2016–2020 CORPORATE PLAN SUMMARY

OPERATING BUDGET • CAPITAL BUDGET • BORROWING PLAN

Canada

EDC

Realize a World of Opportunity

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EXECUTIVE SUMMARY

EDC is a Crown Corporation which provides trade finance and risk management services to Canadian companies to help them take advantage of global trade and investment opportunities.

Our mandate is to support and develop, directly or indirectly, Canada's export trade and Canadian capacity to engage in that trade, as well as respond to international business opportunities. At the core of our mission is our unique ability to harness our knowledge of international trade and global buyers to enable us to take on and manage significant levels of risk in order to facilitate the success of Canadian companies in international markets. As an important contributor to Canada's economic success, our work helped generate almost $68 billion in Canada's GDP in 2014 – more than 4 cents of every dollar.

THE PLANNING ENVIRONMENT

With the US engine leading the charge, and other developed economies following, global economic momentum is expected to build from a strong base in 2015. As a result, Canadian companies need to prepare for opportunities on the horizon. And while economic growth in emerging markets has slowed, these markets are still the world's fastest growing, and should remain so throughout the planning period. While the US market is rebounding, focusing only there is not enough to ensure Canada's long term economic prosperity; Canada needs to be more competitive in all international markets, including emerging markets where Canadian businesses have been traditionally less active.

Within this context, EDC is forecasting Canada's growth to be approximately 2.3 per cent in 2016. Trade and investment will be key drivers for the Canadian economy over the planning period, in part driven by a lower Canadian dollar. Critical to long-term economic success will be growth in the number of small and medium sized enterprises (SMEs) engaged in international trade and the ability of Canadian companies to diversify to new markets.

THE BUSINESS STRATEGY

Export Development Canada is the leader in helping every Canadian company go, grow and succeed internationally. This includes both those planning to export for the first time as well as experienced exporters looking to expand their international footprint. Over the years, we have evolved our solutions to meet the needs of companies of all sizes. We serve both large Canadian corporations with operations around the globe, as well as small business entrepreneurs exporting to one market for the first time, and companies of all sizes in between. While each of their needs are different, our goal remains the same: to provide a solution that will help them capture international opportunities.

A key measure of success for the organization over the next five years will be our contribution to Canada's trade priorities, including support for SMEs. This will include collaboration with Global Affairs Canada (GAC) on the development of the Trade and Export Strategy. We work in collaboration with the Trade Commissioner Service (TCS), other government partners and the private sector to ensure that our solutions enable Canadian companies to win new business in markets around the world.

Our business strategy for the period 2016-2020 is centred on understanding the barriers to international business for Canadian companies and ensuring they get the tools they need to thrive. We believe this is a critical step to help Canadian companies – particularly SMEs – achieve future success in new markets.

The 2016 -2020 Business Strategy outlines three strategic objectives:

1

Build awareness about EDC and the benefits of exporting to encourage trade growth:

We will ensure that Canadian businesses that have yet to export are aware of the benefits. We will also build awareness of the services EDC and its partners can provide to help them become exporters or grow their business overseas.

2

Offer a range of solutions to meet the needs of Canadian companies:

We will ensure that current and potential exporters have access to the products and services that are necessary for them to succeed in international business.

3

Create new trade opportunities and increase diversification:

We will find new opportunities for Canadian companies and help them expand beyond traditional markets.

We remain committed to a Partnership-Preferred Philosophy and to Corporate Social Responsibility (CSR). Our Partnership-Preferred Philosophy means that we need to have in mind the best interests of Canadian companies and use our financial capacity in a manner that is complementary to the products and services of private-sector financial institutions. Our commitment to CSR is founded on our goal to meet the expectations of Canadians to act as a good corporate citizen, upholding Canada's values both at home and abroad, while ensuring that Canadian businesses benefit from international business opportunities.

We are able to deliver on our objectives because of our strong practices for operational management. These include financial sustainability, risk management and human resources. We work to ensure that our practices are aligned with the Government of Canada's priorities and that we follow best practices in all of these areas, while continually looking for ways to create additional efficiency and value for the corporation.

THE FINANCIAL PLAN

Our ability to deploy financing and insurance solutions to Canadian global businesses over the long term is dependent on our commitment to sound financial management. The 2016-2020 Financial Plan outlines how EDC is managing its administrative and operating expenses through a productivity ratio. The Financial Plan also provides details on our key business assumptions, which underlay our projected financial performance. Chapter 3 includes Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Planned Capital Expenditures for 2016-2020.

INTRODUCTION

EDC OVERVIEW

Created in 1944 as Canada's export credit agency, EDC's mandate is to support and develop, directly or indirectly, Canada's export trade and Canadian capacity to engage in that trade, as well as respond to international business opportunities.

We are a financial institution that provides insurance and financial services, bonding products and small business solutions to Canadian exporters and investors and their international buyers. We accomplish this by partnering with insurance providers and banks, which allows Canadian companies to compete on a level playing field with exporters from around the world.

We fulfill our mandate by ensuring that Canadian companies have access to the tools they need to go, grow and succeed overseas. We support the growth of Canadian capabilities and expertise around the world – connecting businesses directly to foreign buyers and global supply chains – in order to bring benefits home to Canada. Our contribution to helping companies that export or invest overseas increases Canada's trade capability and creates benefits for Canada, contributing to GDP. As an important contributor to Canada's economic success, our work helped generate almost $68 billion in Canada's GDP in 2014 – more than 4 cents of every dollar.

With our broad-based products and solutions, we can support Canadian companies at every stage in the exporting life cycle;

from equity support for early stage exporters,

to insurance policies for a Canadian company's first export sale,

to working capital solutions for Canadian companies that want to grow,

to helping companies invest directly into new foreign markets,

to helping foreign companies invest in Canada for export purposes,

to connecting exporters with new buyers in emerging markets.

The ability to leverage our international knowledge and business connections to create opportunities for Canadian businesses and provide the right solution at the right time to companies of all sizes is our competitive advantage. Over time, we have developed our organization and its solutions so that we can assist both small entrepreneurs and large corporations. Where possible, we leverage our relationships with Canada's leading large exporters to integrate small Canadian firms into their supply chains to introduce them to exporting for the first time or help them move beyond their traditional trading partners.

Canadian small- and medium-sized enterprises (SME) represent over 80 per cent of our customer base, and supporting and increasing their export trade will remain a priority for EDC throughout the planning period.

1. THE PLANNING ENVIRONMENT

Momentum is building in the global economy and, driven largely by the US, world growth is returning. And while emerging markets economic growth has declined, these markets are still the world's fastest growing, and should remain so throughout the planning period.

1.1 GLOBAL ECONOMIC ENVIRONMENT

With the US engine leading the charge, global economic momentum is expected to build from a strong base in 2015. This will be fed largely by pent up demand in three key economic sectors.

First, the U.S. housing market is still under-performing, and could grow by as much as 30 per cent in the next two years. Second, U.S. consumer spending, which accounts for 70 per cent of the U.S. economy, is also expected to increase significantly. Third, the US industrial machine will be facing some very tight capacity constraints and, as a result, we expect that American corporations will start investing again. In fact, these corporations will likely need to import capacity such as foreign-sourced machinery and equipment and ramp up foreign direct investment.

Overall, we expect U.S. GDP growth of 2.9 per cent in 2016. Furthermore, this US momentum should soon benefit the rest of the world. Europe is showing signs of following the U.S. slipstream, and should grow by 1.8 per cent in 2016. Fueled by this increased demand, emerging markets will likely also follow suit with growth of 4.4 per cent in 2016.

The economic situation in China remains an area that the rest of the world continues to monitor closely, given the impact on the world economy. While China has devalued its currency, the current outlook remains at 5 per cent growth. Other regions, such as emerging Asia, particularly the Association of South East Asian Nations (ASEAN) countries, will also see strong growth. Looking further ahead, Sub-Saharan Africa has seen an average annual GDP growth rate of 5.7 per cent in the past decade, and we expect this pace to continue presenting many opportunities for Canadian suppliers throughout the planning period. Overall growth in these regions should set the stage for the next wave of global trade diversification.

However, as always the global economy remains vulnerable to unforeseen disruptions, ongoing volatility in capital markets and geo-political risk. Certainly, low oil prices have had an impact on the global outlook but, on balance, we believe that the positive effects on net oil consuming economies will outweigh the negative effects on the big oil producers, lifting global growth. Overall, we expect global economic growth of 3.6 per cent in 2016.

1.2 THE CANADIAN CONTEXT

No doubt, the past few years have been a challenging environment for Canadian exporters, particularly smaller companies. On balance however, leading indicators now point to growth and our outlook for Canada, while tentative, is promising.

While the oil and gas sector continues to struggle, we expect the energy sector to rebound as a top export performer in 2016. The low dollar should also help the manufacturing sector to make up the export deficit in the short term.

Overall growth is forecast to reach 2.3 per cent in 2016, as growth cascading from developed markets into the developing world should boost trade and investment for Canada throughout the planning period.

1.3 CHALLENGES AND OPPORTUNITIES AHEAD

Despite more firms looking abroad, Canada is lagging its peers over the past decade, and the value of exports has increased at only a modest pace. The reality is that only a small and declining portion of Canadian businesses, both large and small are globally active, and an even smaller portion of those are in high-growth markets, a fact which leaves our economy vulnerable, given that trade is responsible for 60 per cent of Canada's GDP.

Furthermore, as global labour constraints begin to emerge, we should soon see its impact on overall productivity. Within the planning period Canada will see a decline in the 15 to 54 age group and subsequently, serious labour constraints. This further underscores the importance of Canadian direct investment abroad (CDIA) beyond the traditional reasons of cost savings, supply chain management and proximity to buyers, but also to get increased access to pools of labour. To that effect, Canadian companies developing various mechanization technologies have big potential opportunities.

IMPACT OF EMERGING GLOBAL TRENDS

One trend that should create opportunities throughout the planning period is the growth of middle classes in high-growth emerging market nations such as Indonesia (7 million per year), India (10 to 20 million per year), China (almost 40 million per year) and Brazil (5 million per year). This subsequent rise in per capita income and demand for better living standards will drive demand for higher value-added goods and services produced by Canada.

These growing middle class groups are increasingly consuming more goods of higher quality from cars to food, particularly meat, which is putting exponential pressure on the world's food supply. As these regions cannot accommodate their own future demands, they are increasingly becoming importers of high-quality goods, creating multiple opportunities for Canadian businesses in the years ahead.

SECTORS OF OPPORTUNITY

Raw and processed foods, fertilizers and agricultural equipment should be in high demand, as well as consumer goods, clean technologies, healthcare and forestry products, education, biotechnology and next generation information technologies.

In addition, this growing middles class is also urbanizing at high rates, creating large infrastructure deficits (and associated services) such as roads, ports, railways and airports (particularly in India, emerging Asia and Sub-Saharan Africa), all areas of Canadian expertise.

Again, this underscores the importance of CDIA throughout the planning period. It is critical for Canadian companies to gain access to these new markets and supply chains and to get closer to foreign buyers. For example, setting up an affiliate in a particular emerging market enables access to the preferential trade agreements specific to that country.

Another trend we are monitoring is the disruptive impact of new digital technologies, which has the potential to transform or displace jobs in every sector of the economy from agriculture and mining to finance. As such, Canada's economic growth will be linked to its ability to compete in the global digital economy, which will call for a much better understanding of how digital technology is transforming the nature of work, where the opportunities for employment will lie, and what skills and training the next generation of digital workers will need to thrive in the future economy.

1.4 WHAT DOES THIS MEAN FOR CANADIAN EXPORTERS?

Growth in the U.S. certainly bodes well for all Canadian companies. And in the current context, with the U.S. market rebounding, many Canadian companies are indeed pursuing new opportunities with our largest trading partner. However, as many companies learned during the downturn, relying on just one market (including the domestic market) can leave them vulnerable to growth shifts. These companies, particularly SMEs, should also pursue export business in other areas of high growth, and continue to expand into emerging markets as trade diversification remains as critical as ever.

That said, while many Canadian companies begin exporting to the US, a large segment of Canadian companies begin exporting in other ways; to the EU or directly to non-traditional markets and BRIC countries (Brazil, Russia, India and China). This is particularly true for new start-ups. No matter the export path, the needs of Canadian companies vary as the risks and complexity of international trade intensifies. To be competitive in international markets, Canadian companies need support to be strong both at home and abroad. Recent Free Trade Agreements such as Comprehensive Economic and Trade Agreement (CETA), Canada Korea FTA, as well as the Trans-pacific Partnership (TPP) should serve to eliminate many traditional barriers to trade and help connect more Canadian companies to opportunities in these critical markets.

SUMMARY

Export-related trade and investment, in both developed and emerging markets, will drive Canada forward throughout the planning period. But while the outlook for Canada is promising, only 4 per cent of companies are currently exporting, with the majority of these exports going to the U.S. The question remains, is a recovery in the U.S. enough for Canada's long term economic prosperity? We believe the answer is no.

The long-term health of the Canadian economy will depend on helping more SMEs (which account for 98 per cent of Canada's businesses and 60 per cent of employment) succeed in whichever path they take to expand overseas. Simply put, Canada needs to get more Canadian companies exporting to more regions around the world, and with more intensity. Canadian companies looking to grow internationally will need to leverage new and existing free trade agreements and the lower dollar, while also making up ground in sectors beyond oil and gas.

EDC recognizes that it needs to play a bigger role in helping more Canadian companies take advantage of growing international opportunities. Given the varying paths Canadian companies take to begin exporting, with the majority beginning in the US, and other segments going directly to non-traditional markets first, EDC must understand, anticipate and prepare for these different and evolving needs. To do so, we will challenge ourselves to develop a better understanding of the needs of all Canadian companies as they attempt to grow internationally and continue to look for ways to adjust our services to address those needs. Our business strategy takes these elements into consideration.

2. THE BUSINESS STRATEGY

2.1 OVERVIEW

Export Development Canada is the leader in helping every Canadian company go, grow and succeed internationally. This includes both those planning to export for the first time as well as experienced exporters looking to expand their international footprint.

As noted in the Planning Enviroment, EDC is focused on both doing more to increase the number of Canadian companies exporting and supporting their diversification to new markets. Accordingly, our business strategy for the period 2016-2020 is centred on understanding the barriers to international business for Canadian companies and ensuring they get the tools they need to thrive. We believe this is a critical step to help Canadian companies – particularly SMEs – achieve future success in new markets.

We see three roles for EDC: making Canadian companies more aware of the benefits of international business, introducing them to new opportunities, and working with them to access the knowledge, services and products necessary to go global. To do this, EDC needs to be close to Canadian companies here in Canada, and be where they are going around the world – particularly those areas which offer the greatest potential for successful diversification. The corporation remains committed to actively developing its presence across Canada in support of these goals.

At EDC our competitive advantage is that we offer a package of solutions, including extensive knowledge and expertise of international trade and a range of financial solutions to meet the needs of Canadian companies doing business around the world. This is the core of our business and thousands of Canadian companies active internationally count on EDC's financing, insurance and bonding solutions to maintain and grow their business, and to compete on a level playing field with exporters from other countries. Over the years, we have evolved these solutions to meet the needs of companies of all sizes. We serve large Canadian corporations with operations around the globe as well as small business entrepreneurs who may only have one region of focus, and companies of all sizes in between. While their needs are often different, our goal remains the same: to provide a solution that will help them export.

2.2 SUPPORT FOR SMES AND CONTRIBUTING TO CANADA'S TRADE STRATEGY

Trade is critical to the future health and prosperity of Canada's economy. EDC is committed to the successful delivery of the Government of Canada's trade priorities, including collaboration on the development of a new Trade and Export Strategy.

The Government of Canada has also recently signed on to several new free trade agreements, such as the Comprehensive Economic and Trade Agreement with the European Union and the Canada-Korea Free Trade Agreement. These agreements give Canada freer and more open access to significant markets around the world, and give Canadian companies a level playing field on which to compete.

EDC's role in this regard is to work with the government on the development of trade agreement implementation plans and to make sure that Canadian companies are aware of and take advantage of these new opportunities. We are focused on delivering on the Government of Canada's ambitious international trade agenda, as well as getting more Canadian companies exporting to more markets. Our aim is to help more companies go international for the first time, and help those that are already exporting to expand to new markets.

A key measure of our success in the years ahead will be our ability to support SMEs as they look to export and expand to new markets. In 2014, over 80 per cent of our customers were SMEs. To that end, we have developed several new solutions to support the success of Canadian SME exporters. In addition to our financing and insurance solutions, we leverage our financing relationships with foreign buyers to create the conditions for them to procure from Canadian suppliers and introduce SMEs into their supply chains. In doing so, we collaborate with Trade Commissioners in market, sharing intelligence and jointly participating in outreach events.

This work is complemented by EDC's broad network of international representations. We will continue to expand our reach so that we can better serve exporters. In 2015 we opened new representations in South Africa, as well as in the United Kingdom, to better serve Canadian companies overseas and find new opportunities.

2.3 STRATEGY AND OBJECTIVES

We are continually exploring new ways for EDC to help Canadian companies succeed in international business and contribute to Canada's trade goals. To date, we have undertaken transformation projects to improve services for our customers, focused on introducing exporters to new supply chains and markets around the globe, and adapted our solutions to better meet the needs of SMEs in Canada. We will continue to execute on these activities while promoting operational efficiency and driving better service and value for our customers. At the same time, we recognize a need for us to do more for Canadian businesses.

Throughout the planning period, we will work to increase and diversify Canada's trade activities by providing the right solution at the right time. While EDC remains committed to ensuring tht all Canadian companies can access our current suite of financial services, we also recognize the importance of making EDC's knowledge and expertise about international business and foreign markets, and our vast network of international business connections more available to Canadian companies. These are vital services which are designed to help companies go and grow internationally.

For 2016 – 2020 we have identified three strategic objectives that form the foundation of our business strategy:

1. Build awareness about the benefits of exporting and EDC to encourage trade growth: We will ensure that Canadian businesses that have yet to export are aware of the benefits. We will also build awareness of the services EDC and its partners can provide to help them become exporters or grow their business overseas.

2. Offer a range of solutions to meet the needs of Canadian companies: We will ensure that current and potential exporters have access to the products and services that are necessary for them to succeed in international business.

3. Create new trade opportunities and increase diversification: We will find new opportunities for Canadian companies and help them expand beyond traditional markets.

Details on our activities in each of the three areas of our business strategy are outlined in detail in the following pages.

2.4 EDC'S 2016 – 2020 OBJECTIVES

OBJECTIVE 1: BUILD AWARENESS ABOUT THE BENEFITS OF EXPORTING AND EDC TO ENCOURAGE TRADE GROWTH

We will ensure that Canadian businesses are aware of the benefits of exporting. We will also build awareness of the services EDC and its partners can provide to help them become exporters or grow their business overseas.

Our first objective for the planning period is to continue to increase awareness about the benefits of exporting and the services that EDC can offer to Canadian companies of all sizes. The goal of this objective is to encourage trade growth and increase Canada's trade competitiveness.

BUILDING AWARENESS

Many Canadian companies have the capability to export today, but are missing opportunities because they are either not aware of them or the services available to help in their first international sale. Our role is to create the conditions for these companies to be able to take advantage of the opportunities.

MARKETING AND COMMUNICATIONS

In 2015 we focused on communicating with and advertising to Canadian businesses to raise awareness about exporting. In 2016 and beyond we will continue our work in this area. To do so, we will invest in marketing and communications activities to raise awareness. We continue to do this in part through marketing campaigns that comprise television, airports, web, print, and social media channels. We are part-way through our current multi-phased campaign and intend to include information on results of these awareness activities in future Corporate Plans. One of the many ways in which we share information and raise awareness is through our online magazine for Canadian businesses and exporters, Exportwise.ca. In it we provide relevant information about global trade, export and investment issues. This includes economic and market analyses, tips on how to overcome challenges in exporting to foreign markets and Canadian success stories.

PARTNERSHIPS

Our awareness activities go beyond marketing and communications. In 2014 and 2015 we collaborated with the Trade Commissioner Service (TCS), Business Development Bank of Canada (BDC), Canadian Commercial Corporation (CCC), and the Canadian Manufacturers and Exporters Association (CME) on the Global Affairs Canada's SME export workshops. These workshops, which took place in communities across Canada, provided SMEs with the tools and practical information they need to take advantage of international business opportunities, including those generated by new free trade agreements.

Industry and business associations are also key partners as we try and extend our reach into the market. EDC has ongoing relationships with sector associations that are leveraged for awareness building and joint marketing activities. We are also actively pursuing opportunities with the growing number of women entrepreneur networks, such as Women Business Enterprises and the Organization of Women in International Trade.

In partnership with CME we have started and are planning a number of new activities. For example, we entered into a partnership agreement to develop and promote the Enterprise Canada Network (ECN), a platform that enables SMEs to register their capabilities, and markets of interest in order to connect them to foreign market opportunities. In addition, we are sponsoring a one year program to be launched in late 2015 called the Global Business Skills training program which will leverage content from EDC and the Forum for International Trade Training (FITT) program. This training will target new and growing exporters who want to expand into emerging markets, and will be delivered across Canada as well as online.

We will also continue to strengthen our relationships with the TCS, BDC and CCC, so that all four organizations can promote each other's services when appropriate during interactions with Canadian companies.

For example, we have a protocol in place with BDC to ensure that Canadian companies looking to expand their business in global markets have access to the services and financial capacity that best suits their needs. As part of this protocol, EDC and BDC have agreed to better coordination and more efficient services for SMEs, which means that both organizations have committed to not duplicating each other's services.

As part of our protocol with BDC we have a referral program in place to ensure that customers receive the right solutions for their needs. Cooperation between the two organizations has also moved beyond referrals to joint events, learning sessions, and regular senior level discussions. We believe that by working closely with BDC, we can jointly create more positive results for SMEs.

OBJECTIVE 2: OFFER A RANGE OF SOLUTIONS TO MEET THE NEEDS OF CANADIAN COMPANIES

We will ensure that current and potential exporters have access to the products and services that are necessary for them to succeed in international business.

Canadian businesses have a variety of needs that must be met in order to be successful exporters. Some require insurance for one overseas sale and are best served by an easy to use online product. Others have more complex needs and receive the greatest benefit when we work closely with them to understand their specific challenge and find a solution.

We have in place a comprehensive suite of products that can help current or future exporters at any stage in their life cycle. We will ensure that businesses have access to solutions that cover a full spectrum of export needs – both for those who will be going overseas for the first time and those that are looking to grow their export footprint.

TRANSFORMING FOR OUR CUSTOMERS

We continue to transform our business to respond to customer needs. Our customers expect fast, simple and predictable services, a consistent experience across all lines of business, as well as access from anywhere at any time. With these expectations in mind, in 2013 we embarked on several large scale projects to transform our technology systems, in order to improve the ease of doing business for our customers.

In the past two years we've launched two new products – Select Credit Insurance and Trade Partnership Insurance – to respond to the needs of our customers and partners for fast web-based services. Select Credit Insurance is an online self-service product that provides selective sales coverage primarily for small businesses, particularly at the very small end of the SME spectrum. With this product, a process to insure a sale of less than $500,000 that previously could take up to 15 days can now be completed in minutes online, representing a dramatic change in the customer experience. Trade Partnership Insurance provides our private sector partners a simpler and efficient process for getting supplemental reinsurance on export sales. Our customers are responding to these new products; our single buyer insurance business in the first half of 2015 has increased significantly, by 90 per cent over the first half of 2014.

We are now in the process of moving EDC's other credit insurance products from six legacy systems to a new platform that will dramatically improve the experience for more than 3,200 current customers. We plan to continue to look for new ways in the insurance space to provide value for our customers and our partners, by simplifying the experience for our customers and leveraging our existing assets, such as our expertise in credit management.

Next we will be turning our attention to EDC's financing business to anticipate changing customer needs in this area and transform the way we serve companies as we have done with our insurance products.

MELLOHAWK

From its home base in Toronto, MELLOHAWK ships cargo of every size and type by air, ocean and land, as well as provides supporting services such as logistics consulting, customs brokerage, and documentation.

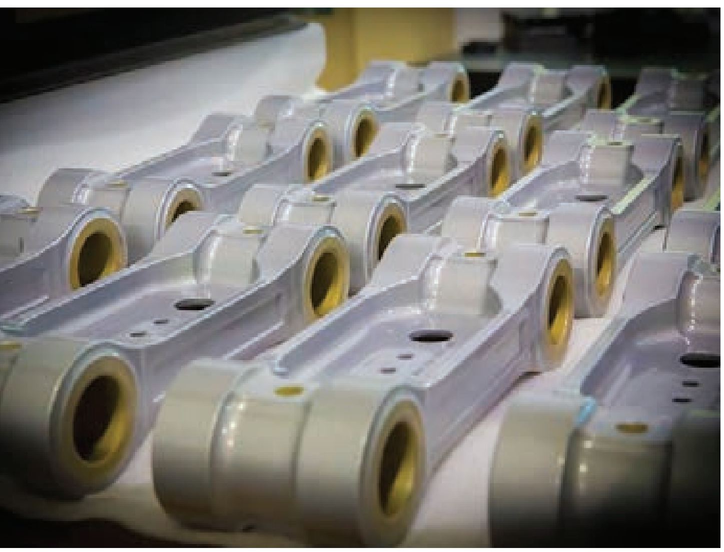
During MELLOHAWK's early days, they worked with clients they had close relationships with. But as their client base grew to more than 150 agents, the company began to have reservations about the risks they were taking. The issue came to a point when a new client required a last minute airfreight shipment but could not provide 50 per cent of the payment upfront like MELLOHAWK required. After consulting with their bank, MELLOHAWK decided to use EDC's Select Credit Insurance – an online credit insurance tool that allows Canadian companies to insure their international sales in minutes. With EDC guaranteeing payment, MELLOHAWK gained the comfort level needed to take on the new contract. In fact it only took MELLOHAWK's co-owner, Arnon Melo, ten minutes to create a Select Credit Insurance account, enter all the necessary information, and get approval for the insurance.Now they use Select Credit Insurance on a regular basis; it enables them to be more aggressive in taking on new business which is helping the company expand.

RESPONDING TO CUSTOMER NEEDS

Exporters typically follow a path that begins with export readiness research, and then proceeds to sales to the US, then to markets with free trade agreements and eventually towards greater diversification. Additionally, there are a proportion of exporters who begin exporting outside the US, export to multiple markets at the same time and move towards diversification at a faster pace than those who start in the US only. The needs of SMEs as they move through this process vary, as the risks and complexity of international trade they face increases.

We've been more proactive in listening to our customers and finding a solution that best responds to their challenges. We've done this through a SME mentoring program we developed in 2015 for high-growth businesses. The program provides customized assistance for market expansion. This involves EDC providing market intelligence, exposure to procurement opportunities and introductions to key partners including the TCS and Canadian banks. In its first year, the program served 51 small businesses and will continue into 2016.

Moreover, we support our customers by dedicating staff to specific industries, so that they develop expertise which they use to help Canadian companies gain new business in their industries. This work involves understanding Canadian capabilities in order to match those capabilities with international demand, often through supply chains. We support traditional areas of Canadian strength, such as manufacturing, and also look at growing areas of Canadian expertise, such as the services sector.



PRÉCISION SF TECH

Précision SF Tech, based in Terrebonne, Quebec, specializes in manufacturing and assembling components for the civil and military aerospace industry, specifically medium-sized components used in aircraft landing gear. Their tailor-made products are used by some of the industry's biggest players such as Bombardier and Boeing.

One of the biggest barriers to expanding abroad for this Canadian SME was being approved for extended lines of credit. For example, when they win a big contract with a company like Boeing, they have to complete a lot of R&D to build a customized product. EDC was able to provide SF Tech with a guarantee which enabled the bank to double their current credit line. EDC also guaranteed 90 per cent of a new line of credit to be used to finance work orders linked to a large contract where the parts will be exported to Cleveland. The financing will ultimately pay for R&D as well as the equipment required to build the new components for a large Boeing contract.

SUPPORT FOR CANADIAN INDUSTRIES

Over the past number of years, EDC has assisted Canadian exporters in their journey with focused support in several sectors. These sectors have included clean technologies, aerospace, healthcare, agriculture, oceans, life sciences and natural resources. For example, in the cleantech sector we focused our resources to help propel Canadian exporters further into international markets, as demand for global cleantech continues to grow. We will do more to support the cleantech sector during the planning period to assist in the delivery of the Government's commitment to ensure Canadian firms are world leaders in the use and development of clean and sustainable technology globally.

EDC will continue to seek out new opportunities to assist Canadian exporters as they begin their export journey, discover new partnerships during the U.S. recovery, and provide the needed support to Canadian industries experiencing reduced demand. We support businesses in all sectors of the economy, and as examples, have highlighted our support in three sectors noted below.

Manufacturing: Thanks to the ongoing recovery in the United States, EDC sees renewed opportunities for growth in Canadian manufacturing, including the packaging, plastics, life sciences and healthcare, automotive, and aerospace sectors. We will continue to leverage the Canadian auto manufacturers' reputations as producers of high quality, reliable products. This reputation, coupled with EDC's strong understanding of industry risk ensures the sector is well-placed to take full advantage of the U.S. recovery.

Canada is already the second largest aerospace supplier to the U.S. and, thanks to Canada's high number of SMEs in aerospace supply chains, we see opportunities for further growth. EDC will continue to partner with GAC to leverage match-making opportunities and build connections with overseas aerospace buyers.

The life sciences & healthcare sectors are an EDC priority given the opportunities for growth around the world. The international market for healthcare products is estimated at $6.15 trillion and increasing annually. There are over 1,600 Canadian healthcare sector companies that could benefit from increased export opportunities to help meet the growing demand. EDC will continue to build awareness of export opportunities for Canadian health sector companies and will conduct match-making events and regional road shows with new American and international buyers.

Information and Communications Technology (ICT): The ICT industry is an area of increasing Canadian export strength. We see our role as growing our experience and knowledge of the sector to be able to provide the specialized services needed for this industry. As a result, EDC is partnering with ICT innovation incubators who are seeing significant opportunities in South East Asia, India, the Middle East and Europe. We have partnered with Wavefront, a Canadian technology accelerator, to define the challenges Software as a Service (SaaS) companies face in managing their cash flow and financing growth. EDC is also working with Canada's Centre of Excellence for Wireless Commercialization, which has created an accelerator program dedicated to the Industrial Internet, to connect Canadian companies to targeted foreign companies.

Oil and Gas: As the oil and gas sector deals with lower oil prices globally, we continue to provide stable support to the sector, as well as maintain active partnerships that help Canadians in this industry explore new markets to find a diversified group of new buyers. EDC sees opportunities for Canadian companies to grow their presence in emerging economies such as India, Brazil, Colombia, and across Africa. Given increasing long-term energy demands in emerging economies, Canadian companies can capitalize on their strong international reputation by finding new connections and working with local partners that can complement Canadian strengths.

CANAGRO

CanAgro Exports Inc. is a family owned and operated agricultural equipment dealer from Winkler, Manitoba. Opened in 1984, the company was selling exclusively within Canada until 2003 when they decided to make the jump to exporting. Now, more than a decade later, they have cornered the market for agricultural equipment in an unexpected region, Kazakhstan.

CanAgro was introduced to EDC in 2008. This was a difficult time financially for the company, and they were concerned about being able to secure their sales. EDC was able to provide them with the Export Guarantee Product (EGP), enabling them to secure a $10 million dollar sale and solidify relationships with some key buyers. CanAgro has since been a repeat client using EGPs for their large sales and receiving financing to grow within Kazakhstan.

TAKING MORE RISK TO SUPPORT CANADIAN SMES

Over the past few years we have worked hard to support SMEs by stretching our risk appetite in specific areas. We have launched a number of new initiatives, including taking more risk in our Export Guarantee Program (EGP), which can provide up to a 100 per cent loan guarantee to banks in Canada in order to enable them to increase their Canadian export customer's credit facilities. In 2015 the EGP program reached the milestone of $1 billion in transactions since its launch in 2002.

In 2015, in cases where high-growth SMEs still have difficulty accessing bank financing, despite our 100 per cent EGP guarantee, we launched a program to provide Direct Lending to SMEs for working capital so that they can deliver on new export contracts. These direct loans require EDC to be flexible in its approach to help small exporters become bankable and hopefully grow their exports further.

We also offer buyer financing for small transactions through our guarantees, such as the Customer Financing Guarantee, a 100 per cent loan guarantee to backstop loans of up to $10M that a bank would put in place for a foreign customer to purchase goods from Canada.

SUPPORTING CANADIAN DIRECT INVESTMENT ABROAD

Canadian companies continue to invest in foreign affiliates to better respond to the needs of their regional customers. We estimate that one in 10 SME exporters currently have some form of physical presence overseas, such as a plant, warehouse or sales office.[1]

There are multiple benefits to making these foreign investments, including increasing access to key customers and markets, new partnerships through global and regional supply chain networks, as well as staying up-to-date on emerging labour issues around the world.

In 2014, we facilitated $7.5 billion of CDIA-related business, primarily through loans to help Canadian companies open facilities in new markets or particpate in joint ventures, and credit insurance for sales by foreign affiliates of Canadian companies. As CDIA activity continues to increase, we will continue to promote the benefits with both active and new exporters. We will also continue to promote the various ways in which we can support CDIA; this goes beyond financing for factories and equipment as we can also provide support for joint ventures and investments in assets abroad.

1 Estimate based on EDC's Trade Confidence Index Survey, conducted during the Spring and in the Fall of 2012

OBJECTIVE 3: CREATE NEW TRADE OPPORTUNITIES AND INCREASE TRADE DIVERSIFICATION

We will find new opportunities for Canadian companies and help them expand beyond traditional markets.

The third objective is to create new opportunities for Canadian businesses and increase trade diversification among Canadian exporters. In order to do so, we will leverage our knowledge of international trade issues and opportunities, as well as our connections with foreign buyers, for the benefit of Canadian companies seeking new opportunities.

MAKING CONNECTIONS AND SHARING KNOWLEDGE

Critical to Canada's trade success is the ability for Canadian companies, particularly SMEs, to make a connection with international buyers. For several years, one of our strategies has been to facilitate these connections. To do this, we undertake a number of activities with the same goal: to introduce Canadian businesses to potential new buyers and partners overseas. These matchmaking activities are an integral part of our pull facilities, our connect strategy in the equity program and our protocols.

Matchmaking can take many different forms, both formal and informal. It often involves a one-on-one meeting between a Canadian exporter and a foreign buyer. We also set up events that bring groups of Canadian and foreign companies with common interests together, both in Canada and abroad. This can be done at trade shows, through in-market missions, or by arranging cross-Canada visits for foreign firms to meet potential Canadian suppliers.

In 2014, together with the TCS and other channel partners, EDC arranged 127 matchmaking sessions with 846 introductions made between foreign buyers and Canadian companies. Three quarters (75 per cent) of the 395 unique Canadian exporters supported were SMEs.

CENTRAL CONNECTOR

Based on customer feedback, we concluded that they would benefit from a more structured approach to our matchmaking activities, and accordingly, in 2015 we started work on a project called Central Connector. This project requires that we work to better understand and track Canadian capabilities, continue to grow our sector expertise, leverage our existing market knowledge and develop a system to match Canadian businesses with new international opportunities. In 2015 we made significant progress by updating our customer data to facilitate more effective introductions. This includes our partnership with CME for ECN, which was outlined previously in the document. We will work to continue implementation of this project over the coming years.

We also leverage various financial relationships we have to make introductions between foreign buyers and Canadian companies as follows:

A pull facility is when EDC makes a financing commitment to a potential foreign buyer in advance of a Canadian contract, and then leverages the relationships established by the loan to prompt the foreign buyer to procure from Canadian suppliers. Given that many Canadian companies, particularly SMEs, do not have the size or connections to be included in the procurement plans of large foreign buyers, these introductions can be critical to their international growth, particularly in markets where opportunities exist, but Canada is traditionally not well-known, and there is low penetration or awareness of Canadian capabilities.

Annual reporting of Canadian procurement by pull buyers is an essential element of EDC's pull financing program. In addition to tracking the Canadian procurement of our pull buyers over the life of the relationship, EDC tracks the new Canadian supply to that buyer, by identifying first time Canadian suppliers. We also track the level of engagement by a pull buyer in matchmaking activities led by EDC, such as tradeshows, in/outbound missions and in-person or virtual introductions. As of 2015, we are also tracking the number of formal and informal "introductions" made by EDC between exporters and pull buyers including those facilitated jointly with Trade Commissioners in market.

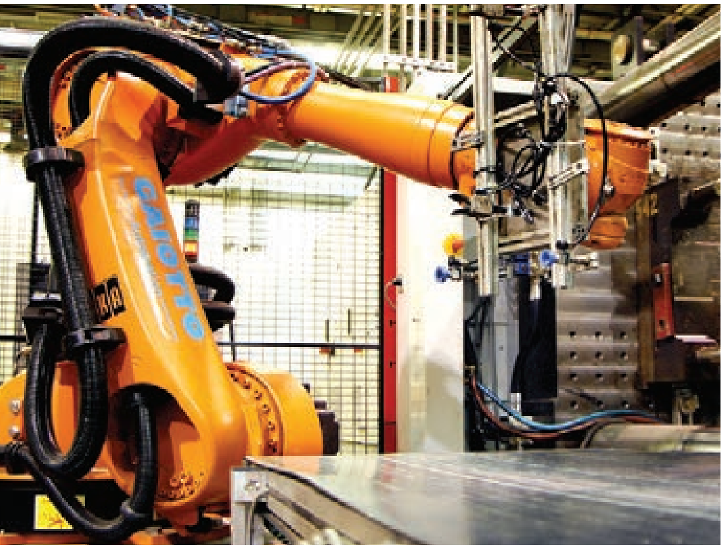
Since its introduction in 2003, our pull loans totaling $32.9 billion have assisted more than 5,000 Canadian companies supporting just under $50 billion in export sales. In 2014, EDC's pull facilities supported procurement from approximately 1,800 Canadian exporters, 91 per cent of whom were SMEs.

Trade Commissioners and EDC in-market representatives regularly engage in joint outreach activities with the pull buyers to better understand the buyers' procurement needs and capital expenditure plans. Increased access to each other's network of contacts and joint planning and execution on matchmaking provided a more efficient way to leverage pulls.

In addition, through our international network of private equity fund investments we help Canadian SMEs access local business opportunities, market channels, knowledge, partners and relationships in key emerging markets. We refer to these activities as our connect strategy and the goal is the same as our pull strategy. In 2014, this activity resulted in over 450 introductions for Canadian companies.

Finally, foreign multinationals with operations in Canada provide an important contribution to Canada's economy. The multinational's activities in Canada will often be part of the company's overall value chain. Foreign multinationals present in Canada often also have strong export levels and their parent or non-Canadian affiliates may source goods and services from Canadian companies, which constitute additional export trade from Canada.

To encourage this trade and to bring global supply chains closer to Canadian companies, we undertake agreements – or Protocols – with targeted foreign multinationals. Under these Protocols, we provide credit capacity that can be used to support international transactions for these multinationals with the goal of increasing procurement from Canada, as well as maintaining and increasing their Canadian R&D expenditures and Canadian investment levels.



NOVO PLASTICS

EDC has had a pull financing relationship with Indian multi-national Mahindra & Mahindra since 2011. With a global footprint in more than 100 countries and revenues of more than $16 billion, M&M's operations span key industries from aerospace, through agribusiness, automotive, construction equipment and retail. In 2014, we introduced Canadian plastics manufacturer Novo Plastics to M&M. Novo Plastics had been trying to penetrate the Indian market for years, but foreign companies often face complex bureaucratic regulations making it a difficult market to navigate without local key contacts. As a result of this introduction, Novo Plastics signed a contract with M&M, giving them a foot in the door with other Indian auto sector original equipment manufacturers, which should help expand their international footprint considerably.

TRADE DIVERSIFICATION – INCREASING CANADA'S PRESENCE IN NEW MARKETS

Making the first sale in a new market is a challenging proposition for most Canadian companies, whether it is a sale to a buyer in the United States, or further abroad. In order to be successful in an increasingly connected global economy, Canadian companies must continue to look for new opportunities.

Our strategy to increase trade diversification over the planning period has both a developed markets and an emerging markets component.

DEVELOPED MARKETS

While tremendous growth opportunities exist in emerging markets, developed markets still account for approximately 90 per cent of Canadian trade. As a result, we will build awareness of opportunities and increasing trade to Europe and developed Asia, Australia, Japan and South Korea, and provide full support for our customers in these markets. Together, these markets account for more than half of all Canadian export trade to non-US destinations, an opportunity that will continue to grow as a result of new free trade agreements. Developed markets are also critically important to Canadian companies as a gateway to entry to emerging markets.

United States: The U.S. is often seen as a springboard to diversification for exporters and research confirms that this is the path taken by a majority of exporters. Many businesses embrace the strategy of exporting to the U.S. market first, and then once they have established a successful exporting operation there, move further afield. The U.S. can also be an important first step for Canadian businesses, and SMEs in particular, to gain access to the supply chains of large multinational corporations and eventually move their products overseas through these channels.

As noted in the Planning Environment, as the U.S. benefits from renewed growth, it is an important time to gain further access for Canadian companies in this market. Our strategy in the U.S. over the planning period is to support the expected increase in exports by working closely with Canadian companies to provide them the services that will facilitate their success in this important market.

Europe: In 2013, the Government of Canada reached an agreement in principle with the European Union on the Comprehensive Economic and Trade Agreement (CETA). CETA is an ambitious trade initiative, providing preferential market access to more than 500 million consumers. Europe also serves as a gateway for Canadian companies into emerging markets, where the EU conducts almost one-third of its export trade.

We work collaboratively with the TCS in this region, including through our representation in Germany, to support Canadian businesses.

We plan to focus on priority sectors where Canadian companies will have increased access as a result of CETA. These sectors are the automotive industry, information and communications technology, and advanced manufacturing, including infrastructure.

Developed Asia: South Korea is already Canada's third-largest trading partner in Asia and the Canada-Korea Free Trade Agreement should result in new access for Canadian exporters to the fourth largest Asian economy. The market offers growing and well-diversified opportunities for Canadian companies. Like Japan, South Korea also controls access to important global supply chains and is increasingly active (domestically and internationally) in sectors of mutual interest to Canada, including infrastructure, energy and ICT.

In addition, we expect to see new opportunities in Japan, Canada's fourth-largest export market and the biggest Asian investor in Canada. Furthermore, Australia offers a variety of opportunities for Canadian exporters and is a market that has become a growing destination for Canadian investment.

Our strategy in these markets is to build relationships with multinational corporations in key sectors to find potential new buyers and supply chain opportunities for Canadian SMEs. The extractive and infrastructure sectors will be areas of focus in Australia, while in Japan and South Korea there are opportunities to integrate with global supply chains.

EMERGING MARKETS

In the 2016 to 2020 period we see significant potential for Canadian exporters in emerging and frontier markets, as the outlook for growth still exceeds most developed markets. We will assist in the development and execution of the Government's targeted strategy to promote trade and investment with emerging markets, with a focus on China and India and the mobilization of Canadian SMEs.

We will focus on providing support in these markets and strive to be present in advance of Canadian demand in order to establish connections and pave the way for exporters to gain access. Pull transactions[2] and match-making initiatives[3] will play a key role in this strategy. We highlight opportunities in Asia and Africa below, but our emerging market strategy also focuses on other regions of continuing importance such as Latin America and the ASEAN region.

Asia: On February 4, 2016, the Trans-Pacific Partnership (TPP) was signed by the 12 countries involved in negotiations and, when implemented, will provide Canadian businesses with increased market access in one of the world's fastest growing regions. The 12 countries that have signed the TPP represent a market of nearly 800 million consumers and a combined GDP of $28.5 trillion.

The TPP, if ratified by Parliament, would remove tariffs on a wide range of goods and services. Many Canadian industries would stand to benefit from the agreement, including the agri-food sector, advanced manufacturing, the chemical industry and wood products.

EDC provides significant support for Canadian companies in this region, and is preparing to support additional opportunities over the planning period and continued growth. We will provide market coverage for this region through our new hub in Singapore. We are also planning to open a representation in 2016 in Jakarta, Indonesia, to provide increased services to Canadian companies in this region, including finding new buyers for Canadian goods and services to take advantage of increased market access as a result of TPP.

Singapore: Canadian companies continue to see the value of investing in an on-the-ground presence to grow their business, as it furthers their understanding of the needs of local buyers. For an organization like EDC, a local presence provides the opportunity to make new connections with international companies that may not have previously bought from Canada.

EDC has the opportunity to increase its relevance and improve its value proposition by underwriting closer to its customers and bank partners. These capabilities will allow us to be more connected with the customer and the markets in which they operate. It will also help us achieve better risk mitigation through more informed decisions at the start and through the life of a loan and improve our response times to customers.

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2 A pull facility is when EDC makes a financing commitment to a foreign buyer, which is then leveraged to influence the foreign buyer to procure from Canadian suppliers.

3 EDC arranges formal and informal activities for Canadian companies in order to match Canadian capabilities with the needs of foreign buyers and expand overseas

India: Over the planning period, we will continue to deepen relationships with Indian businesses in order to create and support opportunities for Canadian companies. This will include expanding relationships with equity investors in India and in Canada whose investments can be leveraged to enhance connections for Canadian exporters. This work will support the Government of Canada's focus on this important emerging market.

In this market we support Canadian businesses through both our financing and insurance products, including accounts receivable insurance, corporate lending, equity and project finance. We leverage these relationships to create new opportunities for Canadian exporters to be integrated into Indian and global supply chains. Ongoing efforts through our Connect strategy[4] will remain a focus as it remains a critical tool for helping Canadian SMEs successfully sell to India.

Africa: The size of the African economy has more than tripled since 2000 and now contains seven of the 10 fastest growing global economies. As noted in the Planning Environment, we expect this growth to continue, making Africa a significant opportunity for Canadian exporters.

In 2015 we opened a representation in South Africa, which is an important piece of our emerging markets strategy. Foreign representations are critical to our success with customers, as they allow us to reach across geographic boundaries, identify trends and related trade opportunities, and act as a means to bring buyer needs together with Canadian capabilities.

Over the next few years, we will increase the level of engagement with stakeholders, partners and associations in targeted areas of Africa. We will collaborate with leading local and international players and work to add additional pull and protocol[5] relationships with targeted African corporations, in addition to further Equity Fund commitments and associated connect activities. Partnering with these organizations will help us to manage risks, including those related to corporate social responsibility.

A key element of our success in the region, and in all of our global representations, is our relationship with the Government of Canada's Trade Commissioner Service (TCS). This proximity will allow us to continue to work closely with the TCS through participation in various activities including tradeshows, conferences, matchmaking events and trade missions, all with the goal of providing support to Canadian companies interested in getting engaged in the region.

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4 The Connect strategy introduces potential Canadian customers to procurement opportunities by using the relationships, networks and knowledge we gain through the equity investments that EDC makes.

5 Protocols provide financing support to multinationals in international transactions with the goal of encouraging them to procure from Canada, as well as increase Canadian R&D expenditures and Canadian investment levels.

SUPPORT FOR FOREIGN DIRECT INVESTMENT

Recent free trade agreements, including South Korea, and CETA, will complement NAFTA and have the potential to heighten Canada's appeal as a destination for Foreign Direct Investment (FDI). We expect foreign investors will look for opportunities to establish operations or expand current operations in Canada. FDI will become a more pronounced factor in increasing Canada's capacity to trade across many sectors. We have the tools and the resources to support FDI and will actively pursue select FDI opportunities in key sectors. EDC's work will align with the Government of Canada's investment attraction priorities, including the work of a strengthened Investment in Canada office.

EDC'S REGIONAL AND INTERNATIONAL PRESENCE

One of the ways that we can identify emerging trends and develop solutions in advance of our customers' needs is by gaining on-the-ground knowledge of a particular market or sector. Our network of foreign representations helps deepen relationships with local buyers and borrowers, and provide on-the-ground market information and intelligence to Canadian exporters and investors. Understanding the financial and procurement needs of local borrowers and buyers helps us to identify opportunities for Canadian supply and investment, and offer market-specific financial solutions that benefit Canadian companies.

EDC has a dedicated sales force spread across Canada from St. John's to Vancouver. Regional offices are responsible for managing EDC's relationship with our Canadian exporter base and developing new business opportunities. Staff in our national sales team are located close to customers and have a deep understanding of local market conditions.

EDC has 17 offices across Canada and staff in several more centres working remotely to connect more easily with Canadian exporters at home. Regional offices, both abroad and in Canada, are critical to our success and the support we can provide to Canadian exporters, particularly SMEs. It is important for us to be physically present within markets in order to be more accessible to our customers.

EDC also has 18 international representations to ease the way for Canadian exporters and investors. An international presence overseas is an important part of our business strategy to serve more Canadian companies.

2.5 CORPORATE PRINCIPLES

We adhere to two overarching principles while conducting our business: our Partnership Preferred Philosophy and Corporate Social Responsibility. These two principles are foundational to what we do and guide our actions as we conduct business both in Canada and abroad.

CORPORATE SOCIAL RESPONSIBILITY

We meet our international obligations and the expectations of Canadians to act as responsible corporate citizens, while ensuring that Canadian businesses continue to succeed internationally.

ANTI-CORRUPTION AND BRIBERY

We are subject to legal obligations to ensure that we do not support international activities that are connected to corruption and bribery. To do so, we follow best practices and also coordinate with the Government of Canada, to ensure proper due diligence and alignment in our approach to companies that face allegations. Over the planning period, we will continue this collaboration within the inter-governmental community. In light of this work, in 2014 we saw an increase in the number of transactions that underwent anti-corruption due diligence.

In 2015, a third party review of our anti-corruption practices was conducted. The review highlighted key strengths of EDC's current anti-corruption and bribery practices and identified areas for continued improvement. We are committed to implementing the recommendations from the review and have developed a plan that will be implemented over the next two years.

Additionally, EDC has hired a Chief Compliance and Ethics Officer who will assist the corporation in strengthening internal expertise on anti-corruption and bribery obligations.

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT

The Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises ("the Guidelines") provide guidance on responsible business conduct and are relevant to many of our larger clients. We promote the Guidelines to clients through our website and through dialogue with our clients.

The issues covered in the Guidelines, such as environmental and social impacts, anti-corruption and anti-bribery efforts, and human rights are also included in our transaction reviews when relevant. In 2015, we worked with GAC to promote the Guidelines and encourage their practical application with customers and business associations.

We are also committed to robust environmental and social risk management processes and standards, taking in to account the United Nations' Guiding Principles on Business and Human Rights, the Equator Principles (EP) and the IFC Performance Standards. The EPs are based on the International Finance Corporation's Performance Standards on Environmental and Social Sustainability.

Since 2011, we have been a member of the EP Steering Committee, contributing to the strategic direction of the EPs and continuing to play an active role in working groups to more closely align the practices of the financial sector and export credit agencies to ensure a level playing field for Canadian exporters and investors. In the coming years, we will continue our alignment and participation in the framework.

EDC was recently elected to chair the OECD Export Credits and Credit Guarantees (ECG) Bureau and named the new Chair of the OECD's Environmental Practitioners Group. The Practitioners Group seeks to develop environmental technical guidance and to share and advance best practices among ECAs.

In 2015, the Government of Canada updated its CSR strategy to reflect the experience, best practices gained and learning that has taken place since it was first introduced in 2009. We will continue to work with GAC to ensure we are in alignment with the new standards and our internal systems reflect any necessary changes.

SUPPORT FOR CLIMATE CHANGE INITIATIVES

EDC is working closely with members of the Canadian Delegation to the OECD to support continuing discussions on the role of ECAs in addressing climate change. In addition, EDC launched its most recent Green Bond in December 2015, one example of an innovation in this space and EDC's commitment to environmental sustainability. The Green Bond continues to garner strong interest both internally and externally and staff training, along with the sharing of best practices with other ECA's is ongoing. EDC anticipates continued growth in the usage of Green Bonds as internal expertise is developed.

EDC will continue to work with other government departments, including Environment Canada, to develop clear parameters on how it will report out on its climate finance activities, such as its support for clean technologies, as part of the whole of government approach to meeting Canada's Copenhagen Climate commitments.

PARTNERSHIP PREFERRED PHILOSOPHY

In order to help our customers succeed, we work with a variety of private sector partners. This allows us to combine the expertise and risk capacity of EDC with that of the private sector to expand EDC's flexibility and reach to have a greater impact on more Canadian businesses. In 2014, 91 per cent of our financing transactions were done in partnership with private sector financial institutions. EDC's bonding activities are done in partnership with the private sector. We also do reinsurance and share capacity with the private sector. In addition, we are members of the CIAG (Credit Insurance Advisory Group) to ensure continued dialogue with industry and encourage increased use of receivables insurance by exporters.

That said, we will operate without partners when it is in the best interest of our customers, by providing financing and insurance solutions when gaps exist or private sector capacity or risk appetite is limited. Examples include transactions with longer tenors in specific sectors, and financial solutions for "breakthrough" companies such as cleantech companies or small businesses. We do this with the expectation that our involvement will pave the way for future private sector involvement and we strive to create the conditions to facilitate this.

2.6 RESPONDING TO GOVERNMENT OF CANADA DIRECTIVE

TRAVEL AND HOSPITALITY DIRECTIVE

In July 2015 the Government of Canada issued a Directive to Crown Corporations directing them to align with the Treasury Board Directive on Travel, Hospitality, Conference and Event Expenditures. Further details on EDC's alignment with the Directive are provided at the end of Chapter 3.

2.7 HOW WE DELIVER ON OUR OBJECTIVES

For us to achieve benefits for Canadian businesses, and to contribute significantly to the Government of Canada's trade agenda over the long term, we have in place robust practices for operational management and sustainability that are in alignment with the private sector. These practices include risk management, financial sustainability, and human resources. We also ensure that these practices are aligned with those of the Government of Canada where relevant. We work to ensure that we follow best practices in all of these areas, and look for ways to create additional efficiency and value for the Corporation.

RISK MANAGEMENT

Our global business activities expose us to a wide variety of risks – financial, operational and strategic – across a diverse economic and political landscape. As we seize new business opportunities, we must be vigilant in our efforts to identify and anticipate risks and manage them in a prudent manner. By doing so, we will safeguard our ability to achieve our business objectives and remain sustainable and relevant in the years to come.

EDC has established a foundational enterprise risk management (ERM) practice and we are making significant investments in our risk management activities over the planning period. In 2013, we adopted a plan to enhance our practice to ensure comprehensive, enterprise-wide risk management. The implementation of the ERM plan will continue over the planning period. The focus of the plan is not about developing a system to take more or less risk, but rather a system to better manage and govern the risk we do take, including elevating awareness, understanding and foresight throughout the organization. Our Board of Directors and Management team are actively engaged to ensure that the ERM plan is effectively implemented at all levels of the Corporation.

The ERM plan emphasizes a strong risk culture of oversight and clear direction, ownership and accountability, and the requirement for robust monitoring and reporting. The key elements include: governance in accordance with a three-lines-of-defense model; articulation and operationalization of EDC's risk appetite; enhanced discipline around risk management processes; and integration of strategy-setting, planning and risk management.

As noted in the CSR section, in 2015, we added the position of Chief Compliance and Ethics Officer who will be building out our compliance function to increase our oversight and management of compliance risks across the organization. This position has a direct reporting line to the Risk Management Committee of the Board.

FINANCIAL SUSTAINABILITY

We are committed to remaining financially self-sustaining. Financial sustainability is critical to enable EDC to support companies over the long-term and throughout the global business cycle – especially in challenging times. An adherence to sound financial management based on private sector best practives allows us to maintain this sustainability.

Our commitment to financial sustainability means we must be able to remain solvent under stressed scenarios, keep an appropriately capitalized balance sheet and adequate liquidity to meet our financial commitments and have sufficient reserves against future losses. We must also adhere to annual expense and capital budgets, generate an adequate productivity ratio and deliver timely, accurate and informative financial information.

Financial Sustainability is discussed in further detail in Chapter 3. The Financial Plan provides details on the key business assumptions which underlay our projected financial performance. Chapter 3 also includes detail on our productivity ratio, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and Planned Capital Expenditures for 2016-2020.

CAPITAL ADEQUACY POLICY (CAP)

We efficiently manage our capital, through our Board-approved CAP, in order to be able to meet the demands of our current and future business while maintaining our ability to withstand future, unpredictable risks. Chapter 3 provides additional detail on this policy. This policy is also being reviewed as part of the build out of our Enterprise Risk Management framework.

HUMAN RESOURCES

In order for EDC to support Canadian exporters and investors over the long term, we need to be able to continue attracting, developing and retaining the right people. To do this, we must maintain a compelling employee value proposition that allows us to leverage trade finance talent from the private sector. We must also make sure that our workforce is set up to succeed in the future and to adapt to changing market conditions.

We have tailored our human resources practices to align to that model, implementing private sector best practices and mirroring a number of the proposed reforms in the federal public service human resources framework.

In addition, we introduced a defined contribution pension plan for all new employees to reduce pension risk to the corporation. We also undertake a regular benchmarking exercise to ensure our compensation is in line with the relevant market median, and to maintain a robust performance management system that keeps employees accountable for delivering results. We are continually examining our HR practices to ensure they remain in alignment with the public and private sector best practices.

Our human resources strategy is critical to the success of our business strategy. Without the right people, we would not be able to deliver on our ambitious agenda for supporting Canadian companies to compete and succeed internationally. As a result, we are continually looking to improve our human resources practices and processes. Our continued success will depend on maintaining a people management approach that attracts the expertise required to deliver on our public mandate while remaining flexible to adjust to market conditions as needed. As a result of this approach, EDC's workforce has higher engagement levels, feels more accountable, has lower absenteeism, higher discretionary effort, and takes fewer sick days in comparison with both high performing financial sector and public sector workplaces. In fact, employee engagement at EDC is a full 20 per cent higher than both the public sector and financial services norms, and employee enablement is a full 10 per cent higher. The high levels of engagement we have achieved drive significant levels of discretionary effort in the organization.

TALENT MANAGEMENT AND SUCCESSION PLANNING

Attracting and retaining a highly skilled talent pool will remain critical to deliver on our commitment to Canadian businesses. To contribute to this goal, we will continue to review the effectiveness of our talent management process and to assess succession planning risks. To help mitigate any potential risks, we will ensure that our talent review process is used effectively to identify technical experts, future leaders, as well as performance issues that need to be addressed. We will also continue to facilitate the successful transition of qualified candidates to leadership roles through our Emerging Leader development program and to have well-defined performance plans in place for all employees to ensure accountability and alignment towards corporate objectives and behavioural expectations.

DIVERSITY

Having a diverse workforce is a strategic business advantage – key to our current and future success as an international organization. Our work in this area will be centered on our diversity and inclusion action plan, a roadmap for increasing the diversity of our workforce and measuring progress. Our goal is to have internal representation for each of the four designated groups (women, visible minorities, Aboriginals and persons with disabilities) equal to their external availability by 2020. In recent years, we have increased the number of initiatives and activities related to diversity and inclusion at EDC.

The resulting employee feedback has been positive and our employment equity numbers are moving in the right direction. Over the planning period, we will continue our efforts to attract, develop, and retain diverse talent which will position us to best serve Canadian customers in the future.

EDC WAY MANAGEMENT SYSTEMS

Several years ago, we embarked on a cultural transformation known as "The EDC Way" with a focus on reaching high levels of performance and improving customer experience. Today, we are proud to have in place an organizational culture that prizes high corporate, team and individual performance.

"The EDC Way" drives principles and behaviours that we value as an organization and provides the foundation for how we work. The management systems we have put in place to support this cultural change help us achieve success by ensuring that our goals are clearly communicated across the organization, by visually measuring our performance, and by embedding a continuous improvement culture such that every employee is empowered to suggest and make improvements for the benefit of our customers. Over the planning period we will continue to build on these efforts of strengthening our corporate culture by continually improving our processes and productivity levels across the corporation, as well as monitoring and measuring our progress.

2.8 MEASURING SUCCESS: SCORECARD

Our 2016 scorecard drives our behaviours and contributes to the achievement of the objectives laid out in the plan.

NET PROMOTER SCORE

The Net Promoter Score (NPS) is the measure against which we evaluate our customers' satisfaction and loyalty. NPS measures the likelihood that our customers would recommend EDC to business colleagues. EDC continues to be a leader in customer loyalty. Our score relative to other organizations is quite strong and remains in the top 10 per cent of North American B2B (business to business) companies. We expect that our 2015 NPS will end the year around 71.2 as a result of our continued focus on customer experience during the past year. As a result, for 2016 our target NPS range will be 70.0 – 76.0.

TOTAL BUSINESS FACILITATED

This measure provides an order of magnitude of the business Canadian companies carry out with the help of our solutions. We expect our business facilitated in 2015 to remain relatively flat as compared to 2014. Looking forward to 2016 we are projecting growth in the range of 0 to 3 per cent. We expect to see targeted growth in insurance volumes, while at the same time relatively soft commodity prices and a flat CAD exchange rate.

BUSINESS IN EMERGING MARKETS (BEM)

This measure uses revenue to demonstrate the value we deliver to Canadian companies in emerging markets. Revenue is a comparable measure of value across our insurance and financing programs, therefore providing a balanced view of our business. Revenue derived from all programs count towards BEM and is defined as the accounting revenue reported on the income statement earned during the calendar year through premiums, fees and interest on transactions in emerging markets.

At the end of 2015 we expect to see growth in BEM of 5 per cent. In 2016, we expect growth in BEM to be in the 15 to 20 per cent range, in large part due to foreign exchange and LIBOR rate assumptions included in Chapter 3.

CANADIAN DIRECT INVESTMENT ABROAD (CDIA) TRANSACTIONS

CDIA continues to be critical to the health of the Canadian economy, and supporting CDIA transactions has become an integral part of our core business.

In 2016 we expect growth in the range of 2 to 7 per cent. We are changing our measure in 2016 to include Contract Insurance and Bonding (CIB) transactions. We expect this growth to be the result of continued economic recovery in the US, the addition of new Account Managers in some regional offices and a focus on expanding our partnerships with bankers.

PARTNERSHIP TRANSACTIONS

Our ability to serve Canadian companies is enhanced by partnering with both public and private sector players and leveraging their skills and knowledge.

We saw a decrease in the number of partnership transactions in 2015 as a result of lower commodity prices and the economic slowdown in China. In 2016 we are forecasting a growth range of 0 to 2 per cent.

SMALL AND MEDIUM SIZED BUSINESS TRANSACTIONS

Over the past number of years we have placed a strong emphasis on supporting small and medium sized exporters in both developed and emerging markets.

For 2015, we expect to finish the year with growth in the 5 per cent range. This level of growth is a result of increased use in our export guarantee program (EGP) and performance security guarantees (PSG) due to the rebound in Ontario and Quebec's export-oriented manufacturing sector.

As a result of these same factors and our continued focus on awareness, we are anticipating growth in the 2 to 7 per cent range for 2016.

PRODUCTIVITY RATIO

Our Productivity Ratio captures, in aggregate form, how well we use our resources. It is the ratio of administrative expenses to net revenue, excluding debt relief.

In 2016 our range will be 25 to 30 per cent, which reflects critical investments we're making in some key areas, combined with efficiencies we've been able to achieve in the organization. Chapter 3 provides further detail on our Productivity Ratio range.

The Scorecard

Performance Measures	2014 Actual (Baseline)*	2015 Plan	Forecast 2015	2016 Plan
Net Promoter Score	74.3	70.0 – 76.0	71.2	70.0 – 76.0
Total Business Facilitated ($B)	98.8	0 – 3% growth	99.0	0 – 3% growth
Business in Emerging Markets ($M)	597	5 – 10% growth	625	15 – 20% growth
CDIA Transactions	347	0 – 4% growth	364	n/a
CDIA Transactions (including CIB program	395	n/a	414	2 – 7% growth
Partnership Transactions	3,918	0 – 3% growth	3,700	0 – 2% growth
Small and Medium Sized Business Transactions	4,005	0 – 5% growth	4,225	2 – 7% growth
Productivity Ratio	23.3	25 – 28	24.8	25 – 30

**Baseline represents 2014 actual results using revised 2015 incentive measures definitions.*

3. EDC'S FINANCIAL PLAN

INTRODUCTION

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

- Net income is projected to be $1,139 million in 2015 and then is expected to be within the $700 to $900 million range between 2016 and 2020.
- Our financial position remains strong due to growth in interest earning assets throughout the Corporate Plan period.
- The 2015 financial results will lead to an eligible dividend payment of $1.0 billion in 2016 based on the eligible dividend formula.
- Throughout the Corporate Plan period, we will be making significant investments in our business. These investments, which are necessary in order to fulfill our mandate of supporting Canadian exporters, include the following and are further discussed in section 3.2:
    - Investment in the SME space to help these companies go, grow and succeed internationally;
    - We are investing in a large scale transformation effort to replace and enhance our credit insurance systems and other systems in the future to improve the ease of doing business for our customers; and
    - We are investing in the build out of our enterprise risk management framework, including the development of a more robust compliance function.

  Although these planned investments will lead to higher administrative expenses, we still operate with a low Productivity Ratio (PR) in the range of 27-30 per cent. This is considerably lower than most financial institutions and reflects both prudent management of costs and our ability to leverage existing channels. Our Board provides oversight on these investments including the expected benefits to be realized.

In the Financial Plan, we will first present the key business assumptions which were used to derive our projected financial results, followed by a discussion of our projected operating expenses and planned capital expenditures. Projected financial statements and a discussion of our capital management and the statutory limits by which we must manage our organization are also included.

3.1 KEY BUSINESS ASSUMPTIONS

A series of key assumptions, including business facilitated, risk profile of business facilitated, foreign exchange and interest rates, all of which have an impact on our business activity and financial performance, drive the Financial Plan. 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 (2014-2020)

(in millions of Canadian dollars)	2014 Actual	2015 Plan	2015 Fcst	2016 Plan	2017 Proj	2018 Proj	2019 Proj	2020 Proj
Business Facilitated								
Direct lending	17,907	15,200	18,100	18,300	20,500	23,100	24,000	24,300
Project finance	2,428	2,700	2,100	2,400	2,500	2,600	2,700	2,800
Loan guarantees	963	800	1,000	1,000	1,100	1,100	1,200	1,200
Investments	278	250	280	300	330	380	400	400
Total financing and investments	21,576	18,950	21,480	22,000	24,430	27,180	28,300	28,700
Credit insurance	56,020	58,700	59,700	61,000	63,100	65,100	67,400	69,100
Financial institutions insurance	11,415	11,900	8,100	8,100	8,400	8,600	8,900	9,200
Contract insurance and bonding	7,216	7,700	7,500	7,700	8,100	8,500	8,800	9,100
Political risk insurance	2,643	2,900	2,400	2,400	2,500	2,700	2,800	2,900
Total insurance	77,294	81,200	77,700	79,200	82,100	84,900	87,900	90,300
	98,870	100,150	99,180	101,200	106,530	112,080	116,200	119,000

2015 FORECAST

The 2015 financing and investments business facilitated is projected to increase by $2.5 billion over the Corporate Plan primarily due to a favourable foreign exchange impact as a result of the weakening of the Canadian dollar in relation to the U.S. dollar, the currency in which the majority of our loans are denominated.

Forecast business facilitated for our insurance offerings has decreased $3.5 billion from the 2015 Plan mainly due to a decline in our financial institutions program. The economic slowdown in China has resulted in a significant decline in demand for capacity from EDC as Canadian financial institutions are able to manage the decreased demand from their counterparties within their own limits; consequently, there has been a 32 per cent reduction in the business facilitated for our financial institutions insurance portfolio.

2016 PLAN

We are projecting the business facilitated in our financing and investments program to remain relatively flat with 2015 mainly due to a few large deals signed in 2015 that are not expected to recur in 2016. Business facilitated in our credit insurance program is projected to grow by 2 per cent while the remainder of the insurance programs are expected to remain consistent with 2015.

2017-2020 PROJECTIONS

We are projecting the financing program to grow in the range of 1 per cent to 11 per cent between 2017 and 2020. The variability relates to the financing of the CSeries program which begins to ramp up in 2016 based on the most current projections. Our insurance programs are forecast to grow in the range of 2 per cent to 8 per cent per year from 2017 to 2020.

RISK PROFILE OF BUSINESS FACILITATED

We assume more risk than a typical financial institution - this increased risk appetite is mandate driven. We take on larger single counterparty exposures and larger concentration exposures by sector, most notably in the transportation and extractive sectors, exposing us to large potential losses. In addition, supporting and increasing export trade for SMEs is a priority for EDC and this business is typically of higher risk.

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.

As depicted in the following table, 82 per cent of our credit risk demand for capital is generated from non-investment grade financing exposure.

Table 2: Impact of Financing Portfolio Risk Mix on Demand for Capital

as at December 31, 2014 (in billions of Canadian dollars)	Notional exposure*	% of total	Demand for capital (credit risk)	% of total
Investment grade	36.3	59	0.8	18
Non-investment grade	25.5	41	3.6	82
Total	$61.8	100	$4.4	100

** Includes all financing exposure that attracts demand for capital.*

Table 3 provides the projected risk profile for new loan signings for the remainder of 2015 and throughout the planning period.

Table 3: Risk Categories for New Loan Signings (2014-2020)

(Based on $ value of signings)	2014 Actual	2015 Plan	2015 Fcst	2016 Plan	2017 Proj	2018 Proj	2019 Proj	2020 Proj
Investment grade	63%	61%	69%	66%	64%	60%	60%	60%
Non-investment grade	37%	39%	31%	34%	36%	40%	40%	40%

We are forecasting the level of investment grade signings for 2015 to be 8 per cent higher than the 2015 Corporate Plan mainly due to a few large investment grade deals signed in the transportation sector. As previously mentioned in Chapter 2, EDC participates in financing facilities which we refer to as “pull facilities” for certain targeted foreign companies in which the relationship between EDC and the foreign company is used to create opportunities for Canadian suppliers. These facilities are typically large investment grade deals. We also continue to take on risk in the non-investment grade space as we facilitate a large number of higher risk, lower dollar value loan transactions. Based on number of transactions, more than 80 per cent of loan signings in the first half of 2015 were with non-investment grade obligors.

The 2017-2020 projections for non-investment grade signings reflect the impact of the forecast financing growth in the aerospace sector. Airline customers are typically of lower credit quality on average, leading to a riskier credit profile throughout the planning period.

FOREIGN EXCHANGE

The Financial Plan uses a year-to-date average rate as the U.S. dollar foreign exchange rate assumption for the remainder of 2015 and all subsequent years. This methodology removes the volatility associated with yearly dollar fluctuations and ensures more easily comparable projections. The rate used in this plan, as represented by the average rate for the period January 2015 through June 2015, is U.S. $0.81. To provide perspective on the impact of movements in the Canada/U.S. exchange rate on EDC’s net income and total assets, a depreciation in the Canadian dollar of 5 cents will result in an increase to net income of $61 million and total assets of $2.8 billion.

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 on our investments portfolio. The projections are based on a complex model, using market-driven internal rate of returns, which evaluates the expected return on current and future investments. 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, investments and related derivative instruments, no forecast for these items is included in the Corporate Plan financial results.

The administrative expenses projections include a significant amount related to accounting pension expense in each year. The pension expense is an actuarially determined amount and is difficult to predict, as it is determined using a discount rate which is dependent on year-end market data. We are forecasting the discount rate to increase from 4.30 per cent at the end of 2015 to 5.55 per cent by the end of 2020. Included in the administrative expense projections are pension cost reductions commencing in 2016 as a result of the projected increase in the discount rate which aligns with our outlook on interest rates.

3.2 ADMINISTRATIVE EXPENSES AND PRODUCTIVITY RATIO

We are targeting administrative expenses of $400 million for 2016 versus a current forecast for 2015 of $368 million. As previously discussed, items of significance in our administrative expense projections for 2016 and beyond are as follows:

- Our objective of helping SMEs succeed supports the Government of Canada's international trade agenda. We will continue to help them become first time exporters and help current exporters to diversify their activities. This will result in increased human resources costs.
- We are investing in a large scale transformation effort to modernize our legacy systems and improve the ease of doing business for our customers. This work has been undertaken in part because our customers expect fast, simple and predictable services, a consistent experience across all lines of business, as well as access from anywhere at any time. Additionally, our systems are aging and becoming obsolete thereby making it mandatory to replace them. This will involve significant capital expenditures and as a result, in addition to increased operating costs during the transformation, we will also be incurring increased depreciation expenses in the latter years of the Plan once the new technology becomes operational.
- Our investment in the build out of our enterprise risk management framework, including the development of a more robust compliance function, requires additional resources to deliver on this critical priority. The benefits of our ERM plan will be a strong risk culture of oversight and clear direction, ownership and accountability, and the requirement for robust monitoring and reporting.
- Pension costs are expected to decline throughout the Corporate Plan period as previously discussed. In addition, closing EDC's defined benefit pension plan to new members at the end of 2011 and introducing a defined contribution plan for new employees as of January 1, 2012 is also having a positive impact on our pension expense during the planning period.

PRODUCTIVITY RATIO

We remain committed to ensuring long term financial sustainability through the management of our productivity ratio (PR), which measures our administrative expenses as a percentage of our net revenue. We have targeted a ratio of 25 - 28 per cent in 2015.

In 2016 we will establish a new target range of 25 - 30 per cent to take into account our planned investments and the associated increase in administrative expenses. As previously discussed, the investments include the transformation effort to modernize our legacy systems, the need to help more Canadian companies go, grow and succeed internationally, especially in the SME space, and the build out of our enterprise risk management framework.

3.3 PLANNED CAPITAL EXPENDITURES

Table 4: Projected Capital Expenditures (2014-2020)

(in millions of Canadian dollars)	2014 Actual	2015 Plan	2015 Fcst	2016 Plan	2017 Proj	2018 Proj	2019 Proj	2020 Proj
Head office and facilities	1.7	5.2	4.0	10.8	3.9	3.3	1.9	1.7
Information technology	31.5	46.2	42.2	58.4	63.6	45.7	40.0	40.0
Total Capital Expenditures	33.2	51.4	46.2	69.2	67.5	49.0	41.9	41.7

Capital expenditures for 2016 and 2017 are projected to be higher than the 2015 forecast as a result of the modernization of our legacy systems. We continue to draw on capital, internal resources and operating costs as we rebuild our business platforms while continuing to maintain our existing systems and deliver on our mandate to support exporters.

3.4 FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

Table 5: Projected Condensed Consolidated Statement of Comprehensive Income (2014-2020)

for the year ended December 31 (in millions of Canadian dollars)	2014 Actual	2015 Plan	2015 Fcst	2016 Plan	2017 Proj	2018 Proj	2019 Proj	2020 Proj
Financing and investment revenue								
Loan	1,239	1,304	1,384	1,546	1,855	2,133	2,394	2,685
Finance lease	5	4	5	–	–	–	–	–
Operating lease	50	46	–	–	–	–	–	–
Marketable securities	45	59	57	70	89	118	143	141
Investments	6	4	2	2	3	3	4	4
Total financing and investment revenue	1,345	1,417	1,448	1,618	1,947	2,254	2,541	2,830
Interest expense	70	227	169	441	835	1,151	1,416	1,671
Leasing and financing related expenses	48	42	29	31	34	33	30	29
Net Financing and Investment Income	1,227	1,148	1,250	1,146	1,078	1,070	1,095	1,130
Loan Guarantee Fees	36	36	36	36	43	51	57	62
Insurance premiums and guarantee fees	210	221	227	222	226	237	249	259
Reinsurance assumed	8	5	7	5	5	5	5	6
Reinsurance ceded	(23)	(25)	(34)	(25)	(26)	(28)	(30)	(32)
Net Insurance Premiums and Guarantee Fees	195	201	200	202	205	214	224	233
Other (Income) Expenses	(76)	(6)	(128)	(76)	(98)	(101)	(94)	(107)
Administrative Expenses	327	356	368	400	417	433	443	447
Income before Provision and Claims-Related Expenses	1,207	1,035	1,246	1,060	1,007	1,003	1,027	1,085
Provision for (Reversal of) Credit Losses	(39)	191	45	73	184	145	196	253
Claims-Related Expenses	117	59	62	80	81	81	90	92
Net Income	1,129	785	1,139	907	742	777	741	740
Other Comprehensive Income (Loss):								
Pension plan re-measurement	(155)	154	50	75	73	70	66	62
Comprehensive Income	974	939	1,189	982	815	847	807	802

2015 FORECAST VERSUS 2015 CORPORATE PLAN

We are forecasting net income of $1,139 million for 2015, an increase of $354 million over the 2015 Corporate Plan. Items of note regarding this forecast are as follows:

- Net financing and investment income has increased by $102 million when compared to the Plan mainly due to a favourable foreign exchange impact as a result of the weakening of the Canadian dollar in relation to the U.S. dollar.
- We are projecting a provision charge of $45 million compared to $191 million in the Plan. We are projecting that the credit quality of our portfolio will be better than anticipated in the Plan as the impact of the provision release from projected loan repayments is expected to exceed the additional provisions required as a result of forecast disbursements and commitments. The forecast disbursements and new commitments are of higher credit quality therefore requiring lower provisions.
- Other income is forecast to be $128 million compared to $6 million in the 2015 Corporate Plan primarily due to:
    - A realized gain of $45 million on the sale of aircraft from the held-for-sale portfolio which was not projected in the 2015 Corporate Plan; and
    - An increase of $45 million in the forecast of realized gains on investments as a result of strong private equity market activity.
- Other comprehensive income has decreased when compared to the 2015 Corporate Plan due to the re-measurement of pension assets and liabilities. The increase in the discount rate used to value our pension obligation is projected to be less than anticipated in the 2015 Corporate Plan.

2016 CORPORATE PLAN VERSUS 2015 FORECAST

As the economy returns to a more normal level of growth, we are anticipating that interest rates will rise from 2016 to 2020, thereby significantly increasing both loan revenue and interest expense with little impact on net financing and investment income. The projected growth in our loan book results in an increase in both financing and investment revenue and interest expense; however, interest expense also increases due to the funding of the dividend payments and our capital swaps. The planned net income for 2016 is $907 million, which is a decrease of $232 million from 2015. This is primarily due to:

- In 2016 we are forecasting an interest expense on our capital swaps. These are currency swaps that are set up with the objective to offset U.S. dollar assets and liabilities with a U.S. dollar payable component and a Canadian dollar receivable component. The Plan projects that a negative spread will exist between CDOR and U.S. Libor interest rates starting in 2016 and as a result we will pay interest of $17 million in 2016. In comparison, we are projecting revenue of $38 million in 2015 on our capital swaps as the CDOR interest rate is projected to be higher than the U.S. Libor interest rate.
- Higher loan provision requirements, as we do not expect the same level of provision release from net portfolio growth as in 2015.
- Other income is projected to decrease mainly due to the realized gain on the sale of aircraft from our held-for-sale portfolio in 2015.

2017 TO 2020

Items of interest to note in the 2017-2020 period include:

- We are including eligible dividend payments of $4.5 billion from 2016 to 2020. These payments are funded by debt and therefore will result in an increase in interest expense which negatively impacts the productivity ratio.
- In 2017 to 2020, we are forecasting the interest expense on our capital swaps to increase due to the wider negative spread that is projected to exist between CDOR and U.S. Libor rates.
- Provision expense is projected to increase mainly due to significant disbursements associated with our Aerospace portfolio due to the ramp up of the CSeries program.

STATEMENT OF FINANCIAL POSITION

Table 6: Projected Condensed Consolidated Statement of Financial Position (2014-2020)

as at December 31 *(in millions of Canadian dollars)*	2014 Actual	2015 Plan	2015 Fcst	2016 Plan	2017 Proj	2018 Proj	2019 Proj	2020 Proj
Assets								
Cash	69	163	142	142	142	142	142	142
Marketable securities:								
At fair value through profit or loss	6,391	5,985	6,203	5,714	5,966	6,095	5,731	5,731
At amortized cost	85	–	–	–	–	–	–	–
Derivative instruments	371	722	449	449	449	449	449	449
Assets held-for-sale	364	–	–	–	–	–	–	–
Loans receivable	41,586	41,857	46,660	48,999	52,547	55,080	57,240	61,771
Allowance for losses on loans	(1,163)	(1,133)	(1,236)	(1,182)	(1,228)	(1,247)	(1,319)	(1,443)
Investments at fair value through profit or loss	689	745	784	809	822	834	841	886
Equipment available for lease	–	328	–	–	–	–	–	–
Net investment in aircraft under finance leases	68	50	–	–	–	–	–	–
Recoverable insurance claims	33	222	37	198	204	206	169	129
Reinsurers' share of premium and claims liabilities	88	107	95	95	100	105	111	116
Other assets	156	89	155	149	143	137	130	123
Property, plant and equipment	56	55	53	58	61	57	50	47
Intangible assets	56	86	80	115	135	134	124	108
Building under finance lease	155	148	148	139	129	122	113	104
Retirement benefit assets	–	–	–	–	–	73	171	235
Total Assets	49,004	49,424	53,570	55,685	59,470	62,187	63,952	68,398
Liabilities and Equity								
Accounts payable and other credits	134	98	103	97	91	85	78	71
Loans payable:								
Designated at fair value through profit or loss	32,616	36,514	33,773	37,756	44,352	46,937	51,149	55,225
At amortized cost	5,422	3,642	6,813	5,245	3,023	3,023	554	554
Derivative instruments	1,377	425	2,287	2,287	2,287	2,287	2,287	2,287
Obligation under finance lease	166	162	162	158	154	150	145	140
Retirement benefit obligations	258	17	195	110	20	–	–	–
Allowance for losses on loan commitments	44	43	50	46	48	47	46	50
Premium and claims liabilities	618	523	632	487	511	532	558	579
Loan guarantees	153	175	150	157	186	222	266	319
	40,788	41,599	44,165	46,343	50,672	53,283	55,083	59,225
Equity								
Share capital	1,333	1,333	1,333	1,333	1,333	1,333	1,333	1,333
Retained earnings	6,883	6,492	8,072	8,009	7,465	7,571	7,536	7,840
	8,216	7,825	9,405	9,342	8,798	8,904	8,869	9,173
Total Liabilities and Equity	49,004	49,424	53,570	55,685	59,470	62,187	63,952	68,398

2015 FORECAST VERSUS 2015 CORPORATE PLAN

Loans receivable are forecast to be $4.8 billion higher than Plan primarily due to the weakening of the Canadian dollar as the majority of the loan portfolio is demoninated in U.S. dollars.

2016 CORPORATE PLAN VERSUS 2015 FORECAST

Loans receivable are projected to be $2.3 billion higher than the 2015 forecast of $46.7 billion as a result of net disbursements in 2016. Loans payable will grow due to the increase in loans receivable and the requirement to fund the projected dividend payment in 2016.

2017 TO 2020

The proportion of our debt to equity is increasing over the planning period. Since the end of 2011 we have paid $3.1 billion in dividend payments and we are projecting another $4.5 billion over the planning period all of which are funded with debt. As a result, our equity is declining while our debt position is growing.

STATEMENT OF CHANGES IN EQUITY

Table 7: Projected Condensed Consolidated Statement of Changes in Equity (2014-2020)

as at December 31 *(in millions of Canadian dollars)*	2014 Actual	2015 Plan	2015 Fcst	2016 Plan	2017 Proj	2018 Proj	2019 Proj	2020 Proj
Share Capital	1,333	1,333	1,333	1,333	1,333	1,333	1,333	1,333
Retained Earnings								
Balance beginning of year	7,038	6,856	6,883	8,072	8,009	7,465	7,571	7,536
Net income	1,129	785	1,139	907	742	777	741	740
Other comprehensive income (loss)								
Pension plan re-measurement	(155)	154	50	75	73	70	66	62
Dividends paid	(1,129)	(1,303)	–	(1,045)	(1,359)	(741)	(842)	(498)
Balance end of year	6,883	6,492	8,072	8,009	7,465	7,571	7,536	7,840
Total Equity at End of Year	8,216	7,825	9,405	9,342	8,798	8,904	8,869	9,173

STATEMENT OF CASH FLOWS

Table 8: Projected Condensed Consolidated Statement of Cash Flows (2014-2020)

for the year ended December 31 (in millions of Canadian dollars)	2014 Actual	2015 Plan	2015 Fcst	2016 Plan	2017 Proj	2018 Proj	2019 Proj	2020 Proj
Cash Flows from (used in) Operating Activities								
Net income	1,129	785	1,139	907	742	777	741	740
Adjustments to determine net cash from (used in) operating activities								
Provision for (reversal of) credit losses	(39)	191	45	73	184	145	196	253
Actuarial change in the net allowance for claims on insurance	(9)	(152)	(18)	(150)	19	17	22	22
Depreciation and amortization	52	52	32	38	54	61	68	70
Realized (gains) and losses	(137)	–	(107)	(76)	(98)	(101)	(94)	(107)
Changes in operating assets and liabilities								
Change in accrued interest and fees receivable	(59)	–	4	37	54	68	89	74
Change in fair value of marketable securities	(14)	–	5	–	–	–	–	–
Change in fair value of loans payable	97	–	15	–	–	–	–	–
Change in derivative instruments	39	–	56	–	–	–	–	–
Other	(66)	(184)	(74)	(252)	(99)	(87)	(49)	(14)
Loan disbursements	(15,186)	(14,983)	(17,791)	(18,841)	(19,674)	(21,647)	(22,287)	(22,420)
Loan repayments and principal recoveries from loan asset sales	12,852	12,569	15,363	16,427	16,071	19,037	20,050	17,825
Net cash used in operating activities	(1,341)	(1,722)	(1,331)	(1,837)	(2,747)	(1,730)	(1,264)	(3,557)
Cash Flows from (used in) Investing Activities								
Disbursements for investments	(149)	(208)	(192)	(227)	(252)	(274)	(299)	(324)
Receipts from investments	79	98	189	278	337	363	386	386
Finance lease repayments	14	14	30	–	–	–	–	–
Purchases of marketable securities at fair value through profit or loss	(52,751)	(26,498)	(49,787)	(29,578)	(27,232)	(33,034)	(35,812)	(27,417)
Sales/maturities of marketable securities at fair value through profit or loss	50,626	25,321	50,398	30,072	26,985	32,911	36,182	27,417
Purchases of marketable securities at amortized cost	(21)	–	(15)	–	–	–	–	–
Sales/maturities of marketable securities at amortized cost	20	80	15	–	–	–	–	–
Receipts from sale of assets held-for-sale	34	–	86	–	–	–	–	–
Net cash from (used in) investing activities	(2,148)	(1,193)	724	545	(162)	(34)	457	62
Cash Flows from (used in) Financing Activities								
Issue of long-term loans payable - designated at fair value through profit or loss	7,771	14,065	12,095	12,986	13,815	13,907	17,516	18,474
Repayment of long-term loans payable - designated at fair value through profit or loss	(7,910)	(11,397)	(12,972)	(8,515)	(8,117)	(11,278)	(14,237)	(13,493)
Issue of long-term loans payable at amortized cost	4,032	–	1,168	–	–	–	–	–
Repayment of long-term loans payable at amortized cost	(1,105)	(110)	(100)	(1,270)	(1,800)	–	(2,000)	–
Issue of short-term loans payable - designated at fair value through profit or loss	24,068	22,006	23,705	24,813	25,430	25,183	23,825	23,455
Repayment of short-term loans payable - designated at fair value through profit or loss	(22,361)	(20,346)	(23,217)	(25,677)	(25,060)	(25,307)	(23,455)	(24,443)
Disbursements from sale/maturity of derivative instruments	(55)	–	–	–	–	–	–	–
Receipts from sale/maturity of derivative instruments	117	–	1	–	–	–	–	–
Dividend paid	(1,129)	(1,303)	–	(1,045)	(1,359)	(741)	(842)	(498)
Net cash from financing activities	3,428	2,915	680	1,292	2,909	1,764	807	3,495
Effect of exchange rate changes on cash	3	–	–	–	–	–	–	–
Net increase (decrease) in cash	(58)	–	73	–	–	–	–	–
Cash								
Beginning of period	127	163	69	142	142	142	142	142
End of period	69	163	142	142	142	142	142	142

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, some of which will affect the standards relevant to EDC. The final version of *IFRS 9 – Financial Instruments* has been issued with an effective date of January 1, 2018 and we are currently assessing the impact to EDC. We are also closely monitoring the progress on IASB projects related to insurance contracts and leases.

RISK MANAGEMENT

For a comprehensive discussion on our risk management, please refer to pages 65-73 of our 2014 Annual Report.

3.5 CAPITAL MANAGEMENT

CAPITAL ADEQUACY POLICY (CAP)

As a financial institution EDC efficiently manages its capital through the Board-approved CAP 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 CAP 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. Maintaining a AA target solvency rating ensures that our capital position is strong enough to enable us to remain a self-sustaining Crown Corporation and to contribute, in a positive manner, to Canada's bottom line. 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.

We define capital supply as the sum of total equity and allowances, as determined in accordance with IFRS. Under the capital management framework, we determine whether we have adequate capital by comparing our supply of capital to our demand for capital which is defined as capital required to cover both expected and unexpected losses. We quantify demand for capital arising from credit, market, operational and business risk using rigorous models and practices.

EDC is in the process of developing a new capital management framework that will include revisiting the capital demand models to improve our estimates. Items under consideration include the introduction of correlation in the modeling of credit risk, a redefinition of a business/strategic risk component and a quantification of diversification among risk components. Table 11 shows EDC's projected capital position using the current framework and models along with an estimate of the anticipated impact of the implementation of the new framework. The estimated impact was calculated from an order of magnitude perspective with a bias towards a conservative approximation. As a result, dividend discussions will be further deferred until modeling changes are completed and the new capital management framework is approved and implemented.

Table 9: Projected Capital Position (2014-2020)

(in millions of Canadian dollars)	2014 Actual*	2015 Plan*	2015 Fcst	2016 Plan	2017 Proj	2018 Proj	2019 Proj	2020 Proj
Demand for Capital								
Credit risk	5,355	5,076	5,333	4,861	5,395	5,733	6,141	6,542
Market risk	1,014	1,033	1,189	1,204	1,169	1,203	1,203	1,242
Operational risk	460	417	484	434	422	424	433	451
Total demand for capital	6,829	6,526	7,006	6,499	6,986	7,360	7,777	8,235
Supply of capital	9,973	9,447	11,228	9,295	9,179	9,383	9,467	9,958
Estimated impact of new capital methodology on surplus	–	–	(1,791)	137	(85)	(43)	(34)	(120)
Capital surplus	3,144	2,921	2,431	2,933	2,108	1,980	1,656	1,603
EDC target rating	AA	AA	AA	AA	AA	AA	AA	AA
EDC implied solvency rating	AAA	AAA	AAA	AAA	AAA	AAA	AAA	AAA

** Based on previous framework*

While incorporating our conservative estimate of the new capital methodology into the current framework, EDC is projecting a capital surplus of $2.4 billion in 2015. The forecast reduction in the demand for credit risk from 2015 to 2016 is mainly due to anticipated credit improvement in our Aerospace portfolio.

The projected increase in the demand for credit risk from 2017 to 2020 is mainly due to the anticipated ramp up of the CSeries aerospace initiative. It is important to note that there is still some uncertainty with regards to the timing of the CSeries initiative due to delays in the anticipated start date of deliveries.

ELIGIBLE DIVIDENDS

Under the current CAP, the eligible dividend calculation compares our supply of capital at year-end to three components of the demand of capital:

- Our demand for capital at year-end;
- A 10 per cent buffer of our demand for capital at year-end. This component is to allocate for changes in external environment and changes in portfolio results; and
- A specific provision for explicitly identified strategic initiatives.

In light of the future new capital framework, we have used a similar approach to the eligible dividend calculation as is used for the projected capital position. The forecast results under the new capital framework methodology are in the same order of magnitude as have been observed in recent planning cycles; however, dividend discussions will be further deferred until modeling changes are completed and the new capital management framework is approved and implemented.

3.6 STATUTORY LIMITS

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

- A limit on our contingent liability arrangements which is currently $45 billion ('Contingent Liability Limit'); and
- A limit on our borrowings ('Loans Payable Limit'), as discussed on page 57.

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

Table 10: Statutory Limits (2014-2020)

(in millions of Canadian dollars)	2014 Actual	2015 Plan	2015 Fcst	2016 Plan	2017 Proj	2018 Proj	2019 Proj	2020 Proj
Contingent Liability Limit	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Credit insurance	8,415	9,377	9,350	9,511	9,825	10,140	10,494	10,767
Financial institutions insurance	3,797	4,064	3,366	2,941	3,038	3,135	3,245	3,329
Contract insurance and bonding	8,379	8,939	9,223	9,042	9,148	9,459	9,579	9,630
Political risk insurance	1,564	2,066	1,844	2,189	2,486	2,611	2,747	2,890
Loan guarantees	2,108	2,284	1,892	2,165	2,536	2,699	2,793	2,919
Position against limit	24,263	26,730	25,675	25,848	27,033	28,044	28,858	29,535
Percent used	54%	59%	57%	57%	60%	62%	64%	66%
Loans Payable Limit	125,565	122,835	123,240	141,075	140,130	131,970	133,560	133,035
Position against limit	38,038	40,156	40,586	43,001	47,375	49,960	51,703	55,779
Percent used	30%	33%	33%	30%	34%	38%	39%	42%

3.7 ASSET/LIABILITY MANAGEMENT AND BORROWING STRATEGIES

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, commercial paper or other debt instruments.

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 policies are consistent with industry practices, approved by our Board of Directors and are compliant with the Minister of Finance 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 Market Risk Management Policy 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. EDC has a collateral program in which Treasury swap counterparties pledge 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 and any policy breach is immediately reported directly to the Chair of the Board of Directors. Our Asset Liability Committee meets, at least quarterly, to review current and future compliance with the Corporation's Market Risk Management policies. Our market risk positions are reported quarterly to the Risk Management Committee of the Board of Directors.

BORROWING STRATEGIES

STATUTORY BORROWING AUTHORITIES

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 2015 forecast, the maximum borrowing limit allowable under the *Act* for 2016 is estimated at $141.1 billion, compared to forecast loans payable at the end of 2016 of $43.0 billion.

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.

BORROWING APPROACH

The objective of our funding programs is to ensure that commitments are met within the parameters of our Liquidity Policy and Risk Management Guidelines. 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 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 Audit 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 Policy requires the liquidity portfolio to meet anticipated cash requirements for a minimum of two weeks on a daily basis during a liquidity event. Forecast cash requirements are calculated using a 14 calendar day rolling forecast which includes operations, loan disbursements, a portion of undrawn revolver commitments, and short and long-term maturities. In addition, a daily minimum U.S. $2 billion of unused CP capacity is required.

Unpredictable cash flow demands most often result from undrawn revolver commitments, estimated at U.S. $10 billion at December 31, 2016. These facilities range in size from approximately U.S. $450 thousand to U.S. $700 million and can provide for same day advances. Additional committed facilities which have not yet been drawn are forecast to total U.S. $4 billion at the end of 2016.

We are seeking approval from the Minister of Finance for a money markets borrowing program limit of U.S. $14 billion. The limit will enable us to meet the forecast peak in CP outstanding balances of U.S. $8.5 billion while ensuring that the unused CP capacity combined with the investment portfolio is sufficient to meet Liquidity Policy requirements and unpredictable cash flow demands during a liquidity event. We are also seeking approval to approach the Minister for additional money markets capacity of U.S. $4 billion should business requirements or market conditions necessitate access to additional funding.

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 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.

The Corporate Plan projects a baseline borrowing requirement of U.S. $10.5 billion with potential additional long-term requirements of U.S. $2.2 billion. We are therefore requesting a capital markets borrowing limit of U.S. $12.7 billion from the Minister of Finance.

PRIMARY USES OF FINANCING

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

Increased Lending Activity (Term Loan and Revolver New Business) – Positive net loan disbursements are forecast in 2016.

Short-Term Loans Payable – Decreases in the level of Short-Term Loans Payable.

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.

Reduce CP Outstanding – An increase in capital markets funding in response to favourable market conditions may permit us to reduce the amount of CP outstanding.

Pre-Funding of 2017 Business Facilitated – We may seek to pre-fund some of our 2017 capital markets requirements to minimize debt service costs and lock-in longer term funding.

Table 11: Capital Markets Borrowing Requirement Projection for 2016

(in millions of U.S. dollars)	USD	2016 Plan
Decrease/(increase) in cash from operations	(467)	
Net loan disbursements	1,914	
Net increase (decrease) in cash	-	
Eligible dividend	847	
Activity from operations		2,294
Funding required for change in short-term loans payable	700	
Funding required for change in marketable securities at fair value through profit or loss	(400)	
Refinancing of debt maturities	7,676	
Buybacks	250	
Activity from liabilities		8,226
Forecast Borrowing Requirements for Corporate Plan		**10,520**
Potential increases to cash requirements		
Changes to assumption on lending activity	700	
Changes to assumption on revolving facilities	500	
Reduction of outstanding commercial paper	500	
Pre-funding of 2017 volumes/maturities	500	
Potential Additional Borrowing Requirements		**12,720**

Table 12: Projected Borrowing Plans (2014 – 2020)

(in millions of Canadian dollars)	2014 Actual	2015 Plan	2015 Fcst	2016 Plan	2017 Proj	2018 Proj	2019 Proj	2020 Proj
Capital Markets Borrowing Limit								
(U.S. $15.0 billion) *	15,683	18,518	18,518	–	–	–	–	–
Position	10,650	14,065	13,263	12,986	13,815	13,907	17,516	18,474
Percent used	68%	76%	72%	–	–	–	–	–
Short-Term Borrowing Limit								
(U.S. $12.0 billion) *	13,940	14,814	14,814	–	–	–	–	–
Position	8,233	7,306	9,135	8,271	8,641	8,518	8,888	7,901
Percent used	59%	49%	62%	–	–	–	–	–

* The limits are set each year in consultation with the Department of Finance, and accordingly, there are no limits set for 2016 to 2020.

3.8 OPERATION OF SUBSIDIARY

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 2015 and over the planning period, no new financing vehicles and no potential business transactions are anticipated. A shareholder distribution which represented a disposition of substantially all the assets of Exinvest Inc. was approved in the 2015 Corporate Plan and was paid out following the approval by the Board of Directors of EDC and Exinvest Inc. The revenue shown below is from these marketable securities held by Exinvest Inc. prior to their disposition. We are maintaining the subsidiary so that it will be available for future initiatives if required.

The following tables set out the consolidated financial results of Exinvest Inc. for the planning period. No Capital Expenditure Plan is provided, as Exinvest Inc. does not anticipate entering into any such expenditure over the planning period.

Table 13: Exinvest Inc. Projected Statement of Income (2014-2020)

for the year ended December 31 (in millions of Canadian dollars)	2014 Actual	2015 Plan	2015 Fcst	2016 Plan	2017 Proj	2018 Proj	2019 Proj	2020 Proj
Revenue								
Marketable securities	1	–	1	–	–	–	–	–
	1	–	1	–	–	–	–	–
Expenses/(Income)								
Administrative and other	(6)	–	–	–	–	–	–	–
	(6)	–	–	–	–	–	–	–
Net Income	**7**	**–**	**1**	**–**	**–**	**–**	**–**	**–**
Retained earnings at beginning of year	36	36	43	–	–	–	–	–
Dividend	–	(36)	(44)	–	–	–	–	–
Retained earnings at end of year	**43**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

Table 14: Exinvest Inc. Projected Statement of Financial Position (2014-2020)

as at December 31 (in millions of Canadian dollars)	2014 Actual	2015 Plan	2015 Fcst	2016 Plan	2017 Proj	2018 Proj	2019 Proj	2020 Proj
Assets								
Cash and marketable securities	89	–	–	–	–	–	–	–
Total Assets	**89**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Liabilities and Equity								
Share capital	46	–	–	–	–	–	–	–
Retained earnings	43	–	–	–	–	–	–	–
Total Liabilities and Equity	**89**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

ANNEX I: EXPORT DEVELOPMENT CANADA CORPORATE OVERVIEW

Export Development Canada (EDC) is a Crown Corporation which provides trade finance and risk management services to facilitate the trade and investment activities of Canadian companies.

This reference guide is intended to complement the information provided in the Business Strategy by providing additional background, including information relating to EDC's:

- **Mandate and Operating Principles**, as prescribed under the *Export Development Act* and the strategic framework outlined in the Corporate Plan 2016-2020.
- **Legislative Powers and Obligations**, as prescribed under the *Export Development Act* and the *Financial Administration Act*.
- **Managerial and Organizational Structure**, the executive team manages the operations of EDC within the strategic goals and objectives as laid out in the Corporate Plan.
- **Board and Committee Structure**, the Board plays a pivotal role in setting the strategic direction of EDC and in ensuring that public policy objectives are met by EDC in the most effective manner. The Board also reviews the development and refinement of the various financial services, approves certain loans, insurance and guarantee contracts, authorizes funding transactions, and monitors EDC's performance.

This information has been provided in accordance with the *Treasury Board of Canada's Guidelines* for the Preparation of Corporate Plans.

MANDATE AND OPERATING PRINCIPLES

MANDATE

EDC's mandate is to support and develop, directly or indirectly, Canada's export trade and Canadian capacity to engage in that trade, as well as respond to international business opportunities.

OPERATING PRINCIPLES

EDC's decision-making on key corporate initiatives is focused on improving Canada's trade and investment performance while continuing to improve the responsiveness and resilience of the organization.

EDC's goal is to create benefits for Canada. Our ability to fulfill this goal requires us to deploy our resources - our people and their unique talents, our financial capital and our technology - in an optimal manner. In doing so we ensure that, in our key decisions, we balance the value of our services to Canadian businesses with our ability to manage risk and our long term financial sustainability.

Two overarching principles guide our decisions: our Partnership-Preferred Philosophy and our commitment to Corporate Social Responsibility.

LEGISLATIVE POWERS AND OBLIGATIONS

LEGISLATIVE POWERS

The *Export Development Act* (the *Act*) and subsequent regulations, as amended from time to time, provide the legislative basis for EDC's activities. Section 10 of the *Act* outlines the powers that EDC may exercise in pursuit of its mandate. Transactions supported under Section 10 are considered to be **Corporate Account transactions** as they are funded and supported by the corporation's own balance sheet and income generating capacity, and not through annual appropriations.

In addition to its Corporate Account activities, under Section 23 of the *Act*, EDC may be authorized by the Minister for International Trade, with the concurrence of the Minister of Finance to undertake certain transactions of a financial nature to support and develop Canada's export trade. While EDC strives to find ways to structure transactions under its Corporate Account, there are a number of factors which might lead EDC to refer a transaction to **Canada Account**. For instance, the transaction could exceed EDC's exposure guideline for a particular country or involve markets or borrowers representing exceptionally high risks, amounts or financing terms in excess of what EDC would normally undertake. The monies required to discharge Canada Account transactions are made available from the Consolidated Revenue Fund.

The *Act* limits Canada Account's outstanding commitments to borrowers and liabilities under contracts of insurance and other agreements to an aggregate of $20.0 billion.

In March 2014, after five years of temporary domestic powers granted to EDC in the 2009 budget in response to the financial crisis, new *Regulations Amending the Export Development Canada Exercise of Certain Powers Regulations* came into force. They define how EDC can deploy its capabilities in support of transactions in Canada. These *Regulations* will be subject to a review by the Government of Canada three years after their entry into force.

LEGISLATIVE OBLIGATIONS

Section 25 of the *Act* requires that the Minister of International Trade, in consultation with the Minister of Finance, initiate an independent review of the provisions and operation of the *Act* every 10 years. The 2008 review concluded in July 2010 with the passage of the *Budget Implementation Act*, which amends the *Export Development Act* to enable the corporation to open offices in foreign markets, and clarifies existing asset management powers for EDC's corporate account and the Canada Account.

To respond to private insurers about EDC's role in the short-term credit insurance market that arose in the review process, the government has established a credit insurance advisory group with a view to promoting partnership and reinsurance support for both domestic and short-term export credit insurance.

In addition to the Legislative Review, a special examination is mandated at least every ten years under the *Financial Administration Act* (FAA) and a report on the findings must be submitted to the Board of Directors. The last special examination was conducted in 2009 and the next one is scheduled to take place in 2016.

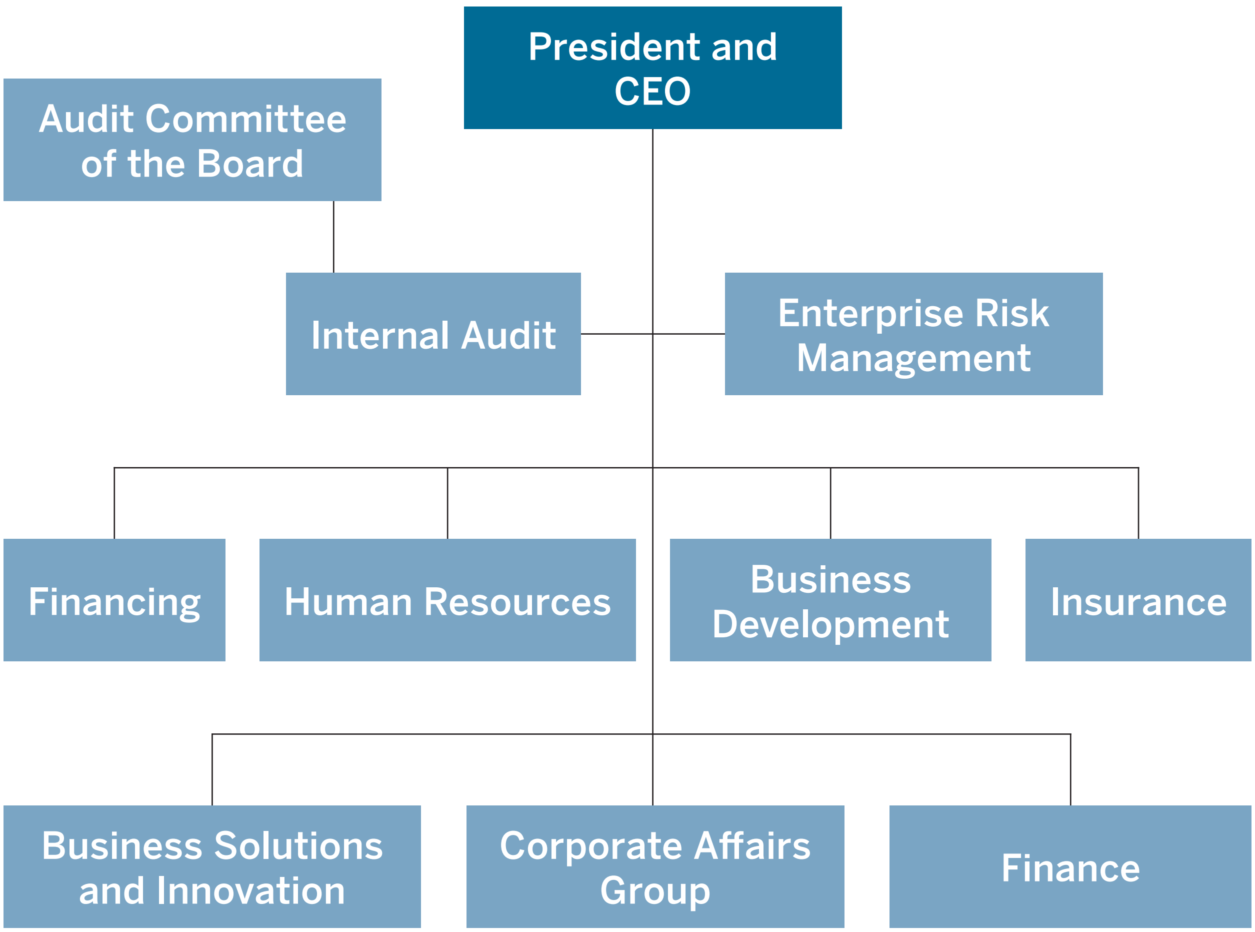
The *Act* also stipulates that an audit of the design and implementation of EDC's Environmental Review Directive (the Environment Audit) must be undertaken by the Office of the Auditor General (OAG) every five years. The 2014 review was presented to the EDC's Board of Directors and was tabled in Parliament [a copy of the review is available at http://www.oag-bvg.gc.ca].

ACCOUNTABILITY TO PARLIAMENT

The Government of Canada primarily regulates Crown Corporations through their enabling legislation and through the FAA. EDC is currently listed under Part I of Schedule III to the FAA, and as such is required to, among other things:

- Submit an Annual Report, a Corporate Plan and an Operating Budget to the responsible Minister;
- Make public the quarterly financial report within 60 days of quarter-end; and
- Undergo regular audits by the OAG.

MANAGERIAL AND ORGANIZATIONAL STRUCTURE



BOARD AND COMMITTEE STRUCTURE

Chair of the Board

Board of Directors

Executive Committee

- Handling of urgent matters between Board meetings
- Authority to exercise certain Board powers

Nominating and Corporate Governance Committee

- Appointment process for CEO, Board Chairperson, and Directors
- Board and Committees effectiveness

Audit Committee

- Financial and management control systems
- Financial reporting
- Corporate financing
- Approval of certain major expenditures
- Internal and external audit matters, including audits of the Directive on the environment, and special examinations
- Dividend: review eligibility

Human Resources Committee

- HR strategic planning
- Compensation policy and budgets
- Succession planning, including approval of or recommendations to the Board re certain senior appointments
- President's objectives, recommendations re performance, salary and benefits
- Design and compliance of EDC pension plans
- Oversight of pension plan administration

Risk Management Committee

- Oversight of management of credit, market and other enterprise risks and of overall capital adequacy relative to EDC's risk profile and Corporate Plan Objectives
- Recommendations to the Board re risk management and capital adequacy policies and strategies
- Environmental compliance
- Ethical compliance, including Compliance Officer oversight
- Review of proposed transactions, and policy limit increases for recommendation to Board

Business Development and Strategy Committee

- Input into strategic policy direction, including recommendations to the Board re: Corporate Plan
- Oversight of analysis of market conditions, and responses
- Monitors performance as against business strategies and policies including review of Canadian Benefits Framework

ANNEX II: THE RIGHT SOLUTION AT THE RIGHT TIME

To achieve success, we must understand the needs of Canadian exporters and respond to these needs with products and services that can help them export. Often, we have a product or service within our existing toolkit that meets their requirements. In the cases where we don't, we look for new ways to provide solutions to meet their needs, or refer them to one of our partners with complementary services who can address their specific challenge.

OVERVIEW OF EDC'S FINANCING AND INSURANCE SOLUTIONS

EDC provides financing and insurance solutions locally and around the world to help Canadian companies of any size respond to international business opportunities. EDC works together with private and public-sector financial institutions to create greater capacity for Canadian companies to engage in trade and investment.

EDC's financing and insurance solutions are intended to add capacity where and when it is needed. We provide a range of services to help exporters in a variety of areas.

FINANCING SOLUTIONS

Canadian companies often cite a lack of financing as one of the key barriers to managing their cash flow and implementing their expansion plans. Whether companies are looking to break into new markets, fill an order or participate in a large-scale global project, our financing solutions can help them access a reliable source of working capital.

EXPORT GUARANTEE PROGRAM

EDC can provide a guarantee to a Canadian company's financial institution to give them the confidence to provide additional support—helping the company access the working capital needed to grow.

FOREIGN BUYER FINANCING

Arranging financing is an important part of a company's sales plan. With our Foreign Buyer Financing solutions, we can provide guarantees, direct loans and co-lending solutions, with flexible and affordable repayment terms to an exporter's U.S. or international customers.

STRUCTURED AND PROJECT FINANCE

When a company wants to participate in a large-scale global project or joint venture, EDC can provide advice, underwriting expertise, and project finance support across a variety of industry sectors. As a partner in international financing syndicates, EDC has experience as an advisor, arranger and underwriter.

FOREIGN INVESTMENT FINANCING

Working in collaboration with a company's financial institution, EDC can consider lending against foreign assets in many markets to support a company's expansion plans, including investments in equipment and facilities, as well as the acquisition of an international company.

INVESTMENTS

EDC is an investor in direct venture and growth capital investments and partners with private sector fund managers, both domestically and internationally. This program is particularly helpful to small and medium-sized companies as it gives them access to the private equity they need to penetrate the global marketplace. International investments also help connect Canadian companies with foreign buyers.

INSURANCE SOLUTIONS

EDC has a range of insurance solutions to help exporters protect their international business whether they have one contract, one customer or want support for their entire book of business. Our insurance can also help companies access the working capital they need and protect their assets as they grow their international sales.

ACCOUNTS RECEIVABLE INSURANCE (ARI)

Businesses can use ARI to protect all of their international sales against a wide range of risks, from a customer not being able to pay to political upheaval in a particular market. Knowing that their risks are covered also means financial institutions may be more willing to increase access to working capital.

TRADE PROTECT

Trade Protect is our credit insurance option, available exclusively online, for Canadian companies who wish to insure a small number of customers outside of Canada against non-payment. Not only does it protect a company if they don't get paid for these foreign receivables, it may help them attract more customers because they can offer more attractive payment terms.

CONTRACT FRUSTRATION INSURANCE

For specific export contracts for services, capital goods or projects, this type of insurance is a cost-effective way to protect sales from a variety of risks.

POLITICAL RISK INSURANCE (PRI)

Despite great opportunities, putting assets or investments into a country where the political situation is unstable can be risky. Political Risk Insurance (PRI) covers companies against a broad range of risks resulting from unpredictable events that could threaten their overseas investment.

PERFORMANCE SECURITY INSURANCE

International customers often ask for a guarantee - assurance that companies will perform to the stipulations of the contract. Performance Security Insurance (PSI) can cover up to 95 per cent of losses if an international customer demands payment on a bank-issued guarantee without a valid reason.

BONDING & GUARANTEE SOLUTIONS

Posting bonds and guarantees is a necessary part of exporting that can tie up a company's cash. EDC has a range of bonding and guarantee solutions, offered in partnership with financial institutions, which can help businesses to free up the working capital they need.

ACCOUNT PERFORMANCE SECURITY GUARANTEE

With EDC's Account Performance Security Guarantee, a company's financial institution is fully protected if a company's international customer demands payment against the guarantee the bank provided on their behalf. This can encourage banks to forego the collateral usually required to post such guarantees.

SURETY BOND INSURANCE

A surety company can, similar to a financial institution, issue a contractual or performance bond on a company's behalf. EDC's Surety Bond Insurance can protect a company's existing surety company in the event of a call, encouraging them to provide the company with the bonding capacity they need to sell internationally. If finding a surety company is an issue, EDC can also help companies fulfill their bonding requirements through our various partnerships.

FOREIGN EXCHANGE FACILITY GUARANTEE

EDC's Foreign Exchange Facility Guarantee encourages a company's foreign exchange provider to forego the need for collateral when they sign a foreign exchange contract to lock in exchange rates. This means companies can mitigate fluctuations in exchange rates without tying up their cash flow.