13 (Climate Action) and SDG 17 (Partnerships).

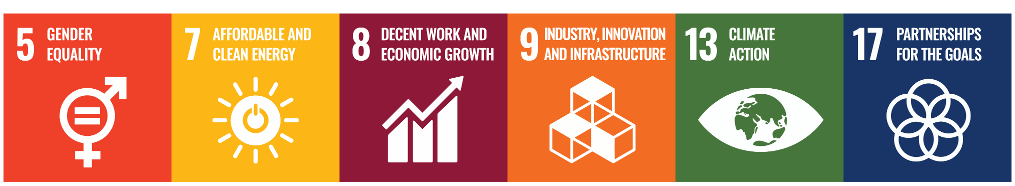


Figure 2: FinDev Canada's Priority SDGs

1.2.2 Regions of Focus

FinDev Canada has prioritized and developed expertise in two broad regions: **Latin America and the Caribbean**, and **Sub-Saharan Africa**. These regions align with the Government of Canada's development assistance priorities and include countries at varying degrees of development and income levels facing diverse sets of issues and opportunities.

Sub-Saharan Africa
US $57 million

Latin America & Caribbean
US $90 million

Figure 3: Clients signed in 2021 (as of August 31st)

1.2.3 Priority Sectors

FinDev Canada's has prioritized three broad sectors: Agriculture and agribusiness value chains, green growth and financial services, which align well with Canada's broader priorities and areas of expertise.

Agriculture and agribusiness value chains are key sources of livelihoods and employment in many developing countries, particularly for women, and important contributors to Gross Domestic Product. FinDev Canada works with companies across value-chains to strengthen production, processing for value addition, storage, logistics and distribution, and access to markets. We invest in businesses which contribute to realizing the sector's potential and we seek to leverage sector-specific technological innovations ("ag-tech") to address issues around income generation, diversity of jobs and food security.

Green growth: The detrimental effects of climate change and their impact on the natural environment have exacerbated inequalities in developing countries, especially for women and rural communities. This has led to an urgency for investments in green growth including renewable energy, energy infrastructure, energy efficiency, water supply, water management, waste management, waste-water management, bio-refinery products, green industrial production, as well as climate mitigation and adaptation solutions to help create more sustainable, inclusive and climate resilient economies.

Financial services serve a critical role in the markets we serve. Yet accessing them is challenging in many markets, especially for women entrepreneurs and MSMEs, who are inadequately equipped to sustain external influences such as trade and supply chain disruptions. Supporting local financial institutions, including banks, non-bank financial entities, cooperatives, leasing, and factoring companies enables them to increase financial services offerings to underserved segments and to leverage technological solutions dedicated to financial services ("fin-tech"). Working with local financial institutions also helps FinDev Canada reach smaller, high impact customers that it could not otherwise serve directly.

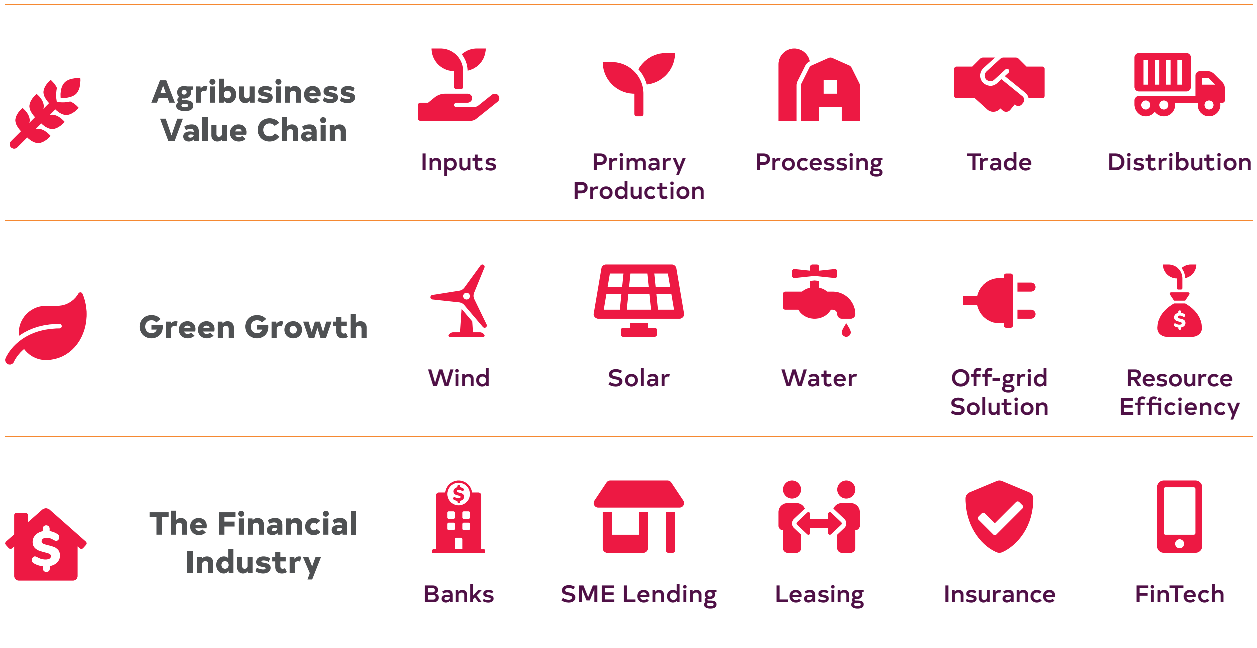


Figure 4: Illustration of Sub-sectors Within FinDev Canada's Priority Sectors

1.2.4 Solutions Offering

INVESTMENTS

As a financial institution, FinDev Canada aims to build a diversified portfolio, balancing ambitious impact objectives with long-term financial sustainability. We offer a range of commercial financial solutions to viable clients that demonstrate their ability to generate sustainable economic, social and environmental benefits for local communities. Our financial products comprise direct loans, including structured and project financing, equity investment - either directly or through funds – and guarantees. We provide tailored and timely solutions to our clients' needs. FinDev Canada seeks an appropriate return for its investments while at the same time complementing and mobilizing – not displacing – commercial sources of funding in the markets where we operate.

CONCESSIONAL AND BLENDED FINANCE

In order to be an even more effective development finance partner to the private sector in the markets we serve, FinDev Canada has recently added concessional finance in its suite of solutions.

Concessional finance products – whether debt, equity or guarantees – by definition, carry terms and conditions more generous than market. Concessional finance combined with financing on commercial terms provides **blended finance solutions** to clients to bring investments to fruition. In instances where an investor is unwilling to commit capital due to real or perceived risks. The judicious use of concessional finance, upholding the principle of minimum concessionality among other aspects[2,3], can be an effective way to mobilize investment.

What is Blended Finance?

Blended finance is the use of catalytic capital from public or philanthropic sources to increase private sector investment in sustainable development

Convergence

In April 2021 FinDev Canada established *2X Canada: Inclusive Economic Recovery*, a $76 million concessional finance facility funded by the Government of Canada through Global Affairs Canada (GAC), that aims to enhance the socio-economic well-being of underserved, vulnerable populations, particularly women, primarily in Latin America, the Caribbean and Sub-Saharan Africa. The facility complements FinDev Canada's core mandate, expands the reach of Canada's development finance capabilities and contributes to a gender-smart economic recovery, as our target markets struggle with the impacts of COVID-19, by mobilizing additional public and private investment.

TECHNICAL ASSISTANCE

FinDev Canada's Technical Assistance (TA) Facility was launched in early 2020 with funding from Global Affairs Canada and with the objective to enable our private sector clients and other market players to build capabilities, deepen their development outcomes and scale sustainably. TA is an important tool to complement investment activities and helps foster more holistic relationships with our investees and with relevant market players. The TA Facility is central to our ability to support private sector development in developing countries.

The TA Facility addresses capacity gaps in three areas: gender action, impactful data and business performance. The TA Facility's primary beneficiaries are our clients, including companies and financial institutions as well as intermediary fund managers and their portfolio companies. Market development projects involve non-client private sector enterprises or other market players; their goal is to build gender lens investing approaches, impact measurement methodologies and address other shortcomings or opportunities in specific areas.

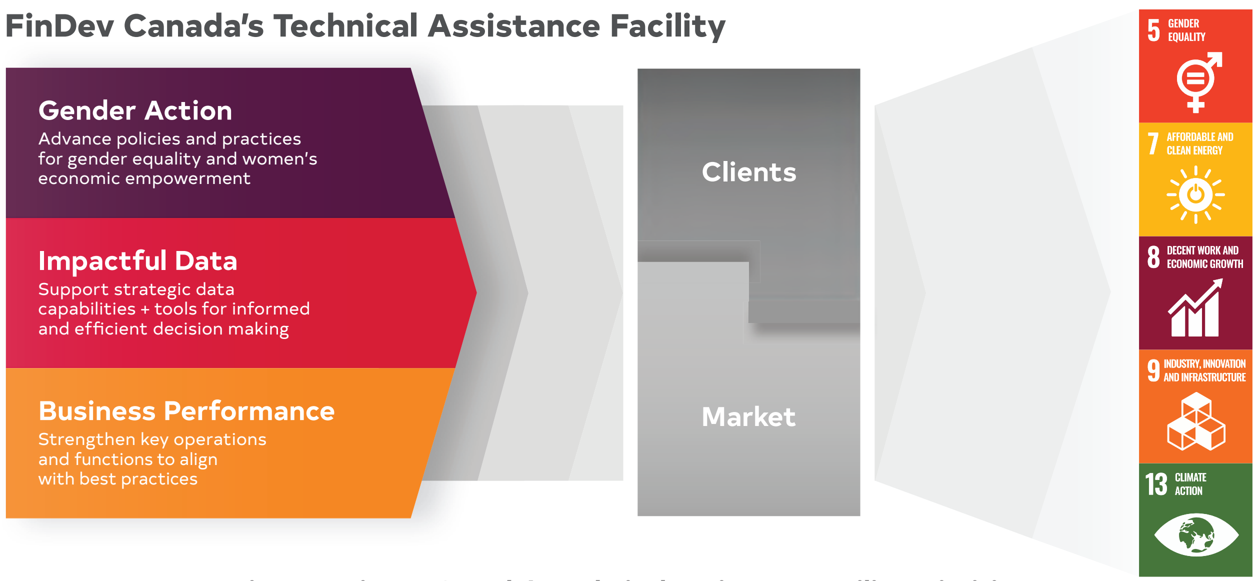


Figure 5: FinDev Canada's Technical Assistance Facility Priorities

1.3 Partnerships

Since inception, FinDev Canada has adopted a partnership-preferred philosophy, in order to build expertise, share learnings and increase effectiveness by combining its strengths with those of like-minded organizations.

To-date, we have signed Memorandums of Understanding (MoUs) with 12 organizations, including bilateral DFIs and multilateral organizations. The goal of these MoUs is to collaborate on sourcing and developing business opportunities, share intelligence and best practices and generally leverage each other's strengths.

Figure 6: Organizations That Have Signed Memorandums of Understanding With FinDev Canada

FinDev Canada is also a member of various organizations and coalitions, including:

- A founding member of the **2X Challenge**, a multilateral initiative launched during the G7 Charlevoix Summit in June 2018 with the ambitious objective of deploying and mobilizing capital to support projects that empower women as entrepreneurs, business leaders, employees and consumers of products and services.
- The **Operating Principles for Impact Management** (OPIM), a nine-principle framework used by investors to help ensure that impact considerations are integrated throughout the entire investment lifecycle.
- The **DFI Alliance**, launched in the spring of 2019, as a joint initiative of the association of European DFIs (EDFI), the Development Finance Corporation of the United States (US-DFC) and FinDev Canada. Its goal is to act as a common voice and channel for action on issues of common interest, and complement the work already accomplished bilaterally or in other fora.
- The **Canada Forum for Impact Investment and Development** (CAFIID)[4], a platform bringing together Canadian individuals, organizations and investors working in developing countries to learn, share, collaborate and act as a collective voice to strengthen the value and the volume of impact investment.

By participating in these organizations in Canada and abroad, we are able to learn from and contribute to industry development and best practices, identify business opportunities, and maximize our impact potential.

1.4 Incentives and Scorecard

FinDev Canada's scorecard measures the success of our activities, including the impact we generate in our target markets, the strength of our investment activities, our ability to mobilize the private sector, the value we provide to our clients, as well as risk appetite and sustainability targets.

Employee compensation is tied to the scorecard and drives the activities and behaviours that ensure FinDev Canada builds an impactful portfolio while adequately balancing risks and return.

Impact Management	The impact scorecard measures FinDev Canada's ability to be an agent of change along our key impact objectives. For gender equality and women's economic empowerment, we will continue to leverage the work done by the 2X Challenge by measuring the proportion of transactions eligible under 2X criteria.
Investment Activity	The ability to generate a diversified portfolio is integral to FinDev Canada's success. The investment scorecard measures the strength of our investments against set targets identified including the volume of approved transactions.
Mobilization	FinDev Canada established a quantitative target for the mobilization of private sector investment. This takes into account the expected challenging market conditions that will prevail, particularly in the early years of the 2022-2026 planning period.
Financial Sustainability	FinDev Canada manages its expense budget efficiently and seeks to generate the revenues required to progress towards financial sustainability within the planning period, as established in the Financial Plan.

1.5 2021 Achievements - Snapshot

1.5.1 Operational Results

Investment portfolio: Based on the current pipeline of transactions, FinDev Canada expects to close up to 15 transactions in 2021 for a total of up to US $230M and mobilize US $45M in private investment.

Phatisa Food Fund II

US $10 million equity investment to contribute towards food security in Sub-Saharan Africa through the promotion and expansion of sustainable and resilient local food production and distribution.

- 12,000+ jobs supported and 90,000+ smallholder farmers and micro-entrepreneurs reached
- 50+% reduction in food losses due to promotion of climate-smart agricultural practices
- 25+% increase in farmer yields and +3M tons of food (products) produced in Africa
- 14,000+ women benefiting from market linkages and TA, with at least 30% of the Fund's portfolio companies meeting the 2X criteria

Cooperativa Pacifico

US $10 million loan to provide liquidity to Peru's hard-pressed sm`all and medium-sized enterprises by the COVID-19 pandemic.

- 140+ SMEs with improved access to finance and 4,200+ jobs supported
- 25+ women-owned SMEs supported and job creation of 1,000+ jobs for women across a variety of sectors
- Enhanced liquidity to allow SMEs to maintain or expand operations, contributing to economic and social benefits in the community

Technical Assistance (TA): In 2021, six TA projects were approved as of September, as we continued to build our capabilities, with a focus on a client engagement and evidence-based TA programming.

UN Women/Lelapa Fund Design Workshop

FinDev Canada, together with UN Women and Lelapa (a woman-founded African fintech advisory firm), hosted a workshop in November 2020 to convene 52 women fund managers and DFIs, from across 30 organizations, to discuss the challenges of investing with a gender lens in African SMEs. Insights from the workshop have been put together in a publication shared with the broader DFI and impact investment community. The report highlights that investing with a gender lens requires a rethinking of traditional parameters on risk-measurement, type of capital, technical assistance, and deal sizes, because many women-led businesses have risk capital requirements below $1 million.

LELAPA AFRICAN FINTECH ADVISORY

WAI GROUP

UN WOMEN

2X Canada facility: FinDev Canada signed an arrangement with Global Affairs Canada in March 2021 to establish 2X Canada, a facility that will strengthen Canada's presence in the global blended finance arena. With the internal implementation framework finalized and operational, FinDev Canada is currently developing a pipeline and we anticipate the approval of at least one blended finance deal by year-end 2021.

Achieving impact: FinDev Canada's 2020 Annual Report included extensive reporting on its development impact to date, as highlighted in our impact portfolio dashboard.

Impact Reported by Investees

8 DECENT WORK AND ECONOMIC GROWTH
4,711
total quality jobs supported

5 GENDER EQUALITY
1,937
quality jobs for women

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
1,647,637
people receiving improved access to tools and services

7 AFFORDABLE AND CLEAN ENERGY
678,756
MWh of clean energy produced

13 CLIMATE ACTION
38%
of total investments in tclimate finance

Figure 7: FinDev Canada's Impact Reported by Investees as of December 2020

1.5.2 Corporate Achievements

Capitalization	In Budget 2021, the Government of Canada announced an additional $300 million of capitalization starting in 2023-2024, to support the growth of FinDev Canada.
Operational Review	The Corporation executed the majority of recommendations from the Operational Review conducted in 2020 by the Government of Canada. Outstanding recommendations are long-term in nature and will be completed over the planning period (see Appendix 4).
Building a Strong Team	FinDev Canada virtually on-boarded 10 new employees, including a new CEO.
Strengthening Capabilities	FinDev Canada established or reinforced the following internal capabilities and processes: → Mobilization strategy, streamlining the organization's methodology and outreach approach (see section 3.2.2). → Internalization of the Environmental and Social (E&S) function within FinDev Canada and its incorporation in the Gender & Impact Management team. → Internalization of the Business Integrity (BI) function. In both cases this evolution from EDC-provided services though the SLA model is a sign of the maturing of the organization and of its specific needs. → Begun the implementation of our internal digital strategy.
Fostering Collaboration	As a founding member of the 2X Challenge, FinDev Canada collaborated closely with other members. Collectively, the Challenge raised US $7 billion, more than doubling the initial US $3 billion targets. The 2X Challenge has now set a new collective target of US $15 billion.
Promoting Transparency	As a signatory to the Operating Principles for Impact Management (OPIM), in Q1 2021, FinDev Canada commissioned in an independent verification of its alignment with the Impact Principles, benchmarked against its peers. The verification report validated that impact is embedded throughout FinDev Canada's investment process and concluded that we are particularly strong at defining strategic objectives, systematically managing, and assessing and monitoring impacts and Environmental and Social (E&S) risks for each transaction.

2 Operating Environment

2.1 Global Outlook: Effects of COVID-19

The impact of the pandemic will remain a focal point of the near-term outlook for the world economy. Current growth and expectations support an aggressive rebound throughout 2021 and 2022. This year, significant momentum will propel world growth to 6.2 per cent, followed by an almost equally impressive 5.7 per cent[5] gain in 2022. While most economies in the developed and emerging worlds will benefit from resurgent activity, figures from the World Bank show that this growth will not be evenly spread – and most countries in Sub-Saharan Africa and Latin America and the Caribbean are expected to see a reduction in economic growth.

The discrepancy between emerging and developed markets is especially apparent with respect to global vaccination rates. At the time of writing, 74 per cent of the Canadian population has received their first dose, with 69 per cent fully vaccinated[6]. On the other hand, 28 per cent of the population in Latin American countries are fully vaccinated while many countries in Sub-Saharan Africa remained below 5 per cent for a first dose. According to Bloomberg's COVID-19 tracker, at current rates most of Sub-Saharan Africa are more than 120 months away from vaccinating 75 per cent of their populations – the threshold generally considered for "community immunity"[7].

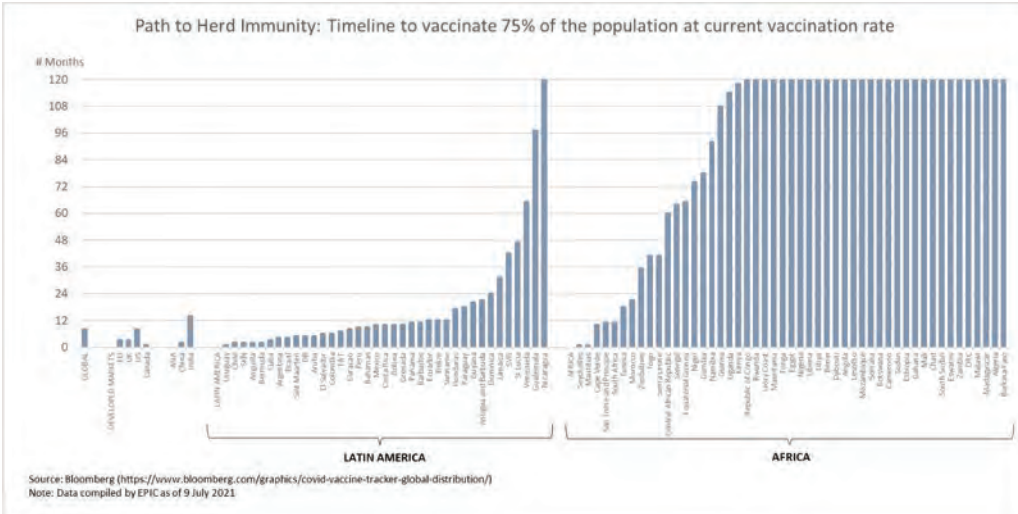


Figure 8: Path to Herd Immunity as Reported by Bloomberg

The pace of economic recovery is dependent on: i) Vaccine distribution – early indicators suggest emerging economies adoption rates are still very low but are expected to increase in 2022-2023; ii) susceptibility of countries and regions to additional significant waves that would curtail the forecasted growth trajectory; and, iii) the reduction in labour force participation, particularly for the hardest hit sectors such as tourism, manufacturing, agriculture and transportation.

In addition to these factors, individual countries' response and recovery efforts, as well as consumer confidence will play a significant role in the recovery. In many instances, central banks have stepped in where possible to support market liquidity, with governments implementing measures to support businesses and consumers, but their fire power is often limited or achieved at the cost of significant public debt.

Eighteen months on, uncertainty remains on how fast the situation will return to some form of normalcy, and what this normal will look like.

2.1.1 Effects of COVID-19 on FinDev Canada's Target Markets

The effects of the COVID-19 pandemic have exacerbated the long-standing challenges that development finance has sought to address, particularly around income and social inequalities and inclusive and sustainable economic growth. At the same time, the urgency of the climate crisis continues to grow.

The following section analyzes the effects of the crisis on Latin America and the Caribbean and Sub-Saharan Africa, FinDev Canada's target regions.

ENTERPRISES AND LOCAL NETWORKS

There has been an increased need for policy response and support, coupled with private investment to fuel market development. Projected Gross Domestic Product and unemployment rates have fallen considerably across developing countries, while global supply chain issues continue to impact developing countries[8]. For instance, with limited economic activity, furthering public debt vulnerabilities and reduced opportunities for informal sector workers, women and youth[9], Sub-Saharan Africa experienced in 2020[10] its first recession in 25 years. Similar fate faces the Latin America and the Caribbean region, where it is expected that per capita incomes in the region will not catch up with pre-pandemic levels until 2024[11].

The effects of the pandemic have been substantial, but more so for micro, small and medium-sized enterprises (MSMEs), which have experienced significant revenue losses as a result of business failures[12]. With a large proportion of these businesses operating within the informal economy, they are more likely to have less resilience and flexibility to deal with increasing costs, along with the lower levels of support and availability of teleworking[13]. Furthermore, many of the developing states and small islands such as the Caribbean are reliant on the tourism industry, which has plummeted in the wake of COVID-19. Considering it is a sector integral to the health of the local economies, robust fiscal policy and private sector support is required to support vulnerable MSMEs[14].

With a reduction in household income and private consumption, the effects of the economic downturn and health crisis triggered by the pandemic will require much-needed investment in key sectors. While a relaxation of COVID-19 measures in some regions may slightly improve access to inputs, access to credit continues to remain a challenge for MSMEs.

WOMEN

Gender inequity and vulnerabilities are magnified during times of crises. The United Nations estimates that the pandemic will widen the gender poverty gap, with more women being pushed into poverty than men, due to the compounded effects of job and income losses, increase in unpaid care work, lack of social protection, and the overrepresentation of women workers and entrepreneurs in informal sectors and sectors affected by lockdown measures[15].

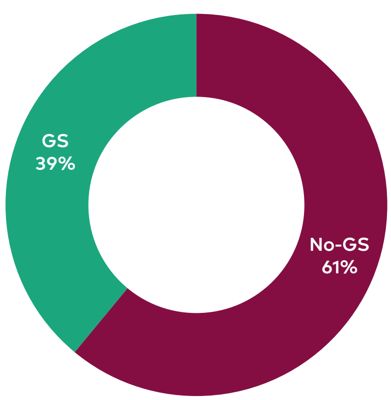
In fact, in Sub-Saharan Africa, 41 per cent of women-owned businesses closed versus 34 per cent for men-owned; in Latin America and the Caribbean, these figures are 40 per cent versus 29 per cent, and in South Asia, 51 and 45 per cent, respectively[16].

Economic sectors dominated by women have been among the worst hit; COVID-19 shutdowns have curtailed activities in industries such as tourism, hospitality, transport and retail[17]. The negative impact has been compounded by reduced access to funding from local lenders who, in the absence of gender-smart banking products, may require higher levels of collateral. Faced with a credit gap that is likely to increase from an estimated US $1.5 trillion[18] in 2019, women-owned businesses will require smaller ticket sizes, more patient capital, and skills-building interventions in support of their recovery.

The International Labour Organization's (ILO) 2021 report on COVID-19 and the World of Work[19] states that the employment-to-population ratio fell 2.6 per cent for women compared to 1.8 per cent for men in low-income countries. While this can be attributed to revenue losses as discussed above, the burden of care, which falls primarily to women, is a key contributor.

Numerous initiatives, measures and policies have been put in place by governments and development agencies to combat the negative effects of the pandemic, but few have been designed to address women's needs and constraints such as those presented above. A report by UN Women and the United Nations Development Programme (UNDP) found that just 39 per cent (graph 1) of global measures were gender sensitive, with the majority addressing violence against women[20]. The statistics are much worse for developing regions. In Latin American and the Caribbean, policies to support women's security, unpaid care work and violence against women are inadequate (graph 2).

Graph 1
Proportion of Gender Sensitive (GS) and Non-sensitive (No-GS) Measures Globally



Graph 2
Measures by Type — Global vs. Latin America and the Caribbean

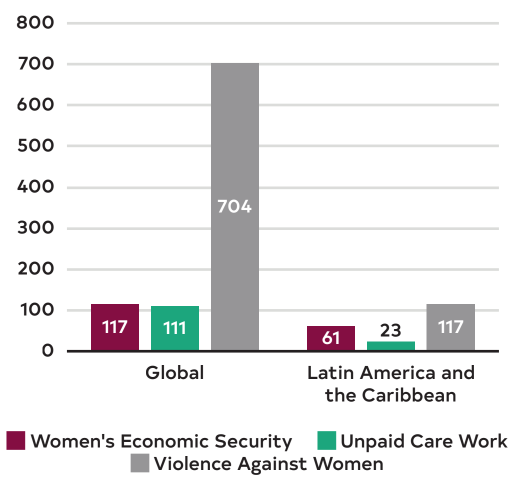


Figure 9: Analysis of Measures Put in Place to Combat the Negative Effects of the Pandemic

The increase in unstable income and limited access to social security protections for women makes them more vulnerable to economic crisis[21].

CLIMATE CHANGE

The effects of climate change have been felt across the globe, exacerbating many existing inequalities. The World Bank estimates that the impact of climate change could push an additional 100 million people below the poverty line by 2030[22]. Natural disasters, receding coastlines and rising temperature have led to increased food and water insecurity, damage to infrastructure and disruption of supply chains. Unfortunately, while developing countries are the most impacted by climate change, they are the least able to afford its consequences. Women and children bear the brunt of these effects, deepening the already existing social and economic inequalities.

There is consensus within the development community that supporting developing countries through climate-smart investments has the potential to unlock economic growth and drive new sustainable, inclusive and equitable jobs. International initiatives, in particular the successive Conferences of the Parties (COP) under the United Nations Framework Convention on Climate Change (UNFCC) have, in recent years, helped increase the urgency of climate action and contributed to significant deployment of capital to ensure progress on climate change mitigation, adaptation and resilience.

Environment and climate interventions are most effective when women play an active role. As employees in the climate sensitive sectors and consumers of food and energy, they can be powerful agents to help curb pollution and other climate related issues, highlighting the importance for development agencies and donor countries to design climate and gender smart solutions.

Food and water security remain complex issues. A high dependency on agriculture and supporting industries (transport and processing) for economic prosperity in regions like Sub-Saharan Africa make them susceptible to climate change. Similarly, global feeders such as Latin America - which make up around 25 per cent of world agricultural production – have struggled to pivot to more sustainable and inclusive food and supply chain systems.

While strides have been made to support economic diversification and development of sustainable infrastructure, the lack of efficient resource use and robust policy management has led to a lag in climate action. Institutions such as the World Bank Group have continued to provide technical and financial support in the region, especially around clean energy, forest restoration, climate-smart agriculture and urban resilience[23]. With a goal of meeting the Nationally Determined Contributions (NDCs) set forth in the Paris Agreement[24], there is need for more support to transition to a clean and sustainable economy.

2.2 The DFI Landscape

When the COVID-19 pandemic hit, many DFIs had to re-evaluate their strategies; concentrating first on immediate needs and then looking at their role in the recovery process. The first course of action was to mitigate any effects of the pandemic on their balance sheets and maintain their portfolio by supporting existing clients. Eighteen months on, while investing has been challenging – particularly conducting due diligence during travel restrictions – many DFIs report better portfolio performance than initially feared. Concerns that their balance sheets would be significantly weakened did not materialize, nor did the type of demand they expected for urgent liquidity support.

As a result of the pandemic, DFIs had to adapt to new ways of working including virtual and shared due diligence. Moving forward, as uncertainty around the global economy remains, DFIs will need to continue adapting their business models to address market needs effectively despite travel limitations, by leveraging technology and fostering innovation.

Perspectives of a post-pandemic ‘normal’ and of a return to a pre-crisis state are contrasted by persisting, if not increasing, strain on clients’ businesses. DFIs must simultaneously be prepared to kick-start business when markets open up while remaining vigilant to persistent threats posed to their clients in the foreseeable future.

That said, the pandemic did bring opportunities for greater collaboration. Several task forces were created, particularly under the leadership of EDFI – the European DFIs’ umbrella association - to share information and coordinate on investments and policies. Multilateral initiatives such as the 2X Challenge have mobilized billions in capital for women’s economic empowerment and recovery, further strengthened global alliances across the development space, creating a more robust and formalized approach to centralizing development finance and international support. DFIs are working more collaboratively than ever and the expectation is that this becomes the norm moving forward.

2.3 The Canadian Landscape

Canada's Feminist International Assistance Policy (FIAP) has positioned Canada and Canadian impact investors as leaders on Gender Lens Investment (GLI). More than 70 per cent of impact investors employ a GLI focus when evaluating deals, and over half apply a customized metrics for GLI.

Despite the effects of COVID-19, impact investing for development in Canada continues to show resilience and growth. Recent research conducted by the Canada Forum for Impact Investment and Development (CAFIID) to assess the effects of the pandemic on Canadian investors shows that more than 60 per cent of respondents have either not been affected by COVID-19 or have been positively affected - with only 34 per cent reporting a negative impact to their portfolio. While much of this can be attributed to increases in government funding, capital injections also stemmed from the entrance of new players and existing private sector firms increasing their assets under management[25].

Climate action is priority for Canada, and an area where it intends to take a leadership role. During the G7 meeting in June 2021, the Government of Canada announced a doubling of its previous commitment to international climate finance to $ 5.3 billion over five years, which includes increased funds for adaptation and biodiversity. This is expected to stimulate the development of climate-focused initiatives as the government seeks partnerships to achieve this goal.

There is still much to be done to attract Canadian investors to developing markets. The use of blended finance is expected to continue growing as a tool of choice to bridge this gap[26]. Almost 60 per cent of impact investors and advisors work with blended finance instruments. With organizations such as Convergence[27] playing a leading role by providing much needed research, education and collaboration, blended finance is increasingly sought as solution to mobilize larger firms in the private sector to commit to investing for impact.

3 2022-2026 Business Strategy: Leading With Impact

In planning for 2022, FinDev Canada intends to stay the successful course adopted in 2020 and continued in 2021. We will continue to explore opportunities to expand our presence in the financial industry within our target markets, with an emphasis on financial institutions and intermediaries that can reach underserved segments, particularly gender and climate-smart clients that create jobs and drive sustainable and inclusive local economic growth.

While the future of developing economies remains uncertain as they continue to grapple with the impact of the COVID-19 crisis, expectations are that market conditions will evolve significantly over the planning period. FinDev Canada will continue to scan the environment to ensure we are ready to adjust our strategy to seize emerging opportunities. We will also continue to build and strengthen our corporate capabilities in support of our growth, from both a human resources and organizational perspective. The financial forecast shows that FinDev Canada expects to begin generating profits towards the end of the planning period, while continuing to deliver on its impact mandate.

Development impact is at the core of what we do and drives our programming decisions. The section presents the initiatives that we will continue to pursue and expand. It also presents new initiatives that were developed in the course of 2020 and 2021 and have recently been launched or are ready to be launched and introduces areas for expansion that we will validate as market conditions become clearer.

3.1 Development Impact Priorities

As outlined in section 1 of this plan, FinDev Canada's impact priorities rest on three main pillars: Women's Economic Empowerment, Climate Change Mitigation and Adaptation and Market Development.

3.1.1 Women's Economic Empowerment

Guided by the four action areas outlined in the Gender Equality Strategy, FinDev Canada continues to strengthen its focus on women's economic empowerment (WEE) and refine its role as gender-lens investor. In 2021 we took efforts to drive progress on gender equality by undertaking activities on several fronts that will carry over into the planning period.

Portfolio Level		Institutional & Industrial Level	
Steer capital towards transactions with high WEE impact	Promote 'gender action' with clients	Lead by example with own practices	Be an agent of change in the investment community

Figure 10: The Four Priority Action Areas of FinDev Canada's Gender Equality Strategy

- **Steering capital towards transactions with high WEE impact:** The COVID-19 pandemic has had a disproportionate impact on women in the regions where FinDev Canada operates. As highlighted in chapter 2, while women have lost more employment leading to high income losses, measures and policies designed to address the effects of the pandemic have generally not targeted the specific issues faced by women. As a result, FinDev Canada, has been working to deploy its capital to bridge these gaps.

Alianza del Valle

US $7.5 million to provide financing to microenterprises, half of which will be women-owned SMEs, and contribute to promoting sustainable livelihoods.

- access to 600+ loans for microenterprises, half of which are expected to be women-owned microenterprises thereby improving access to finance
- provide comfort and relief in the Ecuadorian microfinance market, which is currently facing significant liquidity needs.

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Cooperativa de Ahorro y Crédito

FinDev Canada will continue to deploy and mobilize capital over the planning period to help clients enhance their impact on WEE, drawing from the learnings from Financial Intermediaries.

- **Promote gender action with clients:** FinDev Canada will continue to leverage our TA Facility to help clients implement better practices in gender matters. In 2021, we rolled out a 2X Challenge training for fund managers, as well as a gender action Technical Assistance Menu (see TA section). In 2022 and beyond, we will deploy this new offering, to help fund managers incorporate a gender lens into their investment strategy using the 2X framework as a blueprint.

- **Lead by example with WEE practices:** Alongside its parent company Export Development Canada (EDC), FinDev Canada obtained *Women in Governance (WiG) Parity* certification, helping us lead by example in gender equality and diversity. We intend to take this assessment annually and implement any recommendations.

  In addition, executing on the recommendation from the Government of Canada's Operational Review, FinDev Canada developed and began executing on a plan to engage with women in our target markets and refine our gender strategy and priorities according to their experiences and their needs.

  FinDev Canada is committed to integrating gender equality across its activities both externally and internally. We will continue to implement internal targets linked to employee remuneration for the number of 2X-qualifying transactions and ensure our committees and governing bodies are gender balanced.

As at December 31, 2020, women comprised:

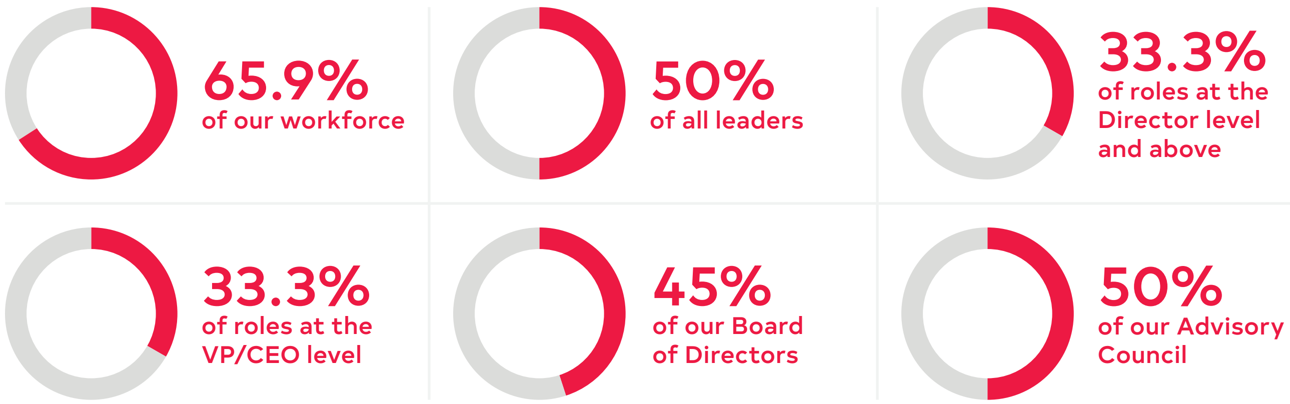

Figure 11: FinDev Canada's Internal Composition of Women Employees

- **Be an agent of change in the investment community**: We are taking a leading role in chairing the 2X Plus taskforce, working towards strengthening the 2X criteria to embed additional dimensions on gender and justice, equality, diversity, and inclusion. We are also a leading contributor to the 2X Climate Taskforce. Additionally, FinDev Canada was involved in the launch of the 2X Collaborative Industry Body, which includes private sector actors, including the Investor Leadership Network.

  FinDev Canada has begun work on issues of women's economic empowerment. To tackle gender-based violence and harassment (GBVH), we are helping to create a DFI Roadmap on GBVH. By collaborating with peers such as the 2X Collaborative, we will seek to deepen our understanding of intersectionality, care work and GBVH in the context of DFI investments to inform our WEE approach. Internally, we rolled out a new Environmental and Social (E&S) policy that considers gender risks in our investments.

3.1.2 Climate Change

FinDev Canada is committed to implementing an investment approach that is aligned with the objectives of the Paris Agreement, and consistent with a net-zero greenhouse gas emissions pathway. To do so, we help our clients in enhancing their climate mitigation and adaptation practices.

In 2021, FinDev Canada developed a Climate Change Strategy, based on a multi-stakeholder approach and informed by peer and market best practices, a key step in shaping our position as an agent of change in climate and gender-smart investing. The Climate Change Strategy is underpinned by the Climate Change Policy approved by the Board in 2021, articulating the guiding principles and our commitment to climate action. It is an integral part of our overarching policy framework and serves to promote climate mitigation and adaptation through our investments and operations.

The Climate Change Strategy describes how the Policy will be implemented, structured around three pillars:

- **Gender & climate-smart investing:** apply gender and climate lens to all investments thereby establishing our positioning as leader on gender and climate-smart investing.
- **Driving net-zero emissions:** as the second DFI with a net-negative portfolio, FinDev Canada seeks to maintain this status. We will publish in October 2021 audited portfolio greenhouse gas (GHG) emissions against the standards of the Partnership for Carbon Accounting Financials (PCAF).
- **Enabling climate resilience:** FinDev Canada is an active member of DFI+ Adaptation & Resilience Collaborative, developing a climate risk management approach.

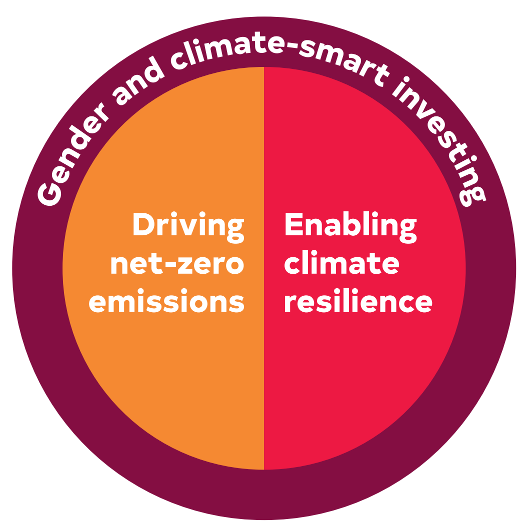

Figure 12: FinDev Canada's Climate Strategy

FinDev Canada will begin implementing the Climate Strategy in 2022, focusing on four priority areas: transactions, clients, internal practices and the investment community.

Transactions: Since the beginning of the pandemic, the share of climate finance in the portfolio has decreased given our focus on reaching MSMEs through financial intermediaries. In 2022, FinDev Canada will seek to increase its climate finance transactions, as investments in other target sectors such as agri-business and green growth, continue to grow.

Clients: FinDev Canada will expand our approach to support clients in enhancing their climate mitigation and adaptation outcomes, notably through the development of a Climate Action Menu as part of the TA Facility.

Internal practices: We will continue to apply a climate lens throughout the investment analysis and decision-making processes, such as climate risk management and a net-negative emissions portfolio. We will report publicly on the implementation and outcomes of our Climate Change Strategy, in line with the recommendations of the Task force on Climate-related Financial Disclosures (TCFD) recommendations.

Investment community: FinDev Canada will continue to demonstrate leadership on climate action in the investment community, through knowledge sharing and peer collaboration, especially on the climate and gender-smart investing nexus and driving net-zero emissions, among other strategic considerations.

3.1.3 Market Development

In 2021, FinDev Canada is expecting strong results under our market development impact goal, due in part to a focus on financial institutions and intermediaries in their COVID-19 response, which enabled us to strengthen our approach and explore further opportunities to drive inclusive market development.

Going forward, FinDev Canada will develop a strategy to expand its efforts to support local enterprises that create jobs and contribute meaningfully to their economies. The strategy will complement existing Gender Equality and Climate Strategies, ensuring synergies among our development impact priorities. Through the strategy, FinDev Canada will design a structured methodology to strengthen our market development approach by focusing on quality employment and local economic value addition through our investments.

3.2 Development Impact in Action

Heading into its fifth year of operation, FinDev Canada has positioned itself as a leader in the gender finance space. A continued focus on a few, well-chosen areas of activity will be critical to future success, especially given the size of our organization. Over the planning period, FinDev Canada will focus on its core investment and TA Facility activities to deliver on our three development impact goals.

This section details initiatives we will pursue throughout the planning period. Some initiatives are the continuation of initiatives launched previously, others are new activities that have been identified – or are in the process of being validated – based on their potential for impact and alignment with FinDev Canada's competitive strengths.

3.2.1 Investment Strategy

To achieve its development impact goals, FinDev Canada will continue building a diversified and impactful investment portfolio of private sector clients. In 2020, we adapted our business strategy to account for the economic and social effects of the COVID-19 pandemic and adjusted to the operational constraints it imposed. To do so we concentrated on financial intermediaries, as these entities are best placed to channel liquidity and financial services to the clients that most need it. We also focused on clients and counterparties where due diligence could be conducted remotely, leveraging partnerships with other DFIs and similar organizations.

In 2021 FinDev Canada maintained its 2020 strategy, while adjusting to account for evolving health and economic conditions. This approach enabled us to adapt and respond to the growing crisis facing existing and potential clients, with a limited negative impact on our portfolio. Overall, we continue to enjoy a diverse portfolio in terms of geography and asset type, despite a heavier emphasis on financial intermediaries in response to the pandemic.

As FinDev Canada plans for 2022 and beyond, two considerations are critical:

- **The Corporation's maturity level**: While partnering and co-financing with DFIs will remain important, as we continue to grow and strengthen our portfolio, FinDev Canada will seek to shift from a greater reliance on deals led by other DFIs, to deals where it plays a more active structuring role (see below "managing portfolio growth").
- **The effects of the pandemic**: COVID-19 is expected to lead to a contraction of economies across most of FinDev Canada's target markets, the effects of which are yet to be fully understood. Potential implications on our portfolio may include i) credit quality deterioration as well as non-performing loans of FI clients, which would affect the overall financial health of financial intermediaries and ii) slowdown in equity fund drawdowns, which would make it harder for funds to meet their long-term return targets.

Some of FinDev Canada's assets experienced a credit deterioration in 2021 which has led to downward pressure on the value of our portfolio. Although we expect this value to be recovered over time, we will continue to monitor the situation of all our assets.

FinDev Canada aims to support our clients' recovery and contribute to their resilience. As such, over the planning period, we will continue to monitor our target markets and adjust our strategy to focus on the sectors and opportunities that are the most conducive to achieving our development impact goals and filling existing gaps.

MANAGING PORTFOLIO GROWTH

The Financial Plan provides a detailed view of the anticipated business volumes over the next five years. At the time of writing, 2021 is anticipated to be a strong year in terms of the volume of business signed. This is due, in large part, to the delayed signing of 2020 transactions. The pace of 2021 signings may not be sustainable in the current market circumstances.

Given the uncertainty of the markets, FinDev Canada is planning for moderate growth over the planning period, with $184 million of anticipated signings in each of the first two years (2022 and 2023), followed by three years of relative stability at $208 million per year. This will allow us to build our capabilities at a manageable pace and pursue transactions where we have more influence and where we can generate impact.

As we continue to build our internal capabilities, we will gradually move to playing a greater role in structuring transactions. While we have played a leadership role in many transactions, we will build on our credibility with our closest partners to exert increasing degrees of influence from an early stage of transaction development.

INVESTMENT PRIORITIES

In 2022 and beyond, FinDev Canada will focus on building knowledge and partnerships to enable effective transaction origination, structuring, and management. Within our three priority sectors, we also see room for expanding our impact.

As the world turns its focus towards recovery and resilience, governments and development agencies are committed to "build back better", by supporting improved infrastructure and social systems, and revitalized livelihoods, economies and the environment[28]. This theme was central to the 2021 G7 summit. Similarly, the G20 recently underlined its focus on an inclusive and sustainable future. Aligned with these efforts, FinDev Canada's sectors of agri-business value chain, green growth and the financial industry will continue to enable an effective response to the needs created by the pandemic and the growing urgency represented by the climate crisis. Our current portfolio and pipeline is heavily weighted towards financial intermediaries in response to COVID-19. However, we are actively monitoring our two other priority sectors in order to identify emerging opportunities and build our readiness to seize them. Within these priority sectors we will in particular explore existing sub-sectors that offer a high potential for impact, and where financing gaps exist.

EXPLORING SUSTAINABLE INFRASTRUCTURE

The lack of access to basic services, particularly among women and rural communities, and inadequate infrastructure are major impediments to economic growth, social progress and climate action in developing countries. In 2010, the World Bank identified the lack of social and gender analysis in infrastructure projects as one of the five key challenges to reducing gender inequalities. The emphasis on "building back better" in the face of COVID-19 means expanding access to basic services and improving infrastructure. By targeting sustainable infrastructure in the regions we serve, FinDev Canada can have an impact on women's economic empowerment, as users of services, as workers or as entrepreneurs. Well-designed projects can reduce women's unpaid care responsibilities and free up their time to participate in productive activities, including paid employment. This can be achieved through better access to energy, access to reliable, safe and affordable transport, access to clean water, and affordable digital technologies.

To date, FinDev Canada has successfully supported several sustainable infrastructure projects under its broad **green growth** priority area. We however have identified, that further opportunities exist that have the potential to generate significant impact and also align well with FinDev Canada's capabilities and competitive advantages, including our ability to work within commercial timeframes and identify innovative solutions. We present below a preliminary analysis of the potential that these areas can represent and the rationale for further investments. In 2021 and leading into 2022, FinDev Canada will conduct further analysis on those opportunities in sustainable infrastructure, with a focus on validating the impact potential across our three development impact priorities of women's economic empowerment, climate change mitigation and adaptation, and market development, while also contributing to the SDGs. Attention will be given to the possibility of including gender considerations throughout the lifetime of projects, from design through to construction, operations and maintenance. We will also consider Canada's priorities, funding gaps in the market, as well as potential partners and clients, in order to support transactions best aligned with FinDev Canada's impact objectives and value proposition.

Access to clean energy: According to the World Bank, 759 million people lacked access to electricity in 2019, the majority of which are located in middle- and low-income countries. Over the last decade the number of people without electricity in Sub-Saharan Africa actually increased. Moreover, currently, about 3 billion people use highly polluting fuels (e.g., kerosene, wood, charcoal, coal) to cook in poorly ventilated homes. Women and children are the most exposed to indoor smoke and are twice as likely to suffer from chronic pulmonary disease than women who use clean energy sources[29]. In 2016, it was the cause of 1.8 million female premature deaths. Women are typically the primary users of energy within the household and are often responsible for paying household bills.

Access to reliable electricity from off-grid solutions can increase the ability for rural women to work outside the home by 23 per cent[30]. It could improve indoor air quality, improving the health of women. It could also free up billions of hours currently used to gather firewood, freeing up the equivalent of a workforce of 80 million people and would allow women to use energy for productive uses as entrepreneurs or in value chains[31]. Access to off-grid energy can in turn provide women with access to more productive technologies (e.g. solar powered filters, etc.), and allow women entrepreneurs to strengthen and expand their business models (e.g. opening hours, productivity).

Developing countries emit less Greenhouse Gas than developed countries and renewable energy enables households, communities and countries to diminish dependence on fossil fuels. Overall, increased access to renewable, affordable and reliable electricity is good for economic growth, as energy use is positively correlated with Gross Domestic Product, and is good for social progress and climate action.

Gender-smart water infrastructure: A 2019 report by World Health Organization and UNICEF shows that globally in 2017, more than 785 million people did not have access to at least basic water services and more than 884 million people did not have safe water to drink. Across particularly low-income countries, women and girls have primary responsibility for management of household water supply. Tending to this need precludes other productive engagement so enhancing access to water services is a key driver in achieving gender equity. In addition, a World Bank study of 64 water and sanitation utilities in 28 countries found that only 18 per cent of employees were women, 32 per cent of the utilities had no female engineers and 12 per cent had no women in management[32]. Women are typically the primary users of water within the household and often responsible for paying the household water bill. However, women are not always represented in consultations about service design or tariff structure. Access to affordable and safe water could free up billions of hours currently used to fetch water and allow women entrepreneurs to strengthen and expand their business models, among other benefits.

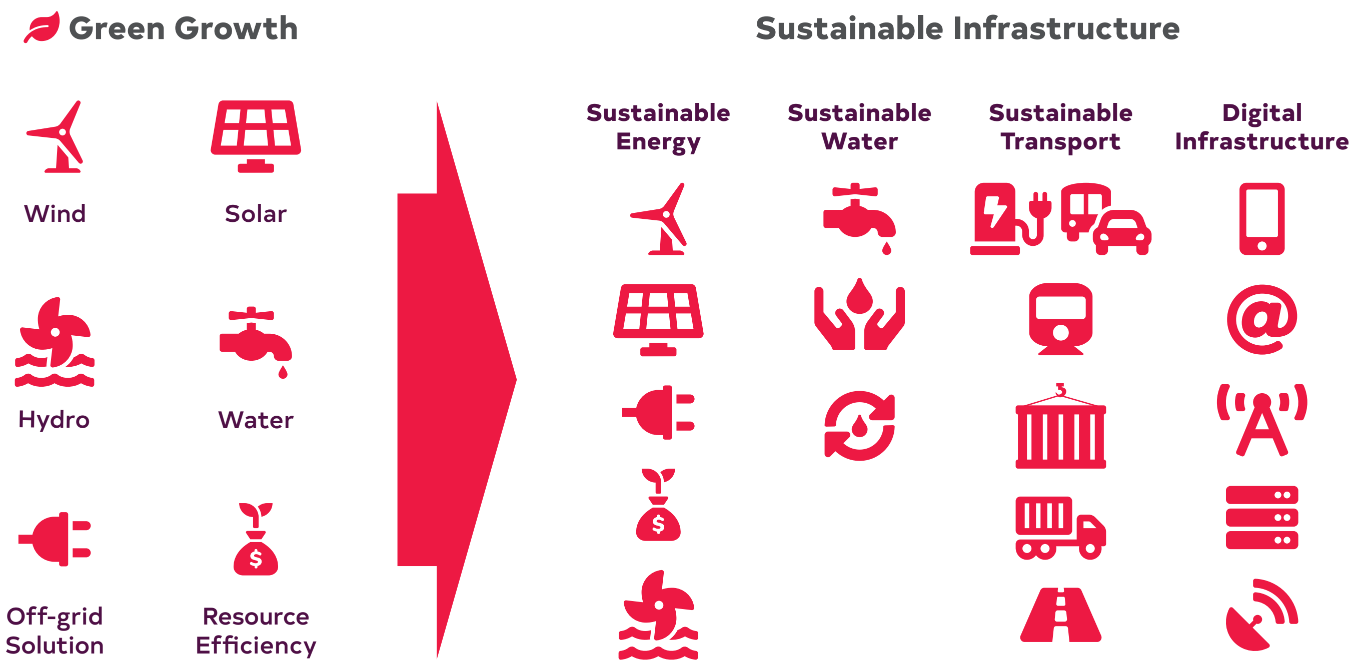

Figure 13: Deepening Green Growth

ASSESSING THE POTENTIAL OF TRADE AND SUPPLY CHAIN FINANCE

Evidence suggests that the demand for trade and supply chain finance solutions is significant in emerging markets, especially for MSMEs. Among them, Women-led MSMEs face additional challenges and barriers. The COVID-19 crisis has disrupted global and regional supply chains and at the same time led to a partial withdrawal of commercial financial service providers, leaving the most vulnerable businesses faced with even greater hurdles to get their products to market.

Fostering trade and supply-chain finance in emerging markets drives local economic growth, increases financial inclusion and helps close market gaps[33], with significant benefits to local communities. In the context of COVID-19, DFI capital has become critical to maintaining trade flows and supporting economic growth. Several DFIs or Multilateral Development Banks, including International Finance Corporation (IFC), the United Kingdom's CDC or Inter-American Development Bank (IDB Invest), have moved to make more trade finance solutions available in vulnerable countries most affected by the crisis[34].

Based on preliminary analysis, supply chain and trade finance offerings would enable FinDev Canada to:

- Build on our existing activity with Financial Institutions to help them expand their support to vulnerable businesses.
- Provide solutions that are crucial to the success of developing countries and offered by few.
- Integrate sustainability and women economic empowerment into trade and supply chain financing.
- Mitigate inhibitors of normal economic activity by partnering with local banks to increase capacity and share risk, allowing for reliable access to finance in challenging markets.
- Help support SMEs to maintain operations and jobs, by providing financial stability with systemic liquidity during the COVID-19 crisis.

In exploring this opportunity, FinDev Canada will validate the nature of the market gap and identify areas where it can bring value. We intend to leverage EDC's expertise in this domain, which is not common on the development finance market and can help bring real value added to our clients and partners. We will conduct additional research on the specific barriers that women entrepreneurs face, as well as their needs and preferences, when it comes to accessing trade and supply chain finance. This will include exploring the potential of financial technology ("fin-tech") solutions, that have proven in many circumstances their ability to bring value to smaller market players otherwise kept on the margins of commercial financial solutions. The potential for Women's Economic Empowerment is significant in this domain, but needs to be well understood before we define an offering.

FinDev Canada will analyze the potential impact of these activities, to ensure they meet our impact objectives. It is important to note that FinDev Canada is not specifically pursuing the development of Canadian trade with its markets of operation, but rather to reinforce local and regional supply chains and their connection with global ones by offering targeted financial solutions. Particular attention will be given to developing a gender-smart offering that addresses the gaps in access to short term finance for women-owned and led companies.

3.2.1.1 Origination

FinDev Canada's long-term goal is to build a portfolio that generates high development impacts while ensuring financial sustainability through stable returns. Critical to the success of this goal is a robust origination strategy. To this end, FinDev Canada has been executing on our Origination Strategy, leveraging both direct and indirect channels.

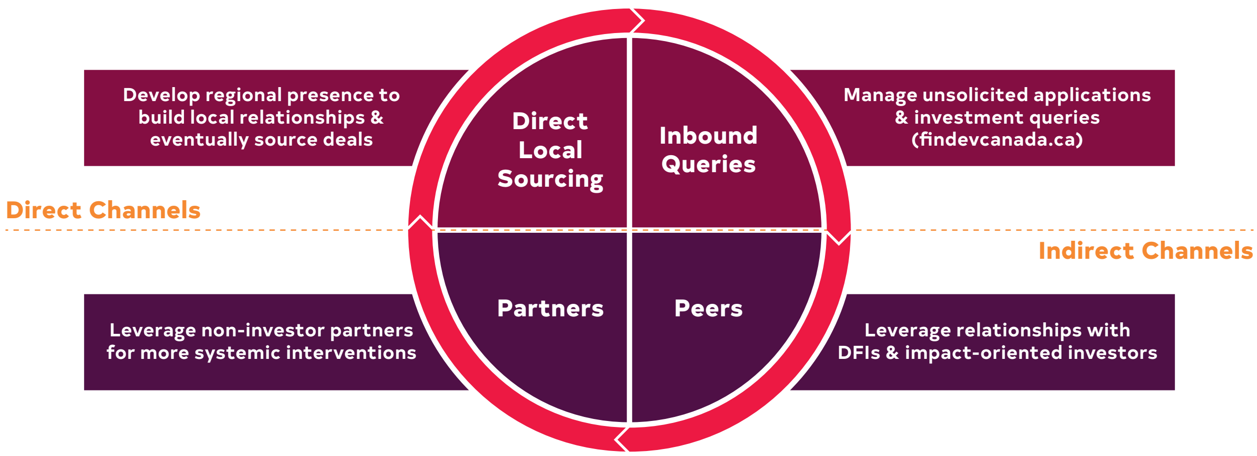

Figure 14: FinDev Canada's Origination Channels

During the COVID-19 crisis, FinDev Canada continued to rely on its indirect channels - leveraging our peers and other intermediaries, such as investment funds and financial institutions, to originate business. We will continue to leverage relationships with peer DFIs and other impact-oriented investors and work towards greater collaboration with non-investor partners such as local advisory and research organizations.

Plans to establish a first in-market presence, as noted in FinDev Canada's 2020 Corporate Plan, were suspended due to the pandemic. However, we will continue to gather intelligence, build local relationships and explore opportunities to establish a presence, directly or indirectly. To do so, we will collaborate with EDC and its network of foreign representations in FinDev Canada's priority markets, as well as with the Government of Canada's network of missions and the Trade Commissioner Service. Any formal step that we may take in the future will of course follow all required approval processes.

3.2.1.2 Partnerships

The pandemic also underscored the imperative for partnership among DFIs and other complementary organizations. FinDev Canada has worked with the global DFI community to respond to the COVID-19 crisis, both at transactional level and at strategic and policy levels. FinDev Canada representatives have played an active role in several working groups to analyze the effects of COVID-19 and initiate joint responses, under the auspices of the association of European Development Finance Institutions (EDFI). Over the planning period, we will continue to reinforce and deepen our partnerships in order to identify and develop new business opportunities.

We will continue to collaborate through MoUs with peer organizations (see section 1.3). While we will consider new partnerships, emphasis will be on achieving the greatest value from existing agreements by implementing mutually agreed business strategies that optimize the respective strengths of each partner.

3.2.1.3 Impact Management

OPERATING PRINCIPLES FOR IMPACT MANAGEMENT

The independent verification of FinDev Canada's alignment with the Impact Principles undertaken in the first quarter of 2021 validated its alignment to the Framework. It also informed future action areas, such as introducing a standardized process to consider sustainability at transaction exit.

As we begin exploring business opportunities in other sectors and additional financing instruments, we will assess their potential to generate positive development impact and map their environmental and social risks. This will ensure that FinDev Canada's strategy is driven by impact. Collaboration with other DFIs will be key. As such, we will continue to engage with DFI peers and clients to ensure alignment between policy, procedures and implementation.

DEVELOPMENT IMPACT FRAMEWORK

FinDev Canada created a Development Impact Framework, which defines the strategic impact objectives and describes how the organization measures and manages its achievement. The Framework encompasses a variety of tools to assess the current and potential impacts of client operations and guide our investment decisions and reporting, to ensure that impact is integrated in each step of the investment cycle as shown in figure below.

Pre-screening	Due Diligence	Monitoring	Reporting	Exit
→ Checking impact eligibility and fit → Estimating performance potential on impact goals	→ Quantifying current and expected impact → Agreeing on impact actions, KPIs and targets	→ Tracking client level impact → Performing internal/ external impact assessments	→ Publishing aggregated impact results of portfolio → Sharing impact analytics with clients for business improvement	→ Assessing impact sustainability beyond exit

Figure 15: FinDev Canada's Development Impact Process

We continue to refine and consolidate impact management tools and processes, such as the Development Impact Tool Governance Framework and Impact Manual. These efforts will enhance our capacity to generate and analyze data at the portfolio and individual client level. FinDev Canada also completed the first phase of development for our new Impact Data Management System. We plan to improve our impact tools and processes for key areas such as asset management, and enhance our Monitoring, Evaluation & Learning methodology.

ENVIRONMENTAL AND SOCIAL RISKS

FinDev Canada is committed to rigorous Environmental and Social (E&S) risks assessment and monitoring throughout the life-cycle of our engagement with companies. Taking into account the recommendations from the operational review conducted by the Government of Canada in 2020, we continue to evolve our practices in 2021 with a focus on policy implementation and refining our E&S assessment (see appendix 4).

Given that our clients and countries of investment face different E&S challenges and capacity constraints, we recognize that compliance should be progressive and based on reasonable timelines. As such, our Environmental and Social Action Plans (ESAPs) and/or Technical Assistance facilities ensure E&S gaps are addressed appropriately. In 2021 FinDev Canada piloted a systematic approach to evaluating client E&S management capacity, with the goal of finalizing the methodology by year end. The long-term result of this method is to evaluate client E&S management capacity across the portfolio and throughout the transaction lifecycle to monitor evolving risk profiles, improve cross-team risk communication and estimate additionality.

In 2021, the E&S team focused on rolling out FinDev Canada's updated *E&S Policy*, which included new guidance, procedures, and training. In the first quarter of 2021 we reported on our progress in this area and outlined procedures to address any remaining gaps. We will continue to follow the objectives set out in the 2021 E&S Policy Implementation Report, with plans to achieve full policy compliance by 2023.

`As we mature, we will continue to build internal capacity and capabilities and take-over responsibilities sourced until now from the EDC's E&S Risk Management function, such as screening, triage and, eventually, due diligence for all transactions.

3.2.1.4 Asset Management

FinDev Canada's goal is to maintain a sustainable and diversified portfolio in line with our growth plans. To that end, we created an asset management function in late 2020 to improve the management of our assets, including their financial and development impact performance, E&S and gender action commitments, and all other aspects of FinDev Canada's exposure.

Taking into consideration the recommendations from the Government of Canada's Operational Review (see Appendix 4), in 2021, we focused on internal infrastructure development and have made significant progress in areas such as:

- Design of sound guidelines, policies and procedures.
- Process documentation to ensure accurate mapping of the deal processes related to origination, closing and management of transactions.
- Deployment of an Asset Management Database to centralize transaction related data, ensure data integrity and facilitate management reporting. This project will continue throughout the planning period, to incorporate automated reporting with seamless integration to complementary systems such as the TA Facility and *2X Canada: Inclusive Economic Recovery*.

In 2022 and beyond, FinDev Canada will expand and strengthen its Asset Management processes and practices in the management of disbursement requests, the assessment of Waivers Amendments and Consents, and the validation of compliance reports sent by clients.

3.2.1.5 Additionality

Additionality is based on the premise that DFIs supporting private sector operations should contribute beyond what is available in the market and should not crowd out the private sector[35]. As such, additionality means providing financial solutions that are complementary to what the market already offers, while bringing non-financial value to clients through support and advice.

Additionality is an important dimension of the work FinDev Canada conducts in developing countries and underpins our commitment to bring to the market services and solutions that are not otherwise commercially available. FinDev Canada considers additionality in all transactions.

In 2020, FinDev Canada refined its practices to assess and demonstrate additionality, and further embed them in our decision-making. This exercise investigated how additionality is currently approached by our peers and subject matter experts. We identified best practices, conducted a needs assessment, and designed an Additionality Framework, which contains guidelines for investment and impact officers on how to test and demonstrate additionality at the transactional level. The case for additionality is a required element of all transaction recommendations to the internal Investment Committee and the Board.

3.2.1.6 Business Integrity

Business Integrity (BI) supports FinDev Canada's commitment to high standards of ethical business conduct, and in carrying out our mandate in a socially responsible manner. The function is responsible for assessing financial crime risks and ethical and integrity concerns that could present reputational risks.

BI works alongside the Investment Team early in the transaction lifecycle, to identify risks and design transaction due diligence approaches and risk mitigation strategies. BI engages directly with potential clients to understand their control environments and propose recommendations to ensure transactions are within FinDev Canada's risk appetite.

BI was internalized as a core function within FinDev Canada in February 2021 and now operates independently from EDC's Business Integrity team. As a new function at FinDev Canada, BI aims to ensure alignment with EDC policies (e.g. the Financial Crime Policy), while adopting best practices from peer DFIs. Key priorities going forward include:

- Deepening FinDev Canada's non-credit risk awareness, with a focus on business integrity related issues. This includes promoting risk sharing approaches, developing closer collaborations with other FinDev Canada teams, and continuing our efforts to fully embed the BI function within FinDev Canada's business development and asset management activities.
- Improving BI risk reviews by ensuring existing methodology and processes meet FinDev Canada realities, and by adopting best practices observed through our planned peer DFI benchmarking exercise.
- Creating communities of practice with advisory services teams within EDC, as well as with peer DFIs in order to continue to benefit from their diverse experience and expertise.

3.2.2 Mobilization

FinDev Canada has made it a core objective to mobilize private sector resources and leverage our understanding of emerging markets to engage with targeted private sector investors in Canada and abroad. Although COVID-19 has created challenging conditions for effective mobilization, we continue to refine our strategy and reach out to potential partners and investors to build a strong foundation for subsequent years.

In 2021, we will complete the design of a mobilization strategy, to be rolled out in 2022. Underpinned by three key principles: clear demonstration of mobilization of private capital through FinDev Canada's intervention; simplicity in measurement and attribution of mobilization of private capital founded on concrete linkages, the strategy articulates our goals and provides a roadmap for private sector engagement centred on value-creation. Potential mobilization partners including, but not limited to, institutional investors, credit risk insurers, asset managers and impact investors.

Strengthened collaboration with the Government of Canada will be key to the success of the strategy. Leveraging blended finance mechanisms such as the *2X Canada: Inclusive Economic Recovery* and other such facilities, FinDev Canada will seek to design investment solutions or vehicles that will attract the private sector capital for greater impact.

FinDev Canada will seek to implement a mobilization strategy throughout the planning period, complemented by our participation in the 2X Challenge and 2X Collaborative initiatives. Institutions participating in the Challenge are building relationships with potential private sector partners and exploring mechanisms specifically geared to channeling new investment flows towards eligible transactions.

3.2.3 Technical Assistance

Activities of the TA Facility in 2021 focused on strengthening core elements of the offering:

- **Building relationships with peer DFIs and thought leaders:** FinDev Canada became a member of the EDFI TA working group, providing an opportunity for the TA Facility to align with industry best practices.
- **Establishing client engagement approaches** and programmatic frameworks for evidence-driven and technically robust projects: we refined the guiding principles and developed a gender action TA Menu to ensure nimbleness and client-centric project implementation. The TA menu articulates our offering around pre-defined types of gender action support tailored to clients' needs and context. These tools help facilitate conversations with our clients and expedite the project development process. Going forward, similar frameworks and menus will be considered for E&S and climate action.

Looking ahead to 2022, the TA Facility's priorities will include:

- **Expanding the portfolio:** We have entered into discussions with several financial institutions, from cooperatives to commercial banks, that are currently expanding their women-SMEs strategies. These TA projects include activities such as market research, internal data diagnostics, review of current product offerings, design and piloting of new products, as well as the development of non-financial products. Additionally, we are working on TA projects with Fund Managers to strengthen fund-level functions such as E&S risk management and portfolio-level advisory services. The TA Facility is also exploring market-level projects whose goal will be to bring consistent implementation and measurement approaches for cross-cutting issues in impact and gender-lens investments. For instance, FinDev Canada will assess the achievements of our Invest2Impact initiative and consider additional actions.
- **Operationalizing the monitoring, evaluation, and learning plan:** With a growing portfolio, there will be increased opportunity to gather insights across the TA Facility's and FinDev Canada's key areas of focus. As a first step, we will gather and aggregate results from individual projects for broader thematic insights.
- **Advance communications and thought leadership:** With the upcoming launch of a dedicated landing page, the TA Facility aims to leverage the space to publish blogs, resources, and TA projects.

Throughout the planning period, FinDev Canada will develop a long-term strategy for its TA Facility based on the maturity of the industry, as the impact investment space diversifies and becomes more competitive. With a plan to secure long term funding from the Government of Canada and other potential third parties, the TA strategy will continue to evolve the design of its offering to address in a more comprehensive manner the needs of our investees in the areas central to FinDev Canada investment strategy, such as gender- and climate-action.

4 External Engagement

4.1 Government Relations

In the context of COVID-19, Canada is looking at all available instruments and mechanisms that can advance international development commitments and priorities. This includes overseas development assistance (ODA) to scale up private finance, de-risk private public partnerships and mobilize much needed private capital for longer-term SDG related projects. The role of the private sector in generating sustained inclusive economic growth in developing countries is essential to closing the financing gap to meet the SDGs and contribute to Paris Agreement commitments.

As Canada's DFI, FinDev Canada is an important public policy instrument of the Government of Canada, as it seeks to mobilize private investment to support positive development outcomes in these markets. As such, our relationship with the Government is critical to our ability to deliver on our mandate.

In April 2021, the Federal Budget committed a further capitalization of $300 million for FinDev Canada. The same month, the launch of the $76 million 2X Canada Inclusive economic recovery facility, funded by Global Affairs Canada was announced. The increase in the size and scope of our financing and associated products creates opportunities to demonstrate how FinDev Canada can support Canadian policy objectives through the growth of a balanced, impactful portfolio.

Moving forward, FinDev Canada will engage with Government stakeholders to continue building the understanding of how we propose to achieve our mandate, including collaboration to achieve common goals. Adopting a "whole of Canada" approach will strengthen FinDev Canada's collaboration at an operational level. We will focus in particular on the following areas:

- **Market intelligence exchange and collaboration**: GAC's extensive presence around the world, in support of business in developing countries is complementary to FinDev Canada's expertise. FinDev Canada will work with regional teams to identify opportunities for collaboration.
- **Engagement with the Trade Commissioner Service (TCS)**: Trade commissioners have access to valuable information on market conditions and business opportunities. FinDev Canada will strengthen its collaboration with the TCS by sharing information and participating in joint events.
- **Local engagement**: FinDev Canada officers traveling to the markets will continue to visit Canadian missions to share intelligence and explore opportunities.

FinDev Canada will continue to engage with Parliamentarians to communicate our expertise in development and blended finance, and private investment in developing countries.

FinDev Canada will also strengthen its analysis function to demonstrate our leadership on relevant policy priorities and our expertise on private sector engagement and mobilization, climate- and gender-smart finance and blended concessional finance for sustainable and inclusive growth.

4.2 Stakeholder Relations

Despite the challenges of the COVID-19 pandemic, FinDev Canada continued to build its profile with stakeholders in 2021. We engaged with various international stakeholder groups, including with multilateral institutions and international associations dedicated to development finance and development impact. We also conducted a webinar for over 100 participants to launch our 2021 Annual Report.

In 2022, FinDev Canada will engage more with Canadian stakeholders including the Canadian public, the business community, academia, international development specialists and non-governmental organizations. If travel conditions permit, the CEO will conduct a cross-Canada tour to engage directly with stakeholder groups.

Canadian business community: FinDev Canada is part of a broader Canadian business community engaged in developing countries. As we grow our portfolio, we will seek to strengthen our ties with complementary Canadian entities including the impact investment community, such as CAFIID, as well as civil society organizations that target the private sector, and technology providers.

To do so, we will:

- Enhance the domestic visibility of our activities, in line with the recommendations of the Statement of Priorities and Accountabilities (SPA).
- Develop an engagement strategy towards selected Canadian industry players, in areas where there is demonstrated strategic alignment.
- Play an active role in selected industry representative associations.
- Continue the work with EDC to improve cross-referral opportunities.

Canada Forum for Impact Investment and Development (CAFIID): FinDev Canada is an active member of CAFIID. Among other initiatives, we were a key contributor to the CAFIID State of the Sector Report (to be published in December 2021) which examines trends in the size, scale and characteristics of Canadian organizations involved in impact investing in emerging and frontier markets, to advance Canada's contributions to the SDGs and the Paris Agreement.

FinDev Canada is collaborating with CAFIID and the Table of Impact Investing Practitioners (TIIP), to help reestablish Canada's presence on the international scene through the Global Steering Group for Impact Investment (GSG). Building on this collaboration, we will leverage this platform by participating in events and joint initiatives, to stay abreast of the trends within the community. It will also provide greater visibility of FinDev Canada's activities and priorities, creating a better understanding of our role and position in the market.

EDFI: The association of European DFIs, with a membership of 16 peer institutions, is an important hub for collaboration, intelligence sharing and policy engagement on issues of common interest to the industry, beyond Europe. FinDev Canada has been invited to participate as a member of several of its working groups, and to collaborate on strategic issues at senior management level. In 2022 and beyond, we will solidify our relationship with EDFI by establishing periodic touch points, identifying priority issues for common work and removing obstacles to open and mutually beneficial collaboration.

DFI Alliance: In 2022, the DFI Alliance aims to be an active contributor to the initiatives that can affect the way DFIs operate, such as harmonization initiatives pursued under the auspices of the Organization for Economic Co-operation and Development (OECD). Together, members of the Alliance intend to enhance the visibility and credibility of the DFI industry among international stakeholder groups.

Investor Leadership Network (ILN): Created at the 2018 G7 summit in Charlevoix, ILN is an open and collaborative platform for leading investors interested in addressing sustainability and long-term growth. It focuses on concrete actions and global partnerships. We are strengthening ties with ILN to identify possible synergies and joint initiatives on gender-Lens investing, and ILN's institutional investor mobilization strategy.

Collaboration with **International Development Research Centre (IDRC):** IDRC and FinDev Canada have joined forces to work with ON Think Tanks, a global platform dedicated to support policy research centres. FinDev Canada and IDRC have identified emerging research opportunities including the challenges of regulatory frameworks to the sector, sector-level analysis to inform investment strategies, successful experiences and good practices; and the intersection of impact investing and public policy.

4.3 Transparency & Disclosure

FinDev Canada is committed to transparency about our operations, strategies and policies. In 2021 and into 2022, we will work to finalize our *Disclosure Policy*, to ensure the policy reflects best industry practice and stakeholder expectations for the flow of information, recognizing that FinDev Canada is restricted in its ability to disclose commercially sensitive and confidential information. Moving forward, we will focus on developing procedures to implement the Transparency Policy.

4.4 Independent Accountability Mechanism

The global trend towards Independent Accountability Mechanisms (IAMs) or Grievance Mechanisms was motivated by three interrelated trends:

- The realization of the existence of a gap between social and environmental policies and standards of IFIs and their implementation on the ground;
- The emergence of new thinking surrounding issues of accountability, transparency, governance and human rights; and
- The growing influence of international social movements.

In 2020-2021, FinDev Canada prepared an Issues paper, undertook consultations with over 20 external stakeholders representing civil society, international financial institutions and development finance institutions, and prepared a final report on these consultations. The findings pointed to the benefits of IAMs which serve to encourage greater accountability, provide an opportunity for communities to have their voices heard, ensure compliance with policies critical to environmental and social performance, and provide an independent and impartial assessment of claims about harm. They also contribute towards institutional learning and help further improve development effectiveness. Following the report outcomes, we will work to finalize and implement procedures to implement an IAM for FinDev Canada.

5 Corporate Capabilities

5.1 Risk Management

Risk management is a critical function of FinDev Canada, given the inherent risks associated with conducting business in developing countries. As such, we have made concerted efforts to embed risk management best practices across the Corporation, leveraging our Enterprise Risk Management Framework, and our internal Risk Management Team.

Governed by the Three Lines of Defense (3LD) Model, we will continue to build on our overall framework to accommodate the increasing complexity of our portfolio and growth, in order to ensure that risk management remains an integral part of the our overall strategic direction and various initiatives. Risk management activities at FinDev Canada are guided by frameworks and policies covering financial, operational and strategic risks of the organization.

In 2021, we enhanced our Enterprise Risk Management architecture by:

- Re-organizing our Risk Appetite Framework, which draws largely from EDC's methodology, to define how risks are assessed, categorized and managed, while considering FinDev Canada's specific mandate to determine its risk appetite.
- Formalizing initial Strategic Risk and an Operational Risk Management Frameworks. These frameworks seek to define, as is appropriate for each category of risk, how FinDev Canada handles or mitigates them.
- Formalizing and improving certain asset management activities, including the establishment of a Watchlist Guideline and a Delegation of Authority Framework for Financing and Equity Commitments.

In order to establish sound governance principles throughout the planning period, we will continue to expand and formalize guidelines and procedures that align with our robust framework and policy architecture, while remaining mindful of the need to remain nimble to quickly adapt to a dynamic environment.

5.2 Technology Roadmap

FinDev Canada is launching a dedicated technology ecosystem, a robust and mature platform that will protect against cyber threats while ensuring a consistent user experience. The overarching digital strategy looks to improve our internal effectiveness, foster increased connectivity with our clients and partners, and leverage technology-based initiatives that contribute to greater development impact.

In 2021, we focused on developing a reliable digital infrastructure. Key activities included building a digital framework and dedicated network; adopting a cloud-based collaborative platform to enhance the digital workplace environment, facilitating both remote and hybrid work models; and, implementing a modern device management system that monitors and applies cybersecurity best practices

Looking ahead, we will focus on building quality data platforms to help streamline investment and asset management processes, strengthen customer relationship management, promote internal knowledge sharing, ensure the use of effective document generation and storage, and respond to client needs more effectively.

FinDev Canada will work closely with EDC as it continues upgrading its own systems, to ensure there is seamless collaboration in key corporate areas, such as accounting and HR management, while FinDev Canada's specific needs are taken into account in the design of new solutions.

In light of the future of work environment, the digital technology roadmap will facilitate a hybrid working model giving employees the flexibility to return to FinDev Canada's physical office locations or to work from home.

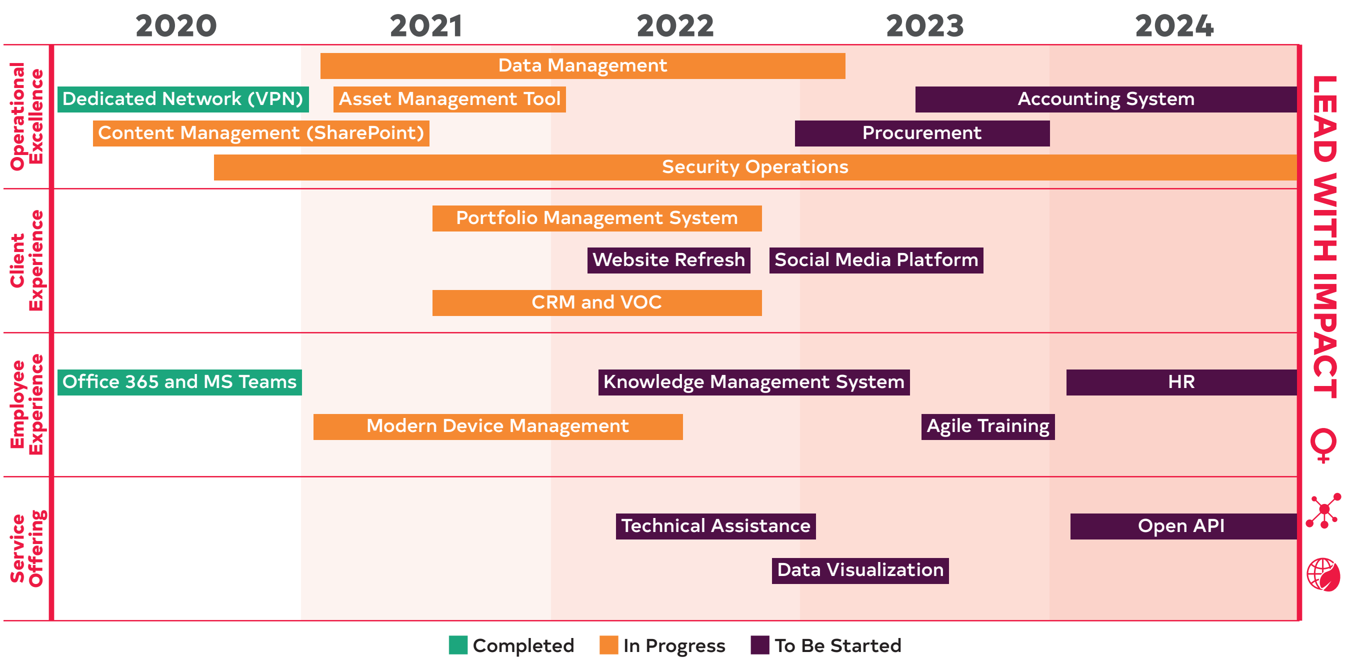

Figure 16: FinDev Canada Digital Strategy Implementation Roadmap

5.3 Communication Strategy

To attract clients and build a robust pipeline of transactions, it is important to develop a strong brand based on transparency, credibility, collaboration and inclusion. FinDev Canada, in addition to posting deals prior to signing, engages with a variety of stakeholders to create brand awareness and foster greater collaboration to share client success stories and highlight the impact that the organization is generating.

We also published an interactive portfolio dashboard that allows for heightened transparency and client centricity. Site visitors can customize their data visualization experience, filter transactions according to different criteria and download data for further analysis.

One of the goals of an enhanced communication strategy will be to increase awareness of FinDev Canada's mandate and activities with the Canadian and International stakeholder communities, as per the recommendation of the 2020 Operational Review.

5.4 Delegation of Authority Framework

Given our robust governance infrastructure including an Enterprise Risk Management Framework and internal committees, FinDev Canada has reached a level of maturity where we have greater autonomy from the Board in our decision-making processes.

In 2021, FinDev Canada implemented a Delegation of Authority (DoA) from the Board of Directors to management. The DoA Framework establishes the guiding principles for sound governance and decision making, thereby streamlining operations at the Board level, while preserving the Board's authority where the risks are greater and/or the impact more significant for FinDev Canada. To accompany ongoing growth, we will continue to refine the DoA Framework to facilitate decision-making activities.

5.5 FinDev Canada's Operating Model

BUILDING A WORLD-CLASS TEAM

FinDev Canada recognizes that our employees are the key drivers to our success. In the current market conditions, there are challenges that come with attracting and retaining the specialized talent that we need. Leveraging EDC's deep talent acquisition and human resources management expertise, as well as our specialized networks, we continue developing the tools and practices to ensure we are able to attract a diverse pool of candidates and support the growth of our employees.

FinDev Canada has grown significantly since its inception in 2018. As we continue to build our capabilities in various areas and introduce new initiatives such as 2X Canada, the need to recruit and retain qualified employees is crucial. Despite the challenges brought about by the pandemic, 10 positions were filled to date confirming our ability to build a strong team in the current digital and remote working environment.

In June 2021 FinDev Canada welcomed Lori Kerr as its new CEO. Ms Kerr is a widely experienced development finance specialist with more than two decades of leadership in international development, with a specialization in sustainable infrastructure, climate change, and private investment in emerging markets. Ms Kerr's impressive track record in many areas of international development finance and her experience working with private sector developers, international financiers, governments and DFIs will be instrumental in leading FinDev Canada through the next stage of its growth and establishing the organization as a successful, innovative player in this space.

Going forward, we will focus on building capacity in select areas including, Investments, Information Technology, E&S Risk Management, Marketing and Communications, Technical Assistance and Business Integrity to support our growth.

INCLUSION, DIVERSITY AND EQUITY (ID&E)

FinDev Canada values and respects diversity among colleagues, particularly as an organization with a strong international presence. Employees come from a variety of cultural backgrounds, speak several languages and bring a breadth of shared and unique experiences that enrich our organization's efforts to fulfil its mandate. FinDev Canada is committed to addressing systemic barriers faced by employees who belong to marginalized groups, ensuring that inclusion is treated with the utmost importance and that all are valued.

By leveraging resources such as EDC's Employee Resource Group, Women and Indigenous Entrepreneurs, and FinDev Canada's Inclusivity, Diversity and Equity Committee, we will continue to review and improve our policies and processes that lead to a more inclusive workplace.

FUTURE OF WORK

As a result of the COVID-19 pandemic, FinDev Canada, as with many corporations, had to re-visit and refine our operating model and strategy as it pertains to the Future of Work. Appreciating that success is underpinned by a well-equipped team, we will continue to develop a work culture that empowers employees and makes them feel valued. FinDev Canada is continuously refining its human resources function to support our employees. We implemented health and safety measures to support their wellness. We will continue to apply these measures as we work to adopt a hybrid model that promotes team collaboration while acknowledging each individuals' preferences with respect to workspaces.

SERVICE LEVEL AGREEMENTS

EDC continues to support FinDev Canada's operations by delivering services, including general corporate functions and specialized roles. This support is carried out through a Master Service Level Agreement (MSLA), an operative instrument that governs the delivery of services. To date, there are 20 SLAs in place. This arrangement has been instrumental to our success.

As part of continuous improvement culture at FinDev Canada, the MSLA is scheduled for biennial review to ensure it is reflective of our needs and operating environment. Upon its first review in 2020, key changes were implemented in 2021 to refine the scope, revise the governance structure, update the list of applicable policies and processes, and introduce requests for new services and projects. A review of the MSLA is scheduled for 2022.

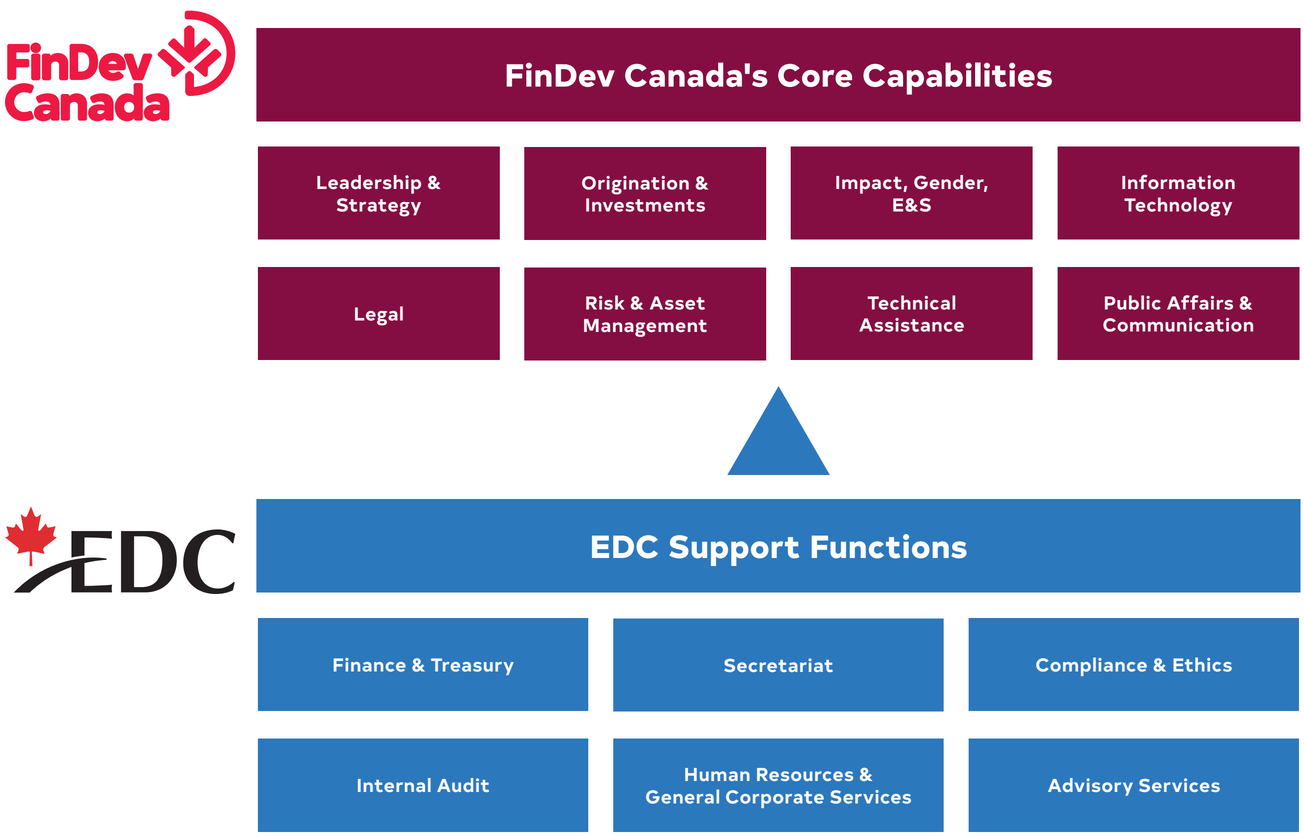

Figure 17: FinDev Canada's Shared Service Model With Export Development Canada

5.5.1 *2X Canada: Inclusive Economic Recovery*

Launched in April 2021, *2X Canada: Inclusive Economic Recovery* ("2X Canada" or "the Facility") is a $76 million concessional finance facility managed by FinDev Canada and funded by the Government of Canada through Global Affairs Canada (GAC). 2X Canada aims to enhance the socio-economic well-being of underserved, vulnerable populations, particularly women, primarily in Latin America and the Caribbean and sub-Saharan Africa. By unlocking the possibility to invest in riskier, and underserved markets in which FinDev Canada would otherwise not be able to be active, 2X Canada seeks to address persistent market gaps and structural barriers facing its target populations, thereby widening the reach of Canada's development finance and increasing its potential impact. It will contribute to a gender-smart economic recovery, including through the mobilization of additional public and private investment.

OVERARCHING PRINCIPLES

FinDev Canada has developed an approach to blended concessional finance that combines the two main sets of principles that govern the work of DFIs and other financial institutions - the *OECD-DAC Blended Finance Principles* and the *DFI Blended Concessional Finance Principles*. The following principles will be applied when considering new investments under the Facility:

- **Reinforce markets and tailor to local context**: investments will demonstrate how they are addressing market failures and supporting market development that is consistent with local development priorities.
- **Provide a rationale for blended concessional finance**: a strong case for the deployment of concessional finance must exist.
- **Minimum concessionality and crowding-in to achieve mobilization**: the investment should demonstrate financial additionality and that it is not crowding out the private sector.
- **Commercial sustainability**: 2X Canada expects investments to have a pathway to commercial viability and avoid creating a dependence on concessionality.
- **Promoting high standards and transparency**: It is expected that in the medium to long-term 2X Canada investments will be held to the same high standards regarding E&S issues (e.g. IFC Performance Standards a), BI and other standard policies and procedures of FinDev Canada's own-account investments.

BUSINESS STRATEGY

In 2021 FinDev Canada began identifying business opportunities that match the requirements and objectives of 2X Canada. The Facility's funds will be deployed primarily on structured transactions, where different tranches are offered to meet the investment criteria of different categories of donors and financial partners. In most transactions, FinDev Canada will invest or lend alongside 2X Canada, generally in different tranches, leading to significant efficiencies in transaction development and management.

The 2X Canada portfolio will support liquidity-enhancing transactions, to enable investees to sustain and enhance operations, and support long-term economic resilience and recovery, in light of the current health, social, and economic challenges. The sectors and geographies will align with our existing priorities, to maximize synergies and efficiencies.

FinDev Canada will seek to leverage partnerships with organizations which already operate in this space, such as DFIs that administer comparable programs and Canadian organizations with a track-record in developing projects in this space.

2XCanada includes a dedicated $ 2.5 million Technical Assistance (TA) component for both market- and client-level projects to support clients in their growth, enhance their development impact and help them adjust to the new realities due to COVID-19. FinDev Canada will administer the TA component of the Facility using its existing TA expertise and processes.

ADMINISTRATION

In the first half of 2021, leveraging its established policies, procedures and frameworks and building on global best practices and standards in blended finance, FinDev Canada developed the internal infrastructure required to administer this facility, which includes:

- Preparing an assessment framework, that lays out the criteria against which transactions will be assessed at all stages of the investment process;
- Setting up the governance processes to ensure that decisions made in respect of the Facility follow internationally recognized principles and practices, in particular in terms of independence and taking into account the distinct criteria that govern the Facility;
- Building internal capabilities in blended finance; and
- Developing dedicated communications to maintain clarity between the respective offerings of FinDev Canada and 2X Canada.

We will also develop a monitoring and evaluation and a reporting framework to ensure the Facility achieves the desired goals. This will include a process to capture the learnings from implementing the Facility, which will be used to improve management and delivery and be shared to inform best practice.

We will establish a Joint Advisory Committee with GAC, whose role will be to provide strategic guidance to 2X Canada and serve as a vehicle through which the effectiveness of the partnership is maintained.

Looking to 2022, developing a pipeline and establishing an active portfolio for 2X Canada will be priority. We will establish a foothold in the market and continue to maintain an effective and collaborative relationship with GAC.

BUILDING READINESS FOR FUTURE INITIATIVES WITH THE GOVERNMENT OF CANADA

Throughout the planning period FinDev Canada will continue to work closely with the Government of Canada and consider opportunities, should they arise, to establish similar concessional and blended finance facilities in order to address specific gaps in available financing to the private sector in areas that align with Government of Canada priorities and FinDev Canada's capabilities. Climate Finance is one area where FinDev Canada's expertise can play a role in the implementation of Canada's ambitious climate action agenda using a whole-of-government approach. Early-stage discussions are taking place in 2021, which will help identify opportunities for collaboration and the design and implementation of specific initiatives targeted at the private sector in developing countries.

If such initiatives were to come to fruition, FinDev Canada would develop arrangements with the Government of Canada to specify the objectives and scope of each initiative, the proposed business strategy and results framework, an operating budget and investment plan, as well as governance mechanisms and internal processes.

FinDev Canada, working with government officials, would apply learnings from the design and implementation of 2X Canada to future potential partnerships.

5.5.2 Beyond Investing: Shaping the Thinking on Gender-lens Investing

FinDev Canada continues to position itself as a thought leader in the development finance space, creating value for stakeholders while undertaking new initiatives and approaches. Moving forward, FinDev Canada will focus on conducting and sharing research and learnings and contributing to the SDGs through gender lens investing. Key priority areas include:

- **Gender/climate nexus:** After successfully building our brand as a gender-lens investor, we are committed to establishing a leadership position as a gender and climate-smart investor by increasing focus on mitigation, as well as adaptation and resiliency. We currently hold a high proportion of 2X-qualified climate finance transactions in our portfolio, demonstrating a solid foundation for 2022 and beyond.
- **Care economy:** We are exploring additional areas with high impact potential, such as the care economy. FinDev Canada has begun working with 2X Challenge peers to reflect the role DFIs can play in this sector, which is increasingly recognized as a central component to a gender-smart COVID-19 recovery. We have begun work to understand the implications of care work to women's economic empowerment, contributing to the Overseas Development Institute (ODI)[36]/EDFI essay series[37] in 2021. As we gain a greater understanding, we will consider measures in investment decision-making and TA activities.
- **Understanding the lived experience:** We are also building our engagement approach with diverse groups of women in target regions, to learn directly from their voice and lived experiences. These insights will be shared with stakeholders and investors to help create greater value in the market and inform the evolution of FinDev Canada's Development Impact Framework over time.

6 Financial Overview

6.1 Summary

Key items to highlight in the Financial Plan are as follows:

- FinDev Canada is funded by capital injections from its parent company, Export Development Canada (EDC). An initial injection of $100 million occurred in 2018, followed by injections of $100 million in 2019 and 2020. Further injections of $100 million are planned for 2024, 2025 and 2026, up to a total share capital of $600 million.
- FinDev Canada is projecting a net loss of $24 million in 2021, an increase of $7 million when compared with the 2021 Corporate Plan net loss of $17 million. The increase is mainly due to unrealized losses in the Corporation's investments portfolio.
- Loans receivable are projected to grow to $787 million over the Plan period.
- Investments are projected to be $78 million in 2021 and are expected to grow to $318 million by the end of the Plan period.
- To support its continuing growth, FinDev Canada intends to borrow from EDC during the Corporate Plan period. FinDev Canada is currently forecast to borrow $137 million in 2021 and $176 million in 2022. Borrowings at the end of 2026 will total $561 million.

EDC will engage in any borrowing, investing and hedging activities on behalf of FinDev Canada.

The Financial Plan will first present the key business assumptions which were used to derive the projected financial results followed by a discussion of its projected operating expenses and planned capital expenditures. Projected financial statements are also included.

6.2 Key Business Assumptions

A series of key assumptions, including business volume, risk profile of business volume, foreign exchange and interest rates, all of which have an impact on FinDev Canada's business activity and financial performance, drive the Financial Plan. Using these assumptions, which align with its business strategy and economic outlook, projected financial statements are developed for the planning period, including a forecast to the end of the current fiscal year. Any changes to the business strategy or to the underlying assumptions may materially affect the projections over the planning period.

BUSINESS VOLUME

The level of business volume for each program is presented in the table below.

Table 1: Projected Level of Business Volume

(in millions of Canadian dollars)	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Business Volume								
Lending	108	192	290	184	184	208	208	208
Investments	30	61	45	61	61	67	67	67
	138	253	335	245	245	275	275	275

2021 FORECAST

The 2021 lending and investments business volume is projected to be $335 million, $82 million higher than the $253 million forecast in the 2021 Corporate Plan. The increase is due to certain signings that were projected to occur in 2020 being delayed to 2021.

2022 TO 2026

With several closings scheduled to take place by the end of 2021, FinDev Canada is projecting business volume in the lending and investments program of $245 million in 2022 and 2023. This reflects the prevailing uncertainty of the recovery in FinDev Canada's target markets. Slight growth is projected for 2024 as market awareness of FinDev Canada increases and business development efforts continue to deliver benefits as the economic recovery gains momentum.

RISK PROFILE OF BUSINESS VOLUME

FinDev Canada is projecting that the lending and investment business it undertakes will be largely non-investment grade due to its high-impact strategy. The risk profile of the financing portfolio is one of the key drivers of both the provision for credit losses and capital demand for credit risk.

FOREIGN EXCHANGE

The Financial Plan uses a month-to-date average rate as the U.S. dollar foreign exchange rate assumption for the remainder of 2021 and all subsequent years. This methodology removes the volatility associated with yearly exchange rate fluctuations and ensures more easily comparable projections. The rate used in this Plan, as represented by the average rate for August 2021, is U.S. $0.79.

INTEREST RATES

This forecast is based on Bloomberg financial market data and is driven by supply and demand as well as market expectations for interest rates.

OTHER KEY ASSUMPTIONS

Due to the volatility and difficulty in estimating fair value gains or losses on marketable securities, investments and related derivative instruments, no forecast for these items is included in the Corporate Plan financial results.

7 Appendices

Appendix 1: Statement of Priorities and Accountabilities

Pursuant to the *Export Development Act* (ED Act), the Minister of Small Business, Export Promotion and International Trade, in consultation with the Minister of International Development, is responsible for providing direction to EDC regarding FinDev Canada, as per the annual Statement of Priorities and Accountabilities (2021 SPA).

Appendix 2: Corporate Governance Structure

MANAGERIAL AND ORGANIZATIONAL STRUCTURE

FinDev Canada, through EDC, reports to Parliament through the Minister of Small Business, Export Promotion and International Trade in consultation with the Minister of International Development.

Established under the *Canadian Business Corporations Act* (CBCA), Development Finance Institute Canada (DFIC) Inc./Institut de financement du développement Canada (IFDC) Inc. – operating as FinDev Canada - is governed by an independent Board of Directors, appointed by EDC's Board of Directors. The Board, chaired by EDC's President and Chief Executive Officer (CEO), is composed of members of the EDC Board of Directors, as well as independent members with expertise and experience regarding the facets of its business and markets. Together, Board members bring expertise in the wide range of domains required to successfully lead the organization. Two Directors, who had been on the Board since inception, stepped down in 2021 upon successful completion of their terms; two new Directors were appointed with experience in development, finance and exposure to our target markets, adding to the wealth of experience that FinDev Canada can rely on.

FinDev Canada has established an Advisory Council composed of individuals with expertise in development and development finance, appointed by FinDev Canada in consultation with the Minister of International Development. The Council provides expert advice on the Corporation's general strategic direction, and on specific strategic projects, procedures and policies, complementing the role of the Board of Directors.

FinDev Canada is led by a CEO who reports to the Board of Directors and whose responsibility is to determine the business strategy and lead its execution, in accordance with the Government of Canada's mandate and the Board's direction. The CEO is assisted by a senior management team.

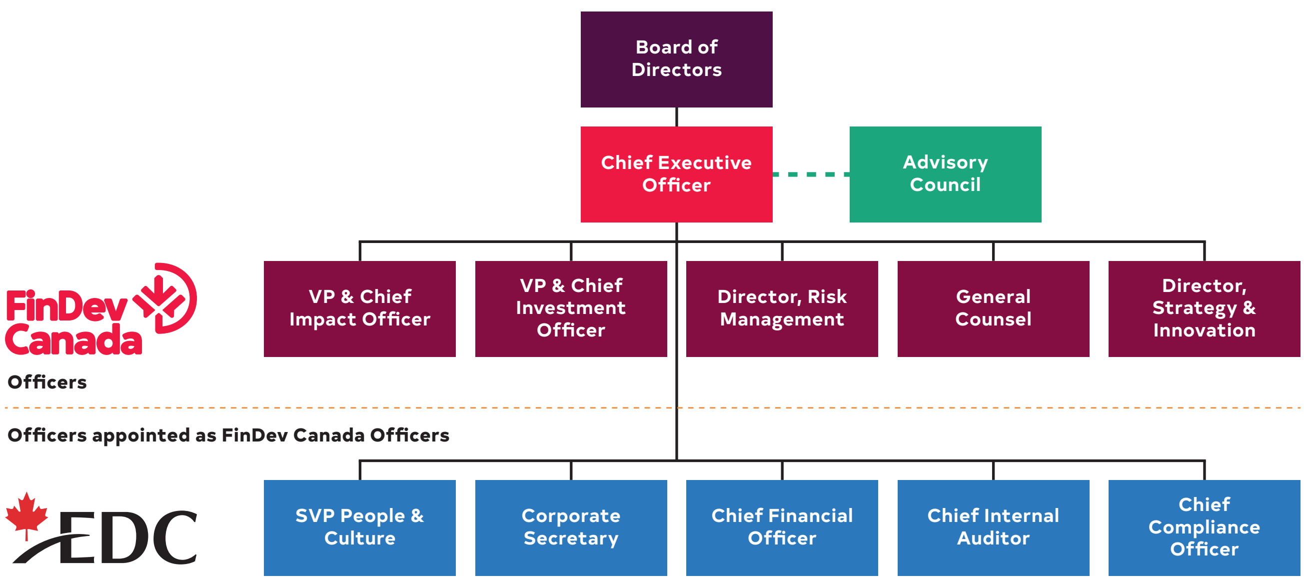

Figure 18: FinDev Canada's Managerial and Organization Structure

Appendix 3: Chief Financial Officer Attestation

In my capacity as Chief Financial Officer at FinDev Canada, accountable to the Board of Directors of FinDev Canada through the Chief Executive Officer, I have reviewed the financial projections provided in FinDev Canada's 2022-2026 Corporate Plan. It is in all material respects, in accordance with International Financial Reporting Standards, based on information available at the time of the preparation of this submission, that I considered necessary, as of the date indicated below. Based on this due diligence review, I make the following conclusions:

1. The nature and extent of the proposal is reasonably described and assumptions having a significant bearing on the associated financial requirements have been identified and are supported.
2. Significant risks having a bearing on the financial requirements, the sensitivity of the financial requirements to change in key assumptions, and the related risk-mitigation strategies have been disclosed.
3. Financial resource requirements have been disclosed and are consistent with the assumptions stated in the proposal, and options to contain costs have been considered.
4. Funding has been identified and is sufficient to address the financial requirements for the expected duration of the proposal.
5. The proposal is compliant with relevant financial management legislation and policies, and the proper financial management authorities are in place or are being sought through the proposal.
6. Key financial controls are in place to support the implementation and ongoing operation of the proposal.

In my opinion, the financial information contained in this proposal is sufficient overall to support decision making.

The Corporate Plan 2022-2026 was approved by FinDev Canada's Board of Directors on September 29, 2021.

I, therefore, recommend that you endorse this submission for the Minister for International Trade's approval.

Ken Kember
Chief Financial Officer
FinDev Canada

September 29, 2021

Appendix 4: Financial Statements and Budgets

4.1 Financial Statements and Notes

STATEMENT OF COMPREHENSIVE INCOME

Table 2: Projected Condensed Statement of Comprehensive Income

for the year ended December 31 (in millions of Canadian dollars)	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Financing and Investment Revenue:								
Loan	2	7	9	18	23	30	36	41
Marketable securities	1	-	-	-	-	-	-	-
Total financing and investment revenue*	3	7	9	18	23	30	36	41
Interest expense	-	-	-	1	3	6	7	8
Net Financing and Investment Income	3	7	9	17	20	24	29	33
Donor Contributions	-	4	2	2	1	1	1	1
Other (Income) Expense	-	-	7	-	-	-	-	-
Administrative Expenses	13	20	15	21	22	23	24	25
Provision for Credit Losses	3	8	13	9	7	9	9	8
Net Income (Loss)	(13)	(17)	(24)	(11)	(8)	(7)	(3)	1
Other Comprehensive income	-	-	-	-	-	-	-	-
Comprehensive Loss	(13)	(17)	(24)	(11)	(8)	(7)	(3)	1

* During the Plan period, FinDev Canada does not expect to earn investment revenue or divest any investments.

2021 FORECAST VERSUS 2021 CORPORATE PLAN

FinDev Canada is forecasting a net loss of $24 million for 2021, an increase of $7 million from the 2021 Corporate Plan. Items of note regarding this forecast are as follows:

- Other expenses have increased by $7 million mainly due to the volatility associated with FinDev Canada's financial instruments carried at fair value through profit or loss, resulting in unrealized losses in the investments portfolio. Due to the volatility and difficulty in estimating fair value gains or losses on financial instruments, a forecast for unrealized gains or losses is not included in the Plan.
  - The unrealized losses observed on specific assets relate in particular to a slower rate of pipeline development and investment by funds in which FinDev Canada is invested, due to adverse market conditions. This results in lower than expected cash flows for these funds which in turn brings down their estimated value. These issues are monitored closely by FinDev Canada and regularly discussed with the clients.
- An increase in the provision for credit losses of $5 million is primarily due to projected 2020 disbursements being delayed to 2021, coupled with a decline in the forecast average credit rating for new loan signings.
- Administrative expenses are projected to be lower than planned by $5 million mainly due to the following:
  - A significantly lower level of spending on 2X Canada, signed with Global Affairs Canada in March 2021, for which only rough estimates were available at the time the budget was established;
  - Similarly, a lower than planned level of spending on the Technical Assistance Facility; and
  - Projected decreases in professional services costs, particularly on information technology (IT) consulting, due to the deferred implementation of the IT roadmap.

2022 CORPORATE PLAN VERSUS 2021 FORECAST

FinDev Canada is forecasting a net loss of $11 million in 2022. Items of note are as follows:

- Net financing and investment income is expected to increase by $8 million as a result of higher disbursements at the end of 2021, the revenue impact of which will materialize in 2022.
- Administrative expenses are expected to increase by $6 million mainly due to:
  - Additional headcount to support the continued growth of the organization;
  - An increase in IT expenses, with a budget aligned with the initial 2021 budget, as the Corporation implements its IT roadmap; and
  - The Plan assumes a return to travel, with slightly higher expenses than had been planned in 2021. Persisting uncertainty on the duration of the pandemic and associated travel restrictions in FinDev Canada's target markets may lead to significant variability in actual expenses, as was the case in 2021.
- The provision for credit losses is expected to decrease by $4 million as the economic outlook post-pandemic begins to stabilize.

2023 TO 2026

Net losses are projected to gradually decline as FinDev Canada trends towards profitability in 2026.

STATEMENT OF FINANCIAL POSITION

Table 3: Projected Condensed Statement of Financial Position

as at December 31 *(in millions of Canadian dollars)*	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Assets								
Cash	10	6	7	7	7	7	7	7
Marketable securities	87	-	12	10	9	8	7	6
Derivative instruments	5	2	5	5	5	5	5	5
Loans receivable	102	295	305	449	517	627	718	787
Allowance for losses on loans	(4)	(14)	(13)	(18)	(22)	(28)	(33)	(37)
Investments	68	135	78	105	142	190	248	318
Other assets	4	2	2	2	2	2	2	2
Property, plant and equipment	-	-	-	-	3	3	2	2
Intangible assets	-	1	-	1	2	2	3	3
Right-of-use asset	1	1	1	1	1	1	1	-
Total Assets	273	428	397	562	666	817	960	1,093
Liabilities and Equity								
Accounts payable and other credits	2	1	14	13	11	10	9	8
Loan payable	-	183	137	313	426	484	529	561
Owing to Export Development Canada	1	2	1	2	3	4	6	8
Lease liability	2	1	1	1	1	1	1	-
Total Liabilities	5	187	153	329	441	499	545	577
Equity								
Share capital	300	300	300	300	300	400	500	600
Deficit	(32)	(59)	(56)	(67)	(75)	(82)	(85)	(84)
Total Equity	268	241	244	233	225	318	415	516
Total Liabilities and Equity	273	428	397	562	666	817	960	1,093

2022 CORPORATE PLAN

FinDev Canada is funded by capital injections from its parent company, EDC. After the initial capital of $300 million was consumed in early 2021, FinDev Canada borrowed US $40 million from EDC. Further borrowings are expected over the Plan period, for such amounts, terms and conditions as EDC and FinDev Canada may agree. EDC will engage in any borrowing, investing and hedging activities on behalf of FinDev Canada. Additional capital injections of $100 million are planned in 2024, 2025 and 2026. Surplus capital will be invested in marketable securities until it is required for cash outlays.

Loans receivable are expected to reach $305 million in 2021 with strong growth over the planning period. Investments are projected to reach $78 million in 2021 and are expected to grow to $318 million over the Corporate Plan period.

STATEMENT OF CHANGES IN EQUITY

Table 4: Projected Condensed Statement of Changes in Equity

for the year ended December 31 (in millions of Canadian dollars)	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Share Capital	300	300	300	300	300	400	500	600
Retained Earnings								
Balance beginning of year	(19)	(42)	(32)	(56)	(67)	(75)	(82)	(85)
Comprehensive loss	(13)	(17)	(24)	(11)	(8)	(7)	(3)	1
Balance end of year	(32)	(59)	(56)	(67)	(75)	(82)	(85)	(84)
Total Equity at End of Year	268	241	244	233	225	318	415	516
Return on Equity	-5.8%	-6.8%	-9.4%	-4.6%	-3.5%	-2.6%	-0.8%	0.2%

STATEMENT OF CASH FLOWS

Table 5: Projected Condensed Statement of Cash Flows

for the year ended December 31 (in millions of Canadian dollars)	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Cash Flows from (used in) Operating Activities								
Net income (loss)	(13)	(17)	(24)	(11)	(8)	(7)	(3)	1
Adjustments to determine net cash from (used in) operating activities								
Provision for credit losses	3	8	13	9	7	9	9	8
Depreciation	-	-	-	-	-	-	-	1
Changes in operating assets and liabilities	-	-	-	-	-	-	-	-
Change in fair value of investments and accrued interest on loans receivable	-	1	4	-	-	-	-	-
Change in derivative instruments	3	-	5	-	-	-	-	-
Other	(2)	-	5	(1)	(3)	(2)	-	(4)
Loan disbursements	(87)	(168)	(225)	(173)	(162)	(187)	(189)	(187)
Loan repayments	2	8	21	25	92	75	95	116
Net cash used in operating activities	(94)	(168)	(201)	(151)	(74)	(112)	(88)	(65)
Cash Flows from (used in) Investing Activities								
Disbursements for investments	(20)	(31)	(21)	(27)	(37)	(48)	(59)	(70)
Receipts from investments	1	-	2	-	-	-	-	-
Purchases of marketable securities	-	-	(8)	-	-	(100)	(100)	(100)
Sales/Maturities of marketable securities	-	-	1	2	1	101	101	101
Purchases of property, plant and equipment	-	-	-	-	(3)	-	-	-
Purchases of intangible assets	-	(1)	-	(1)	(1)	-	(1)	-
Net cash used in investing activities	(19)	(32)	(26)	(26)	(40)	(47)	(59)	(69)
Cash Flows from (used in) Financing Activities								
Issue of long-term loans payable at amortized cost	-	183	137	176	161	146	222	144
Repayment of long-term loans payable at amortized cost	-	-	-	-	(48)	(88)	(177)	(112)
Increase (decrease) in amount due to EDC	-	-	-	1	1	1	2	2
Issuance of share capital	100	-	-	-	-	100	100	100
Net cash from financing activities	100	183	137	177	114	159	147	134
Net increase (decrease) in cash and cash equivalents	(13)	(17)	(90)	-	-	-	-	-
Cash and cash equivalents								
Beginning of year	110	23	97	7	7	7	7	7
End of year	97	6	7	7	7	7	7	7
Cash and cash equivalents are comprised of								
Cash	10	6	7	7	7	7	7	7
Cash equivalents included within marketable securities	87	-	-	-	-	-	-	-
	97	6	7	7	7	7	7	7

ACCOUNTING POLICIES AND FUTURE ACCOUNTING CHANGES

The accounting policies used in the preparation of this Financial Plan are in accordance with International Financial Reporting Standards (IFRS) currently in effect. The earnings of the Corporation are not subject to the requirements of the ***Income Tax Act***.

AMENDED AND EVOLVING STANDARDS

The following standards and amendments issued by the International Accounting Standards Board (IASB) have been assessed as having a possible effect on FinDev Canada in the future. We are currently assessing the impact of these standards and amendments on our financial statements:

- **IFRS 16 – Leases**: In May 2020, the IASB issued an amendment related to COVID-19 Related Rent Concessions which provides a practical expedient in assessing whether a COVID-19 related rent concession is a lease modification. The amendment is effective for annual reporting periods beginning on or after June 1, 2020 and we do not anticipate any impact to the financial statements.
- **Interest Rate Benchmark Reform — Phase 2**: In August 2020, the IASB issued amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures and IFRS 16 Leases to address the reforms related to the interest rate benchmark. These amendments are effective for annual reporting periods beginning on or after January 1, 2021 with early application permitted. The amendments include changing the effective interest rate of financial instruments to reflect the change to the alternative benchmark rate, as well as additional disclosures about new risks arising from the reform and how we are managing the transition to alternative benchmark rates. These amendments are highly relevant to FinDev Canada and will impact the loans receivable and derivative instruments balances on our financial statements and related disclosures, however the impact cannot be reasonably estimated at this time. Currently, our project working group is focused on key activities including assessing the impact on existing systems and processes as well as the impact of converting our existing loan agreements to using the new relevant alternative benchmark rates.

CAPITAL MANAGEMENT

CAPITAL ADEQUACY POLICY (CAP)

As its investment strategy has grown since inception, FinDev Canada had, by mid-2021, consumed the full initial $300 million capital injection from its parent, EDC. Accordingly, and in line with its approved 2021-2025 Corporate Plan, FinDev Canada initiated the financial leveraging of its growing investment activities by borrowing from its parent, EDC.

In anticipation of the time at which it would start to borrow, FinDev Canada established in 2020 a Capital Management Policy which formalizes how it governs itself with respect to capital adequacy risk. The policy serves to define a prudent level of borrowing, given its actual capital base and anticipated portfolio.

FinDev Canada's approach to capital management introduces the concept of Economic Capital, which is the amount of equity needed to absorb losses over a certain time horizon while maintaining a target solvency. Such approach to capital management is rooted in Basel III principles and aligns with practices in place at most regulated international commercial financial institutions. It has also been designed to ensure alignment with EDC. Like its parent, FinDev Canada's target solvency rating has been set to AA.

4.2 Operating Budget and Notes

ADMINISTRATIVE EXPENSES

Table 6: Projected Administrative Expenses

(in millions of Canadian dollars)	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Salaries and benefits	7.7	8.4	8.6	12.1	13.2	14.2	15.0	15.4
Professional services	1.6	3.1	1.6	2.6	2.7	2.7	2.7	2.8
Administration costs	1.3	1.4	1.6	1.6	1.7	1.7	1.8	1.8
Marketing and communications	0.3	0.8	0.6	0.8	0.8	0.8	0.9	0.9
Travel, hospitality and conferences	0.1	0.5	-	0.3	0.5	0.6	0.6	0.6
Other	1.5	6.1	2.8	3.1	2.8	3.1	3.2	3.2
Total administrative expenses	12.5	20.3	15.2	20.5	21.7	23.1	24.2	24.7

2021 FORECAST

Administrative expenses are expected to be lower than projected in the 2021 Plan mainly due to changes in the assumptions for the 2X Canada facility between Global Affairs Canada and FinDev Canada which was entered into earlier this year, along with projected decreases in professional services costs. The change to 2X Canada results in a reduction in both donor contributions and administrative expenses.

2022 PLAN

FinDev Canada is targeting administrative expenses of $20.5 million for 2022. Items of significance in the administrative expense projections for 2022 are as follows:

- Salaries and benefits are projected to increase as new employees are hired to support FinDev Canada's business.
- Professional services are expected to grow in 2022, driven primarily by higher consulting fees. These are driven by unrecoverable transaction-related fees, as well as external consulting to assist various new business initiatives such as the elaboration of an independent accountability mechanism, or a 5-year strategic refresh exercise.
- Information Technology (IT) expenses are forecast to increase as the Corporation implements its IT roadmap to build the minimum viable infrastructure required to manage its business effectively and securely. The 2022 IT budget is aligned with the initial 2021 IT budget, which was delayed in its implementation.
- In 2021, FinDev Canada officially launched 2X Canada. The facility will support longer-term recovery and resilience and yield high impact in gender equality and climate action. To preserve FinDev Canada's capability to deliver on its core mandate, all costs incurred in administering this mechanism will be recovered from GAC.
- In 2020, FinDev Canada launched a Technical Assistance Facility to build the capacity of private sector entities operating in emerging and frontier markets so they can deepen their development outcomes and scale sustainably. For the 2020-2024 period, the Facility's administrative expenses are funded by GAC (86 per cent) and FinDev Canada (14 per cent) through an administrative agreement.
- The 2022 administrative expenses are partially offset by grant revenue of $1.9 million.

Table 7: Travel and Hospitality Expenses

(in thousands of Canadian dollars)	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Travel	58	439	33	289	487	496	506	516
Hospitality	22	70	5	24	24	25	25	26
Conferences	6	27	3	30	30	31	31	32
Total	86	536	41	343	541	552	562	574

Table 8: Travel and Hospitality Expenses as a Percentage of Total Administrative Expenses

(in thousands of Canadian dollars)	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Total travel, hospitality and conferences expenses	86	536	41	343	541	552	562	574
Total administrative expenses	12,548	20,348	15,191	20,509	21,742	23,137	24,193	24,749
Travel and hospitality as a % of total administrative expenses	0.7%	2.6%	0.3%	1.7%	2.5%	2.4%	2.3%	2.3%

4.3 Capital Budgets and Notes

CAPITAL EXPENDITURES

Table 9: Projected Capital Expenditures

(in millions of Canadian dollars)	2020 Actual	2021 Plan	2021 Fcst	2022 Plan	2023 Plan	2024 Plan	2025 Plan	2026 Plan
Facilities	0.1	-	-	0.4	3.0	0.2	0.2	0.2
Information technology	0.1	0.8	0.2	0.8	0.8	0.8	0.8	0.8
Total capital expenditures	0.2	0.8	0.2	1.2	3.8	1.0	1.0	1.0

Facilities capital expenditures include leasehold improvements, furniture and equipment. Information technology capital expenditures include hardware, internally developed and purchased software.

Facilities expenditures are budgeted to increase in 2023 as FinDev Canada would require additional office space at the end of their current lease term. However, office space decisions will evolve based on future of work discussions.

No capital expenditures during the Plan period meet the requirements for disclosure per the value and risk tests.

Appendix 5: Borrowing Plan

BORROWING AUTHORITY

Pursuant to EDC's expanded mandate under section 10(1)(c) of the amended *Export Development Act*, EDC has incorporated Development Finance Institute Canada (DFIC) Inc., trade name FinDev Canada, as a wholly owned subsidiary of EDC.

BORROWING STRATEGY

FinDev Canada is currently forecast to borrow from EDC $137 million in 2021 and $176 million in 2022. EDC Treasury will leverage its expertise to undertake all borrowing, investing, hedging and foreign exchange activities on behalf of FinDev Canada.

In March 2021, FinDev Canada received a two-year, fixed rate loan from EDC. The loan was made on commercial terms including a market interest rate. The balance of the loan payable to EDC was $49.6 million as at June 30, 2021.

Appendix 6: Compliance with Legislative and Policy Requirements

FinDev Canada is subject to a diverse range of legislation, regulations, international agreements and treaties, government policies, directives and compliance with industry standards across multiple jurisdictions.

FinDev Canada's suite of policies address the legislative and policy requirements relevant to our operations in order to protect the company, our employees, and the Government of Canada from potential exposure to legal, reputational and financial consequences.

To manage the risk of non-compliance with our obligations and policies, FinDev Canada aligns its practices with those of EDC, whenever relevant to our mandate and to our operating environment. This is the case for directives that are issued to EDC under Section 89 of the Financial Administration Act (FAA).

Furthermore, EDC monitors new bills tabled in Parliament, to ensure that EDC and FinDev Canada are in compliance with new federal requirements.

Appendix 7: Government Priorities and Direction

TRANSPARENCY AND OPEN GOVERNMENT

FinDev Canada is committed to trust and accountability, including accurate and timely disclosure of information. As such, the Corporation continues to evolve and build on its Transparency & Disclosure Policy[38] approved by the Board of Directors in 2017, in response to the evolution of the operating environment.

FinDev Canada's provides access to information while maintaining the commercial confidentiality of our customers. The Policy governs how we publicly release information on transactions. We place FinDev Canada in a leading position, by instituting pre-signing disclosure of the transactions it considers entering into.

FinDev Canada will also provide regular reporting on its aggregate activities, including development impact performance, and information on all transactions entered into. FinDev Canada also makes the following information publicly available on its website:

- Travel and Hospitality expenses;
- Annual Reports on the Administration of the *Access to Information Act*;
- Information about EDC's function, programs, activities and information holdings (Info Source); and
- Any disclosure reports of wrongdoing under the *Public Servants Disclosure Protection Act*.

FinDev Canada engages with stakeholders and civil society through consultations and by participating in events to discuss issues of mutual concern and solicits feedback on our own practices. For example, FinDev Canada issued a draft Environmental and Social (E&S) Policy for stakeholder consideration on November 19, 2019 as part of the E&S Policy revamp. The E&S Policy and Stakeholder comments are available on its website[39].

FinDev Canada will continue to provide increased access to information for its customers, partners and civil society over the planning period.

GENDER-BASED ANALYSIS PLUS

Gender equality is at the core of FinDev Canada's priorities. This applies to its activities as a DFI and to its own corporate practices. As is outlined in the Corporate Plan (see gender equality section above), FinDev Canada will apply a gender lens to all investments. We strive to lead by example in our management practices regarding gender equality, to create a culture of equal opportunity and advancement (see Diversity and Employment below).

DIVERSITY AND EMPLOYMENT EQUITY

Diversity and inclusion are core aspects of FinDev Canada's practices in support of businesses in developing countries. In collaboration with industry partners, FinDev Canada works with its clients to develop customized action plans that address inequality gaps in their operations.

FinDev Canada recognizes the importance of an inclusive workplace environment. We rely on the support of EDC Human Resources management and benefits from the breadth of experience and recognized leading practices of EDC as an employer. FinDev Canada's Gender Lead sits on the EDC Diversity and Inclusion Committee, a platform geared towards raising awareness of issues and employee concerns and inclusively crafting solutions.

With a majority of female employees, FinDev Canada's employee base represents a large degree of gender diversity. As we grow, we will seek to further increase diversity, by hiring professionals that originate from, or have ties to, the countries in which we operate.

INDIGENOUS ISSUES

FinDev Canada operates outside of Canada only. Through our Environmental and Social due diligence process, we continue to monitor the impact of our clients' activities on local communities in the markets where we operate, including indigenous communities. Through our support to local business, we also seek to maximize benefits to the poorest communities, including indigenous ones.

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