



GUIDELINE

HUMAN RIGHTS RISK MANAGEMENT GUIDELINE

(Version 5.0)



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CONTROL SHEET

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REVISION HISTORY

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1.0	Approved by SVP, Sustainable Business & Enablement	January 2020	Inaugural
2.0	Approved by Director, Environmental and Social Risk Management	January 2021	Added Sections 2.2 and 2.3 and Appendix A, B, and C and minor updates made throughout the document
3.0	Approved by Director, ESG Policy (Social)	December 2021	Added Appendix D
4.0	Approved by Director, ESG Policy (Social)	May 2022	Added language on Leverage and Remedy
5.0	Approved by Director, ESG Policy & Research	May 30, 2025	Updated template, minor updates, renamed to “Human Rights Risk Management Guideline”.

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1. PURPOSE AND SCOPE

1.1. PURPOSE

The purpose of this Guideline is to support the application of EDC's Human Rights Policy. This Guideline establishes parameters for the integration of human rights considerations into EDC's environmental and social due diligence processes, to identify and address severe human rights risks and impacts connected to the business EDC supports.

1.2. SCOPE AND APPLICATION

This Guideline applies across EDC's portfolio of business and to EDC's customer relationships and transactions, excluding certain Canada Account Transactions as set out in EDC's internal Policies, Standards and Guidelines¹. This Guideline applies enterprise-wide to all EDC employees (excluding EDC employees seconded to an EDC subsidiary) and EDC's global operations, including branches, regional offices and foreign representations, unless otherwise specified.

2. GUIDELINE REQUIREMENTS

EDC's customer relationships, as well as project-related and non-project transactions, are subject to the requirements of the due diligence process, as described in Section 3 below. A project is defined in paragraph 7 of EDC's Environmental and Social Review Directive (ESRD).

Non-project transactions refer to those transactions undertaken by EDC that fall into various EDC product categories, such as general corporate purpose financing (where the majority of funds are not directed at financing a project), investment, as well as diverse insurance and guarantee products.

3. PROCESS

3.1. EDC'S OVERALL APPROACH TO HUMAN RIGHTS RISK MANAGEMENT

For customer relationships, non-project and project-related transactions, EDC considers Human Rights Risks as part of our environmental and social due diligence process. In alignment with EDC's Environmental and Social Risk Management (ESRM) Policy, EDC takes a risk-based approach by prioritizing certain transactions across our portfolio and certain risks or impacts within each transaction for further due diligence.

Where EDC is connected to severe Human Rights Risks and impacts through our customer relationships and/or transactions, EDC assesses, builds, and uses Leverage to prevent and mitigate them, and enables remedy if impacts occur. In scenarios where the likelihood of severe human rights impact is high, regardless of proposed mitigation measures, EDC assesses a company's preparedness for Remedy and identifies specific actions to strengthen its practice on Remedy.

EDC's environmental and social due diligence process consists of four phases:

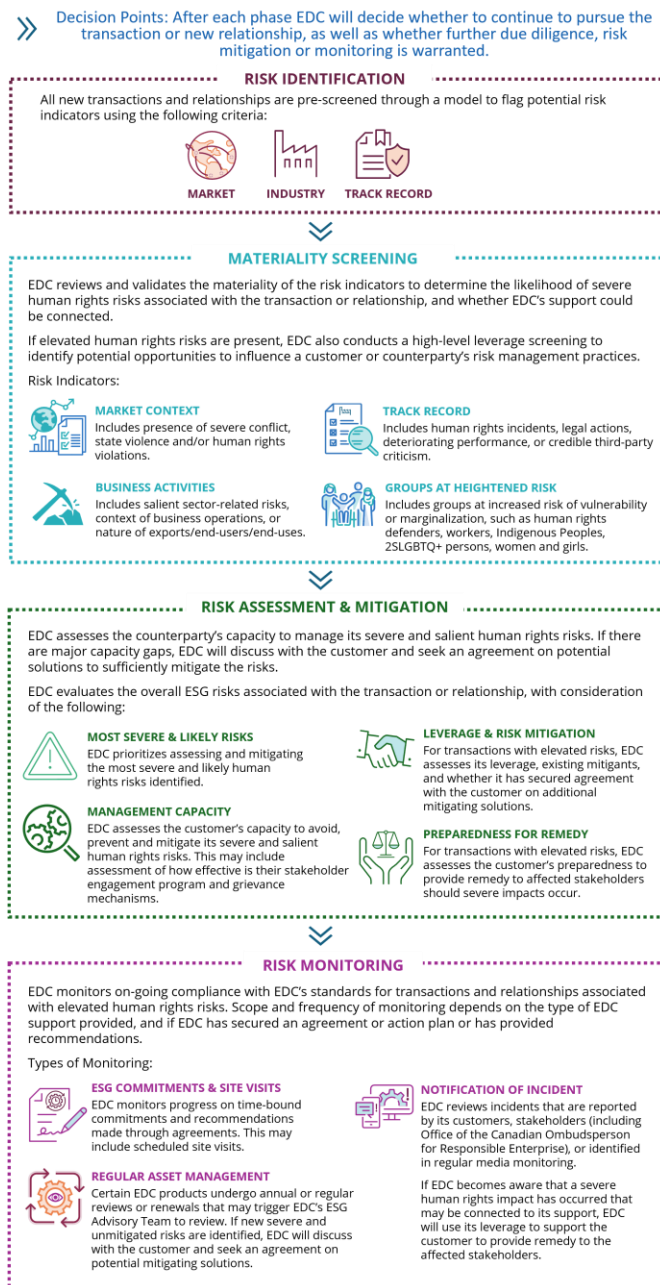
1. Initial Risk Identification;
2. Risk Identification and Materiality Screening;

¹ Canada Account Transactions are governed by EDC's Delegation of Authority for Credit Commitments Policy, Delegation of Authority Standards and Canada Account Transactions Guideline.

3. Risk Assessment and Prevention / Mitigation; and
4. Monitoring.

Human rights considerations are integrated at each phase of this process to identify and address potential and/or actual severe human rights impacts that could be connected to the products EDC offers to our customers (see Figure 1).

FIGURE 1: EDC's Overall Approach to Human Rights Risk Management
For project and non-project transactions and relationships



3.2. ADDITIONAL DUE DILIGENCE CONSIDERATIONS FOR PROJECT-RELATED TRANSACTIONS

In general, project-related transactions² follow the same approach as outlined in Section 3.1. However, there are some due diligence requirements that pertain specifically to projects. As

² A project is defined in paragraph 6 of EDC's [Environmental and Social Review Directive](#) (ESRD).

articulated by EDC's Environmental and Social Risk Management Review (ESRM) Guideline, project reviews are done in accordance with EDC's Environmental and Social Review Directive (ESRD), which aligns with the Equator Principles (EPs) and Organization for Economic Co-operation and Development (OECD) Common Approaches on Environmental and Social Due Diligence. Both the EPs and the OECD Common Approaches frameworks rely on the International Finance Corporation's (IFC) Performance Standards as the international benchmark standards.

The Risk Identification and Materiality Screening (Phase II) for a project-related transaction will inform the focus of EDC's assessment, including human rights-related analysis if human rights risks are identified, as well as the project categorization (Category A, B or C).

As part of EDC's environmental and social risk assessment for Category A, Category B, and where deemed necessary, Category C projects, EDC will:

- Evaluate whether the human rights issues have been addressed in an Environmental and Social Impact Assessment (ESIA) or other impact assessment documentation; and
- Confirm if the human rights-related findings and recommendations of the ESIA will be/have been addressed in the project's management plans, policies and systems.

As of July 1, 2020³, in addition to the above, EDC will expect that:

- ESIA's or other Environmental and Social Assessment documentation for all Category A and, as appropriate, Category B projects include consideration of human rights risks and impacts; and
- Where appropriate, IFC Performance Standard 7 Indigenous Peoples will be the prevailing standard for projects where Indigenous peoples are potentially impacted.

3.3. INFORMATION SOURCES

As part of Phase II and Phase III, EDC uses widely available and credible sources focused on country-related human rights issues and themes to inform and complement our due diligence process and understanding of the context in which a customer operates or transaction takes place. This includes but is not limited to: the US State Department Country Reports on Human Rights Practices, Human Rights Watch and Amnesty International reports. In some cases, EDC may consult with relevant parties at Canadian government offices abroad for information on a human rights situation.

Additionally, EDC may use third-party consultants in two different scenarios: 1) when EDC needs to clarify the particular context of a transaction; and 2) to gain an independent view on project compliance with environmental and social (E&S) standards from an Independent Environmental and Social Consultant (IESC) for all Category A projects and as required for Category B projects. This requirement is codified in the Equator Principles and independent review is referenced in the ESRD.

This information complements the information EDC receives directly from our customers, through stakeholder engagement, and during site visits, as well as the knowledge acquired about the countries in which our customers operate.

³ Projects considered by EDC on or after July 1, 2020 will be expected to align with the requirements of Equator Principles 4.

3.4. DUE DILIGENCE QUESTIONS

EDC's due diligence process is dynamic. EDC first asks a series of standardized questions to contextualize the overall corporate management capacity of a company (e.g., human rights-related policy commitments, due diligence processes, management plans, effectiveness of stakeholder engagement program and grievance mechanism, reporting, monitoring and auditing practice, etc.). In addition to this, questions are developed as risks and specific issues are identified or prioritized (e.g., working conditions of supply-chain workers, the use of private and/or public security companies, impacts on Indigenous peoples or gender, community opposition, protection of human rights defender, land acquisition and resettlement, and health and safety, etc.).

For project-related transactions, EDC develops due diligence questions based on host country requirements and the IFC performance standards when relevant.

4. ROLES AND RESPONSIBILITIES

The Vice President, ESG Integration is the Guideline Owner responsible for the approval of this corresponding Guideline.

The operationalization of the Human Rights Policy and this associated Guideline is primarily carried out by the following teams:

1. **ESG Advisory.** The primary objective of this team is to identify, assess, and advise the Business on ESG risks and mitigants/solutions, in line with the Human Rights Policy, in order to inform decision-making.
2. **ESG Policy & Research.** The Vice President, ESG Integration is the Guideline Owner and is responsible for the development, execution, and maintenance of this Guideline. The Guideline Owner may delegate their responsibilities to an alternative and credible person, who will become the Guideline Monitor. Ownership of this Guideline is one of several risk management functions that provide governance and oversight of front-line activities.
3. **Internal Audit.** The Internal Audit team provides independent assurance on the effectiveness of risk management policies, processes and practices related to environmental and social risk management, to senior management and the Board.

5. REVIEWS AND REVISIONS

This Guideline shall be reviewed and recommended for approval every three years, in concurrence with EDC's Policy Governance timelines, or more frequently should circumstances require. Adjustments may be made to align with updates to EDC's Human Rights Policy as needed.

Roles and responsibilities with regard to approval, revision and/or rescinding of this Guideline are as described in the table below.

Table 1: Reviews and Revisions

Document	Review & Recommend for Approval, Revision (or Rescinding); Approval of Minor Changes	Approval	Approval Cycle
Human Rights Risk Management Guideline	Director, ESG Policy & Research	Vice-President, ESG Integration	Every three years

6. ESCALATIONS AND EXCEPTIONS

All exceptions or instances of non-compliance to this Human Rights Risk Management Guideline shall be assessed and approved by the Guideline Owner. Where exceptions to the Guideline are approved, the Guideline Owner will inform the Policy Owner in a timely manner.

Requests for Guideline exceptions or instances of non-compliance must:

- Identify the applicable section(s) of the Guideline to which the exception applies;
- Assess the risk(s) that arises from the proposed exception(s);
- If applicable, outline the appropriate controls to mitigate these risks; and,
- Specify the review or effective period of the Guideline exception.

A process shall be established by the Guideline Owner to identify, record and report on exceptions or instances of non-compliance with this Guideline.

7. RELATED DOCUMENTS

7.1. DOCUMENT HIERARCHY

The Human Rights Policy and this Guideline are operationalized through a suite of due diligence procedures. This Guideline and associated procedures must be used in conjunction for the purpose of compliance. Together with the parent Policy, this forms the Policy hierarchy.

7.2. OTHER DOCUMENTS RELATED TO THIS GUIDELINE

The following documents must be read in conjunction with this Guideline:

- Environmental and Social Review Directive
- Environmental and Social Risk Management Review Guideline
- Environmental and Social Risk Management Policy
- Human Rights Policy
- Principles on Leverage and Remedy
- Transparency & Disclosure Policy
- *Equator Principles (Version 4; July 2020)*
- *International Finance Corporation (IFC) Performance Standards (January 2012)*
- *Organization for Economic Co-operation and Development (OECD) Common Approaches (April 2016)*
- *OECD Guidelines for Multinational Enterprises*
- *United Nations Guiding Principles on Business and Human Rights (UNGPs)*

8. DEFINITIONS

Table 2: Relevant Terminology and Definitions

Terminology	Definition
Adverse Human Rights Impacts	Occurs when an action removes or reduces the ability of an individual to enjoy their human rights.
Canada Account Transactions	Transactions supported by the Government of Canada under Section 23 of the <i>Export Development Act</i> , which, on the basis of EDC's risk management practices, would not be supported under EDC's corporate account but are in the national interest.
Category A project	A project that is likely to have significant adverse environmental and social effects that are sensitive, diverse, or unprecedented. These effects may affect an area broader than the sites or facilities subject to the physical works, and may be irreversible.
Category B project	A project that is likely to have less adverse potential environmental and social effects than those of Category A projects. Environmental and social effects associated with Category B projects are usually site-specific; few if any are irreversible; and in most cases mitigation measures can be designed more readily than for Category A projects.
Category C project	A project that is likely to have minimal or no adverse environmental and social effects.
Customer	In the context of this Guideline, an EDC Customer—prospective or existing—is an entity subject to EDC's environmental and social due diligence process, as part of onboarding or a transaction.
Environmental and Social Impact Assessment (ESIA)	The process of assessing the environmental and social effects of a project in order to evaluate their significance, and may include identifying measures to prevent, minimize, mitigate or compensate for adverse environmental and social effects. Environmental and social assessment is the responsibility of the project sponsor.

Environmental Risk	The risk associated with EDC being connected to environmental impacts (i.e. atmosphere, water, and land) because of its actions or omissions with respect to transactions and activities.
Equator Principles	A risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in project finance. It is primarily intended to provide a minimum standard for due diligence to support responsible risk decision-making.
Groups at heightened risks	Those peoples who are entitled to specific protection under international laws including for example women, children, religious or ethnic minorities and indigenous peoples as well as those peoples we have recognized in practice as being more likely to suffer severe impacts in certain contexts such as human rights defenders, 2SLGBTQI+, migrant workers or artisanal miners.
Human Rights	The basic rights and freedoms that belong to every person in the world regardless of race, sex, nationality, ethnicity, location, language, religion, ethnic origin, or any other status, which are described in the International Bill of Human Rights. The International Bill of Human Rights covers the 48 human rights extracted from the two main United Nations binding conventions on human rights: 1) the International Covenant on Economic, Social and Cultural Rights and 2) the International Covenant on Civil and Political Rights.
Human Rights Due Diligence	An ongoing risk-management process that a reasonable and prudent company needs to follow in order to identify, prevent, mitigate and account for how it addresses its adverse human rights impacts. It includes four key steps: assessing actual and potential human rights impacts; integrating and acting on the findings; tracking responses; and communicating about how impacts are addressed.
Human Rights Risk	The risk associated with adverse human rights impacts, including the rights of indigenous peoples and groups at heightened risk of vulnerability or marginalization in connection with the transactions that EDC supports.
IFC Performance Standards	An international benchmark for identifying and managing environmental and social risk that many organizations have adopted as a key component of their environmental and social risk management.
Leverage	Refers to all the ways EDC can influence the behaviours, policies and practices of its Customers, those practices are causing or contributing to adverse environmental, social and human rights risks and impacts.
Likelihood of an impact	Refers to how likely the occurrence of an impact is.
Mitigation	Actions taken to reduce the likelihood of a certain adverse impact occurring, with any residual impact then requiring remediation.
Portfolio	A set of programs, projects or products managed as a group to achieve business and corporate strategic objectives.
Prevention	The prevention of an adverse human rights impact refers to actions taken to ensure such impact does not occur.
OECD Common Approaches on Environmental	Agreement among OECD members relating to measures that members should take in order to address the potential environmental and social impacts of projects for which official export credit support is requested.

and Social Due Diligence	
Remediation (or Remedy or Remediate)	Refers to both the process of providing remedy for an adverse human rights impact and the substantive outcomes that can counteract, or make good, the adverse impact. These outcomes may take a range of forms such as apologies, restitution, rehabilitation, financial or non-financial compensation, and punitive sanctions (whether criminal or administrative, such as fines), as well as the prevention of harm through, for example, injunctions or guarantees of non-repetition.
Severe Human Rights Impacts	Those that are particularly grave in nature (e.g. threats to life, child/forced labor and human trafficking), widespread in scope (e.g. large-scale resettlement and working conditions across a sector) or cannot be remediated (e.g. torture, loss of health and destruction of indigenous peoples' lands).
Social Risk	The risk associated with EDC being connected to social impacts on people (i.e. employees, workers in the value chain, affected communities and consumers or end-users) because of its actions or omissions with respect to transactions and activities.
Track Record	Assesses whether 1) a company has faced serious incidents, credible third-party criticism or legal action on environmental, social and human rights issues and 2) trends indicate continued or worsening of a company performance or a lack of remedy by the responsible company.