



2021 REPORT

EDC MATERIALITY ASSESSMENT

May 2022

Canada

 EDC
TAKE ON THE WORLD





Environmental, social and governance (ESG) practices are top of mind for EDC, our customers, our stakeholders, and Canada. This focus makes it more important than ever to understand and prioritize our ESG risks and opportunities.

BACKGROUND

In 2017, EDC conducted its first materiality assessment to inform decision-making and our annual ESG reporting. Since then, the importance of non-financial risk factors has only increased. EDC has responded by making ESG a key enabler of our 2030 corporate strategy, placing ESG principles and practices at the core of our corporate decisions.

In 2021, EDC conducted a second materiality assessment to identify the ESG topics of greatest importance to our internal and external stakeholders. The assessment will help frame and focus EDC's strategy, initiatives, and disclosure by prioritizing topics, highlighting risks and growth opportunities, and driving alignment on organizational goals.

This report highlights the methodology, stakeholder engagement, findings, and next steps from EDC's 2021 materiality assessment.

METHODOLOGY

In partnership with a third-party vendor, EDC conducted the materiality assessment following a phased approach. The process can be summarized in these key steps:

1. Establish an Assessment Framework

Developed a tool to support the scoring of topics based on selected peer disclosures, stakeholder engagement and relevant document review.

2. Define a Universe of ESG Topics

Developed a ‘universe of ESG topics’ potentially material for EDC by reviewing internal and external documentation, research, and peer disclosures to analyze ESG drivers and conduct topics-based benchmarking. Research was conducted to identify emerging ESG opportunities and risks influencing the financial and export credit agency (ECA) sector, which could have an impact on EDC’s ESG strategy.

Topics-based benchmarking is based on the narrative and disclosure of peers. We selected four financial institutions and four export credit agencies (ECAs) to develop the universe of topics and to assess the current state of ESG management and disclosure at EDC.

3. Prioritize the Topics

Through internal and external stakeholder interviews, focus groups, and desktop research, the perspectives of EDC’s key stakeholders were captured to prioritize the most material ESG topics.

4. Review and Validate the Topics

The results of the materiality assessment, including overall prioritization, were reviewed and adjusted as appropriate through a validation workshop with EDC leaders. Key findings were also shared with EDC’s Board of Directors and executive committees.

5. Integrate Results into our ESG and Corporate Strategies

Our long-term goal is to build the results of this materiality assessment into our ESG and corporate strategies, goals, and governance processes, and consider them in the wider landscape of ongoing initiatives within EDC.

The Materiality Matrix

The materiality matrix is a prioritization tool to elevate the material information from the wider universe of ESG topics.

Issues that are highly prioritized from both internal and external perspectives are defined as material topics. These topics are considered the most important to EDC's overall performance.

It's important to note that all topics on the matrix are considered important to EDC, regardless of their relative position on the matrix.

[See page 6](#) for definitions of the material topics.

Addressing these topics is the foundation of our ESG strategy going forward.



KEY STAKEHOLDERS

The materiality assessment is an important part of EDC's ongoing dialogue with key stakeholders. Interviews were conducted by an independent third party to encourage candid feedback on EDC's ESG journey. More than 30 interviews were conducted with key stakeholders, including:

- EDC's ESG Advisory Council
- Internal stakeholders from across EDC's business units
- External stakeholders, including:

Industry Associations



Civil society organizations



EDC's key stakeholders were identified for the following purposes:

- To ensure coverage of key stakeholder perspectives across EDC's value chain.
- To inform the relevant prioritization of stakeholder interviews.



“Sustainable finance is where EDC can show others how we can support the economy while also transitioning to the net-zero future”
– EDC Employee

“Ensuring EDC is using its processes to help encourage safe and secure management of environmental impacts is a priority”
– Industry Association

“EDC needs to be more aggressive to attract and retain people; we need to invest in human capital to deliver on our ESG mandate”
– EDC Employee

“As a public institution there should be an added level of human rights obligation on EDC”
– Civil Society Organization

“As an external stakeholder, transparency and communication is fundamental; it is key to building stakeholder confidence”
– Civil Society Organization

“Consistency and transparency around ESG risk due diligence is what stakeholders and customers want to see”
– Industry Association



STAKEHOLDER FEEDBACK

The materiality assessment showed that internal and external stakeholders prioritize ESG topics differently:

- Of the top 5 topics for employees (internal), 60% are related to social impact or human capital, and there are no governance topics.
Example: Inclusion, diversity, and equity. EDC’s employees recognize that as a crown corporation, it is critical for EDC to succeed with ID&E.
- Of the top 5 topics for industry associations (external), 60% are related to social impact.
Example: Human rights. Identified as the most important topic to external stakeholders under social impact and they believe that, as a public institution, EDC has even more of an obligation to respect human rights.
- Of the top 5 topics for civil society organizations (external), 60% are related to environmental stewardship.
Example: Sustainable/Transition Finance. This stakeholder group asserts that sustainable finance is an opportunity for EDC to support the just transition and assist companies struggling in this area.
- Environmental impact of the portfolio was identified as the most important topic in the external stakeholder interviews to both industry associations and civil society organizations.

To learn more about how EDC is already addressing some of these topics, see our [Integrated Annual Report](#).

EDC values the views of all its stakeholders and actively seeks their input. EDC will revisit and revise its ESG topics and evolve its ESG strategy on an ongoing basis.

For any feedback, questions or more information, please contact us at ESG@edc.ca.

COMMITTING TO DRIVE CHANGE

Through this assessment, we learned that EDC has an opportunity to more clearly link its ESG goals with the organization’s business objectives and to communicate our progress to stakeholders.

With the materiality findings in-hand, we are looking to:

- Perform a materiality assessment with regular cadence
- Continue dialogue and engagement with stakeholders on ESG issues going forward
- Further develop the ESG roadmap and action plans for embedding ESG across EDC
- Use the materiality assessment to inform our approach to reporting

DEFINITION OF EDC’S MATERIAL TOPICS

Material Topics	Areas of Strategic Focus
Environmental Impact of the Portfolio	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.
Climate Risk & Opportunity Management	Management of risks and opportunities associated with large-scale climate trends and patterns that could potentially benefit or harm the organization.
Human Rights	Respecting human rights wherever the company does business, across the value chain, including customer due diligence.
ESG Risk Due Diligence	Applying enterprise risk management processes to identify, assess and manage enterprise-level ESG risks and opportunities, as well as the consideration of ESG in the management of company investment and decision making.
Transparency and Communication	Provision of transparent information regarding products and services to customers and stakeholders.
ESG Knowledge Sharing and Capacity Building	Policies, processes and initiatives to raise awareness of key ESG issues and best practices amongst employees, customers and suppliers. This includes developing external ESG knowledge products and internal training programs and supporting ESG-related performance improvement.
ESG Oversight and Corporate Governance	The Board's and Management's oversight on, and involvement with, ESG issues, including ESG as a part of decision-making processes and appointment of committees to support ESG areas of focus.
Inclusion, Diversity, and Equity	The promotion and management of ID&E at EDC based on factors such as gender, age, cultural background, physical abilities, race, religion and sexual orientation, at all levels of the organization and across the value chain.
Talent	The ability to attract, retain and develop a highly skilled workforce to meet business needs and enhance company culture.



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