

# Second-Party Opinion

## EDC Sustainable Finance Framework

### Evaluation Summary

Sustainalytics is of the opinion that the EDC Sustainable Finance Framework is credible, impactful and aligned with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023 and Social Loan Principles 2023. This assessment is based on the following:



**USE OF PROCEEDS** The eligible categories for the use of proceeds<sup>1</sup> are aligned with those recognized by the Green Bond Principles, Social Bond Principles, Green Loan Principles and Social Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15.



**PROJECT EVALUATION AND SELECTION** For Sustainable Bonds, EDC's Sustainable Bond Working Group will be responsible for the evaluation and selection of green, social and transition projects as per the Framework's eligibility criteria. For Sustainable Loans, EDC has communicated to Sustainalytics that its Sustainable Finance team will review loans documents to evaluate the process through borrowers identify eligible projects and to ensure alignment of the financed projects with the Framework's criteria. EDC has adopted its Environmental and Social Risk Management Policy Framework to identify and manage environmental and social risks associated with the financed projects. Sustainalytics considers the project selection process in line with market practice.



**MANAGEMENT OF PROCEEDS** EDC's Sustainable Bond Working Group will oversee the management and allocation of Sustainable Bond proceeds using a portfolio approach, which will be monitored quarterly by the Treasury and Loan Services department. EDC intends to fully allocate net bond proceeds within 24 months of issuance. Pending allocation, the unallocated proceeds will be temporarily invested in accordance with EDC's liquidity policy. For Sustainable Loans, EDC has communicated to Sustainalytics that the Sustainable Finance team will be accountable for ensuring that loan documents include the borrowers' intentions to achieve full allocation of loan proceeds immediately upon origination, without any temporary allocation. This is in line with market practice.



**REPORTING** For Sustainable Bonds, EDC commits to report on the allocation of bond proceeds in its integrated annual report or bond report, on its website, until full allocation. EDC also commits to report on the sustainability impact of the financed projects, where feasible. For Sustainable Loans, EDC has communicated to Sustainalytics that, given that the loans are expected to be allocated by the borrowers immediately upon origination, it does not require periodic allocation and impact reporting by the borrowers under the Framework. Sustainalytics considers this process to be in line with market practice.



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**For inquiries, contact the Sustainable Corporate Solutions project team:**

**Sameen Ahmed (Toronto)**

Project Manager

[Sameen.Ahmed@morningstar.com](mailto:Sameen.Ahmed@morningstar.com)

**Gizem Celik Bayar (Toronto)**

Project Support

**Adam Segreti (Toronto)**

Project Support

**Carlos Vinuesa (Toronto)**

Project Support

**Sidharth P R (Mumbai)**

Project Support

**Anna Leckman (Toronto)**

Client Relations

[susfinance.americas@sustainalytics.com](mailto:susfinance.americas@sustainalytics.com)

(+1) 646 518 9623

<sup>1</sup> i) Renewable Energy; ii) Energy Efficiency; iii) Pollution Prevention and Waste Management; iv) Environmentally Sustainable Management of Living Natural Resources and Land Use, and Nature-based solutions; v) Green Buildings and Infrastructure; vi) Clean Transportation; vii) Sustainable Water and

## Introduction

Export Development Canada (“EDC”) is Canada’s export credit agency and a Crown corporation that provides financial services and products, including loans, guarantees, equity and insurance, to Canadian exporters and investors. In 2023, EDC served more than 27,000 companies, facilitated CAD 131.4 billion (USD 92 billion) in business and trade volume (equivalent to 3.3% of Canada’s GDP) and supported 520,000 full-time jobs in Canada.<sup>2</sup> EDC was founded in 1944 and is headquartered in Ottawa, Canada.

EDC has developed the EDC Sustainable Finance Framework dated January 2025 (the “Framework”), under which it intends to issue or originate green, social, sustainability and transition bonds (collectively, the “Sustainable Bonds”), sustainability loans<sup>3</sup> and guarantees (the “Sustainable Loans”) and other transactions,<sup>4,5</sup> to finance or refinance, in whole or in part, existing and future projects that are expected to create positive environmental and social impacts.

The Framework defines eligibility criteria under the following environmental categories:

1. Renewable Energy
2. Energy Efficiency
3. Pollution Prevention and Waste Management
4. Environmentally Sustainable Management of Living Natural Resources and Land Use, and Nature-Based Solutions
5. Green Buildings and Infrastructure
6. Clean Transportation
7. Sustainable Water and Wastewater Management
8. Climate Change Adaptation
9. Circular Economy Adapted Products, Production Technologies and Processes

The Framework defines eligibility criteria under the following social categories:

10. Affordable Basic Infrastructure
11. Access to Essential Services: Health and Education
12. Economic Inclusion & Participation
13. Food Security and Sustainable Food Systems
14. Loans to Registered Social Enterprises and Not-for-Profit Organizations

The Framework defines eligibility criteria under the following transition categories:

15. Carbon Capture Utilization, Storage and Transport
16. Low-Carbon Intensity Fuels
17. Hydrogen
18. Natural Gas (Midstream and Downstream)
19. Steel Manufacturing
20. Cement Manufacturing
21. Aluminium Manufacturing
22. Mining and Extractive Sectors
23. Aerospace
24. Shipping Ports Infrastructure
25. Airports

EDC engaged Sustainalytics to review the Framework and provide a Second-Party Opinion on the Framework’s environmental and social credentials and its alignment with the Sustainability Bond Guidelines 2021 (SBG),

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Wastewater Management; vii) Climate Change Adaptation; ix) Circular Economy Adapted Products, Production Technologies and Processes; x) Affordable Basic Infrastructure; xi) Access to Essential Services: Health and Education; xii) Economic Inclusion & Participation; xiii) Food Security and Sustainable Food Systems; xiv) Loans to Registered Social Enterprises and Not-for-Profit Organizations; xv) Carbon Capture Utilization, Storage and Transport; xvi) Low-Carbon Intensity Fuels; xvii) Hydrogen; xviii) Natural Gas (Midstream and Downstream); xix) Steel Manufacturing; xx) Cement Manufacturing; xxi) Aluminium Manufacturing; xxii) Mining and extractive sectors; xxiii) Aerospace; xxiv) Shipping ports infrastructure; and xxv) Airports.

<sup>2</sup> EDC, “2023 Integrated Annual Report”, at: <https://www.edc.ca/content/dam/edc/en/corporate/corporate-reports/annual-reports/edc-2023-annual-report.pdf>

<sup>3</sup> EDC has communicated to Sustainalytics that it may use the Framework to obtain and originate multi-tranche loan facilities. EDC intends to label only those tranches of such facilities whose proceeds will be allocated according to the eligibility criteria in the Framework..

<sup>4</sup> Sustainalytics notes that the Framework allows for the origination of general corporate purpose sustainability-linked loans and labelled equity transactions, which are not covered under the scope of the Sustainalytics’ second-party opinion. As such, Sustainalytics’ assessment is limited to the issuance of labelled use of proceeds bonds and loans under the Framework.

<sup>5</sup> EDC has communicated to Sustainalytics that it will ensure no double counting of projects financed with proceeds from the Sustainable Bonds and Sustainable Loans.

Green Bond Principles 2021 (GBP), Social Bond Principles 2023 (SBP),<sup>6</sup> Green Loan Principles 2023 (GLP) and Social Loan Principles 2023 (SLP)<sup>7</sup>. The Framework will be published in a separate document.<sup>8</sup>

### Scope of work and limitations of Sustainalytics' Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent<sup>9</sup> opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Sustainability Bond Guidelines 2021, Green Bond Principles 2021, and Social Bond Principles 2023, as administered by ICMA, and the Green Loan Principles 2023 and Social Loan Principles 2023, as administered by LMA, APLMA, and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.17.2, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of EDC's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. EDC representatives have confirmed (1) they understand it is the sole responsibility of EDC to ensure that the information provided is complete, accurate and up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework. Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and EDC.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that EDC has made available to Sustainalytics for the purpose of this Second-Party Opinion.

<sup>6</sup> The Sustainability Bond Guidelines, Green Bond Principles and Social Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/>

<sup>7</sup> The Green Loan Principles and Social Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications and Trading Association and are available at: <https://www.lsta.org/content/green-loan-principles/#> and <https://www.lsta.org/content/social-loan-principles-slp/>

<sup>8</sup> The EDC Sustainable Finance Framework will be available on EDC's website at: <https://www.edc.ca/content/dam/edc/en/non-premium/sustainable-finance-framework.pdf>

<sup>9</sup> When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

## Sustainalytics' Opinion

### Section 1: Sustainalytics' Opinion on the EDC Sustainable Finance Framework

Sustainalytics considers the EDC Sustainable Finance Framework to be credible, impactful and aligned with the SBG and the four core components of the GBP, SBP, GLP and SLP. Sustainalytics highlights the following elements of the Framework:

- Use of Proceeds:
  - The eligible categories are aligned with those recognized by the GBP, SBP, GLP, and SLP. The eligible categories are: i) Renewable Energy; ii) Energy Efficiency; iii) Pollution Prevention and Waste Management; iv) Environmentally Sustainable Management of Living Natural Resources and Land Use, and Nature-Based Solutions; v) Green Buildings and Infrastructure; vi) Clean Transportation; vii) Sustainable Water and Wastewater Management; viii) Climate Change Adaptation; ix) Circular Economy Adapted Products, Production Technologies and Processes; x) Affordable Basic Infrastructure; xi) Access to Essential Services: Health and Education; xii) Economic Inclusion & Participation; xiii) Food Security and Sustainable Food Systems; xiv) Loans to Registered Social Enterprises and Not-for-Profit Organizations; xv) Carbon Capture Utilization, Storage and Transport; xvi) Low-Carbon Intensity Fuels; xvii) Hydrogen; xviii) Natural Gas (Midstream and Downstream); xix) Steel Manufacturing; xx) Cement Manufacturing; xxi) Aluminium Manufacturing; xxii) Mining and Extractive Sectors; xxiii) Aerospace; xxiv) Shipping Ports Infrastructure; and xxv) Airports.
  - EDC may finance general purpose corporate loans to entities that derive 90% or more of their revenue from activities meeting the eligibility criteria in the Framework. Sustainalytics believes that project and activity-based lending generally result in more direct environmental benefits and enhance compliance with the criteria in the Framework, however, financing pure play companies through green bond and loan proceeds is a commonly accepted approach that is likely to generate positive impacts.
  - Under the Renewable Energy category, EDC may finance or refinance the acquisition, development, manufacturing, fabrication, construction, operation, transmission, distribution and maintenance of renewable energy assets, according to the following criteria:
    - Offshore and onshore wind.
    - Solar photovoltaic and concentrated heat and power generation. For concentrated heat, EDC's financing will be limited to projects where at least 85% of the electricity is generated from solar energy.
    - Energy storage facilities including battery energy storage systems (BESS),<sup>10</sup> pumped hydro and advanced compressed air energy storage (A-CAES).
      - EDC has communicated to Sustainalytics that all energy storage systems will be connected to renewable energy or a transmission and distribution grid that is on a trajectory to full decarbonization, where: a) more than 67% of newly connected generation capacity comprises renewable energy; or b) the average system grid emissions factor is below 100 gCO<sub>2</sub>e/kWh measured on a product carbon footprint (PCF) basis, over a rolling five-year average period.
      - Additionally, regarding new pumped hydropower storage projects, EDC has communicated to Sustainalytics that environmental and social risk management and due diligence processes will be in place to ensure that projects involved in significant controversies related to environmental or social risks or impacts, such as loss of habitat, biodiversity and displacement of people, are excluded from financing.
    - Bioenergy production from: i) waste biomass, including agriculture and forestry residue, RSPO-certified palm oil residue, and wastewater and sewage sludge; and ii) non-waste feedstock certified under eligible certification schemes<sup>11</sup> with life cycle emissions intensity up to 100 gCO<sub>2</sub>e/kWh for electricity generation, or with at least

<sup>10</sup> These may be standalone facilities or co-located with renewable power.

<sup>11</sup> ISCC Plus, Bonsucro (for sugarcane), Round Table on Responsible Soy (RTRS), Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC) (for wood and wood pellets).

65%<sup>12</sup> lower life cycle emissions intensity than the relevant fossil fuel baseline for biofuels production.<sup>13</sup>

- EDC has communicated to Sustainalytics that waste feedstock for bioenergy projects will exclude animal fats and oil, animal processing by-products, as well as animal manure from industrial-scale livestock operations.
- Sustainalytics notes that livestock farming has a significant carbon and water footprint that is not addressed using livestock by-products in energy generation. Furthermore, such livestock farming activities may contribute to land degradation, biodiversity loss and deforestation. Nevertheless, Sustainalytics considers that the use of residues from day-to-day operations of existing facilities for energy generation provides positive impacts in the short term.
- Marine renewables such as tidal and wave power facilities, ocean thermal energy conversion (OTEC) and salinity-driven energy facilities (salinity gradients).
- Hydrogen and ammonia generation facilities using electrolysis powered by low-carbon energy<sup>14</sup> with well-to-gate emissions intensity up to 3.4kgCO<sub>2</sub>e/kg-H<sub>2</sub>, and 0.87kgCO<sub>2</sub>e/kg-NH<sub>3</sub>, respectively.
- Sustainalytics encourages EDC to favour electricity produced from renewables when sourcing power for the electrolysis process.
- Geothermal energy facilities with life cycle emissions intensity lower than 100g CO<sub>2</sub>e/kWh.
- Hydropower projects including: i) Run-of-river hydropower projects without artificial reservoirs; ii) hydropower facilities operational after 2019 with life cycle emissions intensity below 50 gCO<sub>2</sub>e/kWh or power density greater than 10 W/m<sup>2</sup>; iii) hydropower facilities operational before 2019 with life cycle emissions intensity below 100 gCO<sub>2</sub>e/kWh or power density greater than 5 W/m<sup>2</sup>; and iv) refurbishment, operation and maintenance of existing hydroelectric facilities, provided the size of the dam or reservoir is not increased<sup>15</sup> and meets the hydropower criteria above. EDC has confirmed that all new hydropower projects will undergo an environmental and social impact assessment and that no new projects will be undertaken if the assessment has identified negative impacts or associated controversies.
- Waste-to-energy projects including: i) landfill gas capture from closed or decommissioned landfills with 75% or more gas capture efficiency;<sup>16</sup> and ii) incineration of municipal solid waste for energy generation where recyclables, especially plastics, are separated out prior to energy conversion, and the emissions intensity is below 100 gCO<sub>2</sub>e/kWh.
- Nuclear power plants (including small and micro modular reactors), specifically: i) development and operation of new nuclear power plants; ii) refurbishment of existing nuclear power plants, including supporting infrastructure to increase lifetime or capacity; iii) research and development of advanced technologies for nuclear power generation and the secure management or storage of radioactive waste; and iv) measures supporting the deployment of nuclear energy for electricity and heat generation including: a) nuclear fuel processing, refining, conversion, fuel fabrication, EPC (engineering, procurement, and construction), maintenance, testing, consulting, safety design and strategies, and mechanical hardware, and b) specific components and systems such as structures and improvements, reactor equipment, fuel storage racks, fuel handling equipment, reactor protection systems, turbine generators, valves and pumps, steam generators, reactor pressure vessels and internals, electrical equipment, heat rejection systems, and simulators.

<sup>12</sup> Pre-2021 installations with lifecycle emissions intensity 60% lower than the fossil fuel baseline and pre-2015 installations with lifecycle emissions intensity 50% lower than the baseline.

<sup>13</sup> Fossil fuel baselines for biofuel production include: i) 94 gCO<sub>2</sub>e/MJ (for transportation); ii) 183 CO<sub>2</sub>e/MJ (electricity production); and iii) 80 CO<sub>2</sub>e/MJ (heat production).

<sup>14</sup> Representing a 70% lower intensity from fossil fuel-derived grey hydrogen and ammonia or well-to-gate LCA.

<sup>15</sup> If the project increases the size of the dam or reservoir, it will be subject to a new environmental and social impact assessment by a credible body demonstrating that there are no significant risks, controversies or expected negative impacts.

<sup>16</sup> Sustainalytics notes that recovering methane produced from a closed landfill will not prolong the lifespan of the landfill and is a key strategy to reduce methane emissions from waste.

- EDC has communicated that all nuclear power projects will be undertaken in jurisdictions that have i) regulations and regulatory enforcement mechanisms for site selection, safe operation of nuclear power facilities, and safe management of radioactive waste; and ii) a strong safety track record, including no significant incidents in the past 10 years, in operation of nuclear facilities and management of radioactive waste from nuclear power facilities. Qualifying projects will also be subject to jurisdictional or entity-level policies to ensure the responsible sourcing of uranium and secure, long-term storage of high-level radioactive waste.
- Sustainalytics notes that, the Framework sets credible criteria for the financing of nuclear-related activities, including jurisdiction, but does not specify which jurisdictions meet these criteria. Sustainalytics is therefore unable to opine on EDC's selection of jurisdictions for financing nuclear-related activities. Sustainalytics thus encourages EDC to transparently disclose the jurisdictions where nuclear-related expenditures will be financed prior to allocation, as well as the basis for its conclusion that nuclear power activities in each jurisdiction are adequately governed and have a strong safety record.<sup>17</sup>
- Transmission and distribution of electricity infrastructure on a trajectory to full decarbonization where: a) more than 67% of newly connected generation capacity in the system meets the definition of renewable energy; or b) the average system grid emissions factor is below 100 gCO<sub>2</sub>e/kWh measured on a PCF basis, over a rolling five-year average period.
- Renewable energy projects<sup>18</sup> that replace baseload generation to avoid surpassing the grid's limit.
- Sustainalytics considers the expenditures under this category to be aligned with market practice.
- Under the Energy Efficiency category, EDC may finance or refinance activities that increase energy efficiency or reduce energy consumption or GHG emissions intensity, including:
  - Manufacture and installation of: i) energy-efficient equipment and technologies such as LED lighting and non-fossil fuel powered heating, ventilation, air conditioning and cooling (HVAC) systems.
  - Smart meters and peak demand management technology, energy performance monitoring equipment and other hardware and software solutions that enable reduced power consumption, such as power saving features, machine learning and artificial intelligence applications.
    - EDC may finance smart meters for natural gas in buildings. Sustainalytics notes that such investments may still prolong fossil fuel consumption, despite being consistent with the EU Taxonomy Delegated Act.<sup>19</sup>
  - Energy management infrastructure, equipment and systems such as smart grid technology, including wide area monitoring system components, advanced and smart meters, automation devices and big data or computing platforms.
    - Despite the variety of definitions and applications of smart grid technology, Sustainalytics views positively investments that are designed to improve grid efficiency and encourages EDC to select projects that are clearly anticipated to deliver tangible efficiency improvements.
  - Energy-efficient batteries; electric powered district heating and cooling systems; and distribution networks powered at least 50% by renewable energy or waste heat from non-fossil fuel operations, or both.

<sup>17</sup> EDC has communicated to Sustainalytics that jurisdictions for which the Government of Canada has imposed sanctions, will not be considered for financing under the category. Further, all nuclear power projects will be undertaken in jurisdictions that have regulations and regulatory enforcement mechanisms to address site selection, the safe operation of nuclear power facilities, and safe management of radioactive waste from nuclear power facilities, as per the Country Nuclear Power Profiles (CNPP) maintained by the International Atomic Energy Agency (IAEA).

IAEA, "Global Status and Development of Nuclear Power Programmes", at: <https://cnpp.iaea.org/public/>

<sup>18</sup> Renewable energy projects will be as per the criteria defined under the Renewable Energy category.

<sup>19</sup> European Commission, "EU Taxonomy Delegated Act", at: <https://finance.ec.europa.eu/>

- Financing for: i) retrofit of renewable energy<sup>20</sup> power plants to make them more energy efficient; ii) cogeneration and combined heat and power plants;<sup>21</sup> and iii) micro-grids providing power solutions for remote or off-grid communities, campuses and businesses, which are powered by renewables and with fossil fuel back-up limited to less than 15%.
  - Modernization of broadband networks moving from copper to fibre optic or hybrid fibre coaxial and retrofitting legacy networks; mobile network upgrades to the latest technologies, such as 5G or 4G LTE.
    - The deployment of 5G technologies may increase the overall energy demand on networks, but reduce energy use per unit of data transmitted, enabling operational efficiency improvements across a range of industries and activities downstream of the network providers.
  - EDC has confirmed that the projects financed under the category will not be used to support processes that are inherently carbon intensive or are powered by fossil fuels.
  - Sustainalytics considers the expenditures under this category to be aligned with market practice.
- Under the Pollution Prevention and Waste Management category, EDC may finance or refinance the construction, development, operation, acquisition and maintenance of systems, technologies and equipment that support pollution prevention and control, meeting the criteria below:
- Recycling processes and infrastructure<sup>22</sup> that support source segregation of waste, such as: a) processing of mixed residual waste to produce feedstock for waste-to-energy projects where the majority of recyclables are segregated before energy conversion; b) processing of recyclable waste such as steel, aluminium or glass; c) processing of food, green or garden waste to produce compost for agricultural, municipal or consumer applications; d) processing of inorganic sludge; e) electronic-waste recycling; f) mechanical recycling of plastic; g) chemical recycling of plastics only in cases where the life cycle emissions of the recycled plastic is lower than primary fossil fuel stock and the end use application is not intended for single-use consumer products; and h) recycling of batteries.
  - EDC has communicated to Sustainalytics that the financed activities may include plastics-to-fuel conversion through chemical recycling of plastics. Sustainalytics notes that this process is highly energy intensive and may lead to air and water pollution (through the emissions of carbon monoxide, nitrogen oxides and sulphur dioxide) and that combustion of the fuel produced is unlikely to result in any GHG emissions savings. Given this, Sustainalytics considers that this activity is not expected to reap any environmental benefit.
  - Measures and technologies to reduce air pollution and improve air quality, such as the installation of smokestack scrubbers, process upgrades and sensors to monitor or test emissions control or compliance. EDC has confirmed that the Framework will exclude the financing of activities related to the prevention of air pollution that directly results from fossil fuel production and technologies that are inherently reliant on fossil fuels as an energy source.
  - Carbon capture removal technology such as direct air capture and biogenic carbon capture, including bioenergy with carbon capture and storage (BECCS).
    - Commercial-scale BECCS projects will follow the bioenergy criteria in the Renewable Energy category above, including having lower intensity than 100 gCO<sub>2</sub>e/kWh of GHG emissions; and ii) utilizing waste or certified non-waste as feedstock. Sustainalytics views this expenditure to be aligned with market expectations.
    - EDC has confirmed that the financing will exclude: i) carbon capture intended for enhanced oil recovery or applied to hard-to-abate industrial activities that

<sup>20</sup> Renewable energy projects as per the Framework's criteria.

<sup>21</sup> Powered by either solar thermal or biomass waste with feedstock as defined under the Renewable Energy category of the Framework.

<sup>22</sup> Where waste collection vehicles are considered, such vehicles will meet the direct emissions threshold specified in the "Clean Transportation" category below.

- are inherently carbon-intensive; and ii) power-to-gas projects where CO<sub>2</sub> is sourced from fossil fuel operations.
- Sustainalytics considers investments under this category, except for plastic-to-fuel conversion, to be aligned with market practice.
- Under the category Environmentally Sustainable Management of Living Natural Resources and Land Use, and Nature-Based Solutions, EDC may finance or refinance activities that aim to enhance the resilience of ecosystems, including:
- Forestry: i) afforestation and reforestation using native tree species that are well adapted to site conditions and with a sustainable management plan certified by the Forest Stewardship Council (FSC),<sup>23</sup> the Programme for the Endorsement of Forest Certification (PEFC),<sup>24</sup> the Sustainable Forest Initiative (SFI),<sup>25</sup> or the American Tree Farm System;<sup>26,27</sup> and ii) sustainably managed forestry with zero deforestation that achieve or are aiming to obtain these certifications.
  - Agriculture: i) sustainably managed agriculture certified by Canada Organic;<sup>28</sup> USDA Organic;<sup>29</sup> UTZ;<sup>30</sup> or Rainforest Alliance;<sup>31</sup> ii) techniques and technologies that improve resource use efficiency and promote sustainable crop agriculture;<sup>32</sup> iii) R&D and production of alternative proteins or nutritional ingredients with evidence of life cycle GHG emissions being significantly lower than meat counterparts,<sup>33</sup> and using raw materials from certified sustainable sources; iv) urban agriculture production, such as vertical farming, hydroponics and aeroponics coupled with strong energy efficiency measures and renewable energy procurement; and v) livestock management projects that reduce methane gas or GHG emissions, such as manure management with biogas digesters.
    - Sustainalytics acknowledges the potential of low-carbon agricultural technologies, such as vertical farming, hydroponics and aeroponics to reduce water and resource inputs but notes that such farming methods may be energy intensive. In this sense, EDC has confirmed that the projects financed will be powered by renewable energy sources and implement energy-efficiency measures. Therefore, Sustainalytics views this to be in line with market expectation.
    - EDC has communicated to Sustainalytics that: i) manure for use in biogas digesters will not be derived from large-scale livestock operations; ii) livestock management projects at industrial-scale livestock facilities will not be financed; and iii) the manufacture, purchase or distribution of inorganic or synthetic fertilizers, herbicides or pesticides will be excluded from financing.
    - For all agroforestry projects, Sustainalytics encourages EDC to promote the holistic deployment of conservation agriculture practices<sup>34</sup> through its lending criteria for agriculture projects.

<sup>23</sup> Forest Stewardship Council, at: <https://fsc.org/en/what-the-fsc-labels-mean>

<sup>24</sup> Programme for the Endorsement of Forest Certification, at: <https://pefc.org/standards-implementation/standards-and-guides>

<sup>25</sup> Sustainable Forest Initiative: <https://forests.org/standards/>

<sup>26</sup> American Tree Farm System: <https://www.treefarmssystem.org/>

<sup>27</sup> The third-party certifications do not apply to smallholders.

<sup>28</sup> Canada Organic, at: <https://inspection.canada.ca/organic-products/standards/eng/1300368619837/1300368673172>

<sup>29</sup> USDA organic, at: <https://www.ams.usda.gov/grades-standards/organic-standards>

<sup>30</sup> UTZ, at: <https://www.rainforest-alliance.org/utz/>

<sup>31</sup> Rainforest Alliance, at: <https://www.rainforest-alliance.org/resource-item/2020-sustainable-agriculture-standard-farm-requirements/#>

<sup>32</sup> These include advanced irrigation technologies (e.g., high-efficiency drip, flood or pivot irrigation), climate-resilient seeds and crops, organic pesticides and herbicides, fertilizer such as manure and compost as well as other novel fertilizers, no-till farming systems and crop rotation, satellite farming or site-specific crop management that enables data-driven agriculture management to improve efficiency of resources (e.g., remote sensing and GIS equipment).

<sup>33</sup> Average life cycle emissions of meat varieties in kgCO<sub>2</sub>e/kg, specifically for: i) Beef (beef herd) is 99.5; ii) Lamb and mutton is 39.7; iii) Beef (dairy herd) is 33.3; iv) Farmed prawns is 26.9; v) Cheese is 23.9; vi) Farmed fish is 13.6; vii) Pork is 12.3; and viii) Poultry is 9.9.

EU Platform on Sustainable Finance, "Technical Working Group", (2022), at: [https://finance.ec.europa.eu/system/files/2022-03/220330-sustainable-finance-platform-finance-report-remaining-environmental-objectives-taxonomy-annex\\_en.pdf](https://finance.ec.europa.eu/system/files/2022-03/220330-sustainable-finance-platform-finance-report-remaining-environmental-objectives-taxonomy-annex_en.pdf)

<sup>34</sup> Conservation Agriculture is a set of management practices that helps to maintain soil health, enhance biodiversity and natural biological processes above and below the ground surface, such as through conservation tillage; sowing of diverse cover crops; multiple crop rotation; soil restoration and management; nutrient and waste management; and no or minimal pesticides or synthetic fertilizers. FAO promotes the adoption of CA principles "that are universally applicable in all agricultural landscapes and cropping systems." Food and Agriculture Organization of the United Nations (FAO), Conservation Agriculture: <http://www.fao.org/conservation-agriculture/en/>



- Aquaculture: i) environmentally sustainable fishery and aquaculture certified by the Marine Stewardship Council,<sup>35</sup> Aquaculture Stewardship Council,<sup>36</sup> Global G.A.P for Aquaculture,<sup>37</sup> or Best Aquaculture Practices;<sup>38</sup> and ii) ecological restoration and aquatic biodiversity conservation of coastal, marine, freshwater and watershed environments, including wetlands.
- Conservation, restoration and protection from deterioration: i) remediation of contaminated sites, including supporting environmental professional services, such as the collection and treatment of contaminated soil, where contamination is not a result of the borrowers' own activities; ii) nature and biodiversity conservation, including achieving favourable conservation status of natural and semi-natural habitats and species, or preventing their deterioration; and iii) rewilding to create and restore habitats for wildlife and biodiversity, such as by developing biodiversity corridors and greening urban spaces.
  - EDC has communicated that the following are excluded in relation to this activity: i) using herbicides or insecticides, ii) activities related to culling, trapping or poisoning of vertebrate pests; and iii) commercial forests with no certifications.
- Sustainalytics considers expenditures under this category to be aligned with market practice.
- Under the Green Buildings and Infrastructure category, EDC may finance or refinance investments in: i) green buildings that achieve LEED (Gold or above);<sup>39</sup> BOMA Best (Gold or above);<sup>40</sup> BREEAM (Excellent or above);<sup>41</sup> ENERGY STAR (85 or above);<sup>42</sup> Toronto Green Standard v2 (Tier 2 or higher);<sup>43</sup> ii) refurbishment of commercial, residential or public buildings, which results in energy savings of 30% or more over pre-retrofit levels; and iii) buildings in the top 15% in the local building stock (city, province, state or country) in terms of GHG emissions or primary energy demand.
  - Sustainalytics considers the expenditures under this category to be aligned with market practice.
- Under the Clean Transportation category, EDC may finance or refinance the acquisition, upgrade, development, manufacturing, construction, operation and maintenance of passenger, public or freight vehicles and associated infrastructure and assets, including:
  - Zero direct emissions vehicles (electric or hydrogen), such as i) private and public passenger vehicles; ii) passenger rail, trams or buses; and iii) rail freight.
  - Hybrid vehicles for passengers or freight transport, meeting the following emissions thresholds: i) non-public passenger vehicles, such as passenger cars and commercial vehicles with tailpipe emissions below 75 gCO<sub>2e</sub>/km;<sup>44</sup> ii) public passenger vehicles, including light rail, trams and buses with tailpipe emissions lower than 50 gCO<sub>2e</sub>/pkm; and iii) freight rail vehicles with emissions up to 25 gCO<sub>2</sub>/tkm.
  - Zero direct emissions miscellaneous vehicles, such as cranes, forklifts, excavators.
  - Waste collection vehicles with direct emissions intensity threshold below 25 gCO<sub>2</sub>/km.
  - Transportation infrastructure dedicated to supporting the operation of energy-efficient private and public transport defined above, including expansions and capacity improvements of metro or train networks, station upgrades, traffic and public transport control centres and terminals, bus rapid transit infrastructure, such as dedicated lanes, depots and bus stops, electric charging stations and hydrogen fuelling stations.

<sup>35</sup> Marine Stewardship Council, at: <https://www.msc.org/standards-and-certification/developing-our-standards>

<sup>36</sup> Aquaculture Stewardship Council, at: <https://asc-aqua.org/business/get-certified/>

<sup>37</sup> Global G.A.P for Aquaculture, at: <https://www.globalgap.org/what-we-offer/solutions/ifa-aquaculture/>

<sup>38</sup> Best Aquaculture Practices, at: <https://www.bapcertification.org/Standards>

<sup>39</sup> LEED: <https://www.usgbc.org/leed>

<sup>40</sup> BOMA BEST: <https://www.boma.bc.ca/climate-action/boma-best/>

<sup>41</sup> BREEAM: [https://www.breeam.com/BREEAM2011SchemeDocument/Content/03\\_ScoringRating/scoring.htm](https://www.breeam.com/BREEAM2011SchemeDocument/Content/03_ScoringRating/scoring.htm)

<sup>42</sup> Energy Star: [https://www.energystar.gov/buildings/building\\_recognition/building\\_certification](https://www.energystar.gov/buildings/building_recognition/building_certification)

<sup>43</sup> Toronto Green Standard Version 2: <https://www.toronto.ca/city-government/planning-development/official-plan%20guidelines/toronto-green-standard/toronto-green-standard-version-2/>

<sup>44</sup> The emissions intensity thresholds of hybrid passenger vehicles will be based on the Worldwide Harmonized Light Vehicle Test Procedure (WLTP), which uses real-world driving data to replicate actual driving conditions.

- Information, communication and technology (ICT) systems that improve asset utilization such as car-sharing schemes (excluding ride-hailing services).
- Specialized parts or components exclusively intended for the above low-carbon transportation and battery components.<sup>45</sup>
- Public walking and cycling infrastructure and cycling schemes.
- Sustainalytics considers expenditures under this category to be aligned with market practice.
- Under the Sustainable Water and Wastewater Management category, EDC may finance or refinance activities that improve quality, reliability and conservation of water, including:
  - Infrastructure and technologies that help collect, treat, recycle, or reuse water, including desalination plants that: a) are powered by low-carbon sources, such as renewables,<sup>46</sup> or have an average carbon intensity of electricity used below 100 gCO<sub>2</sub>e/kWh; and b) have an appropriate waste management plan for brine disposal.
  - Water conservation initiatives, such as water metering, monitoring, and reporting, active leakage control, pressure management, digitalization and automation
  - Water capture and storage infrastructure, including storm water management systems, aquifer storage, rainwater harvesting systems.
  - Water distribution infrastructure, such as pipelines, pumping stations and drains, gravity-fed canal systems.
  - Watershed management activities (linked to improved land management, agricultural practices, and sanitation) to improve water quality and reduce sedimentation in downstream ecosystems such as reefs.
  - EDC has confirmed that financing will exclude: i) treatment of wastewater from fossil fuel operations; and ii) equipment or methods dependent on fossil fuels, including integrated water and power plants.
  - Sustainalytics considers the expenditures under this category to be aligned with market practice.
- Under the Climate Change Adaptation category, EDC may finance or refinance infrastructure, equipment, components and services that increase resilience against the impacts of climate change, including: i) flood mitigation barriers and wildfire mitigation efforts to address sea level changes, extreme weather events and natural disasters; and ii) information support systems and communications technologies such as satellite systems for climate observations, GHG emissions monitoring technologies and early warning systems.
  - EDC will ensure that all infrastructure projects under this category are supported by a vulnerability assessment and an adaptation plan that integrates a response plan to the conclusions and findings of the vulnerability assessment.
  - Sustainalytics considers the investments under this category to be in line with market practice.
- Under the Circular Economy Adapted Products, Production Technologies and Processes category, EDC may finance or refinance the following activities:
  - Procurement of 100% secondary (recycled or reused waste) materials such as fabrics, metals, fibres, glass, wood and mechanically recycled plastics as input in manufacturing and industrial processes, which have obtained a recognized third-party certification for their recycled or reused nature, including: a) Recycled Claim Standards;<sup>47</sup> b) Global Recycled Standard;<sup>48</sup> c) SCS Global Recycled Content Certification (SCS);<sup>49</sup> or d) Green Circle Certification.<sup>50</sup> EDC has confirmed that it will exclude procurement of materials intended for non-medical single-use plastics.
  - Production, development and manufacturing of recyclable or compostable products and packaging where the feedstock is from recycled or reused waste or sustainably sourced raw materials, with feedstock for non-plastic recyclable or compostable

<sup>45</sup> Where a production facility or an asset relates to both conventional and low-carbon vehicles, a pro-rata approach will be followed to identify the proportion of investments dedicated to eligible low-carbon transportation.

<sup>46</sup> As defined in the Renewable Energy category.

<sup>47</sup> Recycled Claim Standards, at: <https://textileexchange.org/recycled-claim-global-recycled-standard/>

<sup>48</sup> Global Recycled Standard, at: <https://www.controlunion.com/certification-program/grs-global-recycled-standard/>

<sup>49</sup> SCS Global Recycled Content Certification, at: <https://www.scsglobalservices.com/services/recycled-content-certification>

<sup>50</sup> Green Circle Certified, at: <https://www.greencirclecertified.com/who-we-are>

products and packaging certified by a credible certification scheme. EDC has communicated to Sustainalytics that certification schemes may include RPA-100%, RTRS standard, ISCC Plus or equivalent.

- Sustainalytics considers the above-mentioned certification schemes to be credible, and notes that it is market practice to provide transparency on the intended schemes. Therefore, Sustainalytics encourages EDC to provide disclosure on any certifications it intends to use for the purposes of determining eligibility. Sustainalytics is not able to opine on certification schemes not listed in the Framework.
  - Additionally, EDC has confirmed to Sustainalytics the exclusion of the procurement of recycled waste or waste inputs intended for: plastic packaging for single-use consumer products; commercial-scale manufacturing, production of resource-efficient or low-carbon products without details on manufacturing processes, assurance of sustainable sourcing or a reasonable basis for substantial reduction of life cycle emissions.
  - Based on the commitment to using sustainable sourcing certifications and the associated exclusions, this is aligned with market practice.
- Production of new resource-efficient or low-carbon products certified as such by a recognized third-party certification, including RSB<sup>51</sup> and other certifications. EDC has communicated to Sustainalytics that some low-carbon products may be certified to schemes that are not equivalent to the RSB certification.
    - Sustainalytics considers the RSB certification scheme to be credible, and notes that it is market practice to provide transparency on all intended schemes. Sustainalytics is not able to opine on certification schemes not listed in the Framework. Further, Sustainalytics believes that a certification label that is not equivalent to the RSB scheme will not be sufficient to validate the sustainability credentials of the resource-efficient or low-carbon products.
    - Sustainalytics encourages EDC to prioritize financing towards those products that are certified to RSB standards or RSB equivalent schemes and considers financing directed towards the production of non-RSB or RSB equivalent certified products to have limited environmental benefit.
  - Production of aluminium-based consumer products with more than 90% of the input from scrap or recycled aluminium.
  - Production of recyclable plastics produced using at least 90% recycled, renewable or bio-based (with RSB certification) inputs and at least 90% not intended for single-use consumer products.
  - EDC has communicated that there will be robust waste management processes in place for the use of recycled plastic inputs, which will be limited to mechanically recycled plastics or, in the case of chemically recycled plastics will have lower life cycle emissions than virgin plastics.
    - Sustainalytics notes that this activity may include the production of single-use plastic products, which are more likely to end up as harmful waste in the environment rather than being recycled or appropriately managed.<sup>52</sup> In addition, plastic recycling rates are very low, with only 9% of all plastic being recycled, 19% incinerated and 50% ending up in sanitary landfills, while the remaining 22% is mismanaged, disposed in uncontrolled dumpsites, burned in open pits or leaked into the environment.<sup>53</sup> Sustainalytics further notes that improved recycling rates alone, even if attainable, will not fully address the holistic environmental issues associated with plastics. Unlike steel, glass and aluminium, plastics can only be recycled a finite number of times before being disposed of. To achieve full circularity, the industry needs to take substantial

<sup>51</sup> RSB, at: <https://rsb.org/certification/>

<sup>52</sup> United Nations Environment Programme, "Our planet is choking on plastic", at: <https://www.unep.org/interactives/beat-plastic-pollution/>

<sup>53</sup> OECD, "Plastic pollution is growing relentlessly as waste management and recycling fall short, says OECD", (2022), at:

<https://www.oecd.org/en/about/news/press-releases/2022/02/plastic-pollution-is-growing-relentlessly-as-waste-management-and-recycling-fall-short.html>

- measures, including an increased use of sustainably sourced alternative (low carbon) materials that can be recycled indefinitely without a loss of quality.
- Recycling and recovery from minerals-based materials, such as slag, which are discarded post production in mining operations.
  - Repair activities with minimal or no pre-processing necessary to re-enable original use of repaired products.
  - Increasing the capacity utilization of a product or asset during its useful life through sharing schemes or predictive maintenance, excluding sharing schemes related to car sharing or home sharing.
    - EDC will exclude from this category: i) activities related to the collection, treatment or disposal of hazardous waste; and ii) products, processes or technologies used to extract fossil fuels or that are inherently reliant on fossil fuels.
    - Sustainalytics encourages EDC to report on the schemes and certifications it intends to use for specific activities under this category.
  - Sustainalytics considers investments under this category to be aligned with market practice.
- Under the Affordable Basic Infrastructure category, EDC may finance or refinance the development, construction, expansion, or improvement of basic infrastructure related to water, sanitation, energy, telecommunication and housing, meeting the following criteria:
- Water and sanitation: development of infrastructure aimed at improving access to free-of-cost: i) clean drinking water at public-access facilities; and ii) sewage treatment and sanitation facilities. The Framework excludes the financing of integrated water and power plants with fossil fuel power and desalination plants with dedicated on-site fossil fuel power.
  - Energy: development or expansion of electricity grids in areas where there is no or inadequate access. The Framework defines areas with inadequate access to electricity as those where electricity access is unstable with repeated power cuts, power or voltage fluctuations or where the transmission infrastructure is deemed unsafe based on a credible study. Further, the projects financed will exclude transmission grids directly connected to fossil fuel power plants.
  - Telecommunication: provision of internet connection and telecommunication network services in areas where low-income households or equity-seeking groups<sup>54</sup> have unstable or intermittent access to internet. Sustainalytics notes that the above programmes will be made available to the target population at subsidized or affordable rates.
  - Housing: provision of affordable housing, including shelters, halfway homes and community housing, for low-income households defined: i) as such by the relevant government authority in the area they reside; or ii) as households with income up to 80% of the area median income (AMI). Sustainalytics notes that all housing related projects will be made affordable to the target population through measures such as capped rent or rent control.
  - Sustainalytics views the above expenditures as credible and socially impactful.
- Under the Access to Essential Services: Health and Education category, EDC may finance or refinance the construction, development, operation, acquisition and maintenance of healthcare and education services, according to the following criteria:
- Public and non-public hospitals, clinics, mental health facilities, elder care facilities, and facilities for disabled persons.
  - Public schools, universities, colleges, libraries, and early childhood education centres.
  - EDC has confirmed that all financing under this category will be directed towards facilities that provide free, universally accessible services or services affordable to low-income and equity-seeking groups through subsidized rates.
  - Sustainalytics views these expenditures to be socially impactful.

<sup>54</sup> EDC defines equity-seeking groups as: women, Indigenous peoples, Black and other racialized communities, persons with disabilities, and members of the 2SLGBTQI+ community.

- Under the Economic Inclusion and Participation category, EDC may provide loans to support employment generation among defined target populations through: i) financing of micro, small and medium enterprises (MSMEs); ii) supply chain financing to MSMEs; iii) investments that support Indigenous communities and businesses; and iv) provision of financial services to Indigenous Nations or community-owned economic development corporations. Sustainalytics notes the following:
  - EDC defines micro- and small segment enterprises as those with less than CAD 10 million (USD 7 million) in annual revenue, and medium segment enterprises as those with annual revenue between CAD 10 million (USD 7 million) and CAD 300 million (USD 210 million). Sustainalytics notes that EDC's annual revenue threshold for micro- and small and medium segment enterprises is significantly above the revenue thresholds defined by the International Finance Corporation (IFC)<sup>55</sup> and the EU.<sup>56</sup> Sustainalytics acknowledges that companies whose revenue thresholds are significantly above the IFC and the EU definition can be viewed as larger companies despite their MSME status by EDC. Due to the possibility of these larger companies being financed, Sustainalytics believes expenditures and programmes related to financing such companies to provide limited social benefit.
  - The MSMEs financed will be: i) majority-owned (at least 50%) by Indigenous Peoples of other equity-seeking groups; ii) those that face a significant adversity from a natural disaster or a pandemic; and iii) those that provide jobs for low-income individuals or equity-seeking groups as part of a government job-creation programme.
  - Supply chain financing will be limited to MSMEs which are majority-owned (50%) by equity-seeking groups and comprise non-tier 1 suppliers with a demonstrable need for capital.
  - Under the Inclusive Trade Investments Program ("ITIP"),<sup>57</sup> EDC intends to provide equity investments to Canadian exporting companies. EDC has communicated to Sustainalytics that companies that qualify for financing under the programme are MSMEs that earn less than CAD 0.5 million in annual revenue and are owned or strategically led<sup>58</sup> at the C-suite level by member(s) of equity-seeking groups. EDC has further communicated to Sustainalytics that not all MSMEs financed under this programme will have majority-ownership (more than 50%) by member(s) of an equity-seeking group, but the Sustainable Bond Working Group (SBWG) will prioritize financing to such MSMEs under this programme. In the context of developed countries where relatively stable and accessible financial services are available, Sustainalytics considers it important to prioritise MSMEs majority owned by target groups, who still face barriers accessing finance. Nevertheless, as not all MSMEs under this programme will be majority owned by equity seeking groups, Sustainalytics considers this programme to provide limited social benefit.
  - Provision of financial services to Indigenous nations or community-owned economic development corporations that: a) support social programmes and provide economic opportunities for community members; b) promote Indigenous ownership and equity participation in economic projects or assets located in traditional territories or First Nations reserves; and c) support export capacity for Indigenous businesses.
    - Sustainalytics notes that the above activities do not place a restriction on the size of the business that may receive financing. Although MSMEs have more difficulties in accessing capital than larger companies, given that EDC will solely finance businesses that develop projects to support social and economic enhancement in Indigenous communities, Sustainalytics considers the activity to be socially impactful.

<sup>55</sup> IFC, "IFC's Definitions of Targeted Sectors", at: <https://www.ifc.org/en/what-we-do/sector-expertise/financial-institutions/definitions-of-targeted-sectors>

<sup>56</sup> The EU, "SME definition", at: [https://single-market-economy.ec.europa.eu/smes/sme-definition\\_en](https://single-market-economy.ec.europa.eu/smes/sme-definition_en)

<sup>57</sup> EDC's Inclusive Trade Investments Program supports Canadian export businesses that are owned or led by members of equity-seeking groups.

EDC, "EDC Inclusive Trade Investments Program (ITIP)", at: <https://www.edc.ca/en/solutions/financing/investments/inclusive-trade-investments-program.html>

<sup>58</sup> Strategically led by members of equity-seeking groups are defined by EDC as those where a C-suite level role level is held for more than a year by equity seeking groups

- Support of low-income individuals or equity-seeking groups, including those with jobs lost owing to the renewable energy transition, through: i) job training programmes and up- or re-skilling initiatives; and ii) provision of financial services and microfinancing with relaxed payment terms and below-market interest rates.
  - EDC has communicated to Sustainalytics that the employment generation and job training programmes will not include those meant to place participating low-income or equity-seeking individuals in fossil fuel related industries.
- EDC has communicated to Sustainalytics that for all financing under this category, it will: i) exclude the financing of MSMEs involved in activities that have negative social or environmental impacts, such as child or forced labour, fossil fuel operations, tobacco, firearms, gambling and adult entertainment; and ii) ensure responsible lending practices to mitigate risks to borrowers, such as over indebtedness.
- Sustainalytics considers expenditures under this category to be socially impactful.
- Under the Food Security and Sustainable Food Systems category, EDC may finance or refinance the following activities: i) support of smallholder farmers<sup>59</sup> in regions or countries with explicit food challenges, as identified by a credible source. EDC's support may include direct lending or financing of technical capacity building or training programmes; ii) support of projects that aim to reduce food loss and waste, such as financing of warehouse facilities or vehicles for food transport (that are aligned with regional emission standards); and iii) financing of programmes that improve access to nutrition amongst vulnerable groups in areas with an explicit food shortage or challenges. EDC has communicated that such programmes will ensure access to food for the target populations, regardless of ability to pay.
  - EDC has confirmed that projects involving livestock for industrial-scale meat processors or producers will not be financed under the category.
  - Sustainalytics is of the opinion that EDC's financing under the category will contribute to improving food security.
- Under the Loans to Registered Social Enterprises and Not-for-Profit Organizations category, EDC may finance loans to such entities that explicitly support disadvantaged communities and equity-seeking groups. EDC has confirmed that such financing will not be for the promotion of religious or political activities. Sustainalytics considers these investments to be socially impactful.
- Under the Carbon Capture Utilization, Storage and Transport category, EDC may finance or refinance: i) the acquisition, development, construction, installation, operation and maintenance of carbon capture utilization, storage and transport (CCUST) infrastructure to reduce GHG emissions; and ii) research and development of CCUST technology and related capabilities, such as supporting CO<sub>2</sub> use and conversion for feedstock applications, mineral carbonation, microbes and microalgae, advanced materials, among other uses.
  - EDC has communicated to Sustainalytics that the CCUS infrastructure will be deployed in facilities that align with the emissions intensity benchmark value<sup>60</sup> for the relevant sector, as per the Transition Pathway Initiative's (TPI) below two-degree scenario. EDC has communicated to Sustainalytics that the CCUS infrastructure will not be applied in coal mining and fossil fuels extraction, refining and distribution. Further, EDC has confirmed to Sustainalytics that CO<sub>2</sub> will be captured for long-term and that the captured CO<sub>2</sub> will not be used for enhanced oil recovery.
  - EDC has confirmed to Sustainalytics that: i) the CO<sub>2</sub> storage and transportation projects will have appropriate leak detection systems in place; ii) the geological formation of the storage area will be suitable for CO<sub>2</sub> storage, with a management plan for a leakage detection system; and iii) the financed projects will exclude storage and transportation of CO<sub>2</sub> from fossil fuel extraction, production and refining activities.
  - Sustainalytics considers investments under this category to be aligned with market practice.

<sup>59</sup> Smallholder farmers meaning those who manage less than 10 hectares of farming area, according to FAO's definition. FAO, "Family Farming Knowledge Platform, Smallholders and Family Farmers", (2013), at: <http://www.fao.org/family-farming/detail/en/c/273864/>

<sup>60</sup> EDC has communicated to Sustainalytics that the sectoral emissions intensity threshold will be as per the TPI's benchmark scenario for the relevant year at the time of financing. TPI, "All Sectors", at: <https://www.transitionpathwayinitiative.org/corporates/>

- Under the Low-Carbon Intensity Fuels category, EDC may finance or refinance activities related to the development, manufacturing, equipment, and distribution of low-carbon fuels, according to the following criteria:
  - Production of ethanol, renewable diesel, co-processing of biocrude, sustainable aviation fuel, synthetic fuel and renewable natural gas from waste and non-waste feedstock with life cycle carbon intensity up to 50 gCO<sub>2</sub>e/MJ for liquid fuels and up to 36 gCO<sub>2</sub>e/MJ for gaseous clean fuels, following the thresholds established in the Clean Fuels Program of Natural Resources Canada.<sup>61</sup> Eligible projects will be required to demonstrate that the feedstock used to produce such low-carbon fuels is grown and harvested in a sustainable manner in accordance with all applicable provincial and federal regulations and guidelines, as required in the Clean Fuels Program.
    - Sustainalytics notes the uncertainty around the specific feedstocks that may be used, and that the environmental and social impacts associated with the feedstock, including those related to direct and indirect land use change, vary based on the type of feedstock. Further, Sustainalytics considers good practice to have life cycle emissions at least 65% lower than the fossil fuel baseline and notes that these intensities for the fuels under the category are lower than the benchmark reduction that is considered credible for biofuel production. Sustainalytics encourages EDC to report, to the extent possible, on the life cycle emissions intensity and the types of feedstocks used at the financed facilities on a periodic basis.
  - Investments in the production of low carbon marine fuels following the Poseidon Principles<sup>62</sup> and the International Maritime Organization's goals,<sup>63</sup> including: i) renewable energy-based e-methanol sourced from green hydrogen and biogenic CO<sub>2</sub>; and ii) electricity for use in batteries, biodiesel, bio methane, and bio-methane and bunkering infrastructure for liquified natural gas.
  - Infrastructure to support the integration of low-carbon intensity fuels as defined in the Low-Carbon Intensity Fuels category, including storage, transportation (e.g., pipelines) and fuelling systems.
  - Sustainalytics considers investments restricted to low-carbon intensity fuels and supporting infrastructure as having the potential to drive environmental benefits.
- Under the Hydrogen category, EDC may finance or refinance activities related to the research, development, production, distribution, related infrastructure, equipment, components, and the use of blue or turquoise hydrogen,<sup>64</sup> including:
  - R&D related expenditures for improving existing and developing new products and solutions to reduce the environmental impact of green and blue hydrogen across the production value chain.
  - Production of hydrogen and associated infrastructure through steam reforming of natural gas where the CO<sub>2</sub> emissions are captured and stored or utilized or using renewable energy, including from biomass feedstock. Expenditures may include financing and operation of associated assets and infrastructure. These activities must have: i) a carbon intensity of up to 3 kgCO<sub>2</sub>e/kg-H<sub>2</sub> (70% below fossil fuel-derived grey hydrogen and ammonia); and ii) for projects utilizing fossil-fuel based feedstocks, a commitment to achieve net-zero emissions by 2050. Sustainalytics views positively the use of an emissions intensity threshold for hydrogen production.
    - Sustainalytics acknowledges that many decarbonization pathways rely on the use of hydrogen, and that the production of lower-carbon hydrogen will support the climate transition in a variety of industrial sectors. Sustainalytics further recognizes that blue hydrogen can act as a pertinent interim solution for scaling up hydrogen production while also noting that the deep

<sup>61</sup> Natural Resources Canada, "Clean Fuels Program – Building New Domestic Production Capacity", at: <https://natural-resources.canada.ca/sites/nrcan/files/energy/clean/CFP%20Applicant%27s%20Guide.pdf>

<sup>62</sup> Poseidon Principles, "Principles Overview" at: <https://www.poseidonprinciples.org/finance/principles/>

<sup>63</sup> International Maritime Organization, "2023 IMO Strategy on Reduction of GHG Emissions from Ships", (2023), at:

<https://www.imo.org/en/OurWork/Environment/Pages/2023-IMO-Strategy-on-Reduction-of-GHG-Emissions-from-Ships.aspx>

<sup>64</sup> Turquoise hydrogen is made using a process called methane pyrolysis to produce hydrogen and solid carbon.

National Grid, "The hydrogen colour spectrum", at: <https://www.nationalgrid.com/stories/energy-explained/hydrogen-colour-spectrum>

decarbonization of hydrogen production will require a shift away from reliance on fossil fuels. Sustainalytics therefore encourages EDC to favour projects involving production of hydrogen through electrolysis using renewable energy sources.

- Investments to facilitate the transportation and distribution of captured CO<sub>2</sub>, such as through pipelines or conversion of existing networks and terminals into CO<sub>2</sub> transportation networks.
  - For the transportation of captured CO<sub>2</sub>, EDC has communicated to Sustainalytics that it will ensure that appropriate measures to mitigate and manage the risk of gas leakages are implemented as part of its environmental and social risk assessment and due diligence.
- Expenditures related to the development and operation of carbon capture units.
  - EDC has communicated that the captured CO<sub>2</sub> will not be used for activities that support oil recovery operations. Beyond this requirement, the Framework does not define criteria for the intended use or storage solutions for the captured CO<sub>2</sub>. Sustainalytics encourages EDC to ensure long-term sequestration of captured CO<sub>2</sub> and to report on the final use or the adopted storage solutions on a periodic basis.
- Expenditures related to the conversion of hydrogen for various end-use applications such as fuel for transportation, and feedstock to produce steel, cement, chemicals, as well as heat generation for industry and buildings.
  - Sustainalytics recognizes the potential of converting hydrogen to support the climate transition in a variety of industrial sectors, but notes that the conversion process is inherently energy intensive and encourages EDC to report on the energy intensity of such processes on a periodic basis.
- Under the Natural Gas (Midstream and Downstream) category, EDC may finance or refinance projects involving the production of power or heat generation from natural gas: i) in the retrofit of existing facilities with life cycle GHG emissions intensity lower than 240 gCO<sub>2</sub>e/kWh; and ii) in new facilities with life cycle GHG emissions intensity lower than 100 gCO<sub>2</sub>e/kWh and a plan to switch away from coal or oil, or to deliver energy for seasonal peaks, storage or high-temperature heat for industries.
  - EDC has communicated to Sustainalytics that all investments under the category will include the installation of leakage detection and repair equipment (where feasible), to reduce methane leakage.
  - Sustainalytics considers investments under this category to be in line with market expectation.
- Under the Steel Manufacturing category, EDC may finance or refinance the manufacture of steel. Sustainalytics notes the following
  - Steel manufacturing in blast furnaces with emissions intensity below 1.36 tCO<sub>2</sub>e/t of steel,<sup>65</sup> where the facilities are on a credible decarbonization pathway and meeting one of the following criteria: a) expected lifetime emissions intensity below 0.71 tCO<sub>2</sub>e/t of steel,<sup>66</sup> or b) the facility is expected to be in alignment with the Transition Pathway Initiative's (TPI) decarbonization pathway throughout its lifetime.
  - Steel manufacture through direct reduced iron (DRI) using renewable energy, natural gas or grey hydrogen with electric arc furnace (EAF). EDC has communicated to Sustainalytics that such processes will have an emissions intensity lower than 1.36 tCO<sub>2</sub>e/t of steel product.<sup>67</sup>
  - Retrofit of blast furnace facilities with low-carbon feedstock (biochar) or CCUS resulting in an emissions intensity lower than 1.36 tCO<sub>2</sub>e/t of steel product.<sup>68</sup>
  - R&D expenditures for smelting reduction and direct electrolysis.

<sup>65</sup> Aligned with the TPI's 2026 below 2°C benchmark scenario for the steel sector for 2027. This threshold will be updated on a continuous basis to ensure alignment with TPI's benchmark scenario for the relevant year at the time of financing.

<sup>66</sup> A steel production facility must demonstrate it follows under the pathway by meeting the threshold at the halfway point of lifetime of the facility. 0.99 tCO<sub>2</sub>e/t is the TPI value for the year 2039 for the steel sector, assuming a plant lifetime of 30 years.

<sup>67</sup> Aligned with the TPI's 2026 below 2°C benchmark scenario for the steel sector for 2027. This threshold will be updated on a continuous basis to ensure alignment with the TPI's benchmark scenario for the relevant year at the time of financing.

<sup>68</sup> Aligned with the TPI's 2026 below 2°C benchmark scenario for the steel sector for 2027. This threshold will be updated on a continuous basis to ensure alignment with the TPI's benchmark scenario for the relevant year at the time of financing.



- Sustainalytics considers investments under this category to be in line with market practice.
- Under the Cement Manufacturing category, EDC may finance or refinance investments in:
  - Production facilities with emissions intensity below 0.514 tCO<sub>2</sub>e/t of cementitious product<sup>69</sup> and that follow a credible decarbonization pathway where either: a) the expected lifetime emissions intensity is below 0.423 tCO<sub>2</sub>e/t of cementitious product;<sup>70</sup> or b) the facility is expected to be in alignment with the TPI's decarbonization pathway throughout its lifetime.
  - Retrofit measures, such as improvements in thermal and electric efficiency, switch to renewable energy, reduction of clinker-cement materials and CCS or CCUS that are expected to result in an emissions intensity lower than 0.514 tCO<sub>2</sub>e/t of cementitious product.<sup>71</sup>
  - Sustainalytics considers investments under this category to be in line with market practice.
- Under the Aluminium Manufacturing category, EDC may finance or refinance:
  - Aluminium manufacturing facilities with an emissions intensity below 6.06 tCO<sub>2</sub>e/t of aluminium<sup>72</sup> following a credible decarbonization pathway and meeting one of the following criteria: a) expected lifetime emissions intensity is below 2.95 tCO<sub>2</sub>e/t of aluminium,<sup>73</sup> or b) the facility is expected to be in alignment with the TPI's decarbonization pathway throughout its lifetime.
  - Retrofit measures resulting in GHG emissions below 6.06 tCO<sub>2</sub>e/t of aluminium,<sup>74</sup> such as deploying novel anode technologies, use of renewable energy, retrofit of old smelters and improvement in thermal efficiency.
  - Sustainalytics considers the investments under this category to be in line with market practice.
- Under the Mining and Extractive Sectors category, EDC may finance or refinance:
  - Specific measures for the decarbonization of mining operations, including: i) electrification of equipment; ii) measures aimed at improving the energy efficiency of mine sites; iii) deployment of renewable energy as defined in the Framework; and iv) deployment of technologies that reduce the water usage of mining operations. Sustainalytics considers these investments to be in line with market expectation.
  - Existing or new mining operations dedicated to the extraction of ores containing critical minerals and metals, in particular, cobalt, copper, graphite, lithium, nickel, other rare earth elements (REEs),<sup>75</sup> high-purity iron, and uranium, that are essential to the global energy transition.
    - EDC has communicated to Sustainalytics that the eligible projects are intended to finance the extraction of ores containing the abovementioned critical minerals and metals that are necessary for enabling the following green activities: i) electric vehicles that typically use lithium-ion batteries, including cathodes and anodes;<sup>76</sup> and ii) solar, wind and nuclear energy

<sup>69</sup> Aligned with the TPI's 2026 below 2°C benchmark scenario for the cement sector for 2027. This threshold will be updated on a continuous basis to ensure alignment with the TPI's benchmark scenario for the relevant year at the time of financing.

<sup>70</sup> A cement production facility must demonstrate it follows the pathway by meeting the threshold at the halfway point in the lifetime of the facility. 0.43 tCO<sub>2</sub>e/t is the TPI value for the year 2036 for the cement sector, assuming a plant lifetime of 25 years.

<sup>71</sup> Aligned with the TPI's 2026 below 2°C benchmark scenario for the cement sector for 2027. This threshold will be updated on a continuous basis to ensure alignment with the TPI's benchmark scenario for the relevant year at the time of financing.

<sup>72</sup> Aligned with the TPI's 2026 below 2°C benchmark scenario for the aluminium sector for 2027. This threshold will be updated on a continuous basis to ensure alignment with the TPI's benchmark scenario for the relevant year at the time of financing.

<sup>73</sup> An aluminium production facility must demonstrate it follows the pathway by meeting the threshold at the halfway point in the lifetime of the facility. 2.95 tCO<sub>2</sub>e/t is the TPI value for the year 2039, assuming a plant lifetime of 30 years.

<sup>74</sup> Aligned with the TPI's 2026 below 2°C benchmark scenario for the aluminium sector for 2027. This threshold will be updated on a continuous basis to ensure alignment with the TPI's benchmark scenario for the relevant year at the time of financing.

<sup>75</sup> Rare earth elements (REE) are a group of 17 elements, including the 15 elements of the lanthanide series on the periodic table of elements together with the transition metals scandium and yttrium.

Government of Canada, "Rare earth elements facts", at: <https://natural-resources.canada.ca/minerals-mining/mining-data-statistics-and-analysis/minerals-metals-facts/rare-earth-elements-facts/20522>

<sup>76</sup> A cathode and an anode are two key components of a lithium-ion battery that facilitate the flow of electric charge. The most common cathode materials used in lithium-ion batteries include lithium cobalt oxide, lithium manganese oxide, lithium iron phosphate, and lithium nickel manganese cobalt oxide, while for anode, graphite is the most common material.

generation, storage and transmission – per the criteria defined in the Framework. EDC has further communicated that the financed projects will be limited to those mining facilities that dedicate at least 90% of the extracted minerals and metals to the enablement of the abovementioned green activities. Sustainalytics encourages EDC to report on a facility-level the actual end use of the extracted minerals and metals and their applicability in the enablement of the noted green activities on a periodic basis.

- EDC has communicated to Sustainalytics that, as part of its due diligence process, it will limit its financing to those facilities that have developed an emissions reduction target and a credible decarbonization strategy.
  - Sustainalytics recognizes that the mining sector is highly emissions-intensive, generating between 2% to 7% of global GHG emissions,<sup>77</sup> but considers that the extracted critical minerals and metals have the potential to contribute to the global energy transition.<sup>78,79</sup> Sustainalytics notes that the emissions associated with mining operations may vary per the deployed technology and expects sustainable mining operations to leverage recognized technological improvements, such as electrification of equipment and use of renewable energy.
  - Sustainalytics encourages EDC to report on each facility's current emissions profile, the intended decarbonization pathway and its progress toward achieving interim milestones.
- Sustainalytics notes that typically mining operations have high environmental and social risks associated with them. EDC has communicated to Sustainalytics that it has a due diligence process in place which includes requiring periodic environmental and social impact assessments verified by a third-party that covers: i) known environmental and social risks for mining operations along with any additional environmental and social risks material to the respective operations such as occupational health and safety, effluents, tailings management, Indigenous Peoples' rights, biodiversity, and child labour; and ii) closure and rehabilitation plan for such mining facilities.<sup>80</sup> EDC has further communicated that projects associated with adverse environmental and social impacts that cannot be mitigated, or unaddressed controversies, will not be financed under the Framework.
  - For risk management related to the extraction of uranium, EDC has communicated that the financing will be limited to operations: i) with a strong safety track record, including no significant incidents in the past 10 years; ii) with strong regulations governing site selection, operational safety and radioactive waste management, as well as effective monitoring and enforcement of such regulations; and iii) that do not supply uranium to the nuclear defense industry.<sup>81</sup>
  - Sustainalytics recognizes the presence of a process to identify, monitor and address environmental and social impacts associated with the financed facilities and notes that facilities having adverse environmental and social impacts or unaddressed controversies will be excluded under the Framework. Sustainalytics nonetheless believes that facilities that are certified by credible third-party standards have the potential to provide higher assurance on the

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AquaMetals, "What Are Battery Anode and Cathode Materials?", at: <https://www.aquametals.com/recyclopedia/lithium-ion-anode-and-cathode-materials/>

<sup>77</sup> Intergovernmental Forum on Mining, Minerals, Metals and Sustainable Development, "Decarbonization of the Mining Sector: Scoping study on the role of mining in nationally determined contributions", (2024), at: <https://www.iisd.org/system/files/2024-08/igf-decarbonization-mining-sector.pdf>

<sup>78</sup> Ibid.

<sup>79</sup> World Economic Forum, "The energy transition will need critical minerals and metals. Here's how to mine responsibly", (2024), at: <https://www.weforum.org/stories/2024/06/energy-transition-critical-minerals-mining/>

<sup>80</sup> Sustainalytics notes that the Framework excludes expenditures related to mine reclamation and closure.

<sup>81</sup> EDC has communicated to Sustainalytics that jurisdictions for which the Government of Canada has imposed sanctions, will not be considered for financing under the category.

- sustainability performance of the facility and mitigation of facility-level environmental and social risks, and encourages EDC to prioritize financing operations that have obtained a credible certification.
- Sustainalytics considers the above projects to have the potential to provide environmental benefits and encourages EDC to report on the quantitative benefits of these activities.
  - Under the Aerospace category, EDC may finance or refinance the purchase of, or investment in, commercial aircraft with either:
    - Conventional propulsion systems known to have better fuel efficiency than the baseline technology alongside a plan to increase the use of sustainable aviation fuels (SAF), such as through long-term purchase agreements where the increase in SAF used aligns with a recognized decarbonization trajectory (either for the financed portfolio or the relevant company's fleet).
    - Low-carbon propulsion systems or modified gas turbine engines, such as hybrid-electric, turbo-electric, battery electric or fuel-cell powered.
    - Sustainalytics considers the investments under this category to be in line with market practice.
  - Under the Shipping Ports Infrastructure category, EDC may finance or refinance:
    - Port infrastructure such as bunkering infrastructure for low-carbon fuels (including biofuels, hydrogen, ammonia and methanol) and shore-side alternative marine power (including AMP or cold ironing systems) infrastructure including high-voltage grids, transformers, power distribution systems, control panels and frequency converters.
      - Sustainalytics notes that where the port infrastructure is in a region with grid intensity above 200 gCO<sub>2</sub>e/kWh, the financing will be accompanied with plans to install onsite renewable energy adhering to the Renewable Energy category of the Framework.
    - The establishment of marshalling ports where the port infrastructure provides the assembly areas necessary to build and deploy offshore wind turbines.
    - Sustainalytics considers the investments under this category to be in line with market practice.
  - Under the Airports category, EDC may finance or refinance activities that support low-carbon airport infrastructure, such as: i) electric or renewable energy powered ground support equipment; ii) hydrogen, low-carbon or electric charging and refueling infrastructure intended for air-side ground support processes (rather than land-side public use); and iii) programmes for better air traffic management. Sustainalytics considers investments under this category to be in line with market practice.
  - The Framework excludes financing for activities related to arms, defense and military; tobacco; gambling; and adult entertainment. Sustainalytics views positively the presence of exclusionary criteria in the Framework.
  - Project Evaluation and Selection:
    - For the Sustainable Bonds, EDC's Sustainable Bond Working Group (the "SBWG") will be responsible for the evaluation and selection of green, social and transition projects as per the Framework's eligibility criteria. The SBWG is composed of representatives from EDC's specialist teams, namely Finance Underwriting, Treasury, Legal, Sustainable Finance, ESG Reporting and Loans Services. The SBWG will review information about the assets during asset selection for Sustainable Bonds and screen out assets that either do not comply with the Framework's criteria or that are not expected to lead to a net positive sustainability impact. Additionally, the SBWG will review and validate transactions for the pool of bond eligible assets on a quarterly basis. For Sustainable Loans, EDC has communicated to Sustainalytics that its Sustainable Finance team will review loan documents to evaluate the process through which each borrower identifies eligible projects to ensure alignment of the financed projects with the criteria defined in the Framework.
    - EDC has adopted an Environmental and Social Risk Management (ESRM) Policy Framework which defines its approach to identifying and managing the environmental and social risks associated with the financed projects. For more details, refer to Section 2.

- Based on the methodology to determine eligible projects by EDC's internal departments and the presence of risk management systems, Sustainalytics considers this process to be in line with market practice.
- Management of Proceeds:
  - For Sustainable Bonds, EDC's SBWG will oversee the management of loans disbursed and track the use of proceeds using internal information systems and a sustainable loan tracking sheet to record specific eligible asset information and monitor its status. The process will be reviewed annually by auditors.
  - Proceeds from the Sustainable Bonds will be allocated to eligible assets immediately upon issuance and will be managed using a portfolio approach. EDC's asset portfolios will be dynamic, wherein new assets or loans will be added to replace the ones that have matured, with green, social, sustainable and transition portfolios managed separately. EDC will substitute any eligible asset that no longer qualifies, or will remove impaired loans, from a pool of qualifying substitution assets. EDC's Treasury and Loans Services department will monitor the aggregate amount of eligible assets in EDC's portfolios on a quarterly basis.
  - Whenever the aggregate amount raised with Sustainable Bonds exceeds the total amount of eligible assets in EDC's applicable portfolio, EDC will hold the excess amount in cash or liquid securities in accordance with its liquidity policy, until the amount can be allocated to eligible assets. EDC intends to allocate all proceeds within 24 months of each issuance.
  - For Sustainable Loans, EDC has communicated to Sustainalytics that the Sustainable Finance team will be accountable for ensuring that each loan document includes the borrower's intentions to achieve full allocation of the disbursed loan proceeds immediately upon origination, leaving no residual proceeds for temporary allocation by the borrower.
  - EDC has communicated to Sustainalytics that in case of any multi-tranche loan facilities, it will label only those tranches of such facilities whose proceeds will be allocated according to the eligibility criteria in the Framework.
  - Based on the presence of an internal tracking system and the disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
  - For Sustainable Bonds, EDC will report on allocation and impact, annually in its Integrated Annual Report or Sustainable Bond Report, on its corporate website until full allocation.
  - Allocation reporting will include: i) the value of sustainable bonds outstanding; ii) aggregate amounts of proceeds allocated to each eligible category; and iii) the balance of unallocated proceeds at the time of reporting.
  - Impact reporting will include, wherever feasible, qualitative or quantitative environmental and social performance indicators, which may include: i) estimated annual renewable energy produced (in MWh); ii) renewable capacity constructed or rehabilitated (in MW); iii) estimated annual GHG emissions avoided (in tCO<sub>2</sub>e); iv) amount of energy saved (in MWh); v) waste diverted from landfill (in kg); vi) number of recycling projects financed; vii) number of hospitals and other healthcare facilities built or refurbished; viii) number of patients served; and ix) value of financing provided (in CAD).
  - For Sustainable Loans, EDC has communicated to Sustainalytics that given that such loans will be allocated fully at the time of issuance, the borrowers are expected to provide only upfront allocation reporting. For project finance loans, EDC has communicated that the borrowers provide upfront allocation report in the form of disbursement requests in a schedule provided in the loan documents. For pure play financing that includes revolving credits, EDC considers each disbursement request by borrowers as a form of upfront allocation reporting.
  - Specifically for revolving credit facilities, Sustainalytics notes that the GLP and the SLP require the borrowers to report periodically on allocation until maturity of the facility. The Framework, however, does not explicitly require the borrowers to provide periodic allocation reporting. EDC has communicated to Sustainalytics that the borrowers of such revolving facilities will be pure play companies that derive at least 90% of their revenue from activities eligible under the Framework. Given that such revolving credit facilities will be issued to pure play companies and that the funds will be allocated immediately upon issuance, Sustainalytics considers one-time reporting for such issuances as an acceptable approach.
  - EDC has communicated to Sustainalytics that the borrowers may not provide impact reporting, which is recommended by the GBP, SBP, GLP and SLP. Sustainalytics considers impact

- reporting to be an essential element in providing transparency in the sustainable finance market and encourages EDC to establish a process for its borrowers to disclose the impact of financing to EDC, at least at a category level.
- Based on the above, Sustainabilitytics considers this to be in line with market practice.

### Alignment with Sustainability Bond Guidelines 2021

Sustainabilitytics has determined that the EDC Sustainable Finance Framework aligns with the SBG and the four core components of the GBP, SBP, GLP and SLP.

## Section 2: Sustainability Performance of EDC's Sustainability Strategy

### Contribution to EDC's sustainability strategy

EDC's 2030 institutional strategy aims to enhance Canada's competitiveness in international trade while moving towards a cleaner and more equitable economy. EDC's strategy establishes a goal to increase Canada's exports by 60% by 2030, from 2020, while upholding ESG practices with a focus on four key environmental and social priorities in its lending approach and operations: i) leading with core values; ii) prioritizing customer needs; iii) focusing on future-oriented sectors; and iv) making a meaningful impact. The following priorities are central to EDC's 2030 Strategy:<sup>82,83</sup>

- **Leading with (EDC's) values:** Under this priority, EDC focuses on the inclusion of diverse businesses and sustainability in its lending practices, having provided CAD 2.3 billion (USD 1.6 billion) in 2023 for diverse businesses (led by women, Indigenous, Black, 2SLGBTQI+, racialized communities and people with disabilities). EDC's Inclusive Trade Investments Program includes multiple initiatives aimed at fostering equitable access to trade opportunities for underrepresented groups, with specific strategies for women and Indigenous businesses. As part of this programme, EDC invested CAD 270 million (USD 188 million) in supporting 4,297 women-owned and 414 Indigenous businesses in 2023. This programme is complemented by the Women in Trade initiative, which facilitated CAD 8.7 billion (USD 6.1 billion) in trade for women-owned businesses from 2021 to 2023, and the Supplier Diversity Program, with more than CAD 5.6 million (USD 3.9 million) spent on contracts with diverse suppliers in 2023.<sup>84</sup> In addition, for Indigenous exporters, EDC has established partnerships with key Indigenous business stakeholders, including associations, government agencies, and Band Council officials, having facilitated CAD 425 million (USD 296 million) in business through direct lending, loan guarantees and credit insurance to 329 Indigenous companies.<sup>85</sup> In addition, EDC's sustainability commitment provided CAD 12.2 billion (USD 8.5 billion) in cleantech support in 2023, meeting its CAD 10 billion (USD 6.9 billion) target two years early. Meanwhile, ESG reviews led to 40 early-stage rejections and 16 formal declines<sup>86,87</sup>
- **As part of its "Put Customers' Needs First" priority,** EDC tailors its services to the specific sizes and requirements of the businesses it supports, such as collaborating with banks to provide micro and small companies with faster digital access to services. In this sense, EDC expanded its Investment Matching Program, increasing capital matches from CAD 5 million to CAD 25 million (USD 3.5 million to 17.4 million). For large companies, EDC offers strategic account management to support international growth and enhance ESG capabilities.<sup>88,89</sup>
- **Focus on Sectors of the Future:** EDC identifies several key sectors as essential to Canada's future trade competitiveness, including agri-food, clean technologies, advanced manufacturing, digital industries, and traditional resource industries that are advancing sustainable practices. In 2023, EDC's financial exposure in the agri-food sector reached CAD 8.21 billion (USD 5.72 billion), addressing the growing demand for

<sup>82</sup> EDC, "Make Canada and the World Better Through Trade EDC's 2030 Strategy", at: <https://www.edc.ca/content/dam/edc/en/corporate/corporate-reports/edc-2030-strategic-plan.pdf>

<sup>83</sup> EDC, "Accelerating the Export Impact-2023 Integrated Annual Report", at: <https://www.edc.ca/content/dam/edc/en/corporate/corporate-reports/annual-reports/edc-2023-annual-report.pdf>

<sup>84</sup> EDC, "EDC's solutions facilitated \$131.4 billion in trade-related activities for more than 27,000 Canadian businesses", (2024), at: <https://www.edc.ca/en/about-us/newsroom/edc-iar-2023.html>

<sup>85</sup> EDC, "Building trust with Indigenous businesses", (2023), at: <https://www.edc.ca/en/article/building-relationships-with-indigenous-businesses.html>

<sup>86</sup> EDC, "Make Canada and the World Better Through Trade EDC's 2030 Strategy", at: <https://www.edc.ca/content/dam/edc/en/corporate/corporate-reports/edc-2030-strategic-plan.pdf>

<sup>87</sup> EDC, "Accelerating the Export Impact-2023 Integrated Annual Report", at: <https://www.edc.ca/content/dam/edc/en/corporate/corporate-reports/annual-reports/edc-2023-annual-report.pdf>

<sup>88</sup> EDC, "Make Canada and the World Better Through Trade EDC's 2030 Strategy", at: <https://www.edc.ca/content/dam/edc/en/corporate/corporate-reports/edc-2030-strategic-plan.pdf>

<sup>89</sup> EDC, "Accelerating the Export Impact-2023 Integrated Annual Report", at: <https://www.edc.ca/content/dam/edc/en/corporate/corporate-reports/annual-reports/edc-2023-annual-report.pdf>

sustainable food production. Clean technologies received CAD 12.20 billion (USD 8.5 billion) in facilitated business, supporting environmental impact reduction across industries. Advanced manufacturing, including aerospace, had an exposure of CAD 8.66 billion (USD 6.03 billion). Traditional resource industries, such as mining and metals, received CAD 9.67 billion (USD 6.73 billion), while forestry received CAD 3.697 billion (USD 2.57 billion), with a focus on sustainable practices aligned with global standards.<sup>90</sup>

- Make an Impact That Matters: EDC prioritizes financing of projects that enhance resource efficiency, promote clean technology and renewable energy, and protect and remediate air, water and soil. Additional investment areas include energy efficiency, smart grid infrastructure, clean transportation, sustainable water, and wastewater and waste management. In 2023, projects funded through EDC's sustainable bonds generated a total of 254,086 MWh of renewable energy, with 90.2% from wind (229,106 MWh) and 9.8% from solar (24,979 MWh).<sup>91</sup> The number of medium-sized companies taking advantage of EDC's financial solutions reached more than 1,240, an increase of 6% compared to 2022. Further, to reduce the environmental impact of its own operations, EDC has implemented measures to reduce emissions from electricity and natural gas use, business travel and paper consumption, and initiatives to decrease water use and minimize waste at its headquarters.<sup>92</sup>

Sustainalytics is of the opinion that the EDC Sustainable Finance Framework is aligned with EDC's overall sustainability strategy and initiatives and that the use of proceeds will further its action on its key sustainability priorities.

#### **Approach to managing environmental and social risks associated with the projects**

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects that are expected to generate positive environmental and social impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects may include issues involving biodiversity loss from infrastructure projects; waste generated from construction; management and long-term disposal of radioactive waste from nuclear projects; increased exposure of local communities to adverse effects; stakeholder and community relations; and worker health and safety. Additionally, there are risks associated with being exposed to controversial organizations, businesses and projects because of EDC's lending activities.

Sustainalytics acknowledges that as a lender, EDC plays a limited role in the development or implementation of specific projects, but notes that it is exposed to risks associated with companies or projects to which it provides lending and financial services.

Sustainalytics is of the opinion that EDC is able to manage or mitigate potential risks through the implementation of the following:

- EDC has implemented an overarching Environmental and Social Risk Management ("ESRM") Policy<sup>93</sup> that outlines the process, roles and responsibilities undertaken to manage environmental and social risks associated with its operations and lending activities. As part of a transaction review, EDC uses a risk-based approach to identify, manage and mitigate risks. Additionally, EDC assesses customers' activities, among other factors, to gauge the likelihood and severity of environmental or social impacts and determines mitigating measures. The ESRM Policy is informed by internationally accepted environmental and social risk management and disclosure practices and multilateral agreements signed by Canada, including the Equator Principles,<sup>94</sup> and the OECD Common Approaches.<sup>95</sup>
- EDC's Environmental and Social Review Directive<sup>96</sup> for project-related transactions categorizes projects under three levels based on potential adverse environmental and social effects. The categorization determines the nature and extent of information EDC requires and the degree of review it conducts. The directive is aligned with the International Finance Corporation

<sup>90</sup> Ibid.

<sup>91</sup> Ibid.

<sup>92</sup> EDC, "EDC Net Zero 2050- Steps, considerations and decisions along the path to net zero by 2050", (2022), at:

<https://www.edc.ca/content/dam/edc/en/non-premium/edc-net-zero-emissions-2050-update.pdf>

<sup>93</sup> EDC, "Environmental and Social Risk Management Policy", (2019), at: <https://www.edc.ca/content/dam/edc/en/corporate/corporate-social-responsibility/environment-people/esrm-policy-framework-consultations.pdf>

<sup>94</sup> The Equator Principles Association, "The Equator Principles", (2020), at: [https://equator-principles.com/app/uploads/The-Equator-Principles\\_EP4\\_July2020.pdf](https://equator-principles.com/app/uploads/The-Equator-Principles_EP4_July2020.pdf)

<sup>95</sup> Organisation for Economic Co-operation and Development, "Environmental and social due diligence", at: <https://www.oecd.org/en/topics/sub-issues/environmental-and-social-due-diligence.html>

<sup>96</sup> EDC, "Environmental and Social Review Directive", (2022), at: <https://www.edc.ca/content/dam/edc/en/non-premium/environmental-social-review-directive-2022.pdf>

Performance Standards<sup>97</sup> for managing environmental and social risks for topics such as biodiversity, resource efficiency, communities and cultural heritage, as well as Canadian legislation, including the Export Development Act.<sup>98</sup> Additionally, the directive is informed by the Equator Principles, a risk management framework that establishes a minimum standard for project-related due diligence to support responsible risk decision-making.

- To ensure that risks associated with biodiversity loss and waste generated during construction are managed and mitigated, EDC requires an environmental and social impact assessment for projects, as appropriate, including independent experts for high-risk projects.
- Regarding risks related to the management and long-term disposal of radioactive waste from nuclear projects, EDC has communicated to Sustainalytics that all nuclear power projects will be undertaken in jurisdictions that have regulations and regulatory enforcement mechanisms to ensure the safe management of radioactive waste from nuclear power facilities, as per the Country Nuclear Power Profiles maintained by the International Atomic Energy Agency.<sup>99</sup> Further, under its Environmental and Social Risk Directive, EDC requires an environmental and social impact assessment, including management measures to avoid or mitigate any adverse social and environmental impacts. To manage risks related to nuclear power projects, EDC additionally requires a review of the environmental and social risks and impacts by independent experts, in accordance with the relevant host country and international standards.<sup>100</sup>
- To mitigate and manage adverse impact on communities, EDC has communicated that as part of the review process, it requires management plans disclosing measures to avoid, reduce and mitigate risks to any affected community alongside compensation for adverse impacts. Additionally, EDC's borrowers are required to partake in ongoing reporting to update impacted communities. EDC also mandates that these measures align with the IFC Performance Standards.
- Regarding worker health and safety, EDC has a Due Diligence Framework on Human Rights that outlines the due diligence process to identify and act on human rights-related risks and impacts associated with transactions. Under the Due Diligence Framework, EDC tracks its borrowers' employee labour and working conditions and occupational health and safety.<sup>101</sup> In 2020, EDC adopted the Principles of Leverage and Remedy setting an approach to leveraging its position to prevent and manage human rights impacts created through customer relationships and remedies to mitigate such impacts.<sup>102</sup>
- To manage and mitigate risks associated with controversies, EDC has a Financial Crime Policy that includes mandatory employee training on financial crime prevention and early-stage risk assessments to screen customers. If risk indicators are identified, EDC deploys enhanced due diligence with the assistance of subject matter experts, sometimes involving third-party experts for more comprehensive assessments. Additionally, risk escalation standards and ongoing monitoring of transactions and counterparties are in place to manage potential risks effectively. These measures aim to prevent money laundering, fraud, bribery, corruption or transactions involving sanctioned parties.<sup>103</sup>

Based on these policies, standards and assessments, Sustainalytics is of the opinion that EDC has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

### Section 3: Impact of Use of Proceeds

All use of proceeds categories are aligned with those recognized by the GBP, SBP, GLP or SLP. Sustainalytics has focused on two below where the impact is specifically relevant in the local context.

<sup>97</sup> International Finance Corporation, "Performance Standards", at: <https://www.ifc.org/en/insights-reports/2012/ifc-performance-standards>

<sup>98</sup> Government of Canada, "Export Development Canada – R.S.C., 1985, c. E-20", at: <https://laws.justice.gc.ca/PDF/E-20.pdf>

<sup>99</sup> IAEA, "Global Status and Development of Nuclear Power Programmes", at: <https://cnpp.iaea.org/public/>

<sup>100</sup> EDC, "Environmental and Social Review Directive", (2022), at: <https://www.edc.ca/content/dam/edc/en/non-premium/environmental-social-review-directive-2022.pdf>

<sup>101</sup> EDC, "Due Diligence Framework: Human Rights", (2022), at: <https://www.edc.ca/content/dam/edc/en/non-premium/human-rights-policy-2022.pdf>

<sup>102</sup> EDC, "EDC's Principles on Leverage and Remedy", at: <https://www.edc.ca/content/dam/edc/en/corporate/corporate-social-responsibility/environment-people/principles-leverage-remedy.pdf>

<sup>103</sup> EDC, "Business integrity at EDC", at: <https://www.edc.ca/en/about-us/esg/esg-governance/business-integrity.html>

### Importance of a sustainable agriculture industry in Canada

Agriculture is a major part of Canada's economy, generating approximately CAD 150 billion (USD 111 billion) or 7% of the country's GDP and providing more than 2.3 million jobs as of 2023.<sup>104</sup> The Canadian agricultural sector depends heavily on its ability to export, adding up to approximately CAD 99 billion (USD 73 billion) of exports in 2023, placing Canada as the world's eighth-largest exporter of agricultural and seafood products.<sup>105</sup> At the same time, agriculture is the fifth-largest source of GHG emissions in Canada, accounting for 10% of the country's total GHG emissions in 2022.<sup>106</sup> Since 1990, agriculture is the sector with the second-largest growth in emissions (38%), more recently driven primarily by greater emissions from crop production.<sup>107</sup>

Despite the substantial economic contribution of 189,874 farms covering 62.2 million hectares, less than 10% of Canada's total land area is suitable for farming (with an even smaller portion classified as dependable farmland concentrated in the prairies, southern Ontario and southern Quebec).<sup>108,109</sup> This relative concentration emphasizes the importance of protecting agricultural output from physical climate risks. In recent years, the impacts of climate change have led to significant losses in crop yields due to extreme weather events. In 2023, for example, severe droughts in Saskatchewan resulted in more than CAD 1.2 billion (USD 889 billion) in crop insurance payouts.<sup>110</sup>

Considering the agriculture sector's economic significance in achieving the 2030 target of reducing national GHG emissions by 40-45% below 2005 levels,<sup>111</sup> Canada has implemented several initiatives to encourage renewable energy implementation and other decarbonization efforts in the sector. One such initiative is the Agricultural Clean Technology Program intended to support the purchase of clean energy technology and equipment upgrades to reduce GHG emissions from farms.<sup>112</sup> Specifically, the programme supports the adoption of renewable energy technologies similar to those in EDC's Sustainable Finance Framework, such as solar panels, geothermal systems, biomass power generation and clean energy fuel switching.<sup>113</sup> The programme is expected to contribute to Canada's transition toward a low-carbon economy and renewable energy grid by supporting these types of renewable energy adoption, with an aim to increase penetration on farms beyond the 12% level as of 2021.<sup>114</sup> Outside of renewable energy adoption, the Canadian government aims to reduce livestock methane emissions and crop-related nitrogen emissions through initiatives like the On-Farm Climate Action Fund, which incentivizes farmers to adopt beneficial management practices.<sup>115,116</sup> Lastly, Canada's "A Healthy Environment and a Healthy Economy" plan introduced in 2020 earmarked CAD 165.7 million (USD 121 million) of federal investment in the agricultural sector to develop clean technologies and encourage their adoption by farmers.<sup>117</sup>

To mitigate the impact of physical risks associated with climate change, Canada's federal, provincial and territorial governments established the 5-year Sustainable Canadian Agricultural Partnership in 2023, which aims to strengthen the competitiveness, innovation and resilience of Canada's agriculture and agri-food sectors. This partnership includes CAD 1 billion (USD 741 million) earmarked for federal programmes as well as CAD 2.5 billion (USD 1.9 billion) for cost-shared programmes funded jointly by the federal, provincial and territorial governments.<sup>118</sup> Under the partnership, the federal government has created the AgriScience and AgriInnovate programmes aimed at building agricultural resilience and productivity in the face of climate

<sup>104</sup> Government of Canada, "Overview of Canada's agriculture and agri-food sector", (2024), at: <https://agriculture.canada.ca/en/sector/overview>

<sup>105</sup> Government of Canada, "Overview of Canada's agriculture and agri-food sector", (2024), at: <https://agriculture.canada.ca/en/sector/overview>

<sup>106</sup> Government of Canada, "Greenhouse gas emissions", (2024), at: <https://www.canada.ca/en/environment-climate-change/services/environmental-indicators/greenhouse-gas-emissions.html#agriculture>

<sup>107</sup> Ibid.

<sup>108</sup> Government of Canada, "Overview of Canada's agriculture and agri-food sector", (2024), at: <https://agriculture.canada.ca/en/sector/overview>

<sup>109</sup> Government of Canada, "Canada Land Inventory (CLI) 1:1,000,000 Soil Capability for Agriculture: Printed Maps", at:

<https://sis.agr.gc.ca/cansis/publications/maps/cli/1m/agr/index.html>

<sup>110</sup> CBS, "Why climate change on the farm means a big bill for Canadian taxpayers", (2024), at: <https://www.cbc.ca/news/canada/edmonton/why-climate-change-on-the-farm-means-a-big-bill-for-canadian-taxpayers-1.7163473>

<sup>111</sup> Government of Canada, "Greenhouse gas emissions", (2024), at: <https://www.canada.ca/en/environment-climate-change/services/environmental-indicators/greenhouse-gas-emissions.html#agriculture>

<sup>112</sup> Government of Canada, "Agricultural Clean Technology Program - Adoption Stream: Step 1. What this program offers", at:

<https://agriculture.canada.ca/en/programs/agricultural-clean-technology-adoption-stream>

<sup>113</sup> Government of Canada, "Agricultural Clean Technology Program - Adoption Stream: Step 2. Eligibility", at:

<https://agriculture.canada.ca/en/programs/agricultural-clean-technology-adoption-stream/step-2-eligibility>

<sup>114</sup> Statistics Canada, "Canada's farms integrate renewable energy production and technologies toward a future of sustainable and efficient agriculture", (2023), at: <https://www150.statcan.gc.ca/n1/pub/96-325-x/2021001/article/00016-eng.htm>

<sup>115</sup> Office of the Auditor General of Canada, "2024 Reports 1 to 5 of the Commissioner of the Environment and Sustainable Development to the Parliament of Canada", (2024), at: [https://www.oag-bvg.gc.ca/internet/English/parl\\_cesd\\_202404\\_05\\_e\\_44472.html](https://www.oag-bvg.gc.ca/internet/English/parl_cesd_202404_05_e_44472.html)

<sup>116</sup> Government of Canada, "Backgrounder - Agricultural Climate Solutions - On-Farm Climate Action Fund", at: <https://www.canada.ca/en/agriculture-agri-food/news/2021/08/backgrounder-agricultural-climate-solutions-on-farm-climate-action-fund.html>

<sup>117</sup> Government of Canada, "A Healthy Environment and a Healthy Economy", (2021), at: <https://www.canada.ca/en/environment-climate-change/news/2020/12/a-healthy-environment-and-a-healthy-economy.html>

<sup>118</sup> Government of Canada, "Sustainable Canadian Agricultural Partnership", at: <https://agriculture.canada.ca/en/department/initiatives/sustainable-canadian-agricultural-partnership>



change through projects and research focused on soil health, input use efficiency, alternative production systems, food security and other agricultural climate change adaptation innovations.<sup>119,120</sup> Further, crop insurance is accessible to farmers in all provinces to mitigate production losses caused by natural hazards like drought, floods and excessive heat, with added support from the AgriInsurance programme and the AgriRecovery disaster relief framework.<sup>121,122,123</sup>

Considering the above, Sustainalytics expects activities across multiple categories of the Framework, including those related to renewable energy, natural resources and land use, to contribute to Canada's emissions reductions targets, in particular from the agriculture sector.

#### **Importance of supporting MSMEs owned by Indigenous persons, women and visible minorities in Canada**

As of 2023, small businesses accounted for nearly 98% of all employer businesses in Canada. Those employing fewer than 20 employees accounted for approximately 30% of the employed population and those employing 20 to 99 employees accounted for another 33%.<sup>124</sup> In 2020, SMEs' exports were 43% of the total value of exported Canadian goods.<sup>125</sup> However, only 17% of SMEs in Canada were majority owned by women in 2020, compared to 69% by men, despite having a similar export propensity of 11% versus the Canadian national SME average of 12%.<sup>126</sup> For Indigenous persons, ownership was just 1% of all SMEs and had an export propensity of 9% in 2020, which is 27% lower than the Canadian average.<sup>127,128</sup> Visible minorities comprised 9% of SME ownership and had an outsized export propensity of 13% for the same survey period.<sup>129</sup>

In this context, women, Indigenous and visible minority small-business owners face even steeper challenges accessing financing. With regard to women-owned businesses, 51% of women owners identify accessing financing as a significant challenge, with women-owned businesses averaging a 22% financing application rejection rate compared to the total-business average of just 15%.<sup>130</sup> In addition, women-owned businesses receive only 4% of investment capital in the venture capital funding pool.<sup>131</sup> Regarding Indigenous owners, 40% reported access to financing as a major obstacle in growing their businesses in 2021, nearly twice the Canadian average.<sup>132</sup> For those Indigenous SMEs intending to export (but not yet doing so), 61% reported the need for help accessing financing, highlighting the barrier to exporting and international business growth created by limited access to financing.<sup>133</sup> Lastly, just 11% of Indigenous owners reported private credit being a primary source of financing for their business, as opposed to the 35% Canadian average of 2020.<sup>134,135</sup> Regarding visible-minority-owned SMEs, black-owned small businesses, for example, especially those that are focused on exports report access to capital as being the most important challenge.<sup>136,137</sup>

Given the important role MSMEs play in Canada's economy, the Canadian government provides various means of support to MSMEs. As part of its 2024 budget, for example, the federal government introduced the New Canada Carbon Rebate for Small Businesses, expected to deliver more than CAD 2.5 billion (USD 1.8 billion)

<sup>119</sup> Government of Canada, "AgriScience Program – Projects: Step 2. Eligibility", at: <https://agriculture.canada.ca/en/programs/agriscience-projects/step-2-eligibility>

<sup>120</sup> Government of Canada, "AgriInnovate Program: Step 2. Eligibility", at: <https://agriculture.canada.ca/en/programs/agriinnovate/step-2-eligibility>

<sup>121</sup> CBC, "Why climate change on the farm means a big bill for Canadian taxpayers", (2024), at: <https://www.cbc.ca/news/canada/edmonton/why-climate-change-on-the-farm-means-a-big-bill-for-canadian-taxpayers-1.7163473>

<sup>122</sup> Government of Canada, "AgriInsurance Program", at: <https://agriculture.canada.ca/en/programs/agriinsurance>

<sup>123</sup> Government of Canada, "AgriRecovery Program", at: <https://agriculture.canada.ca/en/programs/agrirecovery>

<sup>124</sup> Statistics Canada, "Analysis on small businesses in Canada, second quarter of 2024", (2024), at: <https://www150.statcan.gc.ca/n1/pub/11-621-m/11-621-m2024007-eng.htm>

<sup>125</sup> Innovation, Science and Economic Development Canada, "SME Profile Ownership Demographics Statistics", (2022), at: [https://ised-isde.canada.ca/site/sme-research-statistics/sites/default/files/attachments/2022/h\\_03166a\\_en.pdf](https://ised-isde.canada.ca/site/sme-research-statistics/sites/default/files/attachments/2022/h_03166a_en.pdf)

<sup>126</sup> Ibid.

<sup>127</sup> Ibid.

<sup>128</sup> Canadian Council for Indigenous Business and Global Affairs Canada, "Atāmitowin Identifying and overcoming challenges facing Indigenous exporters", (2024), at: [https://www.ccab.com/wp-content/uploads/2024/09/ccab\\_report\\_english\\_digital\\_FINAL.pdf](https://www.ccab.com/wp-content/uploads/2024/09/ccab_report_english_digital_FINAL.pdf)

<sup>129</sup> Innovation, Science and Economic Development Canada, "SME Profile Ownership Demographics Statistics", (2022), at: [https://ised-isde.canada.ca/site/sme-research-statistics/sites/default/files/attachments/2022/h\\_03166a\\_en.pdf](https://ised-isde.canada.ca/site/sme-research-statistics/sites/default/files/attachments/2022/h_03166a_en.pdf)

<sup>130</sup> Canadian Federation of Independent Business, "Empowering Women in Business: Insights & Recommendations", (2023), at: <https://www.cfib-fcei.ca/hubfs/research/reports/2023/2023-12-empowering-women-business-en.pdf>

<sup>131</sup> Women Entrepreneurship Knowledge Hub, "The State of Women's Entrepreneurship in Canada 2023", (2023), at: [https://wekh.ca/wp-content/uploads/2023/06/WEKH\\_State\\_of\\_Womens\\_Entrepreneurship\\_in\\_Canada\\_2023-X.pdf](https://wekh.ca/wp-content/uploads/2023/06/WEKH_State_of_Womens_Entrepreneurship_in_Canada_2023-X.pdf)

<sup>132</sup> Canadian Council for Indigenous Business and Global Affairs Canada, "Atāmitowin Identifying and overcoming challenges facing Indigenous exporters", (2024), at: [https://www.ccab.com/wp-content/uploads/2024/09/ccab\\_report\\_english\\_digital\\_FINAL.pdf](https://www.ccab.com/wp-content/uploads/2024/09/ccab_report_english_digital_FINAL.pdf)

<sup>133</sup> Ibid.

<sup>134</sup> Ibid.

<sup>135</sup> Sustainalytics notes that the ~11% figure for Indigenous owners relates to financing as of 2020 while the ~35% figure for the Canadian national SME average relates to financing used to start business. While indicative, quality comparable data is limited.

<sup>136</sup> Innovation, Science and Economic Development Canada, "Summary report: What we heard", (2020), at: <https://ised-isde.canada.ca/site/black-entrepreneurship-program/en/summary-report-what-we-heard>

<sup>137</sup> EDC, "Creating growth opportunities for Black exporters", (2024), at: <https://www.edc.ca/en/article/black-owned-business-initiatives.html>

directly to almost 600,000 businesses with 499 or fewer employees.<sup>138</sup> These budget measures add to Canada’s 2022 enhancement of the Canada Small Business Financing Program, which mobilized CAD 560 million (USD 430 million) in annual financing to small businesses.<sup>139</sup>

In addition, the Canadian government has introduced various programmes aimed at supporting businesses led by specific populations. For example, the federal government provided nearly CAD 7 billion (USD 5.4 billion) in investments and commitments to women-owned businesses through Canada’s Women Entrepreneurship Strategy between 2018 and 2022,<sup>140</sup> and another CAD 350 million (USD 254 million) is forecasted over the next five years to Indigenous financial institutions to support indigenous-owned businesses.<sup>141</sup> Regarding visible minorities, as of October 2024, the Federation of African Canadian Economics had approved approximately CAD 60 million (USD 44 million) of loans as part of the Black Entrepreneurship Loan Fund (funded in part by the Canadian government) since its inception in 2021.<sup>142,143</sup> More broadly, the Canadian government offers The Canada Small Business Financing Program, which is a loan loss-sharing programme between the federal government and financial institutions aimed at improving access to financing for SMEs in all sectors (except agriculture) across Canada. While this programme is available to all SMEs (including Indigenous and women-owned SMEs), an outsized 16% of its borrowers are majority owned by visible minorities versus their 9% representation in the national SME base.<sup>144</sup> Based on the above, Sustainalytics expects the financing to MSMEs majority owned by equity-seeking groups under the Framework to contribute to increasing access to finance for such enterprises.

**Contribution to SDGs**

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the EDC Sustainable Finance Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7: Affordable and Clean Energy	7.2: By 2030, increase substantially the share of renewable energy in the global energy mix  7.a: By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology
Energy Efficiency	7: Affordable and Clean Energy  9: Industry, Innovation and Infrastructure	7.3: By 2030, double the global rate of improvement in energy efficiency  9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

<sup>138</sup> Deputy Prime Minister of Canada, Chrystia Freeland, “Government announces significant new support to help small business owners”, (2024), at: <https://deputypm.canada.ca/en/news/news-releases/2024/10/01/government-announces-significant-new-support-help-small-business>

<sup>139</sup> Prime Minister of Canada, “Supporting small businesses and creating good jobs”, (2022), at: <https://pm.gc.ca/en/news/news-releases/2022/04/12/supporting-small-businesses-and-creating-good-jobs>

<sup>140</sup> Innovation, Science and Economic Development Canada, “Women Entrepreneurship Strategy Progress Report 2022”, (2022), at: <https://ised-isde.canada.ca/site/women-entrepreneurship-strategy/en/women-entrepreneurship-strategy-progress-report-2022>

<sup>141</sup> Department of Finance Canada, “Growing Small Businesses Backgrounder”, (2024), at: <https://www.canada.ca/en/department-finance/news/2024/04/growing-small-businesses.html>

<sup>142</sup> The Federation of African Canadian Economics Coalition, “FACE Coalition’s 2023/2024 Annual Report Highlights \$15.7 Million in Loan Approvals”, (2024), at: <https://facecoalition.com/en/blog/face-coalitions-20232024-annual-report>

<sup>143</sup> Prime Minister of Canada, “Prime Minister announces support for Black entrepreneurs and business owners”, (2020), at: <https://www.pm.gc.ca/en/news/news-releases/2020/09/09/prime-minister-announces-support-black-entrepreneurs-and-business>

<sup>144</sup> Innovation, Science and Economic Development Canada, “SME Profile Canada Small Business Financing Program Borrowers”, (2023), at: <https://ised-isde.canada.ca/site/sme-research-statistics/sites/default/files/attachments/2023/csbfp-borrowers-emprunteurs-pfpeca-v5-en.pdf>

Pollution Prevention and Waste Management	12: Responsible Consumption and Production	12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse
Environmentally Sustainable Management of Living Natural Resources and Land Use, and Nature-based solutions	2: Zero Hunger  14: Life Below Water  15: Life on Land	2.4: By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality  14.2: By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans  15.1: By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements
Green Buildings and Infrastructure	11: Sustainable Cities and Communities	11.3: By 2030, enhance inclusive and sustainable urbanization and capacity for participatory, integrated and sustainable human settlement planning and management in all countries
Clean Transportation	9: Industry, Innovation and Infrastructure  11: Sustainable Cities and Communities	9.1: Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all  11.2: By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Sustainable Water and Wastewater Management	6: Clean Water and Sanitation  14: Life Below Water	6.3: By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally  6.a: By 2030, expand international cooperation and capacity-building support to developing countries in water- and sanitation-related activities and programmes, including water harvesting, desalination, water efficiency, wastewater treatment, recycling and reuse technologies  14.1: By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from

		land-based activities, including marine debris and nutrient pollution
Climate Change Adaptation	1: No Poverty  13: Climate Action	1.5: By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters  13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
Circular Economy Adapted Products, Production Technologies and Processes	9: Industry, Innovation and Infrastructure  12: Responsible Consumption and Production	9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities  12.2: By 2030, achieve the sustainable management and efficient use of natural resources
Affordable Basic Infrastructure	6: Clean Water and Sanitation  7: Affordable and Clean Energy  11: Sustainable Cities and Communities	6.1: By 2030, achieve universal and equitable access to safe and affordable drinking water for all  6.2: By 2030, achieve access to adequate and equitable sanitation and hygiene for all and end open defecation, paying special attention to the needs of women and girls and those in vulnerable situations  7.1: By 2030, ensure universal access to affordable, reliable and modern energy services  11.1: By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
Access to Essential Services: Health and Education	3: Good health and Well-Being  4: Quality Education	3.8: Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all  4.1: By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and Goal-4 effective learning outcomes  4.2: By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education  4.3: By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university
Economic Inclusion & Participation	5: Gender Equality	5.a: Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services,

	<p>8: Decent work and Economic Growth</p> <p>9: Industry, Innovation and Infrastructure</p>	<p>inheritance and natural resources, in accordance with national laws</p> <p>8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services</p> <p>9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets</p>
Food Security and Sustainable Food Systems	2: Zero Hunger	<p>2.1 By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round</p> <p>2.3: By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, Indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment</p>
Loans to Registered Social Enterprises and Not-for-Profit Organizations	10: Reduced Inequalities	10.2: By 2030, empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status
Carbon Capture Utilization, Storage and Transport	<p>7: Affordable and Clean Energy</p> <p>9: Industry, Innovation and Infrastructure</p>	<p>7.a: By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology</p> <p>9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities</p>
Low-Carbon Intensity Fuels	9: Industry, Innovation and Infrastructure	9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Hydrogen		
Natural Gas (Midstream and Downstream)	7: Affordable and Clean Energy	7.1: By 2030, ensure universal access to affordable, reliable and modern energy services

Steel Manufacturing	9: Industry, Innovation and Infrastructure	9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Cement Manufacturing		
Aluminium Manufacturing		
Mining and extractive sectors	6: Clean Water and Sanitation	6.4: By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
	9: Industry, Innovation and Infrastructure	9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Aerospace	9: Industry, Innovation and Infrastructure	9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Shipping ports infrastructure		
Airports		

## Conclusion

EDC has developed the EDC Sustainable Finance Framework under which it intends to issue or originate Sustainability Bonds, Sustainability Loans and other transactions, to finance or refinance, in whole or in part, existing and future projects that are expected to create positive environmental and social impacts.

The Framework outlines a process for tracking, allocation and management of proceeds, and makes commitments for reporting on allocation and impact. Sustainalytics considers that the EDC Sustainable Finance Framework is aligned with the overall sustainability strategy of EDC and that the use of proceeds will contribute to advance the UN Sustainable Development Goals 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15. Additionally, Sustainalytics is of the opinion that EDC has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is confident that EDC is well positioned to issue the Sustainability Bonds and Sustainability Loans and that the EDC Sustainable Finance Framework is robust, transparent and in alignment with the Sustainability Bond Guidelines 2021 and the four core components of the Green Bond Principles 2021, Social Bond Principles 2023, Green Loan Principles 2023 and Social Loan Principles 2023.

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