

Disclosure Policy

EDC Disclosure Policy

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A. Introduction

Export Development Canada (EDC) provides trade finance and risk management services to Canadian exporters and investors. Canadian companies that operate abroad have established a reputation for conducting business in a fair, open and responsible manner. As a partner that facilitates international business for Canadian companies, EDC shares responsibility for, and seeks through its operating principles and policies to maintain and enhance, that reputation. The Disclosure Policy sets out EDC's commitment with respect to the disclosure aspects of that responsibility.

This Disclosure Policy establishes the framework, as well as the standards, for the routine disclosure of information by EDC related to EDC's business activities and in particular its committed support for transactions.

The Policy is developed based on three key governing principles outlined in section B. As a first principle, EDC recognizes and endorses the importance of disclosure and its relation to accountability. At the same time, EDC will disclose information in a manner that respects its obligations in relation to confidentiality and minimizes potential moral hazard issues in connection with its insurance activities. Further, EDC will implement this Policy in a manner that will not impede its ability to effectively execute activities in support of its mandate.

In accordance with this Policy, EDC will disclose or seek to make available, as applicable:

- (1) aggregate information on its business volume for all of its signed insurance and financing support, as outlined in section D1;
- (2) certain information on individual transactions related to its signed financing support, as outlined in section D2; and
- (3) prior to signing, environmental impact information for projects classified as Category A projects under EDC's Environmental Review Directive, as outlined in section D3.

This Policy is authorized by EDC's Board of Directors and is effective as of November 2, 2005. This Policy applies to transactions signed on or after the effective date.

Questions about this Policy may be directed to the Vice President, Corporate Communications and External Relations, Export Development Canada.

B. Principles governing EDC disclosure

Preamble

As a Crown corporation, EDC operates internationally on a commercial basis to provide a range of financial and risk management services aimed at maintaining the competitiveness of Canadian exporters and investors in the global marketplace. EDC does so on a financially self-sustaining basis and receives no annual appropriations from Parliament to fund its operations. In addressing EDC's commitment under this Policy to disclose information, EDC aims to balance the need for public accountability with the need to effectively execute its mandate and to protect its customers' commercially sensitive information. In addressing this required balance with respect to the scope of EDC's disclosure, EDC has followed three key principles:

1. Disclosure of information on its signed business activities is intended to enhance EDC's public accountability.

Disclosure of relevant information is a critical element in allowing EDC to demonstrate accountability by building public awareness of and confidence in EDC's execution of its mandate. EDC is committed to increasing the transparency of its signed business activities and environmental information when the issue of accountability is relevant and in the absence of a compelling reason for confidentiality.

2. Confidential information will not be disclosed.

EDC's disclosure practices must reflect its legal obligations and concerns for protecting confidential information entrusted to EDC by its customers and other parties in the normal course of conducting its business. EDC defines confidential information for purposes of this Policy as information that is either related to commercial competitiveness or unrelated to public accountability, as outlined in section E.

3. EDC will implement this Policy in a manner that will not jeopardize its pursuit of its legislative mandate.

Section 10 of the *Export Development Act*, the legislation that governs EDC, states "*The Corporation is established for the purposes of supporting and developing, directly or indirectly, Canada's export trade and Canadian capacity to engage in that trade and to respond to international business opportunities.*" EDC will ensure that the form, content and timing of disclosure pursuant to this Policy will not impede the effective execution of its mandate.

C. General disclosure practices

EDC discloses information on its business results, plans, services, products and key policies on a regular and systematic basis.

Business planning and reporting provided by EDC includes:

- Financial performance as detailed in the Annual Report, including financial statements audited by the Auditor General of Canada
- Office of the Auditor General, Special Examination Report on EDC
- Office of the Auditor General, Environmental Review Report
- Chief Environmental Advisor's Annual Report
- Compliance Officer's Activity Report
- Corporate Social Responsibility Annual Report
- Canada Account Annual Report
- Business results announced in news releases
- Transactional information announced in news releases
- Annual Corporate Plan Summary, as tabled in Parliament
- EDC speeches and events
- Quarterly magazine for Canadian exporters, *ExportWise*.

EDC also provides information on certain key policies, procedures and practices such as:

- Corporate Social Responsibility Framework
- Proceedings of EDC's Advisory Council on Corporate Social Responsibility
- Code of Conduct
- Code of Business Ethics
- Environmental Review Directive
- Anti-Corruption Policy Guidelines
- Boycott Policy Information
- Corporate governance practices, as stated in the Annual Report.

All of this information is disclosed through EDC's web site (www.edc.ca). As well, this information is also generally disclosed through printed material such as product brochures or EDC's Annual Report.

In addition to disclosure made directly by EDC, International Trade Canada also provides information, such as news releases on Canada Account transactions, based on information provided in part by EDC.

D. Transaction disclosure

Preamble

EDC is committed to disclosure of the signed transactions; these fall into two main categories – Insurance Services and Financing Services.

Insurance Services refers to: EDC's insurance services provided to Canadian exporters and investors, in the form of Accounts Receivable Insurance where EDC provides insurance coverage to protect Canadian companies against non-payment of their export sales or contracts; Contract Insurance and Bonding which includes performance bonding, surety services, and wrongful call coverage for Canadian exporters of goods and services; and Political Risk Insurance on foreign investments made by Canadian companies.

Financing Services refers to: direct or indirect extension of financing by EDC in support of international business opportunities pursued by Canadian companies, in the form of Financing (including Guarantees); Political Risk Insurance to lenders; and Equity.

EDC will provide aggregate reporting for all of its signed insurance and financing business results as set out in section D1 below.

Furthermore, in connection with all of its Financing Services, EDC will disclose individual signed transaction information as set out in section D2 below, and additional specific disclosure in respect of Category A projects which EDC is considering supporting and has supported, as more fully described in sections D2 and D3.

D1. Quarterly Aggregate Data Reporting

EDC will disclose information on all of its signed insurance and financing activities excluding Canada Account¹ in a manner that aims to protect the competitive position of EDC's customers and the confidential information that they entrust to EDC in the normal course of business.

EDC will report aggregations of its business volume by: Canadian industry sector; country or region in which business was concluded; Canadian region of exporter; and type of EDC support provided. In order to protect the competitive position and confidentiality needs of EDC's customers, aggregations disclosed will normally contain at least ten (10) data points.

The aggregated information will be posted and updated on EDC's web site (www.edc.ca) on a quarterly basis not later than 60 days from each quarter's end.

¹ As activity under Canada Account is unlikely to ever reach the required ten data point minimum under any heading of aggregation, aggregate reporting on Canada Account transactions is not feasible.

D2. Individual Transaction Reporting

EDC will report individual transaction information on all its signed Financing Services. In this regard, EDC will disclose the following information, as applicable:

- Country
- Principal counterparty or counterparties (name of borrower, guaranteed party and party whose payment EDC is guaranteeing, investee, or insured lender, according to the EDC financial service provided)
- EDC financing product
- General description of commercial transaction/project
- Amount of EDC financial support in approximate dollar ranges
- Canadian company name

In addition, where EDC provides support to a Category A project, following signing EDC will also disclose the type of environmental information reviewed, and the standards applied by EDC in determining that it is justified in supporting such Category A project.

Transactions are often governed by strict confidentiality agreements that are binding on all parties, and in such cases disclosure of all or part of this information will depend on EDC's ability to obtain the necessary legal consents and permission from affected parties. EDC will seek to obtain the necessary legal consents and permission in order to minimize the number of exceptions to this section of the Policy. EDC expects that such exceptions will be limited to situations where there is a compelling reason for commercial confidentiality.

Individual transaction information will be posted and updated on EDC's web site (www.edc.ca) as soon as possible after signing of the EDC transaction (normally within 90 days).

D3. Environmental and Social Reporting

EDC believes that disclosure of environmental information is an essential element of a credible environmental review process for international financial institutions, and that requirements for environmental disclosure should reflect the OECD Recommendation on Common Approaches on Environment and Officially Supported Export Credits ("Common Approaches").

EDC will seek to have all project sponsors of Category A projects located in Canada, the United States, France, Germany, Italy, Japan or the United Kingdom (each a "G7 Country") to whom EDC is considering providing support (i) publicly release available environmental impact information and (ii) consent to EDC informing the public via its website that it is considering support to such Category A project, in each case at least thirty (30) calendar days prior to EDC's signing of the transaction related to such support. If such consent is obtained, EDC will disclose the following information: country, project name,

general description of project, project sponsor and project contact. Such public release prior to EDC committing to support a Category A project and consent to EDC disclosure will not be a precondition to EDC's support, however EDC will seek to minimize the number of exceptions to such prior release and disclosure.

EDC will require that all project sponsors of Category A projects located in a jurisdiction other than a G7 Country to whom EDC is considering providing support (i) publicly release available environmental impact information and (ii) consent to EDC informing the public via its website that it is considering support to such Category A project, in each case at least thirty (30) calendar days prior to EDC's signing of the transaction related to such support. EDC will disclose the following information: country, project name, general description of project, project sponsor and project contact. EDC may waive any of the foregoing, but in that event EDC will disclose the justification for such waiver to the public via its website.

E. Treatment of confidential information

EDC will not disclose confidential information without the required consents.

Confidential information falls into two categories: information related to commercial competitiveness; and information unrelated to public accountability (see principles 1 and 3, section B).

Information related to commercial competitiveness includes:

- A) Financial, business or other proprietary information, intellectual property, or other non-public information that has been disclosed to EDC under any obligation of confidentiality unless the necessary legal consents or permission are obtained;
- B) Financial, business or other proprietary information of third parties where disclosure of such information might adversely affect the third party concerned unless permission is given by such third party to disclose such information, including project appraisal reports and documents prepared by EDC and/or its external counsel or consultants;
- C) Information the release of which might prove to be detrimental to the economic interests of Canada;
- D) Proceedings, deliberations and records of EDC's Board of Directors and its committees, including documentation created for use by or presentation to the Board of Directors or its committees; and
- E) Financial, business or proprietary information which might prove to affect EDC's activities in capital or financial markets or to which such markets may be sensitive or which might prove to affect EDC's competitive position, including details of liquidity investments, estimates of future borrowings, or redemptions of borrowings, expected rates of interest or rates of return and financial ratios.

Information which is unrelated to public accountability includes:

- A) EDC intellectual property or information dealing with EDC's internal administration, operations or activities, whether or not related to any transaction,

including internal notes, memoranda, and correspondence by or among EDC staff, including information relating to internal deliberative processes among EDC staff such as project evaluation reports or credit assessments which are produced for internal use only;

- B) Information the release of which might prove to be a threat to the national security of Canada or other countries or violate any applicable law;
- C) Information related to EDC procurement processes submitted by prospective bidders, including pre-qualification information, tenders, proposals or price quotations, or records of deliberative processes related thereto;
- D) Personal or employment related information about EDC staff members. Personal information will be administered in accordance with the provisions of the Privacy Act; and
- E) Privileged information including advice, information, views and opinions provided to EDC by professional advisors and consultants, such as legal advice from or correspondence with either internal or external counsel, information relating to matters under negotiation or in legal dispute and disciplinary and investigatory information generated in or for EDC.

F. Accountability

EDC is accountable to numerous stakeholders. These include its customers, employees, shareholder, and the larger domestic and international community. The following practices, measures, and governing bodies exist to ensure EDC's accountability.

Within EDC:

- Corporate Social Responsibility Statement of Commitment
- Code of Business Ethics
- Code of Conduct
- Environmental Review Directive
- EDC Board of Directors

EDC and the Canadian Federal Government:

- Minister of International Trade
- Export Development Act
- Financial Administration Act
- Auditor General of Canada
- Applicable Treasury Board Guidelines and Directives

EDC and International Disciplines:

- Organization for Economic Cooperation and Development (OECD)
- World Trade Organization (WTO)

In order to ensure EDC's continuing accountability under the EDC Disclosure Policy, the following measures have been put in place:

- Periodic review: EDC will review its performance under this Policy and will report on its performance on an annual basis to its Board of Directors or a Committee

thereof. The periodic review of this Policy will be the responsibility of the President and CEO. The day-to-day interpretation and implementation of this Policy will be the responsibility of EDC senior management.

- **Monitoring:** This Policy shall be monitored for compliance by EDC's Internal Audit and Evaluation department.
- **Auditing:** The *Export Development Act* prescribes that EDC's auditor is the Auditor General of Canada. The Auditor General's requirements are to audit the annual financial statements and to perform, every five years, a special examination on the activities of EDC. The appropriateness of this Policy, and EDC's adherence to it, may form part of a special examination.
- **Compliance:** EDC has designated a Compliance Officer to oversee audits of EDC's compliance with the terms of this Policy.

G. Public information facilities

EDC's web site will be the primary source for information disclosure. In general, requestors of information will be directed to EDC's web site (www.edc.ca).

If the information is not available on the web site, a secondary source for public information may be available. A request may be made by telephone, fax, mail or electronic mail and EDC will respond to the request within a reasonable period of time. To assist EDC with this process, a requestor should provide as much information as possible about the specific project or information/documentation that is being sought.

The EDC contact for an information request is the Manager, Public Affairs, Export Development Canada.

EDC operates on a cost recovery basis and not all documentation will be sent to a requestor free of charge. Consistent with Treasury Board's Cost Recovery and Charging Policy, if EDC expects to incur expenses in providing the requested information, the requestor will be notified in advance that they will be responsible for those expenses.

Requestors may request information in either French or English; however, if EDC is in possession of a document of a third party written exclusively in one language, including languages other than French or English, EDC will not assume responsibility for the performance or cost of translation.

Should a stakeholder have a concern about EDC's application of, or adherence to, this Disclosure Policy with respect to any particular transaction, such individual may ultimately seek the opinion of the Compliance Officer with respect to same.

H. Glossary of Terms

Accounts receivable insurance

This insurance protects policyholders against non-payment by their buyers or banks, whether due to insolvency, default, repudiation of goods or termination of contracts, or due to risks outside of the buyer's control such as difficulty converting or transferring currency, cancellation of export or import permits, and war-related risks.

Auditor General of Canada

The Auditor General of Canada conducts an audit of EDC every year, and a comprehensive special examination of EDC every five years.

Canada Account

Under the *Export Development Act*, the Minister of International Trade, with the concurrence of the Minister of Finance, may authorize EDC to undertake certain transactions of a financial nature to support and develop export trade. These transactions, and the legislative authorities that underlie them, have come to be known collectively as the "Canada Account."

While EDC strives to find ways to structure transactions under its Corporate Account, there are a number of factors which might lead EDC to refer a transaction to Canada Account. The transaction could: exceed EDC's exposure guidelines for a particular country (that is, the maximum amount of business EDC has decided it can prudently undertake in a specific market); involve markets where, for reasons of exceptional risk, EDC is unwilling to support Canadian export business; or it could involve an amount or a term in excess of that which EDC would normally undertake for a single borrower.

Category A project

A Category A project is (i) a project which has been classified as a Category A under EDC's Environmental Review Directive or (ii) a project in a sensitive sector or located near sensitive areas in respect of which EDC's support is less than SDR 10 Million and which has been classified by EDC as a Category A project under EDC's environmental procedures. A project is classified as a Category A when it is likely to have significant adverse environmental effects that are sensitive, diverse, or unprecedented. SDR (Special Drawing Right) serves as the unit of account of the International Monetary Fund and other organizations and its value is based on a basket of key international currencies.

Contract Insurance and Bonding (CIB)

CIB services come into play in many international transactions, particularly for capital equipment and projects, where customers may require exporters to post bonds guaranteeing their bid, performance, or any advances received from them.

Performance security insurance protects exporters from wrongful calls made on their bonds. Performance security guarantees, on the other hand, provide banks with coverage against any calls pursuant to the guarantees issued on an exporter's behalf. In transactions where the exporter is required to post surety bonds instead of bank letters of guarantee, EDC may issue the bond directly to the buyer. Alternatively, EDC also offers reinsurance capacity to licensed sureties to augment their capacity and to facilitate the issuance of such bonds.

Customers

EDC's customers may include buyers, borrowers, exporters, guarantors, banks, insurers or any other party to a transaction that EDC is actively considering.

EDC Board of Directors

The Board has 15 directors, drawn primarily from the private sector. Each director, other than the Chairperson and the President and CEO, is appointed by the Minister of International Trade with the approval of the Governor in Council to hold office for a term not exceeding three years. The Chairperson and the President and CEO are appointed by the Governor in Council to hold office for such terms as the Governor in Council deems appropriate.

Equity

Equity and other forms of related investments in projects or companies operating abroad or through participation in market- or sector-focused investment funds can be provided by EDC.

Financing

Financing services enable Canadian companies to provide their customers with flexible, medium- or long-term financing. EDC offers a variety of structures that can be tailored to meet today's evolving market conditions.

Lines of credit and protocols are pre-arranged financing facilities set up between EDC and foreign banks or agencies. Note purchase and receivable purchase facilities enable EDC to purchase promissory notes issued, or receivables owed, by foreign buyers to Canadian exporters for the purchase of Canadian goods and services, thereby freeing up cash for the exporter. Long-term pre-shipment financing, leasing support and project financing are also available.

Guarantees are provided to financial institutions seeking to enter into a risk-sharing arrangement with EDC, whereby EDC guarantees a portion of the financing extended by them to eligible borrowers in support of Canadian exports.

Financial Administration Act

The Government of Canada primarily regulates Crown corporations through the *Financial Administration Act* (FAA).

EDC is presently listed under Part I of Schedule III to the FAA. As such, EDC is required to:

- Submit an annual report, a corporate plan and an operating budget to the Minister of International Trade; and
- Undergo audits by the Auditor General of Canada.

Minister of International Trade

As a Crown corporation, EDC reports to Parliament through the Minister of International Trade and is regulated primarily through the *Export Development Act* and the *Financial Administration Act*.

EDC's annual report and corporate plan summary are tabled annually in Parliament and the Auditor General of Canada is the auditor of EDC. The Governor-in-Council, on the recommendation of the Minister of International Trade and Treasury Board, must approve

EDC's corporate plan, and the Minister of Finance must approve EDC's borrowing plan annually and may elect to be included in the recommendation of EDC's corporate plan.

Organization for Economic Cooperation and Development (OECD)

The OECD Working Party on Export Credits and Credit Guarantees addresses issues related to export credits and the environment in a multilateral setting.

The OECD also “houses” the Consensus Arrangement. The Arrangement, first developed in 1978, sets out the most generous terms and conditions permitted for official export credit business and hence serves to prevent a destructive and costly export credit race among governments seeking to promote their national exports.

Canada is an OECD member.

Political Risk Insurance

Political Risk Insurance is available to support Canadian companies with investments in foreign countries and to support lenders who finance transactions pursued by Canadian companies abroad. EDC's cover protects against political risks: transfer difficulties, whereby an investor is unable to convert local earnings into hard currency or repatriate hard currency; expropriation, whereby an investor is unable to use its assets or conduct business due to the direct or indirect actions of the host government; war, revolution, and insurrection, whereby the project's assets are destroyed or business operations are discontinued due to politically motivated conflict.

World Trade Organization (WTO)

The provisions of WTO's Subsidy and Countervail Measures Agreement (SCM Agreement) govern all international trade among members.

All of EDC's business is subject to the disciplines of the WTO, which dictate that government-backed institutions operate according to the market unless they adhere to the interest rate provisions of the OECD Consensus Arrangement.