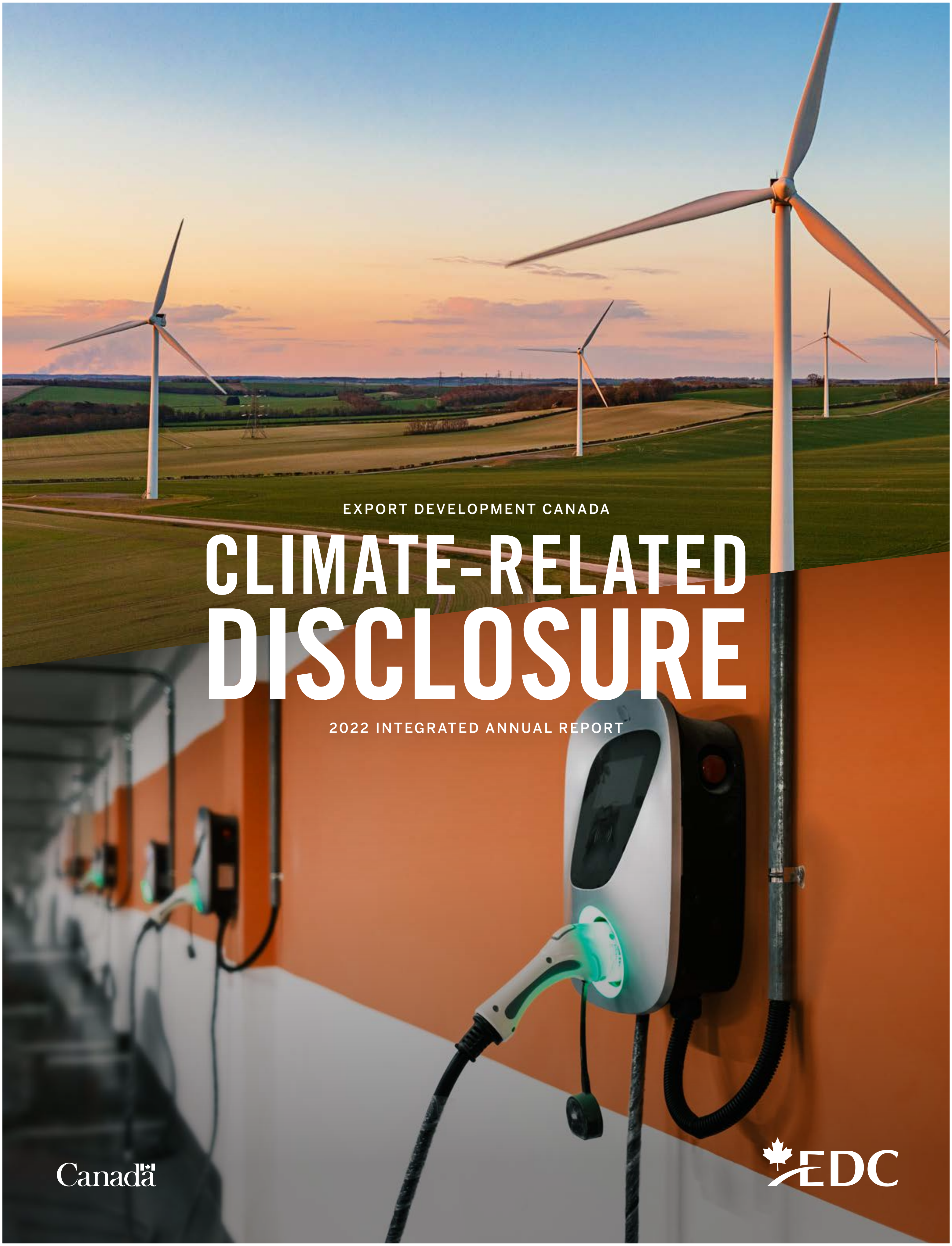

EXPORT DEVELOPMENT CANADA

CLIMATE-RELATED DISCLOSURE

2022 INTEGRATED ANNUAL REPORT

Canada

EDC

AN UPDATE ON OUR CLIMATE RISKS, OPPORTUNITIES AND NET ZERO COMMITMENT

"We are committed to achieving net zero emissions and know this goes hand-in-hand with helping our customers to succeed internationally in a low-carbon future."

Mairead Lavery,
President and Chief Executive Officer

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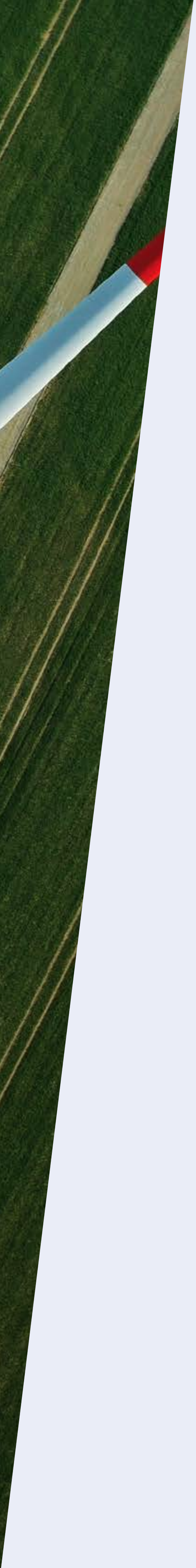


About this report

Since 2018, EDC has disclosed how we are assessing climate-related risks and opportunities across our business in alignment with the recommendations of the **Task Force on Climate-related Financial Disclosures** (TCFD). We are on a journey to continue implementing the TCFD recommendations and building out our expertise in managing and disclosing climate risks and opportunities.

EDC's 2022 Climate Report presents our approach to climate change, including information about our governance, strategy, risks and opportunities, as well as progress toward achieving our climate commitments. This report also presents our net zero plan, which describes our objectives and the actions we are taking to meet our net zero commitment.

Our climate-related disclosure is also a key component of EDC's **integrated annual report**. We believe that performance tracking and reporting are essential for demonstrating accountability, evaluating our work, and building relationships with external stakeholders, customers and rights holders.

Canadian government mandates TCFD-aligned disclosure for Crown corporations

The federal government's **2021 budget** mandated TCFD-aligned disclosure for Crown corporations holding more than $1 billion in assets, starting in 2022, and others following in 2024 at the latest. At the time of the announcement, EDC had been complying with this requirement since 2018, and we continue to comply through our annual climate report. In 2022, we continued to work with other Crown corporations to fully realize the benefits of mandatory TCFD reporting.

External assurance

PricewaterhouseCoopers (PwC) performed an independent limited assurance engagement for a selection of EDC's environmental, social and governance (ESG) metrics, including climate-specific key performance indicators (KPIs). The 2022 Assurance Statement can be found **here**.

Transparency and disclosure

Climate reporting is one part of EDC's efforts to ensure transparency across our operations. Additionally, we have several annual progress reports that complement our climate reporting and that serve to provide a clear view of our practices, build trust and maintain accountability. We also publish our strategies, policies and plans, as well as integrated and individual reports outlining our corporate commitments, goals and progress.

RELATED PUBLICATIONS

For more detailed information on EDC's climate-related efforts, please see the following documents:

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

OTHER SUPPORTING DOCUMENTS AND DISCLOSURES INCLUDE:

Policies and frameworks

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

Corporate planning and reporting

- *EDC 2030 Strategy*
- *Corporate Plan (summaries)*
- *2022 Integrated Annual Report*
- *2021 Human Rights Disclosure*
- *Canada Account annual reports*
- *Financial reports*
- *2021 Materiality Assessment Report*
- *2022 Annual Public Meeting*

Introduction

Climate change overview

Climate change is a complex global issue that will have impacts across all economic sectors. Global average temperatures are rising at an unprecedented rate, with effects such as sea level rise and more frequent and intense extreme weather events including storms, wildfires and heatwaves.

Climate change due to global warming is a result of carbon dioxide and other greenhouse gas (GHG) emissions being released into the atmosphere through activities such as burning fossil fuels, deforestation and reducing wetland areas. These emissions build up in the atmosphere, creating a "greenhouse effect" where energy from the sun gets trapped, causing Earth's temperature to rise.

In April 2022, the Intergovernmental Panel on Climate Change (IPCC) released part three of its Sixth Assessment Report. The report found that global warming reaching 1.5°C in the near term will cause unavoidable increases in multiple climate hazards and present many risks to ecosystems and humans. It also outlined that taking near-term actions to limit warming to 1.5°C would substantially reduce projected losses and damages.

In 2015, via the Paris Agreement, nations around the world agreed to the goal of limiting global warming to 2°C (preferably 1.5°C) above pre-industrial levels. This requires that GHG emissions be halved by 2030 through deep, rapid and sustained reductions and that net zero emissions be achieved by 2050. Net zero refers to the process whereby organizations reduce their GHG emissions in line with a 1.5°C pathway to the greatest extent possible, and balance any remaining GHG emissions by removing an equivalent amount of emissions through carbon removals. Achieving these reductions requires major transitions, including reducing fossil fuel use, deploying low-emission energy sources, switching to alternative energies, and increasing energy efficiency and conservation.

In Canada, the federal government has committed to reducing GHG emissions by 40% to 45% below 2005 levels by 2030 and to becoming net zero by 2050. In parallel, public and private markets have mobilized through individual and collective action to do their part.

The transition to a low-carbon economy requires commitment, action and co-operation from all levels of government and industry sectors. As Canada's export credit agency (ECA), EDC has an important role to play in the transition to a net zero world.

The transition to a low-carbon economy requires commitment, action and co-operation from all levels of government and industry sectors.

CLIMATE CHANGE MATERIALITY

Climate change matters to our stakeholders. In 2021, we conducted our second **materiality assessment** to identify the ESG topics of greatest importance to our internal and external stakeholders. The three topics identified as being most material to EDC relate to climate:

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

Net zero by 2050

More than two decades ago, we began our journey to make responsible and sustainable practices a priority, both for our business and for our customers. Today, our approach to climate change is centred around a commitment to achieve net zero emissions across our operations and business lines by 2050—a goal aligned with the Government of Canada and the Paris Agreement.

At a high level, the strategic elements of our net zero plan are:

- Reducing operational emissions
- Calculating financed emissions
- Setting and delivering on interim climate targets
- Developing sustainable finance solutions
- Accelerating support for clean technologies

In 2022, we developed and released our interim science-based targets for the airlines and upstream oil and gas sectors.

ADDITIONAL INFORMATION

For more details, please refer to the Strategy section of this report on page 12.

Strategy

ADDITIONAL INFORMATION

Read more about our net zero plan and 2022 progress on pages 12–24 of this report and about our target setting methodology in the Technical Supplement on page 15 of our 2022 Net Zero Update.

Our net zero plan and 2022 progress

2022 Net Zero Update

OUR CLIMATE ACTION TIMELINE

2001
Issued our **Environmental Review Directive**.

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

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

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

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

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

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

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

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

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

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

Issued our first climate-related disclosure.

2020
Announced our **2023 climate target** to reduce lending exposure to carbon-intensive sectors. Subsequently met and strengthened the target.

Published our **Due Diligence Framework: Climate Change**.

Introduced customer **TCFD-aligned disclosure requirements** for the oil and gas sector.

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

Fully implemented our **Climate Change Policy**.

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

Disclosed updated approach and objectives related to growing our **sustainable finance program**.

2023
Published our **updated Climate Change Policy**.

Our **Climate Change Policy** provides the strategic foundation of our commitments to address climate-related risks and opportunities, through measurement, engagement, sustainable financing, risk management systems and reporting. Our **Due Diligence Framework: Climate Change** details the operationalization of the policy for review of climate-related transaction due diligence.

Our climate progress

2022	2023–2025
Governance	
In 2022, we: • Linked executive compensation to performance on our 2023 climate target • Embedded climate topics in board committee terms of reference • Strengthened the Climate Change Policy through the triennial review process	In 2023 to 2025, we plan to: • Add additional internal resources with climate expertise, including management roles • Enhance climate-related expertise of our Executive Management team and the board
Strategy	
In 2022, we: • Continued to develop and implement our net zero transition plan • Advanced our climate and net zero engagement with customers, industry and the public sector • Hosted sixth annual Cleantech Export Week • Introduced our Sustainable Financing Guarantee pilot program in partnership with major Canadian banks • Undertook our third climate-related scenario analysis • Released a Sustainable Bond Framework, which includes green, social and transition bonds	In 2023 to 2025, we plan to: • Further embed net zero into EDC's corporate strategy and decision-making • Increase engagement and education for EDC customers on climate and net zero transitions • Establish a cross-functional stakeholder working group to implement operational emissions abatement opportunities at EDC • Assess EDC's impacts on nature and biodiversity • Roll out an updated cleantech definition and continue increasing our cleantech industry knowledge and collaboration • Evolve our approach to portfolio climate scenario analysis and link more closely to EDC's climate strategy • Develop a sustainable finance framework
Risk management	
In 2022, we: • Continued pilot to embed climate into credit risk • Added climate change risk to Risk Taxonomy	In 2023 to 2025, we plan to: • Refine approach to assessing transition and physical risks, in both credit and non-credit risk contexts • Perform a climate risk prioritization exercise • Build on the learnings from our pilot to further embed climate into our evaluation of credit risk
Metrics and targets	
In 2022, we: • Achieved our 2023 climate target • Published our 2030 science-based climate targets for the airlines and upstream oil and gas sector portfolios, and made progress against these targets • Became carbon neutral for our operational emissions, including Scope 1 and 2 emissions and Scope 3 business travel emissions • Set and published a science-based interim operational emissions reduction target for Scope 1 and 2 emissions and Scope 3 business travel emissions • Published absolute financed emissions associated with our financing portfolio in alignment with the Partnership for Carbon Accounting Financials (PCAF) methodology	In 2023 to 2025, we plan to: • Continue to improve upon our interim target setting approach in alignment with our net zero commitment • Improve our financed emissions data quality score through enhancing our data, inputs and assumptions • Continue to improve and disclose impact metrics under newly developed Sustainable Bond Framework

Governance

At EDC, we strive toward a more equitable and sustainable world using leadership and business influence. Underlying this goal is a well-defined governance structure that provides oversight of our efforts and supports decision-making. As we work toward this goal, we are guided by our core values:

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

In alignment with these values, accountability for climate change is embedded throughout our organization. Strong governance is critical to achieving our goals, including our commitment to net zero. Our climate governance structure incorporates stakeholders at all levels of the organization, as well as external perspectives that strengthen our approach.

To ensure that our Executive Management team retains a long-term vision in decision-making, we incorporated an ESG component into our long-term incentive plan in 2022. Performance against our 2023 climate target was linked to executive compensation. This was applied to vice-presidents and executive management.

CLIMATE GOVERNANCE STRUCTURE

BOARD OF DIRECTORS

Oversees climate-related matters at EDC. Climate topics feature routinely in board agendas, with net zero and Climate Change Policy updates and implementation being key items in 2022.

BOARD COMMITTEES

Risk Management Committee

Oversees EDC's Enterprise Risk Management Framework, including the Environmental and Social Risk Management (ESRM) Policy Framework. Reviews reports about capital management and adequacy and climate risk-related scenario analysis processes.

Business Development and Performance Committee

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

MANAGEMENT

Enterprise Strategy Committee

Provides oversight and guidance for all strategic initiatives, decisions and outcomes across the enterprise, including climate strategy and initiatives.

ESG Executive Committee

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

Risk Management Committee

Provides feedback and advice on the implementation of significant climate risk policies and initiatives.

BUSINESS

ESG Policy Group

Responsible for developing, implementing and regularly reviewing EDC's policies, positions, guidelines and procedures related to environmental matters including climate, biodiversity and natural resources. The group also supports environmental risk management.

ESG Strategy, Outreach and Reporting Group

Responsible for strategy execution and outreach of EDC's ESG program. Acts as the central ESG reporting hub, providing an ESG reporting and disclosures process with governance and controls for measuring EDC's ESG performance.

ESG Customer Success Group

Responsible for identifying, assessing and monitoring non-credit risks (including environmental and social risks) for companies and transactions, in line with the requirements set out in the ESRM Policy Framework. Also responsible for validating and monitoring all of EDC's business relevant companies, in line with the Information Management Policy.

Risk Management Group

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

SUPPORTING CORPORATE FUNCTIONS

Internal Auditor

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

Legal

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

EXTERNAL

ESG Advisory Council

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

Board and management oversight

The Board of Directors oversees our ESG direction, strategy and risk management policies, including our Climate Change Policy. In 2022, climate continued to be a standing item at every board meeting. To embed ESG (including climate) considerations into board responsibilities, we updated all our board committee terms of reference.

We have the following roles in our management group:

- **Chief Sustainability Officer:** Owns the Climate Change Policy and is responsible for its development, implementation and maintenance as well as its execution and effectiveness;
- **VP, ESG Policy:** As the Climate Change Policy monitor, is responsible for monitoring and ensuring compliance with the policy, and for reporting instances of non-compliance to the policy owner;
- **VP, ESG Strategy, Outreach & Reporting:** Responsible for ESG (including climate) strategy, outreach and disclosure, particularly in alignment with the TCFD;
- **VP, ESG Customer Success:** Responsible for overseeing the non-credit risk identification, assessment and monitoring processes, in line with the requirements set out in the ESRM Policy Framework; and
- **Internal Auditor:** Provides independent assurance to the Board of Directors and Executive Management team in accordance with EDC's Internal Audit Charter.

Policy commitment

Our Climate Change Policy outlines EDC's climate commitments and governance, in terms of review periods as well as roles and responsibilities. Overarching this policy is our ESRM Policy Framework, which also includes the Human Rights Policy, the ESRM Policy, the Environmental and Social Review Directive and the Transparency and Disclosure Policy.

Policy review

We conduct periodic reviews to guide the update of our ESRM framework policies. The review process enables us to identify opportunities to better align the policies with our ESG practices, business activities, customer needs and best practices.

The Climate Change Policy is reviewed and approved at least once every three years through a full consultative review process. Stakeholder engagement forms a critical part of our review process, with final approval provided by the Board of Directors.

In 2022, we completed the consultative review of our Climate Change Policy as part of the ESRM Policy Framework review process, initiated in 2021. The review was led by a core working group and included completion of an environmental scan to identify industry best practices and a discussion paper on the policy framework, rationale, and key issues and priorities.

During the review process, we invited stakeholders from across the Canadian trade ecosystem to offer feedback on the Climate Change Policy, including government, customers, industry and trade associations, ECA peers and civil society organizations. In addition to conducting virtual meetings, we made relevant materials available on our website with an invitation to submit comments over a period of approximately three months. We also consulted with key internal teams and hosted virtual engagement sessions and Q&As for all interested staff. All feedback was summarized and considered by the ESG Policy team as they updated the Climate Change Policy.

We issued a stakeholder response paper with the revised policy release in 2023. The response paper provides a high-level description of how we incorporated feedback into our policy review. The response paper and updated Climate Change Policy can be found on our **website**. For details on our stakeholder engagement initiatives outside of policy review, refer to the Stakeholder Engagement section on **pages 22–23** and our **2022 Integrated Annual Report**.

Key future priorities

In 2023 to 2025, we plan to:

- Increase board climate knowledge through ongoing climate education and training sessions and the continued inclusion of ESG as a criterion in board member selection;
- Continue growing and resourcing ESG expertise at EDC by increasing capacity and ensuring technical expertise on relevant teams; and
- Build EDC position statements on topics with a direct link to climate change.

BOARD AND EXECUTIVE MANAGEMENT KNOWLEDGE MOBILIZATION

In 2022, we took steps to better equip our board and executive management to oversee ESG and climate issues at EDC. As at the end of the year, 75% of board members and 21% of executive management hold a Competent Boards ESG designation, which includes climate change as a core topic.

OPERATIONALIZATION OF THE CLIMATE CHANGE POLICY

Ambition

EDC supports the 2015 Paris Climate Change Agreement, which aims to strengthen the global response to the climate change challenge and spur a transition to a low-carbon society.

POLICY COMMITMENTS	2022 ACTIONS
✓ Measure, monitor and, commencing in 2020, set targets to reduce the carbon intensity of our lending portfolio ✓ Work toward implementing the recommendations of the TCFD ✓ Continue to report on and improve EDC's operational environmental footprint ✓ Be more transparent about EDC's approach to carbon-intensive sectors, starting with a strengthened thermal coal position	• Achieved 2023 climate target • Set and published 2030 science-based interim targets for the airlines and upstream oil and gas sectors • As part of our Partnership for Carbon Accounting Financials (PCAF) commitment, measured and disclosed financed emissions for commercial loans and project finance aligned with PCAF methodology • As part of our operational emissions net zero strategy, set and published a science-based interim reduction target for Scope 1 and 2 emissions and Scope 3 business travel emissions • Purchased renewable energy certificates and carbon offsets to achieve carbon neutrality for 2022 operations • Continued to enhance internal and external climate-related reporting
✓ Integrate climate-related risks and opportunities, such as carbon intensity, into EDC's risk assessment processes, alongside other credit and non-credit considerations, to inform decision-making for both project and non-project transactions ✓ Enable customers to respond to climate-related risks and opportunities through financing, insurance, and knowledge products and services, while leveraging international risk expertise ✓ Increase EDC's business focused on clean and low-carbon technology	• Benchmarked against best practices and conducted enhanced climate scenario analysis • Continued pilot to incorporate climate considerations into credit risk and credit decisions • Continued to conduct non-credit risk assessments that consider climate • Added dedicated climate expertise to customer advisory team • Continued to support and focus on cleantech • Developed preliminary sustainable finance taxonomy to identify and track activities related to climate mitigation and adaptation, in addition to broader environmental and social activities • Advanced EDC's Green Bond Framework to a Sustainable Bond Framework
✓ Encourage customers operating in carbon-intensive sectors to disclose climate-related information, starting with annual GHG emissions and, where appropriate, clear emissions reduction targets ✓ Engage actively with our financial sector peers to advance dialogue and action around climate-related risks and opportunities	• Led and participated in industry initiatives (i.e., Berne Union Climate Working Group, OECD Export Credit Group, Equator Principles Association, G7 ECA Heads, Canadian Crown Corporation TCFD Working Group) • Continued supporting customers with their climate reporting, through our **TCFD Reporting Guide** • Engaged with customers at forums and speaking events • Deployed customer climate disclosure requirements

Strategy

As Canada's export credit agency, we recognize the need to lead by example in the global transition to a net zero economy, thereby influencing others to do the same.

EDC's approach to climate is embedded within our **2030 strategy**, which guides our ambition, choices and actions over the next decade and incorporates ESG and climate considerations at the core of what we do. Our 2030 strategy focuses on maximizing our positive impact while remaining true to our mandate and values. A key desired outcome of this strategy is the creation of a lower carbon and climate-resilient economy.

Our approach to climate focuses on identifying and assessing our current and future climate-related risks and opportunities, and achieving net zero emissions across our business lines and operations by 2050. This approach addresses the top three material ESG topics identified in EDC's **2021 materiality assessment**: climate risk and opportunity management; environmental impact of the portfolio; and sustainable/transition finance. We will continue to evolve our approach in line with industry guidance and as our own expertise develops. In these early stages, we are working to ensure our targets are built on strong foundations that are scientifically rigorous, deliver meaningful results, and support our customers and—by extension—the Canadian economy.

There will be uncertainties and challenges as we implement our net zero plan. We understand that the transition to net zero—and our ability to achieve our targets—is dependent on collaboration and collective action across global economies. We will also need to navigate third-party data availability and data quality challenges and evolve our approach with changing industry guidance and standards. Nonetheless, we are committed to full transparency in relation to our approach and how it evolves over time, and to our performance against our climate targets.

Climate-related risks and opportunities identified over the short, medium and long term

Climate change risks can impact EDC's ability to achieve our strategic objectives. The resilience of our business depends on our ability to identify material climate-related risks and opportunities and assess their impact on our strategy and financial planning. With this in mind, in 2022 climate change risk was introduced as a separate strategic risk under EDC's Risk Taxonomy. Risks in this taxonomy are monitored and assessed on an ongoing basis for risk exposure developments, changes in residual risk levels and risk mitigating actions. Quarterly risk reporting to senior management and the Board of Directors now includes climate change as a strategic risk moving forward. Climate change is now considered one of the most significant enterprise-level strategic risks intrinsic to EDC's business.

KEY TERMS

Climate-related risks are the potential negative impacts of climate change on an organization related to the physical impacts or the transition to a lower carbon economy. **Physical risks** can occur due to increased severity of extreme weather events, longer-term shifts in precipitation and temperature, or increased variability in weather patterns. **Transition risks** can occur due to policy, legal, technology and market changes as a result of mitigating and adapting to climate change.

Climate-related opportunities are the potential positive impacts related to the mitigation and adaptation efforts of an organization, such as resource efficiency and cost saving measures, the adoption and utilization of low-emission energy sources, the development of new products and services, access to new markets and building resilience along supply chains.

At EDC, we strive to identify physical and transition climate-related risks and opportunities across our business over various time horizons. Climate-related risks materialize through the impact on credit, insurance, market and operational risks. For example, climate-related risks can increase credit risk due to their impact on obligor credit quality, and recoveries in the event of obligor default, as a result of an increase in operating costs and capital investments, changes in demand for goods and services, and asset revaluation.

Net zero by 2050

Our net zero commitment

In 2021, we committed to achieve net zero emissions across our business lines and operations by 2050—a goal aligned with the Government of Canada and consistent with the Paris Agreement. Achieving our net zero goal will require long-term commitment and significant work in partnership with our customers, stakeholders and peers. We will focus our efforts on proactively seeking opportunities presented by the shift to a low-carbon economy, while also prioritizing a just and inclusive transition. We recognize the connection between the actions we take to address climate change and the effects on people and the planet.

Our approach to climate is centred around a commitment to achieve net zero emissions across our operations and business lines by 2050. EDC's financing portfolio makes up the majority of our GHG emissions, and is, therefore, where we have the greatest potential to reduce our impact on climate change.

We are committed to becoming a net zero organization by 2050, and to working collaboratively with our customers and peers to make the transition to a net zero future together.

KEY FOCUS AREAS

- Reduce operational emissions
- Measure financed emissions
- Set and deliver on interim science-based climate targets
- Develop sustainable finance solutions
- Accelerate support for clean technologies

TARGETS

OPERATIONAL EMISSIONS:

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

AIRLINES:

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

SHORT TO MEDIUM TERM

- Deliver on interim climate targets
- Improve financed emissions data quality score
- Implement operational emissions abatement opportunities
- Increase engagement and education for our customers on climate and the net zero transition

OIL AND GAS:

Achieve a **15% reduction** in our financing portfolio related to upstream oil and gas production by 2030 and a **3% shift** in composition of production against a 2020 baseline

SUSTAINABLE FINANCING GUARANTEE:

$500 million in transition financing loans by 2024

CLEANTECH:

Achieve **$10 billion** in business facilitated in the cleantech sector in 2025

- Continue embedding net zero into corporate strategy and decision-making
- Develop a sustainable finance framework
- Continue increasing support for cleantech
- Launch net zero aligned products and services

LONG TERM

BY 2050, WE WILL REACH

NET ZERO

EMISSIONS IN OUR PORTFOLIO AND OPERATIONS

Our net zero transition plan

We are committed to developing a plan that enables an equitable transition to a low-carbon economy that supports workers, Canadian businesses and the economy. Transition activities are those that directly decarbonize or enable the decarbonization of business activities and value chains, in alignment with the goals of the Paris Agreement. We work to align our approach with best practices set out by international bodies such as the Task Force on Climate-related Financial Disclosures (TCFD), the Partnership for Carbon Accounting Financials (PCAF), the UN Sustainable Development Goals (SDGs), and the Organisation for Economic Co-operation and Development (OECD).

Key elements

At a high level, our transition plan includes:

- **Calculating financed emissions:** Calculating our portfolio financed emissions in alignment with the **PCAF** methodology and improving our data quality score over time;
- **Interim climate targets:** Setting science-based targets to reduce financed emissions over time;
- **Operational emissions:** Reducing our operational GHG emissions to nearly zero through science-based reduction targets, and balancing any residual emissions through carbon removals; and
- **Sustainable finance:** Developing and expanding the solutions our customers need to help reduce their emissions such as transition financing, sustainable financing guarantees, sustainability-linked loans, targeted business funded through our Sustainable Bond Framework, and support for clean technologies.

OUR NET ZERO TARGETS

2023 CLIMATE TARGET

Reduce exposure to our six most carbon-intensive sectors by 45% below the 2018 baseline before the end of 2023.

2030 SCIENCE-BASED CLIMATE TARGETS

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

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

OPERATIONAL EMISSIONS TARGETS

Carbon neutrality: Achieve carbon neutrality in our operational emissions in 2022, including Scope 1 and 2 emissions and Scope 3 business travel emissions.

Science-based interim targets: Achieve a 32% reduction in Scope 1 and 2 emissions and Scope 3 business travel emissions by 2030 from a 2019 baseline.

Net zero operations: Achieve net zero operational GHG emissions by 2050, including Scope 1 and 2 emissions and Scope 3 business travel emissions.

Our sustainable finance and cleantech targets

Sustainable Financing Guarantee: Provide up to $500 million in risk-sharing support for sustainable initiatives through our Sustainable Financing Guarantee, with three partner Canadian financial institutions.

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

Implementation plan

We are working with customers and other partners to identify opportunities to support and accelerate progress toward achieving our targets in line with the goal of net zero emissions by 2050. Our implementation plan focuses on:

- Taking steps to embed net zero objectives into our activities and decision-making;
- Beginning to define new expectations for our customers to demonstrate alignment with our targets through our policies and conditions; and
- Supporting the cleantech sector and deploying sustainable finance products and services to directly support or incentivize customers to decarbonize.

Activities and decision-making

We are taking steps to embed our net zero objectives into business activities and decision-making. One of the ways we do this is through our Enterprise Risk Management Framework and our Due Diligence Framework: Climate Change. The frameworks aim to identify and assess climate-related risks as part of our environmental and social risk assessment process. They establish clear parameters for transactions involving thermal coal power, mining or dedicated thermal coal-related infrastructure, as articulated in our Climate Change Policy. They also establish our climate due diligence approach for non-project and project-related transactions in other carbon-intensive sectors.

Non-project transactions	Project transactions
If not already publicly available, EDC will request the following: • Planned or actual climate change-related disclosure in line with recognized international frameworks (TCFD or CDP) • Annual GHG emissions (Scope 1 and 2) for the last three years • Details regarding the company's strategies, plans or targets to reduce absolute GHG emissions In the absence of such information and depending on the nature of the customer or transaction, EDC may work with its customer to develop management systems that allow it to address and disclose climate change transition risk more effectively. At present, we do not consider physical climate risk in our due diligence approach for non-project transactions, given the complex geographic and sectoral diversity of some of the companies within EDC's portfolio.	For projects that are expected to or currently produce more than 25,000 tCO_2e (Scope 1 and 2) annually, EDC: • Obtains an estimate of annual GHG emissions from the project sponsor • Verifies the reasonableness of the estimated emissions using an internationally recognized methodology and good practice • Reports the estimated annual emissions of the project to the OECD, as part of EDC's OECD project reporting commitments EDC has additional expectations for projects that are expected to or currently produce more than 100,000 tCO_2e (Scope 1 and 2) annually. Additionally, as appropriate, we expect environmental risk assessment documentation to include consideration of relevant physical climate risks.

This information then contributes to the Environmental and Social Risk Management (ESRM) team's opinion on the degree of climate-related risk associated with a customer, transaction or project, as a component of broader environmental and social risk. Our climate due diligence approach will guide our decision-making as we work toward achieving our net zero objectives.

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

ADDITIONAL INFORMATION

For more information, see EDC's Due Diligence Framework: Climate Change and the Identifying and Assessing Climate-Related Risks section on page 29.

Due Diligence Framework: Climate Change

Identifying and Assessing Climate-Related Risks

Capacity building

In 2022, we focused on internal capacity building and employee upskilling through training opportunities and information sessions. This year, we delivered a series of four information sessions to better educate employees across the organization on EDC's path to net zero. The sessions covered a variety of topics, including climate target setting, operational emissions and sustainable finance.

This year, we established dedicated ESG teams to help drive our net zero enablement. This was complemented with the introduction of four new team members to support this work, including a role to oversee our annual operational GHG inventory, operational emissions target setting, implementation of our target roadmap and management of our carbon neutrality commitment, as well as a climate advisor to support our ESG Advisory Services pilot.

We are in the early stages of building out our ESG Advisory Services pilot, of which climate is a key focus. The pilot aims to test and learn how we can best support small and medium-sized customers to scale their business, integrate ESG considerations, establish a competitive advantage and capitalize on opportunities presented by the transition to net zero. The pilot learnings are critical to informing how we deliver on our strategy and support our customers in embracing climate action as an accelerator for business growth.

Policies and conditions

EDC's Climate Change Policy, which is part of our broader ESRM Policy Framework, establishes the principles and commitments that guide our approach to climate-related risks and opportunities. Our policy commits EDC to take steps to address climate considerations in our own operations as well as in our customers' business activities. See the Governance section for more details on our Climate Change Policy update.

Statement on International Public Support for the Clean Energy Transition

In November 2021, the Government of Canada signed on to the **Statement on International Public Support for the Clean Energy Transition** (the Glasgow Statement). It commits Canada to "end new direct public support for the international unabated fossil fuel energy sector by the end of 2022, except in limited and clearly defined circumstances that are consistent with the 1.5°C warming limit and the goals of the Paris Agreement." EDC is aligned with the Glasgow Statement's commitments and, as of January 1, 2023, no longer provides new direct financing to international fossil fuel companies and projects.

At the end of 2022, Natural Resources Canada (NRCan) released guidelines for implementation of the Glasgow Statement. We will continue to work with the Government of Canada over the next year to ensure ongoing compliance. EDC's exposure—existing, committed business that has not yet reached maturity—falling under the scope of the Glasgow Statement is approximately $2.5 billion. This business will not be renewed as maturity dates are reached over the next several years.

Support to the oil and gas sector

In alignment with Canada's transition plan, helping oil and gas companies lower their emissions and support the transition to a low carbon economy is a key part of our strategy, and we expect to continue to support those kinds of transactions in the sector.

In 2022, EDC provided $1.3 billion in direct financing (loans) to the oil and gas sector, which increased from $1.1 billion in 2021. Of this support, approximately $460 million was for renewable energy projects.

The vast majority of our support to the sector was indirect, through short-term insurance coverage and bonding. Short-term insurance coverage totalled $6.5 billion—an increase from $2.4 billion in 2021. Fifty-one per cent of this support was not related to oil and gas production, but specifically for electricity and energy trading. The increase was largely driven by world events, particularly the war in Ukraine, which drove volatility in the sector and led to greater demand for insurance coverage. The conflict also elevated the value of policy coverage due to the higher commodity prices. Other indirect support was approximately $900 million in bonding solutions.

In total, EDC facilitated $8.7 billion worth of direct and indirect business (inclusive of renewables and electricity/energy trading) to the oil and gas sector in 2022, compared to $4.4 billion in 2021.

We remain on track with our commitment to achieve net zero emissions by 2050. We also continue to prioritize our support for the cleantech sector, which reached a record high of $8.8 billion in business facilitated in 2022, up from $6.3 billion in 2021. We expect to continue this trend and reach our target of $10 billion in 2025.

UPSKILLING OUR EMPLOYEES ON CLIMATE CHANGE

In 2022, we continued to deliver mandatory ESG training for all new employees as a key component of upskilling our organization. Training covers the definition of ESG, how ESG serves as a key enabler for our corporate strategy, and how our climate commitments and disclosure fit within our initiatives. Building on this program, we developed a second training session that focuses substantially on climate and enhancing capacity to deliver on our net zero commitment. The new training was launched in early 2023.

THERMAL COAL POSITION

EDC is committed to providing no new financing for coal-fired power plants, thermal coal mines or dedicated thermal coal-related infrastructure—regardless of geographic location—as outlined in our thermal coal position. In addition, we will no longer provide financing, credit insurance policies or renewals of existing policies to Canadian businesses for which thermal coal power generation/mining accounts for more than 40% of revenue, nor will we finance existing thermal coal-fired power plants unless financing is used to equip the facility with abatement technologies. By 2030, we will no longer provide financing or issue insurance policies to businesses for which thermal coal-related activities account for more than 20% of revenue, except for cases where the use of funds is directed to the sustainable repurposing, decommissioning, abating or retiring of existing plants, or if the financing or insurance is not earmarked for activities related to thermal coal.

EDC was the world's first ECA to join the Powering Past Coal Alliance (PPCA), building on our long-standing decision to reduce support of thermal coal. For more information on our thermal coal position, please see our updated Climate Change Policy.

Cleantech and sustainable finance

We are helping Canadian companies innovate and invest in the low-carbon transition through our financing solutions, including our Sustainable Financing Guarantee and lending, insurance and investments for the cleantech sector. As we implement our net zero transition plan, we will look to build out these solutions.

Sustainable finance

The shift to a more sustainable, equitable economy will take significant investment. We see this as an opportunity for Canadian businesses and have made it a key driver of our corporate strategy. Through our sustainable finance products and services, we aim to equip our customers, particularly small and medium-sized enterprises, with the tools and financing they need to grow their business in alignment with net zero.

SUSTAINABLE FINANCE PRINCIPLES

Our sustainable finance programs, solutions and initiatives will be aligned with the following principles:

Measurement

We will measure the impact of initiative-specific targets based on their desired outcomes.

Transparency

We will publicly report on progress related to sustainable finance and its supporting initiatives.

Sound methodology

We will ensure a robust and evolving methodology to qualify and track transactions, ensuring alignment with the market, international frameworks and scientific understanding of GHG emissions.

Alignment with international standards

Our programs will be aligned with the UN Sustainable Development Goals and relevant international standards such as the International Capital Market Association, the Green Bond Principles and the Climate Bonds Initiative.

Alignment with the Government of Canada

As a financial Crown corporation, we will continue to align with the environmental and social commitments of the Government of Canada.

SUSTAINABLE FINANCING GUARANTEE

Our Sustainable Financing Guarantee is a pilot financial solution developed in 2022. It aims to help large and medium-sized Canadian businesses transition from carbon-intensive operations to those that can eliminate or significantly reduce emissions. It is a risk-sharing solution in partnership with several Canadian financial institutions—including the Bank of Montreal, Royal Bank of Canada and Desjardins—that increases the capacity of the Canadian financial sector to provide sustainable financing.

EDC's contribution to the program provides up to $500 million in support, over the next three years, to each financial institution partner. Funding will support sustainable initiatives such as hydrogen solutions, renewable infrastructure and grid modernization, in line with each partner's sustainable finance frameworks. As this program is still in its early stages, we hope to have a better sense of the relevant metrics to report on its progress in coming years.

ADDITIONAL INFORMATION

Learn more about the guarantee.

SUSTAINABLE BOND FRAMEWORK

Our Sustainable Bond Framework is designed to enable greater support for initiatives that create a more equitable and sustainable world. Together, we expect the funds raised through our green, sustainable and transition bonds to deliver significant impact when it comes to mitigating climate change and protecting the environment.

In March 2022, we announced that our new framework will include **transition bonds**, through which we will provide loans linked to significantly reducing GHG emissions. This is the first bond framework in North America to include transition proceeds, which are targeted specifically to facilitating the transition to a low-carbon economy. To qualify, a project or company must use the proceeds for decarbonizing activities, they must have a credible transition strategy to decarbonize in alignment with the goals of the Paris Agreement and they cannot rely on locking in carbon-intensive assets, along with meeting other requirements. In 2023, we plan to develop specific criteria to distinguish a credible transition strategy and identify eligible transition assets.

Green bonds support initiatives related to renewable energy, energy efficiency, pollution and waste management, natural resources, clean transport and green buildings, among others. Green bonds are an important part of enabling investments in green products and services. EDC has been issuing green bonds since 2014 and was the first Canadian financial institution to do so. Since then, funds raised by our green bonds have financed nearly 30 transactions worth more than $2 billion in a range of sectors, each contributing to environmental protection or climate change mitigation. Sustainable bonds finance transactions that contain both green and social assets.

Our new Sustainable Bond Framework also includes **social bonds** to support affordable infrastructure, access to health and nutrition, women-owned and led businesses, Indigenous businesses, BIPOC businesses and 2SLGBTQ+ businesses. To learn more, please see our **Sustainable Bond Framework**.

CLEAN TECHNOLOGY

Our clean technology strategy is a key pillar of our net zero implementation plan. For more than 10 years, EDC has been dedicated to helping Canadian clean technology companies of all sizes achieve success on the global stage, and with demand for clean technologies growing across key industries, we will continue to expand our support for these Canadian innovators and drive climate solutions.

We support all Canadian cleantech subsectors, with customers across each of the 10 subsectors. For example, in 2022 EDC provided financing and bonding guarantees to an electric vehicle charging network operator and smart charging solutions provider. Our financing supported the company's year-over-year growth, including the expansion of its operations to include its first-ever U.S. production facility and additional charging station deployments. EDC's investment has allowed the company to execute on its international growth plan, while contributing to the acceleration of the clean energy transition and the reduction of domestic and international GHG emissions. We also look to finance transactions involving carbon capture, utilization and storage (CCUS) and low-carbon-intensity fuels including, but not limited to, hydrogen, ethanol and renewable diesel.

To maintain our position as a leader in providing cleantech companies with financial solutions in Canada, we focus on the following areas:

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

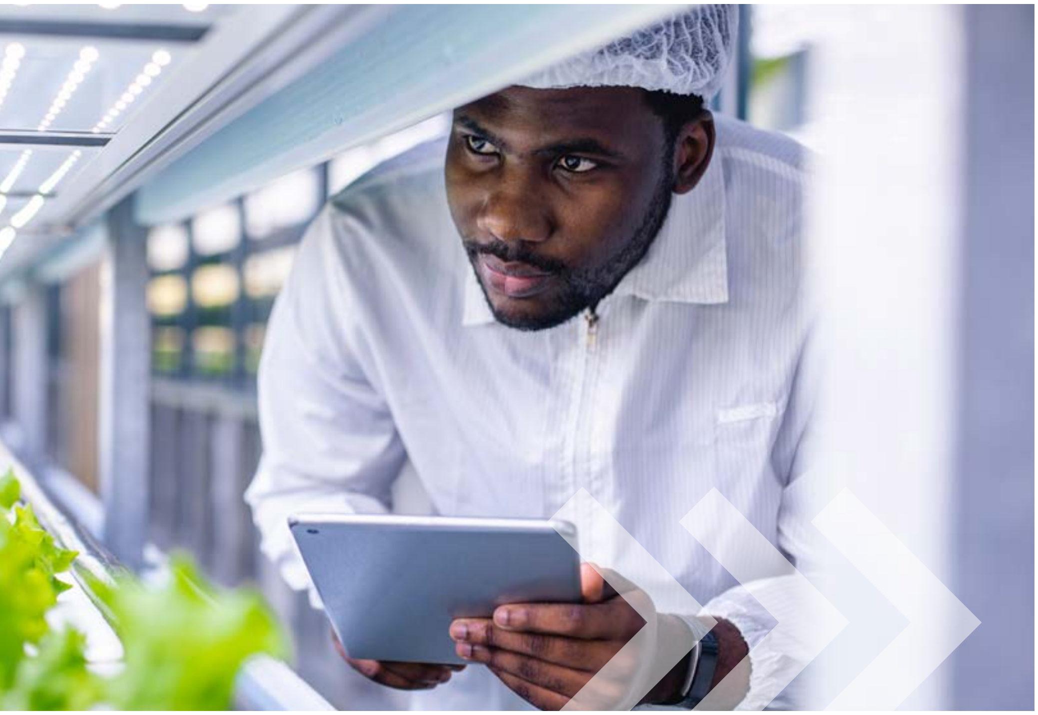
We have facilitated approximately $20 billion in cleantech exports since 2012 and are a leading financier of Canada's cleantech industry.

EDC evaluates each transaction on its merits, seeking to minimize risk while advancing our net zero goals. As the technological solutions to achieve net zero continue to evolve, we will adapt our strategies to align with emerging best practices and approaches.

With the emergence of new cleantech capital providers such as the Canada Infrastructure Bank (CIB) and large funding programs like the Net Zero Accelerator (NZA) initiative, which is part of the Strategic Innovation Fund (SIF), there are now more funding partners in the government ecosystem. Additionally, we continue to collaborate with ecosystem partners at the federal and industry level, including Sustainable Development Technology Canada (SDTC); the Business Development Bank of Canada (BDC); Clean Growth Hub; NRCan; Innovation, Science and Economic Development Canada (ISED); Environment and Climate Change Canada (ECCC); Global Affairs Canada (GAC); Canada Cleantech Alliance and its members; and MaRS.

EDC hosted our sixth annual **Cleantech Export Week** in October 2022, which focused on helping Canadian businesses accelerate decarbonization action. This event offers a platform for companies, EDC partners and financiers within the cleantech ecosystem to connect, collaborate and discuss topics shaping the future of this industry.

Furthermore, we continued consistent engagement with our partners, which resulted in a flow of referrals and a strong pipeline of prospective cleantech companies in 2022. We also continued our close collaboration with BDC, SDTC and GAC on priority companies to watch within our respective portfolios.



KEY TERMS

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

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

Stakeholder engagement

As a bridge between the public and private sectors, we are in a unique position to convene diverse groups to make tangible progress toward net zero, address social inequities and better support people, jobs and local communities.

We regularly engage with our financial and international partners, peer ECAs, customers, industry and trade associations, civil society organizations, the public, EDC employees and our shareholder—the Government of Canada—to build a community of knowledge-sharing and collaboration. We also engage our ESG Advisory Council to seek input on our climate approach.

The objectives of our stakeholder engagement activities include:

- Ensuring stakeholders' views are heard and reflected in our policies and practices;
- Gathering feedback on best practices, expectations and needs;
- Responding to stakeholders in a timely manner;
- Increasing participation to ensure more diverse and inclusive engagement; and
- Reporting on the progress EDC has made.

Customer engagement

Objectives of engaging with customers on climate are to better understand their needs and identify opportunities to support them in the climate transition.

As the champions of our net zero plan, and with a strong commitment to collaboration, our CEO and Chief Sustainability Officer (CSO) regularly engage with customers across our ecosystem. In 2022, they participated in several public events and panel discussions on topics related to climate.

Partner, industry and public sector engagement

With our partners and industry peers—including large financial institutions and other ECAs—our engagement is focused on sharing knowledge and best practices around climate and net zero approaches, target setting and progress toward our goals.

For example, in October 2022 EDC hosted the heads of ECAs from the G7 nations—France, Germany, Italy, Japan, the U.K., the U.S. and Canada—to discuss several pressing matters impacting exporters and global trade flows. Climate change, and the role of

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

Shareholder (Government of Canada)	Civil society organizations
Customers	Employees
Public	Industry and trade associations
Other export credit agencies	ESG Advisory Council
Bank partners	International partners

At any time, stakeholders can submit queries and review response letters from our CEO on **edc.ca**.

ECAs in responding to it, dominated the discussion. The G7 ECA Heads examined their climate progress to date and how their organizations could help reduce the emissions of our respective economies. The group recognized the need for bold contributions to climate action and discussed alignment of shared climate policy obligations and ongoing efforts to support companies through the global energy transition. We shared our perspectives and also invited influential speakers to join the conversation on how partnerships can advance climate action. Among those invited were representatives from the Canadian banking and investment sectors, as well as the UN Special Envoy for Climate Action and Finance, Mark Carney. **Read more** about the meeting.

Further demonstrating our global climate leadership in 2022, EDC chaired the Berne Union Climate Working Group, which aims to advance thought leadership and practices within export credit, trade finance and political risk insurance, and contribute to global problem-solving around climate challenges and sustainable development. Through this work, we are collaborating with industry peers to explore approaches to accelerating climate action and finance for a net zero future.

This year, we also participated in several industry events and initiatives, including:

- 2022 Institute for Trade and Innovation (IfTI) Global Symposium;
- TXF Global 2022: Export, Agency & Project Finance;
- OECD Climate Change Expert Group;
- 2022 United Nations Climate Change Conference or Conference of the Parties of the UNFCCC (COP27); and
- 2022 United Nations Biodiversity Conference (COP15).

We regularly engage with Canada's financial institutions to:

- Share best practices and learn from each others' approaches and progress; and
- Determine partnership opportunities in support of Canadian companies.

For example, in 2022 we collaborated with **BMO**, **RBC** and **Desjardins** to introduce innovative sustainable finance solutions for companies that aim to reduce their GHG emissions.

In line with these efforts, EDC regularly engages our ESG Advisory Council—composed of prominent experts across a variety of fields—on issues related to climate. Notably, our October Council meeting was dedicated to exploring EDC's role in supporting the climate transition. See our **website** and the Governance section of this report for more details.

Convening for climate action

We are members of several organizations that are taking action on climate change, including the Partnership for Carbon Accounting Financials, the Powering Past Coal Alliance, the Canada Crown Corporations TCFD Working Group and the Berne Union Climate Working Group, which we chair. Our memberships allow us to benefit from the most current expertise and leading best practices in specific areas of focus. As EDC is an active participant in many of these memberships, they also allow us to lend our knowledge and contribute to the development of standards and practices.

EDC LEADERSHIP AT COP27

EDC participates in the Conference of the Parties (COP) as part of the Canadian delegation. Our participation enables us to contribute to Canada's climate agenda and advance our ongoing commitment to global climate action and achieving net zero by 2050.

At COP27 in November 2022, our former CSO hosted a roundtable event, The Next Generation of Export Credits: Driving Commitments and Innovations. The event featured several climate-leading ECAs who shared their challenges and solutions for enabling ECAs to move faster on climate and have a greater impact on the global trade finance ecosystem. Our former CSO also participated in two panels on the role of ECAs in financing the green transition and supporting the net zero ambition of global industry.

EDC PARTICIPATION AT COP15

EDC, for the first time, sent a delegation to COP15, held in December 2022. EDC increasingly recognizes the importance of biodiversity and the role that financial institutions can play in its protection. Nature-based solutions are critical to mitigate and adapt to climate change.

Net zero in our operations

Reducing emissions from our own operations is an important part of our net zero plan. We believe it is important to lead by example as we work to enable our customers to progress on their own paths to net zero. As part of our plan, we are aiming to achieve net zero in our operational emissions, set interim reduction targets for operational emissions, develop a carbon removal credits strategy and establish accountability mechanisms. We also aim to achieve and maintain carbon neutral operations.

We had previously announced an intention to achieve net zero operational emissions by 2030. However, given the evolving nature of this space and following the release of new guidance from the Science Based Targets initiative (SBTi), we gained a better understanding of this commitment and in 2022 made the decision to update our target to achieve net zero operational emissions by 2050.

As part of our revised plan, we set the following goals:

- Achieve carbon neutrality in our Scope 1 and 2 emissions and Scope 3 business travel emissions by the end of 2022, and maintain carbon neutral operations going forward;
- Set interim science-based reduction targets for Scope 1 and 2 emissions and Scope 3 business travel emissions, aligned with the SBTi criteria; and
- Achieve net zero emissions for our Scope 1 and 2 emissions and Scope 3 business travel emissions by 2050.

In 2022, we created a dedicated role within the ESG reporting team that oversees our operational emissions net zero strategy, along with our GHG quantification process, and we enhanced our operational emissions Inventory Management Plan. EDC also revised the format through which operational emissions are disclosed in the public domain to enhance comparability with peers, improve ease of access to specific metrics and to provide year-over-year data.

ADDITIONAL INFORMATION

For more details on our new operational emissions interim science-based reduction target, see the Metrics and Targets section on pages 36–37.

Metrics and Targets

For more details on our operational emissions, see Operational GHG Emissions on pages 41–42.

Operational GHG Emissions

Scenario analysis

Climate-related exposures

We are actively looking to understand the exposure of our financing and insurance portfolios to the physical and transition risks of climate change. We currently assess climate-related exposure based on 63 segments within eight sectors. The table on page 25 presents our credit risk exposure to the sectors with segments most sensitive to climate risk, separated out by transition and physical risk. It demonstrates our current credit risk exposure in dollar value and as a percentage of our total financing and insurance portfolios. This analysis allows us to understand our greatest risks, thereby informing our strategic planning and how we prioritize efforts related to credit risk mitigation and financed emissions target setting.

SHARING LESSONS LEARNED FROM OUR TCFD JOURNEY

In 2022, we provided a TCFD training session to our peers in the Canada Crown Corporations TCFD Working Group. In the session, we shared our TCFD implementation journey and provided resources on how organizations can start implementing the TCFD recommendations.

Learn more about our memberships.

PARTNERSHIP FOR CARBON ACCOUNTING FINANCIALS MEMBERSHIP

In 2021, we joined PCAF, an industry-led partnership to facilitate the transparency and accountability of the financial industry to the Paris Agreement. Applying PCAF guidance to calculate emissions from our portfolio helps us remain accountable for our commitment to achieve net zero financed emissions by 2050. Becoming a member commits us to assess and disclose the GHG emissions associated with our portfolio in line with the PCAF methodology, which we calculated and disclosed for the first time this year.

For more information, see Metrics and Targets on page 35.

Our approach to scenario analysis

Climate scenario analysis helps EDC better understand our exposure to future financial climate-related risks and assess the potential financial impacts to EDC under various scenarios.

EDC has performed climate scenario analysis since 2020. We began by assessing the impact on EDC from a **disorderly transition** to a net zero economy, in which governments would take rapid and disruptive policy action to reduce carbon emissions, leveraging the 2019 Bank of England climate change scenarios prescribed for insurers. We incorporate lessons learned and best practices to evolve our analysis every year, thereby allowing us to better manage climate-related risks and opportunities in our financing and underwriting activities.

In 2021, we conducted an in-depth climate-related scenario analysis exercise focused on an **orderly transition** to a net zero economy over a five-year time horizon to 2026. Under this scenario, governments would take gradual policy action to reduce carbon emissions, resulting in gradual economic readjustments, asset revaluations, increases in energy prices and decreases in the creditworthiness of impacted companies.

In 2022, we advanced our scenario analysis to test the impact of a **disorderly and divergent transition** to a net zero economy as of 2026 and 2030. Under this scenario, the impact of the transition to a low-carbon economy would be maximized as a result of immediate but divergent policy action across countries and sectors. This would result in higher transition costs and a quicker phase-out of oil use, which would cause higher economic readjustments and asset revaluations as well as a faster and more pronounced decrease in the creditworthiness of impacted companies. The physical impacts of climate change under the scenario would be moderate as the transition to a net zero economy would help avoid the worst of those impacts.

Leveraging exposure identification and impact assessment approaches and tools developed by the United Nations Environment Programme Finance Initiative (UNEP FI) in collaboration with Oliver Wyman, EDC identified business exposures to transition and physical risk and determined the impact on current obligors as of 2026 and 2030.

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

Sectors	C$ billion	% of total exposure
Industrials	17.4	11.5
Metals and mining	3.1	2.1
Oil and gas	3.9	2.6
Power generation	0.4	0.3
Transportation	14.9	9.9

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

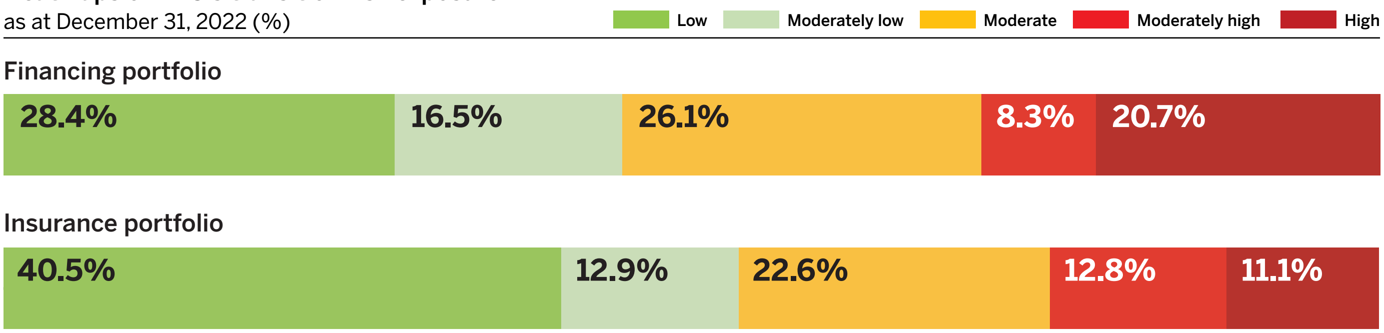
Sectors	C$ billion	% of total exposure
Industrials	6.0	4.0
Metals and mining	7.5	5.0
Real estate	4.5	3.0
Transportation	13.9	9.2

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

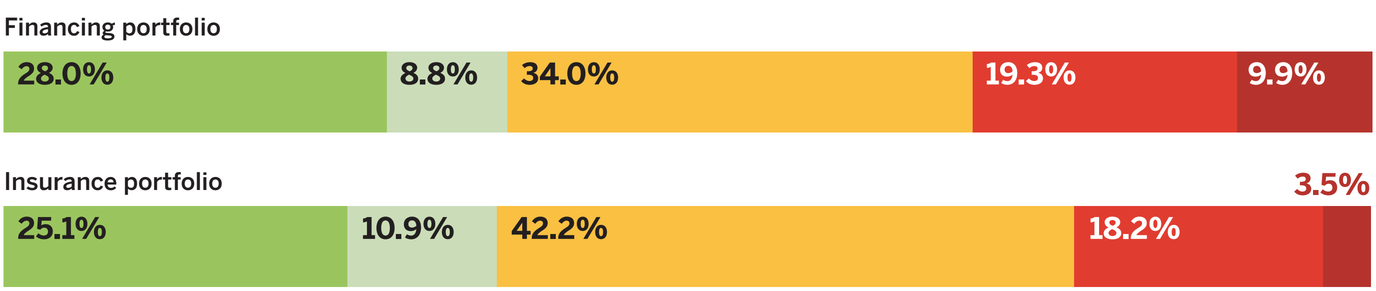
OBJECTIVES OF EDC'S CLIMATE CHANGE SCENARIO ANALYSIS

- Better understand EDC's exposure to climate-related risks
- Assess potential financial impact to EDC
- Inform the evolution of EDC's net zero initiatives and risk appetite metrics
- Identify management insights (e.g., opportunities and risks) and recommend action plans

Heatmaps of EDC's transition risk exposure
as at December 31, 2022 (%)



Heatmaps of EDC's physical risk exposure
as at December 31, 2022 (%)



Findings

Under the disorderly and divergent transition scenario, the transition risk impact as of 2026 is estimated to increase the expected loss of the current portfolio and capital demand over the life of exposures. As of 2030, expected losses are estimated to increase 1.5 times compared to the increase as of 2026. The combined increase in lifetime expected losses and capital demand would eliminate the projected capital surplus and lower EDC's implied solvency level to just below our AA implied solvency rating target. These estimates assume EDC's portfolio remains constant over time.

Physical risks are anticipated to have a low impact on the increase in total expected loss and capital demand. This is a result of two factors. One is the relatively short time horizon of this analysis (2026 and 2030) in relation to the nature of physical risk, which tends to increase over longer time horizons. The second is that the impact of the low-carbon transition to a net zero economy—although disorderly and divergent—has the potential to mitigate the physical risks of climate change over time.

The heatmaps above provide a visual representation of our exposure to transition and physical risk as of December 2022. These heatmaps allow us to identify climate-related risks and opportunities across our financing and insurance portfolios to then develop approaches to manage or mitigate those risks. The exposure assessment underlying the heatmaps was developed based on UNEP FI methodology.

In 2022, we also assessed the projected probabilities of default between 2022 and 2050 resulting from a disorderly and divergent transition scenario. The analysis allows us to gain insights on the timing of impacts on credit quality, the sequencing of sectoral impacts and the types of entities impacted earliest. Overall, under the scenario, the average probability of default is expected to increase across all sectors, with industrials, transportation, oil and gas, and the energy sector most significantly impacted over the long run and estimated to be impacted earlier compared to other sectors.

The insights from analyzing probabilities of default will be considered in our climate risk assessments during the underwriting stages of our transactions and will allow us to prioritize sectors for investment based on climate risk or opportunities. Insights on the potential magnitude and timing of changes in obligor credit quality under diverse climate scenarios allow us to make more informed underwriting decisions, manage climate-related risks at the portfolio level and consider climate-related risks in strategy implementation.

The results of our climate scenario analysis offer key insights into our corporate strategy and net zero plan, support our understanding of portfolio resiliency, and demonstrate our climate leadership. Going forward, we intend to leverage insights from our scenario analyses to inform our net zero transition plan over the short, medium and long term.

Key future priorities

In 2023 to 2025, we plan to:

- Further embed net zero into EDC's corporate strategy and decision-making;
- Work closely with customers who require capital to support their decarbonization efforts and/or transition plans;
- Increase engagement and education for EDC customers on climate and the net zero transition, with a particular emphasis on supporting small and medium-sized customers to take advantage of climate-related opportunities;
- Establish a stakeholder working group to implement operational emissions abatement projects and opportunities;
- Evolve our portfolio climate scenario analysis approach to reflect emerging regulatory requirements, combine bottom-up obligor-level analysis with current top-down perspective and assess impact on forecasts of future portfolio exposures;
- Continue to incorporate the results of our climate scenario analysis into risk management, financial planning and strategy, including climate target setting;
- Continue increasing our financial support for cleantech and further deepen our industry knowledge and collaboration across the ecosystem;
- Continue to launch new net zero aligned products and services; and
- Begin to consider EDC's impacts and dependencies on nature and biodiversity, and explore joining the Taskforce on Nature-related Financial Disclosures (TNFD).

Risk management

We recognize our responsibility to demonstrate how climate-related risks and opportunities are identified, assessed and managed at EDC. By integrating climate risks into our overall risk management program, we can proactively adapt our business and support our customers in the transition to a net zero economy.

Day-to-day roles and responsibilities

Risk management at EDC is governed by the Three Lines of Defence (3LD) model. The 3LD model distinguishes roles and responsibilities via three lines of management in which employees in all areas of the organization are responsible for managing risk.

Team	Responsibility
First Line of Defence	
Business Development and Underwriting	Takes, owns, manages and monitors risks, including environmental, social and human rights Conducts pre-screening to flag potential and/or actual environmental and social (E&S) risks to ESG Customer Success
ESG Customer Success	Identifies, assesses, manages and monitors environmental, social and human rights risks and issues in compliance with requirements set out in the ESRM Policy Framework, which includes the Climate Change Policy, the Due Diligence Framework: Climate Change and supporting documents Escalates E&S issues to the ESG Policy team and the Second Line of Defence, when additional oversight and guidance is needed
ESG Policy	Develops, implements and maintains the ESRM Policy Framework, which includes the Climate Change Policy and the Due Diligence Framework: Climate Change Provides guidance to the ESG Customer Success team and the Business Development and Underwriting team to ensure alignment of the due diligence process with the ESRM Policy Framework
Second Line of Defence	
Risk Management Office	Provides objective and effective approval of all risk ratings, with some exceptions
Risk Quantification	Performs climate scenario analysis and identifies potential impact on EDC's portfolios
Relationship and Transaction Committee	Provides oversight as well as objective and effective challenge of risk assessments and recommendations
Third Line of Defence	
Internal Auditor	Responsible for conducting periodic audits to review adherence to the principles outlined in the ESRM Policy Framework and to the standards, guidelines and procedures detailed in its supporting documents, and for providing independent assurance to the board and executive management that EDC's framework for capital management is designed and operating effectively Provides independent assurance to senior management and the board that the first and second lines of defence are effectively managing and controlling risks Provides independent assurance that the ESRM-related policies are fully implemented

Identifying and assessing climate-related risks

Identification and assessment of climate-related risks are key priorities for EDC, recognized by our board and executive management, captured in our Enterprise Risk Management Framework and, most recently, added to our Risk Taxonomy in 2022.

We use our non-credit risk assessment process to identify and assess climate-related risks and are currently exploring ways to incorporate climate considerations into our credit risk assessments.

For the non-credit risk assessment process, climate risks are integrated into our environmental and social risk management review process. Details are provided in our **Due Diligence Framework: Climate Change**, which supports our **Climate Change Policy** and thermal coal position in Appendix A of the policy. Within the due diligence framework, we have established clear parameters for transactions involving thermal coal power, mining or dedicated thermal coal-related infrastructure, as well as approaches for identifying climate-related risks in both project and non-project transactions.

Our *Navigating Climate-Related Requirements* tool helps account owners identify which clients and/or transactions are considered carbon intensive and how they may navigate EDC's climate commitments, including roles and responsibilities. Those transactions or customers identified for non-credit climate-related risks through our environmental and social risk management review undergo a climate performance assessment. Our environmental and social advisors assess the customer's level of risk and willingness to work with EDC toward achieving stronger climate performance. Depending on the results, advisors may recommend the company make commitments to improve their climate performance and disclosure.

We continue to enhance data tracking for transaction due diligence and pilot the collection of various climate-related risk metrics in our transaction assessments.

KEY TERMS

Carbon-intensive sector: Sector identified[1] by EDC as having, on average, high annual GHG emissions (i.e., airlines; cement manufacturing; metals smelting and processing; petrochemicals, refining and chemicals manufacturing; thermal power generation; and upstream oil and gas operations).

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

Incorporating climate risks into credit assessments

For EDC, climate-related credit risks can materialize through climate change impacts on the wider economy or through exposure to clients with business models that are not aligned with the low-carbon future. Potential counterparties with greater climate-related credit risk that do not have corresponding transition plans, strategies and targets could expose themselves, and EDC, to physical and transition risks.

Pilot approach for corporate lending

In 2021, we launched a pilot program within corporate lending to explore how to evolve our process to best incorporate climate risk into our credit decisions in the oil and gas and petrochemical sectors. The purpose of this early-stage initiative was to:

- Elevate the importance of climate-related transition risks during the due diligence process; and
- Prompt financial analysts to incorporate climate-related transition risks into credit assessments for the oil and gas and petrochemical sectors.

One of the goals of the pilot was to engage with our counterparties regarding their anticipated financial impacts due to climate transition risks. Although information is limited at this stage, we believe it is beneficial to engage with our counterparties on climate. To date, the pilot program has strengthened EDC's credit assessments and established a baseline for us to expand and evolve our approach in line with industry guidance and best practices.

In 2023, we will review our learnings from the pilot to adapt and progress our processes, with a particular focus on:

- Assessing the potential size and scope of the climate-related risks identified;
- Expanding the process beyond the select industries identified in the pilot; and
- Refining our approach to transition risk and potentially physical risk, in both credit and non-credit risk contexts.

Managing climate-related risks

Within the pilot program, as climate-related risks are identified through our due diligence, we decide how to manage those risks—whether it be by mitigating, transferring, accepting or controlling them—and prioritize the risks based on material impact. Our financial analysts receive training on how to capture climate risk in credit papers and how climate risk can influence their underwriting decisions. Depending on the nature of the climate risk identified, financial analysts can take action to ensure the risk is reflected in underwriting. For example, they may decide to:

- Recognize the increased refinancing risk that exists and incorporate an increased cost of funds;
- Incorporate anticipated capital and/or operating expenditures into the financial models;
- Assess the impact on profitability and the potential fines and penalties; and
- Assess the impact of the associated reputational risks.

Key future priorities

In 2023 to 2025, we plan to:

- Refine our approach to transition risk and physical risk, in both credit and non-credit risk contexts;
- Perform a climate risk prioritization exercise;
- Leverage our risk assessment findings to inform our focus areas and, potentially, our targets and metrics; and
- Continue to train and educate EDC staff on the identification and management of climate-related risks in both credit and non-credit risk contexts.

Metrics and targets

EDC's commitment to achieve net zero emissions by 2050 remains a significant milestone in defining our long-term ambition to fight climate change. To deliver on our commitment, we are developing a credible, science-based transition plan that reflects best practices.

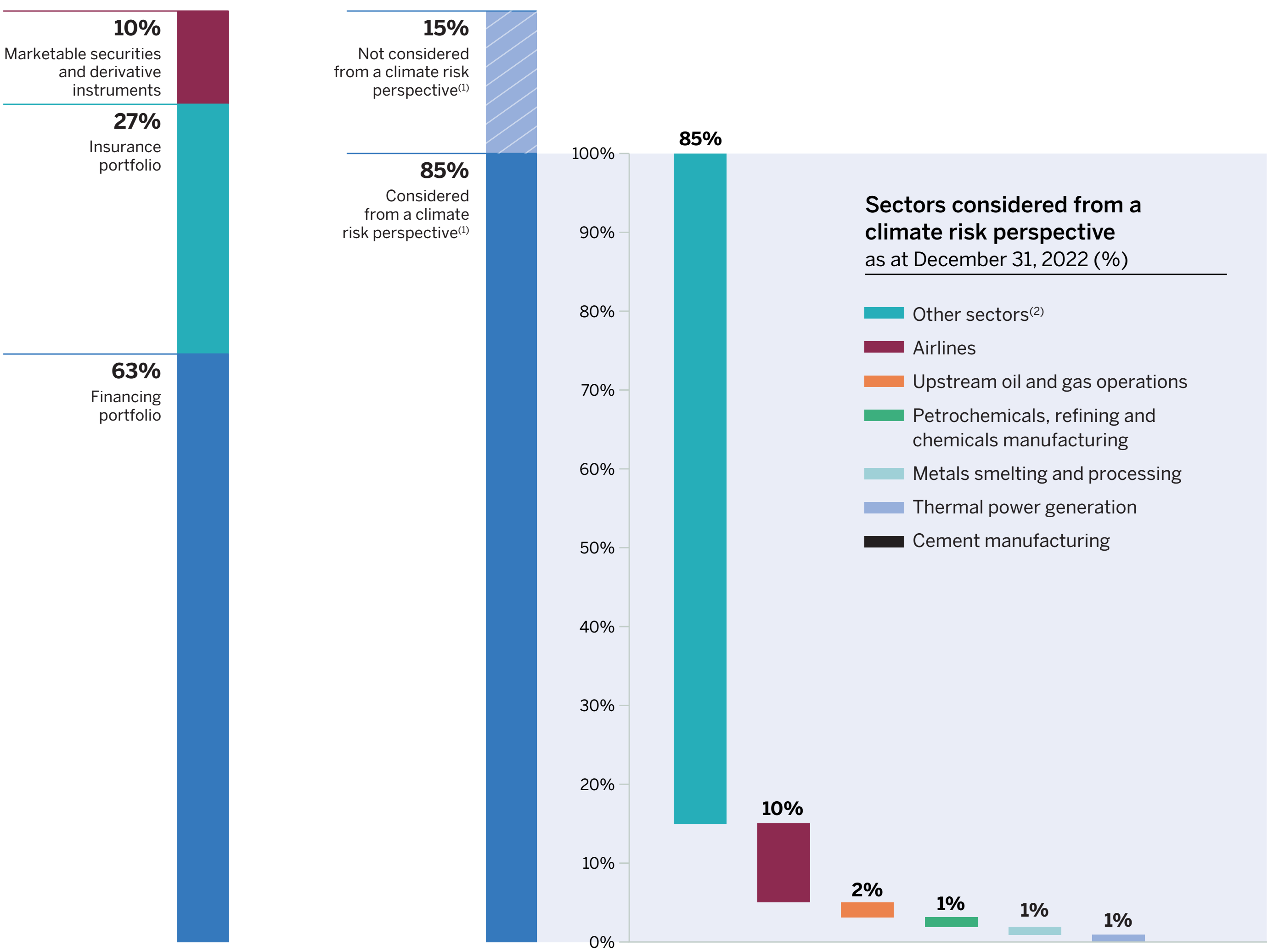
Metrics and targets help us understand our performance, make necessary adjustments and maintain accountability with our stakeholders. In 2022, we continued to drive progress on our commitment by setting additional interim targets, tracking our performance and enhancing disclosures related to our performance.

Financing portfolio

Our financing portfolio makes up the majority of our business (64% of our overall portfolio) and is a key contributor to our financed emissions. We follow a rigorous approach to target setting that requires a deep understanding of credible and leading methodologies (including third-party net zero scenarios), drivers of emissions in each sector and the needs of customers. We are committed to continuing to improve the transparency of our disclosure by measuring and reporting the GHG emissions associated with our financing portfolio, in line with PCAF methodology as applicable.

EDC concentration of portfolio
as at December 31, 2022 (%)

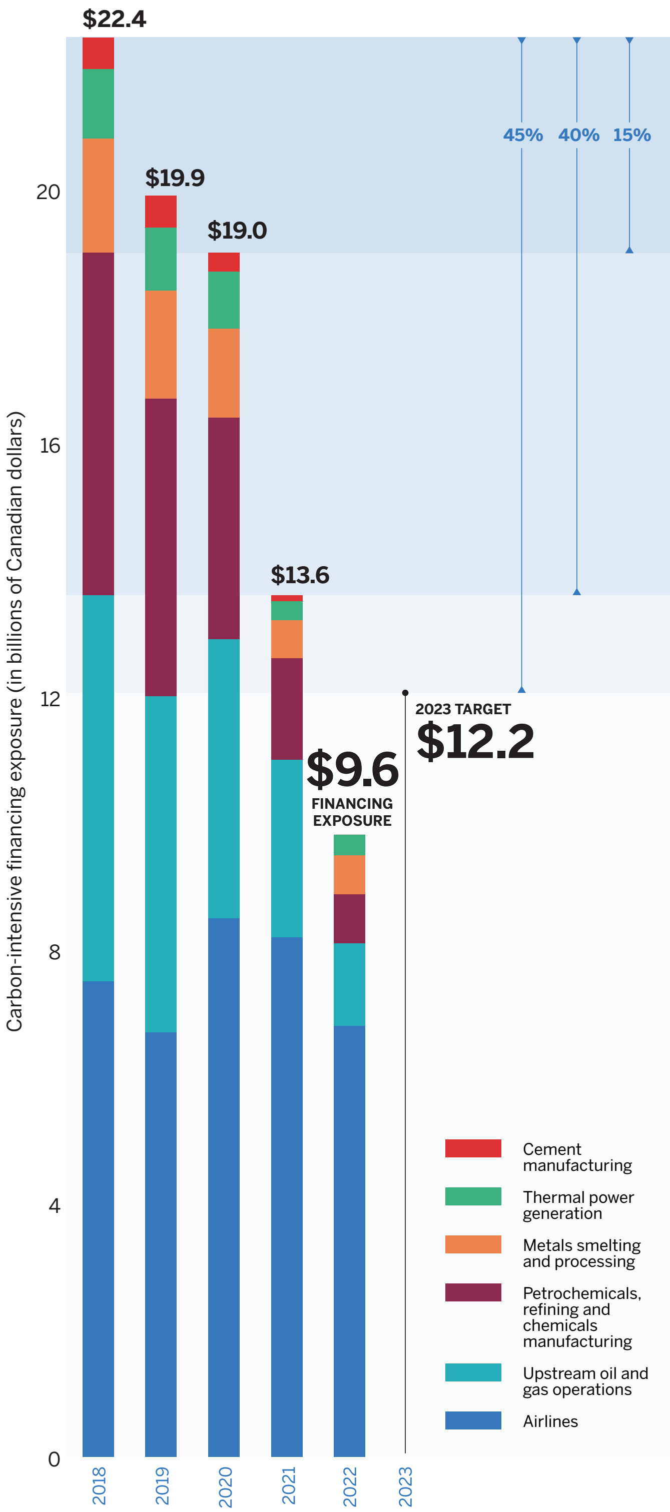
EDC's financing portfolio
as at December 31, 2022 (%)



(1) Focuses on structured and project financing, and corporate lending (Canada and international). Between 2020 and 2022, EDC's overall financing portfolio decreased, primarily due to a decrease in financing commitments and net loan repayments. The decrease was proportionally higher in the portfolios considered for climate risk, resulting in a lower percentage considered.

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

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



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

2023 climate target

In 2019, we set an initial target to reduce exposure to our six most carbon-intensive sectors by the end of 2023 across loans, guarantees and commitments. The initial goal was a 15% reduction against a 2018 baseline. We achieved the target in 2020 and, as a result of continued success, strengthened the target two more times on the same timeline—to 40% and 45%. At the end of 2022, we had achieved a reduction of 57%, and now plan to maintain our exposure below the target level.

These sectors were prioritized because they are the largest contributors to emissions in the Canadian economy and represent a significant amount of EDC's financing business. In 2022, exposure to our six most carbon-intensive sectors was 9.6 billion, compared to $13.5 billion in 2021.

At the end of 2022, we had achieved a 57% reduction in our carbon-intensive financing exposure and now plan to maintain it below the target level.

Overview of 2030 targets and 2022 progress

Our 2030 climate targets define the transition required in the interim to keep us on track for achieving net zero by 2050. They are science-based and sector-specific, in line with the Paris Agreement Capital Transition Assessment (PACTA) for Banks methodology. We chose sectors that represent significant emissions and a large share of our financing portfolio: airlines and upstream oil and gas.

Overview of targets and 2022 progress

Sector/ activity	Scenario	Metric	Unit	2020 baseline	2022 performance	Interim 2030 target	Progress toward target
Aviation—Airlines	ISF Net Zero	Emission intensity	Grams of carbon dioxide (gCO_2)/ passenger kilometre (km)	131.7	**130.6**	37% reduction in portfolio emission intensity (gCO_2/ passenger-km)	0.8% reduction More to be done
Upstream oil and gas	IEA NZE 2050	Loan-weighted production volume	Exajoules (EJ)	1.86	**1.11**	15% reduction in loan-weighted upstream volume production (EJ)	40% reduction On track
		Technology mix (share of oil relative to gas)	Percentage (%)	56.1% oil	**43% oil**	3% reduction in share of portfolio oil production relative to gas production	13.1% reduction On track

ADDITIONAL INFORMATION

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

2022 Net Zero Update

Airlines

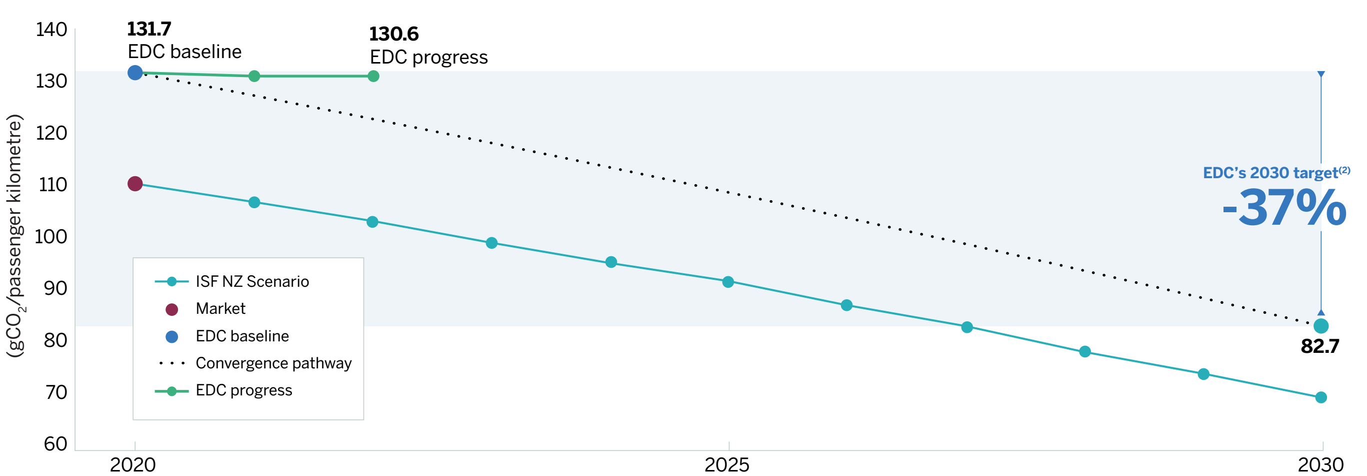
Target: Achieve a 37% reduction in emissions per passenger kilometre in our airlines financing portfolio by 2030, against a 2020 baseline.

In 2022, the emissions intensity associated with EDC's aviation portfolio was 130.6 gCO_2/passenger kilometre, representing a 0.8% decline in portfolio emissions intensity from our 2020 baseline. This is approximately 6.5% above the convergence pathway (122.6 gCO_2/passenger kilometre).

To align EDC's airlines portfolio with our decarbonization pathway, we will focus on working with our customers and Canadian exporters in the aerospace sector to understand how EDC can best support their decarbonization journey, encouraging target setting, net zero commitments and other investments in decarbonization activities.

In the near term, EDC can support Canadian aerospace exports that promote fuel efficiency measures, while also pursuing longer-term opportunities to support efforts to scale up the supply of sustainable aviation fuels (SAFs) and new propulsion technologies that offer low-carbon alternatives to traditional jet fuel. Some of the solutions mentioned, and maybe others yet to be imagined, could come from Canada's robust cleantech industry.

Airlines decarbonization pathway to 2030[1]



[1] *Projections have been informed by 2021 asset-level data and finalized 2022 year-end loan book. Progress is subject to change as a result of shifts in company-level emissions data.*
[2] *The ISF Net Zero Scenario was used to set EDC's 2030 target and project EDC's convergence pathway past 2030.*

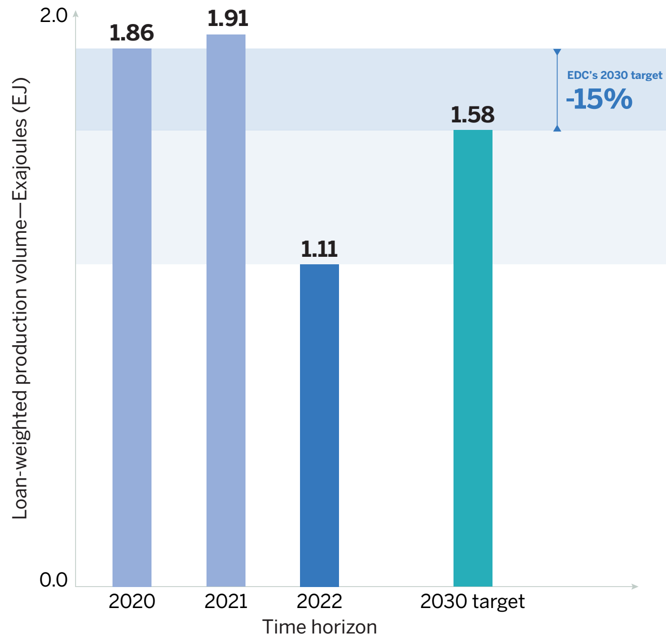
Upstream oil and gas

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

In 2022, we are on track to meet our 2030 climate target for upstream oil and gas production. The loan-weighted production volume of EDC's upstream oil and gas portfolio was 1.11 exajoules, representing a 40% decline in portfolio emissions intensity from our 2020 baseline. This significant reduction is a result of work related to our net zero commitment as well as our early implementation of the Government of Canada's commitment to the Statement on International Public Support for the Clean Energy Transition, which ends support for new direct financing to international fossil fuel companies and projects.

We recognize that progress toward our interim upstream oil and gas target will be non-linear and potentially volatile. As EDC's upstream oil and gas portfolio shrinks, a single company being removed from our portfolio could drive a substantial shift in the production volume associated with the entire portfolio. We will continue to engage with our domestic customers on alignment with net zero emissions by 2050 and maintain transparency related to this metric as we progress toward 2030.

Upstream oil and gas decarbonization pathway to 2030



To align EDC's upstream oil and gas portfolio with our decarbonization pathway, we will focus primarily on supporting domestic customers transitioning away from oil and gas. In the near term, our intention is to engage domestic customers to provide support in developing new low-carbon revenue streams and reducing operational footprint through technology solutions (e.g., carbon capture, utilization and storage (CCUS), and methane capture).

Fundamentally, global net zero emissions will require an orderly transition away from fossil fuels. However, our target does not imply an end to EDC support for Canadian oil and gas producers. Rather, we will support our customers in preparing for a future in which demand declines. We also see an opportunity to support producers in lowering operational emissions associated with production during the transition away from fossil fuels. The target also acknowledges that demand for oil must decline faster than demand for natural gas, which may play a role in supporting energy demand during the transition to net zero. We will continue to help our domestic industry to transition away from the production of oil and gas, including developing new low-carbon revenue streams and reducing operational footprint.

Financed emissions

As a member of PCAF, we have committed to assess and disclose the GHG emissions associated with our portfolio in line with the PCAF standard. In 2022, we calculated the total Scope 1 and 2 financed emissions for our commercial lending and project finance portfolios across all sectors. In alignment with PCAF guidance, we also calculated Scope 3 emissions for the energy and mining sectors. We will expand coverage to other asset classes as PCAF guidance becomes available.

The results from our financed emissions calculations can enable EDC to make more data-driven decisions and inform how we plan to meet our climate targets. At present, our PCAF data quality score—which scores data quality on a scale from 1 (highest quality) to 5 (lowest quality)—ranges from a score of 3 to 5. We will continue to work toward improving our data quality score, to support the credibility and accuracy of the data and outcomes. Going forward, we will continue to improve our calculations, data quality and alignment with the PCAF methodology and will disclose our financed emission performance annually.

ADDITIONAL INFORMATION

See the Technical Supplement included in our 2022 Net Zero Update for further details about the target.

2022 Net Zero Update

PCAF disclosure summary

Financed emissions		2022	2021
Commercial loans	Net exposure ($B CAD)[1]	**$54.4**	$50.0
	Scope 1 and 2 ($MtCO_2e$)—All sectors	**13.0**	15.4
	PCAF data quality score	**3.9**	3.9
	Scope 3 upstream ($MtCO_2e$)—Energy and mining sectors	**2.0**	2.0
	PCAF data quality score	**4.7**	4.4
	Scope 3 downstream ($MtCO_2e$)—Upstream oil and gas sector	**1.3**	4.3
	PCAF data quality score	**3.0**	3.3
Project finance	Net exposure ($B CAD)[2]	**$16.0**	$14.0
	Scope 1 and 2 ($MtCO_2e$)—All sectors	**3.7**	5.1
	PCAF data quality score	**5.0**	5.0
	Scope 3 upstream ($MtCO_2e$)—Energy and mining sectors	**0.2**	0.5
	PCAF data quality score	**5.0**	5.0

Data sources	• Reported emissions: publicly disclosed emissions via S&P
	• Estimated emissions: EDC's approach leverages:
	  • S&P provided Global Industry Classification Standards (GICS) sector emissions averages for Scope 1, 2 and 3 upstream, and Scope 3 downstream
	  • PCAF emissions factors for Scope 1, 2 and 3 upstream
	  • An internal methodology evaluates statistical correlation to calculate average emissions, which are extrapolated to the remainder of the portfolio for Scope 3 downstream		

(1) *Portfolio coverage for commercial loans equalled 99.996% of EDC's loanbook for 2022 and 99.87% for 2021.*

(2) *Portfolio coverage for project finance equalled 96.40% of EDC's loanbook for 2022 and 99.48% for 2021.*

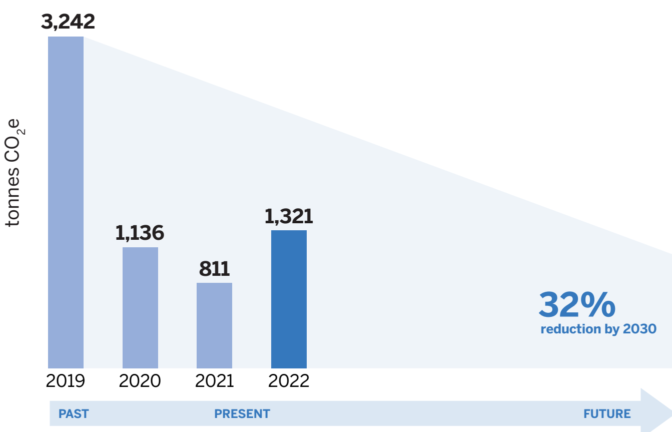
Operational GHG emissions

Although the majority of our GHG emissions are associated with our financing activities, reducing emissions in our own operations is an important part of our net zero plan.

In 2022, we developed our new interim operational emissions target to achieve a 32% reduction in Scope 1 and 2 emissions and Scope 3 business travel emissions by 2030 from a 2019 baseline. To develop this target, we applied a combined target approach where we calculated individual targets for each component of our operational emissions: Scope 1 and 2; Scope 3 non-air business travel; and Scope 3 air business travel emissions in line with the relevant SBTi guidance. We then combined the individual targets based on a weighted average of the emissions (in the baseline year) to calculate our combined target.

We are establishing a stakeholder working group to implement operational emissions abatement projects at EDC. To support achieving our target, the working group will develop a roadmap to reduce operational emissions over the short, medium and long term. This roadmap will identify the various reduction actions and initiatives EDC will implement to meet our target. We will continue to focus on reducing emissions from business travel as pandemic-related restrictions are lifted and reducing our building energy consumption in line with lower occupancy numbers.

2030 operational emissions interim target[(1)]



EDC's interim operational emissions reduction target

- Absolute emission reduction target
- Near-term by 2030
- Developed using SBTi methodology
- Aligned with SBTi criteria
- Includes all greenhouse gases
- Covers all of EDC's Scope 1 and 2 emissions as well as EDC's Scope 3 business travel emissions

In 2022, we developed our new interim operational emissions target to achieve a **32% reduction from our Scope 1, 2 and Scope 3 business travel emissions by 2030 from a 2019 baseline**. To develop this combined target, we used a weighted average approach including individual targets for Scope 1 and 2, Scope 3 non-air business travel and Scope 3 air business travel emissions. Each of the individual targets aligns with the SBTi criteria for GHG emissions target setting and the combined target aligns with the SBTi criteria for combined target setting. The target methodology is visualized below:

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

Aligned with the standards set out for corporate accounting and reporting by the **GHG Protocol**, EDC's operational GHG emissions for 2022 were 1,321 tonnes of carbon dioxide equivalent (tCO_2e), with a carbon intensity of 1.49 tCO_2e per square foot, compared to 811 tCO_2e in 2021. While operational emissions increased by 63% from 2021, we have achieved a 59% reduction in emissions compared to our baseline year of 2019. This is mainly due to changes in COVID-19 travel restrictions. See Appendix on **pages 41–42** for a detailed breakdown of emissions by category and emissions source.

This year, we began tracking the number of renewable energy certificates (RECs) and the number of carbon offsets purchased to support our goal to achieve carbon neutrality in our Scope 1 and 2 emissions and Scope 3 business travel emissions. In 2022, we achieved our carbon neutrality goal and aim to maintain carbon neutral operations in the coming years. For more information on our carbon neutrality, see page 104 of the Data Appendix in the **2022 Integrated Annual Report**.

Sustainable finance

As Canada transitions to a net zero economy, we plan to continue to grow our sustainable finance product offerings. We are still in the early stages of building our sustainable finance program and will continue to add to our near-term objectives, including our target to reach $500 million in transition financing loans by 2024 through our Sustainable Financing Guarantee.

Climate finance in developing countries

In 2022, we provided $256.2 million[1] **ASSURED** in climate finance in support of the Government of Canada's commitment to the UN Framework Convention on Climate Change, which is directed to low-carbon or carbon-resilient transactions in developing countries. Our climate financing in developing countries has increased compared to $84.9 million provided in 2021. The increase is a result of signing more high-value renewable energy financing contracts in 2022.

Green bonds

In 2022, EDC had two outstanding green bonds, for a total of $1 billion. Since 2014, proceeds raised from our green bonds have financed nearly 30 transactions, worth more than $2 billion, in a range of sectors, each contributing to environmental protection or the mitigation of climate change. This year, the outstanding green bonds have helped avoid close to 3 million tonnes of CO_2e.

ADDITIONAL INFORMATION

For more information on our green bond impact reporting in 2022, refer to page 61 of EDC's 2022 Integrated Annual Report.

EDC 2022 Integrated Annual Report

[1] *$17.6 million of this amount relates to financial products that are not direct lending activities (i.e., guarantees and backstops).*

Cleantech

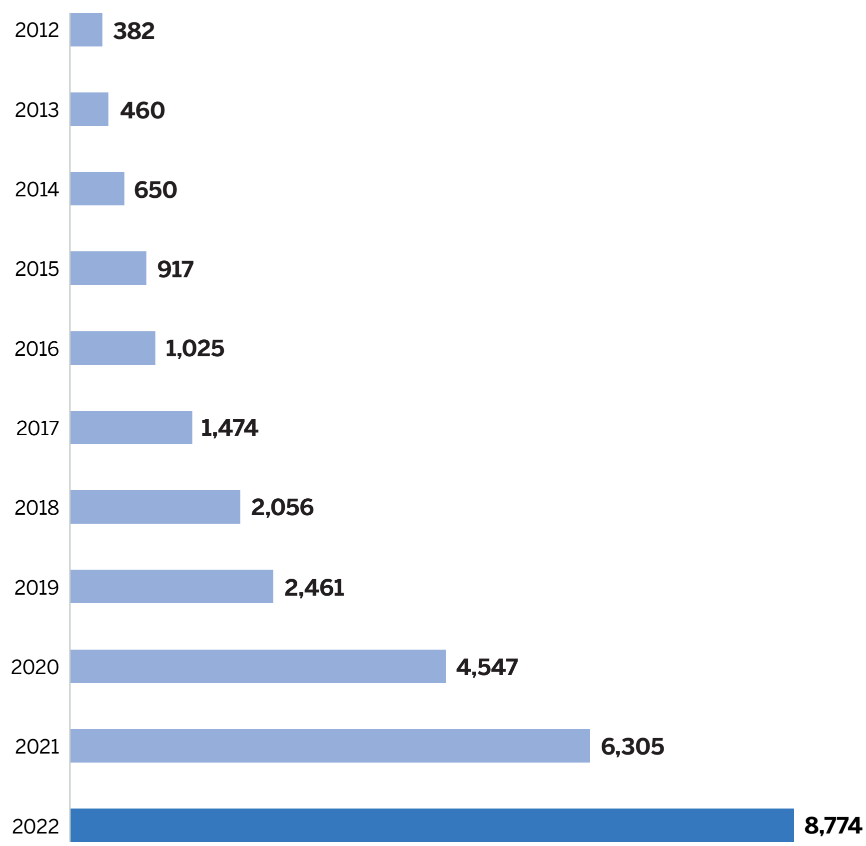
To demonstrate our commitment to the cleantech sector, this year we set a near-term target to achieve $10 billion in business facilitated in 2025.

Since 2012, we have facilitated over $20 billion in cleantech business and continue to be a leading financier of Canada's cleantech industry. In 2022, the number of cleantech companies we served grew by 21% compared to 2021, to 392 businesses, and we facilitated $8.8 billion in business—a 40% year-over-year increase. Our support for cleantech continues to grow at a rapid pace. For context, in 2015 EDC served 86 cleantech customers and facilitated $917 million in business.

We expect to see an increase in the demand for cleantech transaction support as more companies move to decarbonize their operations, as well as continued investments in renewable power, which will contribute to our ability to achieve this aggressive target.

Furthermore, in 2022 we included the number of cleantech customers served and the amount of cleantech business facilitated in our short-term incentive compensation plan applicable for all employees. We saw a broader group of employees supporting cleantech targets and an increased focus on cleantech in business development opportunities this year. We plan to continue to link incentives to cleantech measures in 2023.

Cleantech business facilitated
as at December 31, 2022 (in millions of Canadian dollars)



Key future priorities

In 2023 to 2025, we plan to:

- Set additional sector-specific science-based interim climate targets;
- Disclose details about issuances under our new Sustainable Bond Framework, which will allow EDC to issue transition bonds in addition to green bonds, and continue to improve and disclose impact metrics;
- Refine targets against upcoming sustainable finance framework;
- Continue implementing our operational GHG emissions abatement initiatives, including:
  - Reducing our emissions from business travel
  - Reducing our building energy consumption
- Work to improve our financed emissions data quality score over time through enhancing our data, inputs and assumptions.

Appendix

Task Force on Climate-related Financial Disclosures (TCFD) Index

As part of our transparency and disclosure commitment, we aim to transparently share our progress on implementing the TCFD recommendations. While we are in the process of implementing all recommendations, below is a mapping of the TCFD recommendations and where we have addressed them.

Recommended disclosures	EDC reference
Governance: Disclose the organization's governance around climate-related risks and opportunities	Pages 8–11
a) Describe the board's oversight of climate-related risks and opportunities	Page 10
b) Describe management's role in assessing and managing climate-related risks and opportunities	Page 9
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning where such information is material	Pages 12–27
a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term	Page 12
b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning	Pages 13–24
c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Pages 24–27
Risk management: Disclose how the organization identifies, assesses and manages climate-related risks	Pages 28–30
a) Describe the organization's processes for identifying and assessing climate-related risks	Pages 28–29
b) Describe the organization's processes for managing climate-related risks	Page 30
c) Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management	We will work toward addressing in future reporting
Metrics and targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	Pages 31–38
a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process	Pages 31–38, 41–42
b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and the related risks	Pages 35, 36, 42
c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	Pages 31–38

Measuring and tracking climate progress

Category	Metric	Category	Unit	2022	2021	2020
GHG emissions	Scope 1 emissions	Natural gas use	tCO_2e	**512.5**	450.4	417.2
	Scope 2 emissions (location-based)	Electricity use	tCO_2e	**188.5**	222.2	232.8
	Scope 1 and 2 emissions (location-based)	**Operational**	**tCO_2e**	**701.0**	**672.6**	**650.0**
	Scope 3 emissions	Purchased goods and services	tCO_2e	**667.8**	1,439.8	3,181.7
		Fuel and energy-related activities		**349.0**	335.2	341.3
		Waste generated in operations		**23.2**	3.2	6.6
		Paper consumption		**0.6**	0.2	1.8
		Business travel		**620.4**	138.0	486.4
		Upstream leased assets		**287.5**	276.9	282.5
		Downstream leased assets		**12.1**	11.6	11.2
		Employee commuting		**154.4**	147.5	138.2
	Scope 1, 2 (location-based) and 3 emissions	**Total GHG emissions**	**tCO_2e**	**2,816.0**	**3,025.0**	**5,099.7**
	Carbon neutrality		Y/N	**Y**	–	–
	Emissions intensity[1]		tCO_2e/sq. ft.	**1.49**	1.43	1.38
			tCO_2e/employee	**1.39**	1.57	2.82
Transition risks	Carbon-intensive financing exposure[2][3]		$ billions	**9.6**	13.6	19
	Reduction in carbon-intensive financing exposure[2][3]		%	**57%**	39%	15%
Physical risks	See **heatmaps** in Risk Management section		n/a			
Capital deployment	Green bonds underwritten	Transactions	Number	**26**	26	28
		Financing	$ billions	**2.4**	2.4	2.4
	Cleantech business facilitated		$ billions	**8.8**	6.3	4.5
	Cleantech financial customers		Number	**392**	324	288
	Climate finance in developing countries[4][5]		$ millions	**256.2**	84.9	142.0
Other	Renewable energy certificates (RECs)		MWh	**7,409**	–	–
	Carbon offsets purchased		tCO_2e	**1,133**	–	–
	Total emissions avoided through green bond transactions		tCO_2e	**2,887,717**	4,638,959	5,666,504

(1) *Emissions intensity per square foot relates to only Scope 1 and 2 emissions.*

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

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

(4) *"Climate finance" refers to "local, national or transnational financing that seeks to support mitigation and adaptation actions that will address climate change," as stipulated by the UN Framework Convention on Climate Change and the Paris Agreement.*

(5) *$16.8 million of this amount relates to financial products that are not direct lending activities (i.e., guarantees and backstops).*

Operational GHG emissions by category

GHG category and metric		Emissions source	2022	2021	2020
Scope 1 (tCO_2e)		Natural gas (head office)	**512.5**	450.4	417.2
Scope 2 (tCO_2e)		Electricity (head office)	**188.5**	222.2	232.8
Scope 1 + 2 (tCO_2e)			**701.0**	**672.6**	**650.0**
Scope 3 (tCO_2e)	Category 1: Purchased goods and services	Procurement (head office)	**667.8**	1,439.8	3,181.7
	Category 3: Fuel and energy-related activities	Electricity well-to-tank (WTT) emissions	**257.9**	253.8	265.9
		Natural gas WTT emissions	**91.1**	81.4	75.4
	Category 5: Waste generated in operations	Waste (head office)	**19.1**	2.6	5.4
		Waste (regional offices)	**4.1**	0.6	1.2
	Category 1/5	Paper consumption (head office)	**0.6**	0.2	1.8
	Category 6: Business travel	Long haul (>3,700 km)—without radiative forcing	**394.1**	119.1	319.4
		Short haul (<3,700 km)—without radiative forcing	**150.1**	12.0	121.9
		Rail travel	**7.9**	0.1	1.7
		Hotel stays	**23.9**	1.2	19.4
		Employee vehicles	**38.5**	3.8	20.8
		Car rentals	**5.9**	1.8	3.2
	Category 8: Upstream leased assets	Electricity (regional offices)	**147.2**	158.0	165.3
		Natural gas (regional offices)	**115.3**	102.7	95.1
		Electricity (international offices)	**22.3**	14.5	20.2
		Natural gas (international offices)	**2.7**	1.7	1.9
	Category 13: Downstream leased assets	Electricity (subleased from head office)	**3.2**	3.8	4.0
		Natural gas (subleased from head office)	**8.9**	7.8	7.2
	Category 7: Employee commuting	Employee commuting	**154.4**	147.5	138.2
Scope 3 (tCO_2e)			**2,115.0**	**2,352.4**	**4,449.7**
Scope 1, 2 + 3 (tCO_2e)[(1)]			**2,816.0**	**3,025.0**	**5,099.7**

(1) *Totals may not add up due to rounding.*

Contact

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

Export Development Canada
150 Slater Street
Ottawa, ON K1A 1K3
Canada

1-800-229-0575
www.edc.ca/en/contact-us

Canada

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