

EDC'S PRINCIPLES ON LEVERAGE AND REMEDY

EDC's [Human Rights Policy](#) commits us to building and using our leverage to prevent and manage human rights risks and impacts that EDC might be connected to through customer relationships, and to enable remedy when impacts nevertheless occur. EDC developed the *Principles on Leverage and Remedy* to put these commitments into practice across EDC's business. These were approved by the executive management team in December 2020.

BACKGROUND

Since the launch of EDC's [Human Rights Policy](#) in May 2019, EDC has been working at operationalizing its policy commitments. On leverage and remedy, our approach has been to focus on how to translate our high-level policy commitments into a systematic, organization-wide practice while ensuring that all levels of the organization understand the implications. This resulted in the development of a series of principles on leverage and remedy with the support from Shift, the leading center of expertise on the UN Guiding Principles on Business and Human Rights (UNGPs).

The principles were shaped with substantial input from an internal cross-functional working group comprised of representatives from EDC's different business lines. Meeting our commitments to leverage and remedy has implications across the organization for how we do business. We have therefore approached this entire effort with a change management lens, with the aim of adapting our behaviours and practices across the organization as we put these principles into practice.

PURPOSE

The *Principles on Leverage and Remedy* are part of EDC's leverage and remedy framework, which aims to help EDC advance human rights risk management and ensure that our efforts are focused on achieving better outcomes for people and the environment. Over the past few years, we have substantially strengthened our approach to identifying and assessing environmental, social, and human rights risks and impacts we encounter through our transactions and customer relationships. With this work, we are now strengthening our practice to manage them more effectively. The principles:

- provide EDC with a more consistent and robust approach when it comes to action to prevent or mitigate environmental, social and human rights risks or impacts and whether those actions are likely to be effective;
- better position EDC to ensure that remedy gets provided when impacts occur, through actions we can take before and after impacts occur; and
- ensure that our approach on leverage and remedy will inform decision-making (i.e. informing which transactions, relationships, projects EDC takes on, and the resources EDC will dedicate when taking on transactions where severe risks are present).

EDC's leverage and remedy framework includes the following elements:

- EDC's Human Rights Policy with specific leverage and remedy commitments;
- a series of *Principles on Leverage and Remedy* that shape our approach and provide the north star to guide all our efforts on leverage and remedy;
- a suite of tools which translate the principles into practice and integrate them into EDC's due diligence processes and decision-making (upcoming); and
- defined focus areas to recognize the need to prioritize certain higher environmental, social and human rights risk areas of our portfolio for focused attention on leverage and remedy:
 1. focus on remedy in resources and extractive sectors in Latin America;
 2. support climate transition with Canadian oil and gas; and
 3. focus on social issues linked to solar power, a sector of forward-looking strategic importance for EDC.

We are planning for the leverage and remedy framework to be fully operational by December 2021.

KEY DEFINITIONS

Leverage: Any and all of the actions that EDC might take to influence our customers or other responsible parties to prevent and address risks or impacts in response to concerns we might raise about environmental, social or human rights issues that EDC is connected to through its financial products or services.

Remedy: Remedy is the idea that, when adverse impacts occur, those who are harmed have a right to effective recourse – with the objective of restoring the individual or group to the situation they were in before the impact occurred. In most cases, EDC's responsibility is to use our leverage to encourage customers and other responsible parties to provide appropriate forms of remedy for people severely impacted by their activities.

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Foundational Principles:

These Foundational Principles shape EDC's leverage and remedy approach and provide the groundwork for the principles to be embedded throughout the organization.

1. **Shared responsibility:** Everyone at EDC has a role to play in EDC's efforts to build and use leverage and to enable remedy – across all business units and functions.
2. **Across all products and services:** Leverage and remedy are relevant to every area of EDC's business, across all products and services – even though implementation of EDC's framework will be tailored to different parts of the business.
3. **Throughout transaction or relationship life-cycle:** Considerations of leverage and remedy are relevant at all stages of a transaction or relationship, from the first engagement to close-out or exit.
4. **Value-add for customers:** EDC's approach to using and building leverage and enabling remedy seeks to bring value to its customers, supporting them to more effectively manage risks and impacts, and equipping them to participate and be competitive in a global economy in which expectations for responsible business conduct are increasing.

Operational Principles:

These Operational Principles provide guidance on how EDC will action the Principles on Leverage and Remedy.

5. **Focus areas:** At a portfolio level, EDC will identify specific areas of focus for a strategic approach to building and using leverage and enabling remedy. In these areas, EDC will look to build leverage proactively, invest organizational resources for leverage, and look to play a leadership role with industry and among peer institutions.
6. **Commitment to continuous improvement:** EDC recognizes that building and using leverage – including leverage for remedy – is often a longer-term strategy, which may take time to see changes in the practices of customers and third parties that effectively prevent or address a risk.
7. **Accountability:** EDC will regularly monitor, assess and report on whether the actions taken to use and build leverage or enable remedy are having an impact, meaning that they are in fact leading to better outcomes for people or the environment. Where they are not, EDC will be prepared to re-evaluate its approach and escalate efforts.
8. **Transparency:** To the greatest extent possible, EDC will be proactive in being transparent about its efforts to build and use leverage to prevent and address environmental, social and human rights impacts and to enable remedy when impacts occur, in line with EDC's Transparency and Disclosure Policy.

Specific to leverage:

9. **Assessing leverage:** In higher-risk relationships or transactions, assessing leverage will be a vital step in the due diligence process and an important consideration that informs decision-making / approvals.
10. **A robust leverage toolkit:** In higher-risk relationships or transactions, and in focus areas, EDC will draw from a broader range of leverage tools to effectively prevent or manage a risk or impact.

Specific to enabling remedy:

11. **Commitment to remedy:** Whenever severe adverse impacts occur, EDC will bring a focus to remedy for affected stakeholders.
12. **Preparation for remedy:** In higher risk transactions or relationships, and in focus areas, EDC will draw from a broader range of tools to take specific steps as part of the due diligence and transaction structuring process to prepare for the potential need for remedy.
13. **Appropriate roles in remedy:** In responding to severe impacts that arise within the context of individual relationships or transactions, EDC will assess its connection to harm and the nature of its responsibility with regard to remedy, and then take appropriate actions to seek to ensure that affected stakeholders have access to remedy.