



# POLICY

## Climate Change Policy



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## 1. PURPOSE AND SCOPE

### 1.1. PURPOSE

As Canada's export credit agency, EDC can support Canadian businesses and help them develop the competitive advantage they need to become internationally recognized as leaders in sustainable and responsible business. Climate change presents real risks and opportunities that EDC and its Customers must identify, manage and mitigate as appropriate.

This ***Climate Change Policy***, which is part of the broader Environmental and Social Risk Management (ESRM) Policy Framework, establishes the principles and commitments that guide EDC's approach to climate-change related risks and opportunities.

### 1.2. SCOPE AND APPLICATION

This Policy applies across EDC's Portfolio of business and to EDC's customer relationships, excluding certain [Canada Account](#) Transactions as set out in EDC's internal Policies, Standards and Guidelines<sup>1</sup>. This Policy utilizes a risk-management based approach and applies to our global operations, including branches, subsidiaries<sup>2</sup>, regional offices and foreign representations, unless otherwise specified. Finally, this Policy should be read in conjunction with other applicable Policies and relevant document, and further details on policy implementation are elaborated in this Policy's Procedures and Guidelines.

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

<sup>2</sup> This Policy applies to all of EDC's subsidiaries unless the subsidiary has adopted its own Climate Change Policy.

## 2. POLICY REQUIREMENTS

### 2.1. GUIDING PRINCIPLES

As Canada's export credit agency with a mandate to help Canadian businesses navigate, manage and take on risk to support their growth beyond Canada's borders, EDC recognizes that our business decisions and activities have the potential to impact the environment and local communities where we do business.

Embedding sustainability values and principles into business practices is essential to risk management and key to the long-term growth and success of EDC and the Customers that we serve. We are committed to advancing and promoting responsible business conduct and to supporting Canadian businesses in building robust ESG practices.

EDC acknowledges that, as Canada's export credit agency, we have a role to play in advancing responsible business practices, including by championing human rights, particularly the rights of Indigenous Peoples, advancing gender equality, diversity and inclusivity, combating biodiversity and ecosystems services loss and supporting a Just Transition to Net Zero emissions. We are committed to exploring these issues with our stakeholders and our customers. We expect to evolve our approach in a manner consistent with our mandate and our values, as we gain more clarity from our consultations.

EDC also recognizes the inter-linkages between environmental and social issues and risks and that efforts to address them often require a multi-dimensional approach.

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 and climate-resilient future. EDC recognizes that it can contribute to the *2015 Paris Climate Change Agreement's* aims through decisions that inform our support to our Customers across our financing, insurance and knowledge products and services.

EDC believes that businesses across the economy can play a role in the transition to a lower carbon and climate-resilient economy. EDC also believes we have an important role to play in supporting our Customers' innovation and transition.

EDC's decision-making continues to be guided by commercial considerations, evolving market trends, sound risk management principles and industry best practice.

### 2.2. COMMITMENTS

With the above guiding principles in mind, EDC is committed to:

- Implementing the *Recommendations of the Task Force on Climate-Related Financial Disclosures* and disclosing our progress annually;

- Enabling our Customers to respond to climate-related risks and opportunities through financing, insurance and knowledge products and services, while leveraging our international risk expertise;
- Encouraging our Customers to disclose climate-related information and, where appropriate, working toward full implementation of the *Recommendations of the Task Force on Climate-Related Financial Disclosures*;
- Engaging actively with our financial sector peers to advance dialogue and action around a Just Transition to Net Zero emissions by 2050;
- Measuring, monitoring and, commencing in 2024, disclosing greenhouse gas emissions associated with our lending Portfolio;
- Setting and disclosing science-based interim targets for priority sectors and products to drive alignment with Net Zero emissions from our Portfolio by 2050;
- Increasing EDC's business focused on clean and low carbon technology;
- Continuing to measure, monitor and report on EDC's operational environmental footprint;
- Setting and disclosing science-based interim targets for operational emissions to drive towards Net Zero operational emissions by 2050;
- Conducting climate-related risk due diligence in accordance with our ***Environmental and Social Risk Management (ESRM) Policy***, the ***Environmental and Social Review Directive (ESRD)*** and the ***Environmental and Social Risk Review Guideline***, which are informed by the *OECD Common Approaches*, the *Equator Principles* and *IFC Performance Standards*; and
- Communicating in good faith with stakeholders (e.g. EDC's shareholder, non-governmental organizations, civil society organizations, industry associations).

## 3. ROLES AND RESPONSIBILITIES

### 3.1. GOVERNANCE ROLES

This ***Climate Change Policy*** is approved by the Board of Directors.

The Chief Corporate Sustainability Officer and Senior Vice-President, Sustainable Business & Enablement is the Policy Owner of this ***Climate Change Policy*** and is responsible for its development, implementation and maintenance. The Chief Corporate Sustainability Officer and Senior Vice-President, Sustainable Business & Enablement is also accountable for its execution and effectiveness.

The Vice-President, ESG Policy is the Policy Monitor. The Policy Monitor may delegate their responsibilities as Policy Monitor to an alternative and credible person.

Internal Audit is responsible for providing Independent Assurance to the Board of Directors and Executive in accordance with EDC's ***Internal Audit Charter***.

### 3.2. OPERATIONAL ROLES

Ownership, management and monitoring of risks, including E&S Risks, fall under the purview of the business development and underwriting teams. They are responsible for flagging potential or actual E&S Risks to the ESG Customer Success team.

The ESG Customer Success team is responsible for identifying, analyzing, assessing and monitoring E&S Risks. When escalation is needed, the ESG Customer Success team will engage with the Relationship and Transaction Committee for a decision.

The Relationship and Transaction Committee is responsible for overseeing, directing and challenging risk assessments and recommendations objectively and effectively.

Risk ratings are overseen and approved by the Risk Management Office.

## 4. REPORTING REQUIREMENTS

The table below sets out the minimum reporting requirements for the ***Climate Change Policy***.

**Table 1: Reporting Requirements**

Report	Frequency	Description	Distribution
Various	Biennially	Provide a summary of any relevant updates regarding the implementation of EDC’s Environmental and Social Risk Management (ESRM) Policy Framework, which includes the <b><i>Climate Change Policy</i></b>	<p>Distributed by:</p> <p>Chief Corporate Sustainability Office and Senior Vice-President, Sustainable Business &amp; Enablement</p> <p>Distributed to:</p> <p>Board of Directors</p> <p>Senior Management</p>
<b><i>Integrated Annual Report</i></b> and stand-alone <b><i>Climate-Related Disclosure</i></b> report	Annually	Provide an overview of EDC’s implementation of the <i>Recommendations of the Task Force on Climate-Related Financial Disclosures</i>	<p>Distributed by:</p> <p>Chief Corporate Sustainability Officer and Senior Vice-President, Sustainable Business &amp; Enablement</p> <p>Distributed to:</p> <p>Disclosed externally</p>

## 5. REVIEWS AND REVISIONS

The **Climate Change Policy** is reviewed and approved every three years, or more frequently should circumstances require. Reviews are conducted in consultation with internal and external stakeholders.

Any revisions to, or rescinding of, this **Climate Change Policy** are accompanied by supporting detail on the material changes and associated rationale.

Roles and responsibilities with regard to approval, revision and/or rescinding of the **Climate Change Policy** are as described in the table below.

Any minor off-cycle adjustments to this **Climate Change Policy** may be made in adherence with and as set out in the **Policy of Policies**.

**Table 2: Reviews and Revisions**

Document	Review & Recommend for Approval, Revision (or Rescinding)	Approval	Approval Cycle
<b>Climate Change Policy</b>	Chief Corporate Sustainability Officer and Senior Vice-President, Sustainable Business & Enablement and endorsed by an Executive-level committee	Board of Directors	At least every three years, unless deemed otherwise by the Board

## 6. ESCALATION AND EXCEPTIONS

All exceptions or instances of non-compliance to this ***Climate Change Policy*** are assessed by the Policy Monitor and escalated to the Policy Owner for resolution or approval.

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

- Identify the applicable section(s) of the Policy 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 Policy exception.

The Policy Owner is accountable for the process of identifying, recording and reporting on exceptions or instances of non-compliance with this Policy. Policy exceptions will be disclosed.

## 7. RELATED DOCUMENTS

### 7.1. DOCUMENT HIERARCHY

The following documents stem from the *Climate Change Policy*:

- *Due Diligence Framework: Climate Change*

### 7.2. OTHER RELATED DOCUMENTS

The following documents relate to the *Climate Change Policy*:

- *ESRM Policy*
- *ESRD*
- *Environmental and Social Risk Management Review Guideline*
- *Human Rights Policy*
- *Internal Audit Charter*
- *Transparency and Disclosure Policy*
- *Policy of Policies*
- *2015 Paris Climate Change Agreement*
- *Equator Principles*
- *Recommendations of the Task Force on Climate-Related Financial Disclosures*
- *IFC Performance Standards*
- *OECD Common Approaches*

## 8. EFFECTIVE DATE

This revised version of the *Climate Change Policy* is effective on October 13, 2022.

## 9. DEFINITIONS

In this Policy, the names of EDC teams and groups are capitalized and refer to the teams/groups as set out in EDC's corporate directory.

Capitalized terms other than name of EDC teams or groups are defined terms, as set out below.

**Table 3: Definitions**

Terminology	Definition
<i>2015 Paris Climate Change Agreement</i>	An international agreement under the auspices of the <i>United Nations Framework Convention on Climate Change (UNFCCC)</i> that aims to strengthen the global response to the threat of climate change by: <ul style="list-style-type: none"> <li>(a) Holding the increase in the global average temperature to well below 2 °C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 °C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change;</li> <li>(b) Increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production; and</li> <li>(c) Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.</li> </ul>
Board of Directors (Board)	EDC's board of directors.
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.
Customer	In the context of this Policy, 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.
E&S Risks	Any actual or potential adverse impacts on the environment (including climate, biodiversity, ecosystems and natural resources); human rights; labour and working conditions; community rights and wellbeing, health, safety and security; land acquisition and involuntary resettlement; and Indigenous Peoples that may be associated with EDC's business.
<i>Equator Principles</i>	A risk management framework, adopted by financial institutions, for determining, assessing and managing environmental and social risk in projects and is primarily intended to provide a minimum standard for due diligence and monitoring to support responsible risk decision-making.

ESG	Refers to environmental, social and governance factors that help organizations manage risks and opportunities by integrating them into decision-making.
Executive	The cadre of managers that provides the most senior level of review, guidance and decision-making.
Framework	A broad overview of interlinked items that support a particular approach by EDC to a specific objective.
Guideline	A document which sets out the parameters within which EDC employees should act and the Standards which should be defined to achieve expected outcomes and Policy requirements. This includes mandatory controls, or alternatively guidance, recommendations or best practices.
<i>IFC Performance Standards</i>	The <i>International Finance Corporation’s Performance Standards on Social and Environmental Sustainability</i> , as amended from time to time.
Independent Assurance	The process for assuring the Board and senior management that a Policy and its related Guidelines (or Standards), Procedures and Frameworks are effectively designed and functioning as intended.
Indigenous Peoples	<p>There is no universally accepted definition of “Indigenous Peoples”. Indigenous Peoples may be referred to in different countries by such terms as “Indigenous ethnic minorities”, “aboriginals”, “hill tribes”, “minority nationalities”, “scheduled tribes”, “first nations”, or “tribal groups”. As in <i>IFC Performance Standard 7</i>, the term “Indigenous Peoples” is used here in a generic sense to refer to a distinct social and cultural group possessing the following characteristics in varying degrees:</p> <ul style="list-style-type: none"> <li>• Self-identification as members of a distinct indigenous cultural group and recognition of this identity by others;</li> <li>• Collective attachment to geographically distinct habitats or ancestral territories in the project area and to the natural resources in these habitats and territories;</li> <li>• Customary cultural, economic, social, or political institutions that are separate from those of the mainstream society or culture; or</li> <li>• A distinct language or dialect, often different from the official language or languages of the country or region in which they reside.</li> </ul>
Just Transition	A transition to a Net Zero economy which maximizes benefits for workers, communities and Indigenous Peoples.
Net Zero	Achieving net zero emissions means the economy either emits no greenhouse gas emissions or offsets its emissions, for example,

	through actions such as tree planting or employing technologies that can capture carbon before it is released into the air.
<i>OECD Common Approaches</i>	The <i>Organization for Economic Co-operation and Development Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (OECD Common Approaches)</i> , an international multilateral consensus on environmental review practices that aims to level the international playing field and ensure that projects supported by export credit agencies meet established international environmental and social standards.
Policy	A document which sets out the principles or protocols to guide decisions and achieve expected outcomes. Policies are derived from EDC’s mandate, missions, strategic objectives and Risk Appetite.
Policy Approver	The authority responsible for approving the Policy (i.e. Board of Directors, President & CEO, Chief Business Officer or Senior Vice-President).
Policy Monitor	The authority responsible for monitoring, ensuring and attesting to compliance with the Policy, and also responsible for reporting instances of non-compliance to the Policy Owner (if Policy Monitor is different from the Policy Owner).
Policy of Policies	A Policy to control the interrelationship, make-up, development, revision and rescinding of other Policies, Guidelines (or Standards) and Procedures and associated Frameworks.
Policy Owner	The senior Executive responsible for the matters addressed by the Policy. This includes responsibility for ensuring the Policy’s development, implementation and maintenance.
Portfolio	A set of programs, projects or products managed as a group to achieve business and corporate strategic objectives.
Procedures	Step-by-step instructions (including process maps where available and job aids) to complete a task to implement Policies and Guidelines (or Standards). These documents should describe a series of actions on how to perform an activity to achieve expected outcomes.
<i>Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)</i>	Appointed by the Financial Stability Board, the TCFD developed voluntary recommendations for climate-related financial disclosures that aim to provide consistent, reliable, clear and decision-useful climate change information to lenders, insurers and investors.  The TCFD published its final report – <i>Recommendations of the Task Force on Climate-related Financial Disclosures (Recommendations)</i> — at the end of June 2017. EDC announced its support for these in September 2018.
Relationship and Transaction Committee (RTC)	A Vice-President level management and working group that is responsible for providing guidance and direction to virtual teams on

	proposed business solutions, strategic account direction as well as approval of onboarding and escalated non-credit issues.
Risk Appetite	The degree and types of risk EDC is prepared to accept in pursuit of its objectives.
Risk Management Committee	An Executive-level committee that is responsible for reviewing and recommending transactions for Board approval, reviewing and overseeing the management of enterprise governance, risk and control activities, and understanding significant existing and emerging risks and their impact on EDC's risk profile.
Risk Management Office	The team that is responsible for optimizing EDC's capacity and appetite for assuming risk in support of customers, consistent with EDC's business plans and objectives.
Standards	Requirements that are mandatory, prescriptive and intended to be binding on EDC's employees.

## AUTHORITY SIGNATURES

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**Approved by:** Martine Irman, Chair - Board of Directors

13/10/2022

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**Recommended by:** Rahul Chandran, Vice-President, ESG Policy

26/09/2022

## CONTROL SHEET

Policy Name:	Climate Change Policy
Policy Owner:	Chief Corporate Sustainability Officer and Senior Vice-President, Sustainable Business & Enablement
Policy Monitor:	Vice-President, ESG Policy
Version:	3.0
Recommended by:	Rahul Chandran, Vice-President, ESG Policy
Endorsed by (if applicable):	N/A
Approved by:	Board of Directors
Approval date:	October 13, 2022
Effective date (of this version):	October 13, 2022
Inaugural effective date:	January 28, 2019
Next Review Date:	October 13, 2025

## REVISION HISTORY

Version	Approved / Reviewed / Revised / Rescinded	Date	Comments
1.0	Approved by the Board	December 7, 2018	Inaugural
1.1	Minor Revisions	November 22, 2019	Revised to indicate a new Policy Owner, resulting from a corporate restructuring.
2.0	Approved by the Board	April 27, 2020	No substantive changes. Minor updates to reflect finalized documents in Section 7
2.1	Minor Revisions	January 30, 2021	Minor changes to align with updated corporate Policy template and Policy Management Guideline.
2.2	Minor Revisions	December 12, 2021	Minor changes to update titles of Policy Owner and Policy Monitor
3.0	Approved by the Board	October 13, 2022	Revised as part of Environmental and Social Risk Management (ESRM) Policy Framework Review

## APPENDIX A: THERMAL COAL POSITION

From the Effective Date of this Policy, EDC no longer provides new:

- financing for the development, construction or expansion of unabated<sup>[1]</sup> coal-fired power plants (CFPPs), regardless of geographic location<sup>[2]</sup>;
- financing for new industrial projects that are supported by the combustion of thermal coal where, in EDC's view, economically and technically viable alternatives exist, even if the financing is not specifically earmarked for thermal coal infrastructure;
- financing for the development, construction or expansion of thermal coal mines or other-transactions solely focused on supplying CFPPs (e.g., thermal coal terminal, rail links);
- financing to businesses for which thermal coal power generation and/or thermal coal mining account for more than 40% of their revenue<sup>[3]</sup>, as determined by EDC;
- financing for an existing CFPP unless the financing will be used to equip that facility with-abatement<sup>1</sup> technologies satisfactory to EDC; or
- credit insurance policies or renewals of existing policies to Canadian businesses for which thermal coal power generation and/or thermal coal mining account for more than 40% of their revenue<sup>[4]</sup>, as determined by EDC.

**By 2030**, EDC commits to:

- no longer provide financing or issue insurance policies to businesses for which thermal coal-related business accounts for more than 20% of their revenue, as by EDC; and
- only provide financing or issue insurance policies to businesses for which thermal coal-related business accounts for more than 20% of their revenue, as determined by EDC, when:
  - The use of funds is directed to the sustainable repurposing, decommissioning, abating, or retiring of an existing CFPP, or
  - The financing or insurance policy is not for activities related to thermal coal.

<sup>[1]</sup> Abatement may include carbon capture and storage or equivalent emission reduction technology satisfactory to EDC.

<sup>[2]</sup> This position also applies to financing for new industrial projects, if powered by captive CFPPs, even if the financing is not specifically earmarked for the captive plant.

<sup>[3]</sup> EDC would consider support for such businesses if the financing were specifically in support of a renewable energy project that meets EDC's corporate sustainability and responsibility requirements.

<sup>[4]</sup> EDC would consider support for such businesses if the credit insurance policies were specifically in support of the sustainable repurposing, decommissioning, abating, or retiring of an existing CFPP, or if the policies were for activities unrelated to thermal coal.