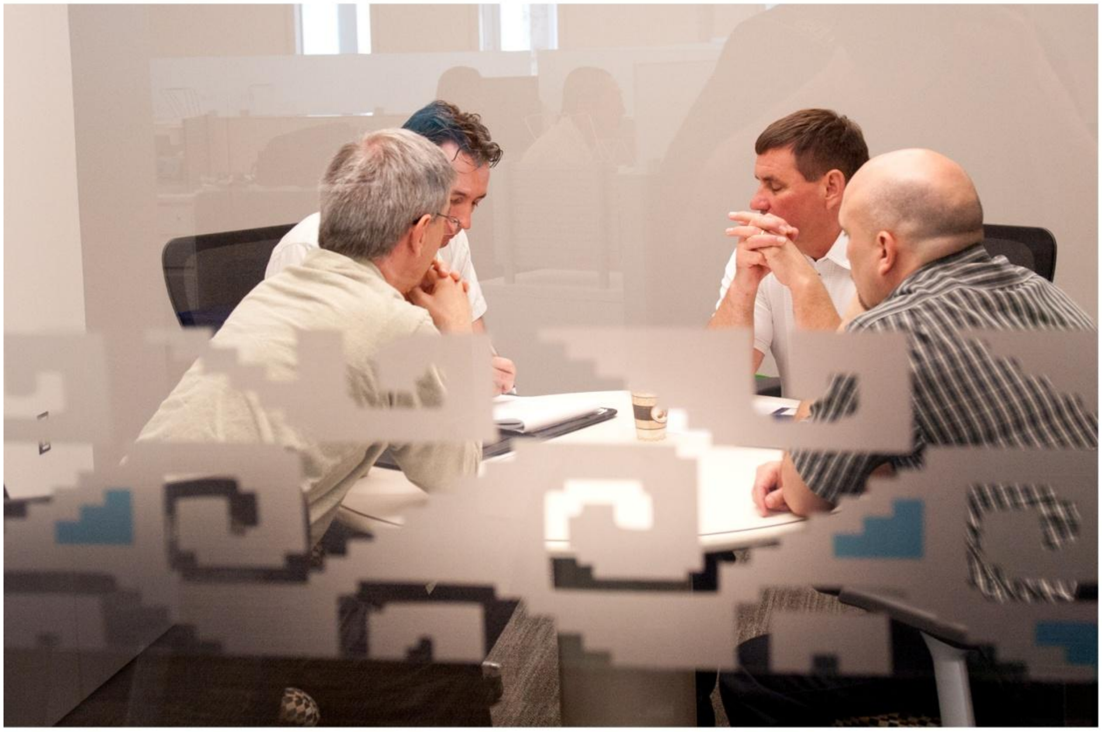
2012-2016 CORPORATE PLAN SUMMARY

OPERATING BUDGET • CAPITAL BUDGET • BORROWING PLAN



Canada

EDC

Realize a World of Opportunity

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The 2012–2016 Corporate Plan was approved by EDC's Board of Directors on October 20, 2011. The Plan and its underlying assumptions were developed over the summer and fall of 2011, during a period of ongoing uncertainty in the global economy. While the Plan and its underlying assumptions were aligned with the economic environment at the time of their development, continued volatility in the global economy may alter the economic landscape and, in some cases, impact the assumptions upon which the Plan is based.

INTRODUCTION

For more than 65 years, Export Development Canada (EDC) has provided financial solutions to Canadian companies to help them take advantage of global trade and investment opportunities. Our knowledge of international trade and risk management, our connections with key contact networks and our commitment to deliver value allows the corporation to be an essential partner in trade for Canadian companies.

Enhancing Trade Performance and Creating Benefits for Canada

2010 Highlights

- EDC facilitated, directly and in partnership, $84.6 billion in international trade and investments on behalf of 8,379 Canadian companies. This represents 17.6% of all of Canada’s trade and foreign investment.
- Trade diversification continued and more Canadian companies are selling to clients in new countries. The corporation helped these companies by facilitating $24.7 billion in emerging market transactions. This amount represents 37.3% of all Canadian exports and direct investments to emerging markets.
- The business facilitated by EDC helped generate $63.4 billion of Canadian gross domestic product (GDP) and provide employment to 627,000 Canadians. This represents 4.9% of total Canadian GDP and 3.7% of national employment.

Canadian companies will continue to face uncertainty over the coming planning period, caused by the changing exchange rate of the Canadian dollar, access to credit, political risks in many regions and the shifting state of the world economy. Rapid shifts in business conditions will likely characterize the medium-term planning environment for companies. At the same time, many exciting developments are taking place globally and many entrepreneurial Canadian firms are taking notice. Half of the growth of world imports is taking place in emerging markets and many Canadian companies are responding by adjusting their business models to succeed in non-traditional markets. Additionally, technology-based innovation will allow Canadian companies to create and sell overseas new products and services in sectors such as food, transportation, health, education, energy and environment.

EDC’s role in the above context is clear. We must be ready to use our core financing, insurance and bonding solutions to address the specific needs of Canadian companies when times become challenging. We also have a key role to play to help Canadian firms capitalize on the rich possibilities in the current environment. In other words, the corporation must facilitate and develop new trade opportunities for Canadian companies. The Corporate Plan details how EDC intends to accomplish the above in order to fulfill its commitment to Canadian companies and to Canada as a whole.

EXECUTIVE SUMMARY

EDC is a Crown corporation whose role is to provide trade finance and risk management services to Canadian companies to help them take advantage of global trade and investment opportunities.

The corporation’s mandate is to support and develop, directly or indirectly, Canada’s export trade and Canadian capacity to engage in that trade, as well as respond to international business opportunities. EDC's vision is to be the most knowledgeable, the most connected and the most committed partner in trade for Canada.

As the global environment evolves, EDC will respond to the changing needs of Canadian companies in order to create benefits for Canada and help enhance our country's trade performance. We will provide the solutions that Canadian businesses require by working in close partnership with public and private sector financial institutions.

The Planning Environment

An unpredictable environment will confront Canadian companies over the planning period. Sudden changes that have the potential to disrupt trade and investment activities, such as debt crises, social and political turmoil or natural disasters, are expected to occur more frequently in the future. At the same time, opportunities to sell Canadian goods and services overseas will grow over the coming years, driven by the rapid increase in wealth in emerging markets, the signing of new trade agreements by the Government of Canada and by the development of Canada's innovation potential in industries such as transportation, information and communications technology, and infrastructure.

EDC has identified five major trends that will influence the trading environment in which Canadian companies operate:

- Rapid technological innovation;
- High growth rates in emerging markets;
- A rise in social and political volatility;
- Tighter access to credit; and
- The further integration of the world economy.

The ability of Canadian companies to adapt to a shifting environment has been tested in recent years in the wake of the financial crisis, the recession in the United States, the appreciation of the Canadian dollar and rising competition from emerging markets. Canadian exports managed to grow prior to the 2008-2009 downturn mainly due to high commodity prices. Following a 24% drop in exports in 2009, Canada's exports will only reach their pre-recession levels in 2012. However, there is cause for optimism. Canadian trade is diversifying quickly as companies respond to strong demand in emerging markets. Sectors such as auto and industrial machinery will continue recovering, while demand for Canada's resources remains firm. Innovation will allow the Canadian aerospace industry to enter a new growth phase while underpinning the development of other sectors such as health sciences, the digital economy and environmental technologies.

EDC's Business Strategy

The corporation's business strategy over the planning period will be centered on three main courses of action.

First, EDC will continue to deliver the financial solutions that thousands of Canadian companies depend on to grow their foreign sales. The volatile environment in which these companies will operate will result in sustained demand for EDC's core products, in particular those that mitigate risk. Canadian companies are expected to call on EDC frequently as they profit from the export and foreign investment possibilities that this environment will also bring. EDC's suite of financial products, trade advisory solutions and matchmaking experience will play a key role in helping expand Canada's trade over the next five years.

Second, EDC will increase its efforts to create new trade and investment for Canada. The corporation will use all of its trade creation tools, such as "pull" transactions, "protocol" agreements and assistance to Canadian foreign direct investment. It will also launch three strategic initiatives that are well-connected to the opportunities that the current planning environment presents.

- One of these initiatives is aimed at the Canadian Aerospace industry. Like the CRJ 20 years ago, the advent of the CSeries program could change the face of the industry in Canada and drive the country's global leadership in this sector. EDC is positioning itself to play a role in providing solutions to ensure that the growth potential of this industry can be materialized.
- Another initiative is related to the Clean Technologies industry. Demand for goods and services that allow for a more efficient use of the planet's resources is increasing quickly. Opportunities to create trade are abundant in the Clean Technologies industry - a sector where Canada possesses a large pool of both established and emerging expertise.
- The last initiative is targeted at infrastructure opportunities in India, a significant economy with a Gross Domestic Product exceeding $1.5 trillion. The Indian economy is expected to expand at an annual rate of more than 8.0% over the planning period and supporting this rapid economic growth will require massive investment in new infrastructure ranging from power generation and transmission, to transportation and municipal services. The Indian government has clearly indicated its commitment to delivering this infrastructure, with spending expected to reach $1.0 trillion over the next five years. The need to engage foreign resources – both expertise and capital – to build such infrastructure is acknowledged by the Indian government.

Third, EDC will put increased energy and accountability into enhancing its productivity and building organizational resilience. Productivity gains have already been achieved across the corporation over the past few years. The reshaping of organizational structures, a more extensive use of technology and revamped processes across business functions have resulted in better service for EDC's clients and helped contain costs. EDC will continue implementing initiatives that improve performance and will refine its productivity measures in order to better capture resulting benefits. In an environment where disruptive events will likely take place more frequently, EDC will need an enhanced ability to anticipate and answer Canadian companies' needs under changing circumstances. EDC will build its organizational resilience by maintaining an adequate financial position, developing nimbleness and by continuing to enhance its efficiency.

In 2011, EDC adopted a new management framework to guide its decision-making on key corporate initiatives. This new model reflects all of the main attributes of our business and will help the corporation achieve the goals outlined above in the context of an unstable environment. It will also guide EDC's efforts towards its ultimate aim of generating benefits for Canada. This new framework constitutes the architecture for the 2012-2016 Corporate Plan.

EDC's Financial Plan

Financial sustainability is one of the four core dimensions of EDC's business included in our new strategic framework. This is not a novel concept for EDC, however the new framework brings greater visibility to this dimension. EDC's ability to deploy its lending and insurance solutions to Canadian businesses is dependent on the corporation's financial sustainability, which is achieved through our commitment to sound financial management. This involves earning a return sufficient to pay the bills and build capital to support more business. It means we charge appropriately for our services, we control our administrative expenses, and we minimize financial losses.

The Government of Canada announced in Budget 2011 the undertaking of a Strategic and Operating Review (SOR) in order to identify areas for savings. As a non appropriation-dependent Crown corporation, EDC is not formally subject to the SOR but is committed to the spirit and intent of the exercise. EDC's Financial Plan identifies areas in which the corporation is exercising additional prudence in managing its operational costs in response to SOR. In addition, the Plan demonstrates how the investments EDC is making in its people, processes and technology will enable the corporation to carry out its activities in an efficient manner over the planning period.

EDC's Financial Plan also discusses the corporation's capital management strategy. Our objective for managing capital over the planning period is to grow the corporation's capital base to a level that will enable EDC to support both our existing base of business and potential new opportunities for Canadian exporters. In addition, EDC must remain resilient to potential portfolio stresses particularly in light of the volatile economic and financial environment. Our capital position should be strong enough to absorb these potential market shocks.

1

THE PLANNING ENVIRONMENT

1.1 THE GLOBAL ENVIRONMENT[1]

The global environment will be rich in challenges and opportunities during the next five years. Growth in most developed countries will remain sluggish due to the removal of policy stimulus and as household debt levels continue to decline. In contrast, growth will be strong in some economies, in particular Asia, leading to a further redistribution of world economic and political power. "Black swans" – unpredictable events with a high potential for social, political or natural disruption – have the potential to occur more frequently. At the same time, groundbreaking innovations will create demand for new products and services.

The international trade environment will present Canadian companies with many opportunities to develop their foreign sales with new customers and in new sectors; however they will face challenges to seize them. The environment will be characterized by changes that will test the adaptability of Canadian companies, regardless of their size. EDC has identified five key trends in this environment, which are relevant to Canadian firms' trade and investment activities over the planning period.

RAPID TECHNOLOGICAL INNOVATION

The pace of technology-driven innovation will continue to accelerate, giving rise to new industries and profoundly affecting business practices. Driven by the scarcity of basic resources and services, there will be increasing opportunities for companies to create new products and services in sectors such as food, transportation, health, education, energy and environment. Technology will also enhance the efficiency with which goods, information and funds flow, making it easier and more profitable for companies to sell to new foreign buyers. Innovations such as electronic marketplaces and virtual trade shows will make worldwide procurement easier. Digital technology will further facilitate trade in existing and new services. The speed of scientific and technological innovation will

[1] EDC's description of the Planning Environment is based on the Fall 2011 Global Export Forecast. This forecast is available at www.edc.ca.

require that Canadian companies invest in research and development (R & D) to remain competitive on foreign markets.

HIGH GROWTH RATES IN EMERGING MARKETS

The rate of growth in emerging markets will exceed that of industrialized economies, forcing many Canadian companies to adjust their international strategies. High debt levels in Western countries will lead to budget cuts that will dampen growth. An aging population will also negatively affect consumption spending in developed countries. Meanwhile, consumption, investment spending and exports will rise quickly in emerging economies. The difference in growth will be significant: from 2012 to 2016, Western Europe and Japan are expected to grow their economies by 8%, and the United States by 15%. In contrast, China, India and Brazil are expected to grow by 51%, 47% and 26% respectively.

The rapid growth in exports from emerging markets will lead to increased competition. Global imbalances are likely to persist as companies from emerging economies expand their footprint in new sectors higher up the value chain and governments take action to prevent their currencies from appreciating rapidly. For many industrialized countries, including Canada, this could result in strong headwinds for the manufacturing sector.

RISE IN SOCIAL AND POLITICAL VOLATILITY

The Arab Spring, political tensions in the United States surrounding fiscal policy, and the European sovereign debt situation illustrate how crises can sometimes take the world by surprise. The frequency at which similar events could occur in the future is expected to rise, increasing the risk of doing business in areas previously considered safe. For example, budget measures in Western countries may result in social protests and political disorder. The difficulty that Euro-zone governments are having in coordinating a response to a potential default by Greece or other members could trigger another financial and economic crisis. In many emerging markets, the majority of the population is under the age of 30. As the Arab Spring showed, the underemployment of millions of young adults can constitute a potent source of social and political tension.

The shortage and unequal distribution of basic resources such as clean air, fresh water, food and energy also create conditions for societal pressures to mount. Faster and more accessible means of communication and social media are helping to mobilize people when an impetus for social, political or economic change arises. In this environment, it will be more important than ever for Canadian companies to safeguard their foreign revenues and assets through proper risk mitigation. Unmet needs are usually at the root of sudden social and political transformations. These needs can constitute interesting opportunities for Canadian companies that are willing to operate in fluid environments.

TIGHT CREDIT ENVIRONMENT

Business lending conditions in Canada have eased over the past two years. Combined with low interest rates, current borrowing conditions are generally positive for Canadian exporters. However, conditions are not as bright for some foreign buyers of Canadian goods and services. For instance, bank lending remains generally constrained in Europe where the situation remains very fluid, particularly in countries facing severe debt problems. Over the next five years, the credit environment will likely tighten globally, including in Canada, due to a variety of elements. The fiscal strains in peripheral Europe and high debt levels in the United States and Japan may cause further repricing of credit risk for sovereign borrowers and lead to a retrenchment in risk-taking in global financial markets. This would increase the funding costs of banks around the world. Demographics could also contribute to rising financing costs, as an aging population becomes a net seller of government bonds in countries such as Japan. Finally, more stringent banking regulations, such as the implementation of Basel III capital standards, could make it more difficult and costly for Canadian companies and foreign buyers to gain access to credit.

FURTHER INTEGRATION OF THE WORLD ECONOMY

While the financial crisis has led to an increase in protectionism worldwide, for the most part, globalization has come out unscathed from the global recession. Slow growth in Western countries, combined with policies in emerging markets aimed at favouring exports over imports in order to sustain fast economic growth, will test the resilience of an increasingly integrated world economy. The temptation for some nations to retrench and erect barriers to reduce the inward flow of foreign goods and services will remain.

Notwithstanding this, the global economy will likely be more integrated in 2016 than it is today. Supply chains are becoming more international every day and a reversal of this trend is unlikely. Indeed, increased globalization by companies creates a natural defence against higher volatility. Canada and other countries will continue to negotiate numerous bilateral trade agreements; with technological advances easing the management of complex supply chains, the flow of goods, services and ideas between countries is bound to accelerate. Capital will also continue moving at a fast pace and overseas investment by companies of all sizes will increasingly become commonplace. For Canadian firms, a more open and tightly knit world economy will mean more competition, but also more global foreign sourcing and selling opportunities.

1.2 CANADA’S TRADE AND INVESTMENT PERFORMANCE

RECENT PERFORMANCE

Prior to the financial crisis, total Canadian exports held up notwithstanding the marked appreciation in the value of the Canadian dollar. From 2003 to 2008, Canadian exports grew at an annual rate of about 5%. However, during this period, Canada experienced a two-track expansion as commodity and resource-based exports grew at a rate close to

11%, whereas manufacturing exports declined each year by 2.5%.[2] Services exports rose at a 3% rate annually. Higher commodity prices have contributed to the rise of the Canadian dollar, a challenging factor for Canadian manufacturers.[3] Increased competition from emerging markets and a high exposure to the U.S. market have also hampered Canada's manufacturing sector.

Many Canadian manufacturers have taken steps to adapt. First, they have invested heavily in productivity-enhancing machinery and equipment.[4] Second, manufacturers have reduced their dependence on the U.S. market by exporting more to emerging markets. Third, they have established a physical presence (such as a sales office or a plant) more frequently outside of the country in order to better service clients and integrate new global supply chains.

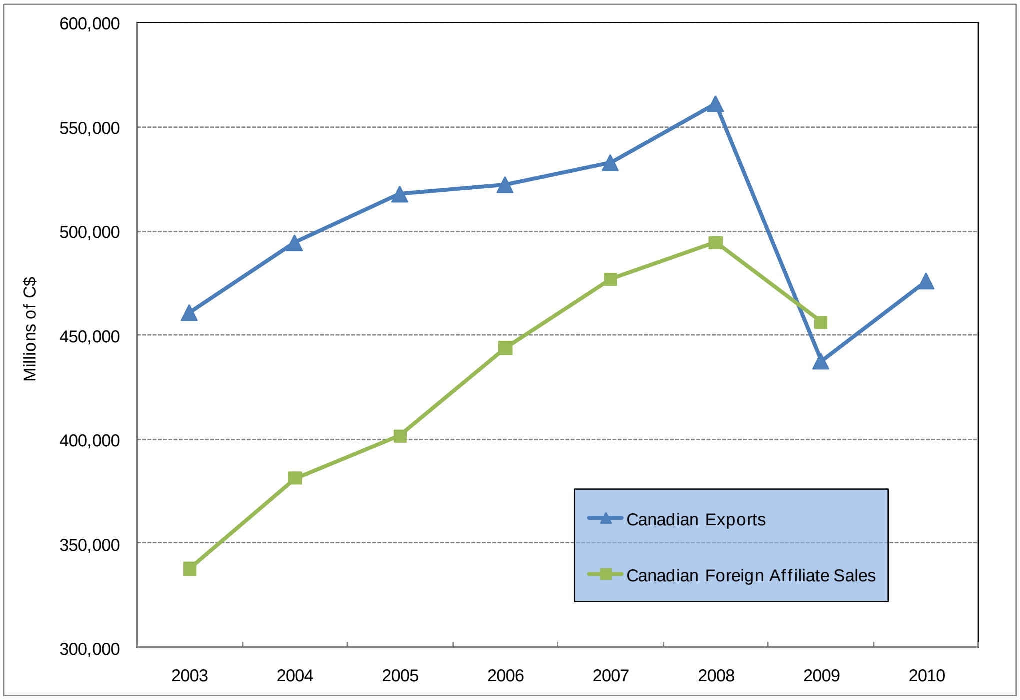
As Figure 1 indicates, Canadian foreign affiliate sales have been growing more quickly than exports originating from Canada. Foreign affiliate sales are now roughly equivalent in size to the value of Canadian exports. Commodities and resources are once again a major part of this story, but Canadian service-sector firms - particularly retailers - and manufacturers have also invested overseas to increase their international sales.

2 Manufacturing exports used to perform this calculation exclude manufacturing activity directly related to the commodity and resources sectors.

3 This phenomenon, whereby a country's currency appreciates due to a rise in commodity exports which in turn causes other export industries of the country to suffer is commonly referred to as "Dutch Disease". During the 1960s, the Netherlands found major gas reserves in the North Sea and their subsequent exploitation led to a strong rise in the value of the Netherland guilder. Dutch manufacturers' exports quickly became uncompetitive and the non-commodity business sector in that country shrank.

4 In real terms (that is, adjusted for price changes), spending on machinery and equipment in relation to GDP rose by 26% between 2003 and 2008. Investment levels observed in 2010 were also higher than at the time the Canadian dollar began to appreciate in 2003.

Figure 1: Canadian foreign affiliates sales have grown more quickly than exports[5]



LOOKING AHEAD

The world economy is healing slowly and its momentum is fragile, as evidenced by frequent commentary on the likelihood of another downturn. After plunging by close to 24% in 2009, Canadian exports grew by 10% in 2010 and are expected to grow by 11% in 2011. These strong growth rates reflect pent-up demand that is now being met as the worst of the financial crisis may be behind us.

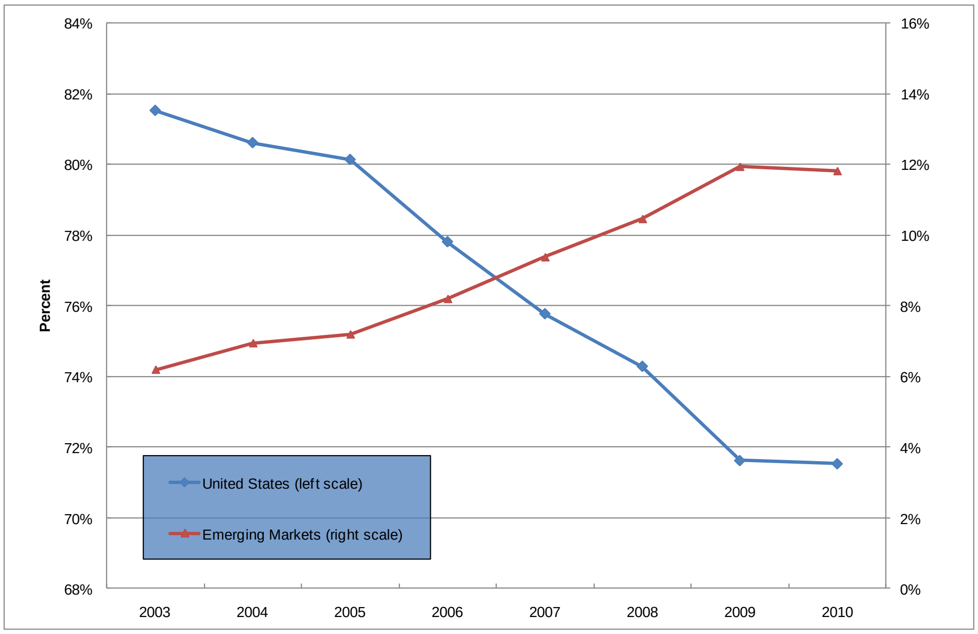
Notwithstanding a tepid recovery, rich opportunities will still exist for Canadian companies over the planning period. Demand growth will be strong in most countries in sectors such as infrastructure, environment and transportation. In emerging markets, overall growth in consumer, business and government spending means that opportunities will exist in practically all industries.

As earlier stated, numerous opportunities and challenges will confront Canadian exporters and investors over the next five years. Canadian companies will continue to play catch-up with the U.S. and other international competitors on the productivity and innovation fronts. However, they will carry on diversifying the destination for their goods and services (Figure 2). This diversification will be led by commodity exports, but will also include a large share of higher value goods and services.

5 Source: Statistics Canada and EDC.

EDC forecasts that Canadian exports will grow at a rate of close to 5% per year, on average, over the planning period. The commodities, auto, aerospace and industrial machinery and equipment sectors are expected to do particularly well.

Figure 2: More of Canada's exports are heading to emerging markets[6]



1.3 HELPING CANADIAN COMPANIES SUCCEED INTERNATIONALLY

Canadian companies active internationally have had to overcome challenges in recent years. In most cases, they have been successful in adapting to factors such as the economic slowdown, the appreciation of the Canadian dollar and rising competition from new nations. During the coming years, hurdles including weak growth in industrialized countries, access to credit (particularly for foreign buyers) and protectionism may test the commitment of Canadian companies to grow their foreign sales. At the same time, emerging nations, industries and technologies will present opportunities for Canadian businesses. EDC's mandate, corporate vision and business strategy are designed to help Canadian companies succeed internationally.

Over the planning period, EDC will continue to deploy its full range of financial services and market knowledge to provide critical support to Canadian companies, complementing the Government's efforts to expand market access and implement international business development strategies. By helping Canadian companies grow their foreign sales, EDC contributes to Canada's prosperity.

6 Source: Statistics Canada and EDC.

EDC'S MANDATE

EDC's Core Mandate

EDC's mandate is to support and develop, directly or indirectly, Canada's export trade and Canadian capacity to engage in that trade, as well as respond to international business opportunities.

In the current environment, Canadian companies need partners that can introduce them to new markets, provide advice, manage their risks and finance their growth. EDC's mandate is not only to support the efforts of Canadian companies internationally, it is also to develop - or create - opportunities for them in markets around the world.

EDC's ultimate aim is to generate prosperity for Canada. It does so through its mandate, by providing financial and risk management services that contribute to the international success of Canadian companies. In 2010, EDC assisted more than 8,200 Canadian companies generate $84.6 billion in exports and foreign investment flows. EDC's activities contributed to 628,000 jobs and to 4.9% of Canada's Gross Domestic Product (GDP). Over the planning period, EDC will execute its mandate working in close step with Government of Canada trade partners and the private sector to ensure that Canadian companies can compete and thrive on world markets.

EDC'S NEW CORPORATE VISION

EDC's New Corporate Vision

We will be the most *knowledgeable*, the most *connected* and the most *committed* partner in trade for Canada.

EDC recently revised its vision statement to spell out clearly for its stakeholders, starting with its employees, the kind of organization it wants to become. Our new vision will orient both strategy and everyday conduct. Being the most **knowledgeable**, the most **connected** and the most **committed** partner in trade for Canada is a call to action, and a benchmark to which all employees can aspire. Each of these three key words describes a concrete state or condition.

First, to provide Canadian companies with services and advice that add value, EDC employees must keep their knowledge on markets, industries, trade finance, risk management and global commerce and investment up to date. Second, to help create trade and investment opportunities for Canadian companies, EDC's employees must build and maintain large networks of domestic and international contacts. EDC's employees must use technology to communicate and share information with clients, partners, contacts and each other regardless of where they work. Finally, the test of commitment means that everyone at EDC is expected to be creative and to do their best to deliver solutions that help Canadian companies achieve their international goals. This test also involves being a reliable and responsive party for EDC's partners.

EDC'S BUSINESS STRATEGY

Over the coming years, EDC will continue concentrating on what it does best: the efficient delivery of financial solutions to assist Canadian companies do more business internationally. Taking into account the trends we identified in the planning environment, EDC will also focus on creating trade opportunities in three key areas. Finally, to safeguard the corporation's capacity to serve Canadian companies during turbulent times, EDC will continue building its resilience. EDC's business strategy and new strategic framework are presented in detail in Chapter 2 of this plan.

1.4 SECTOR TRENDS

In order to understand and anticipate the needs of Canadian companies, EDC must have a solid understanding of the industries in which its clients operate. Each year, EDC shares its perspectives on the main developments expected to affect key Canadian industrial sectors over the planning period.

SECTOR	SECTOR TRENDS
Information and Communications Technologies	
Media and telecom, knowledge technologies and all related machinery, equipment and services	• Increased competition primarily from Asian suppliers has placed strain on Canadian exporters. • Network consolidation and outsourcing is required in order to stay competitive. • A gap will persist in highly qualified personnel, as will the difficulty to retain talent in Canada.
Transportation	
Aerospace, rail, auto and other ground vehicles and all related machinery, equipment, components and services	• Poor economic conditions are causing the deferral of large investments, leading companies to maintain existing assets for an increased operational lifespan. • Consolidation of the exporter base, with weaker companies being amalgamated into the stronger entities. • Government mandated fuel efficiency improvements are driving innovation such as the use of advanced lightweight materials. • Focus on reduction of operating costs (especially fuel), as well as growth of new aerospace nations, both on the manufacturing and airline side.

SECTOR	SECTOR TRENDS
Extractive	
Mining, petrochemicals, fertilizers, oil and gas and all related machinery, equipment and services	• High commodity prices and a diminishing amount of deposits in open pit mines are leading to an increasing trend in underground exploration and mining. This potentially could increase opportunities for Canadian equipment and service providers with particular expertise in underground mining. • Corporate Social Responsibility-related challenges remain, particularly in emerging markets, with a focus on the social and environmental impacts of investment. • Mergers and acquisitions continue to dominate the sector, as companies partner to boost bids on more significant projects. • Chinese companies are increasingly active, acquiring and securing resources and edging out smaller companies.
Light Manufacturing	
Consumer and secondary goods, life sciences and all related machinery, equipment and services	• Interesting opportunities will exist in the U.S. once the economy starts to fully recover. • Expected strong demand for health services in emerging markets. • Challenges continue in outsourcing plastics and packaging to China, with respect to increased price and quality issues. • European Free Trade Agreement could provide new opportunities for the food industry, although tempered by current economic state in Europe.
Resources	
Bulk agriculture, meat, fisheries, forestry and all related machinery, equipment and services	• Forestry companies continue to diversify outside of the U.S. market, with demand from China driving growth. Emphasis is being placed on forestry companies to modify/complement their existing business model by incorporating new technologies (i.e. Biomass). • Markets of opportunity tend to be extremely challenging (i.e. Russia & Commonwealth of Independent States), making progress slower than in other sectors. • The Softwood Lumber Agreement expires October 2013, with a 2-year renewal option until October 2015. While this agreement has been subject to several disputes, it has brought stability to the industry.

SECTOR	SECTOR TRENDS
Infrastructure and Environment	
Utilities, construction projects, environmental, alternative and renewable energy technology projects and all related machinery, equipment and services	• Focus on integrated, multi-sector partnerships, to increase Canadian integration abroad. • Growth in Public-Private Partnership structures to leverage public and private funds. Canada leads the way in this domain. • Volatility in international financial markets and slow economic recovery in key sector has resulted in some companies reassessing their strategy and exploring ways of diversifying their business.

2

EDC'S BUSINESS STRATEGY

2.1 OVERVIEW

A FOCUS ON CONTINUITY

Over the planning period, EDC will continue on its current path to efficiently deliver financial solutions that meet the needs of Canadian companies doing business around the world. This is the core of our business and thousands of Canadian companies active internationally count on EDC's financing, insurance and bonding solutions to maintain and grow their business. Canadian companies will operate in an unpredictable environment over the coming years; EDC can provide them with the capital and risk management solutions they need to take advantage of opportunities in new sectors and markets.

EDC has developed valuable knowledge of global markets and industries through our experience delivering financial and risk management solutions. We will continue to deliver this knowledge to Canadian companies. We will concentrate on connecting Canadian capabilities with foreign buyers – particularly those based in emerging markets. In deploying all of its solutions, EDC will continue to work closely with its public and private sector partners so that Canadian companies' needs are met in an effective way.

Through *Budget 2009: Canada's Economic Action Plan*, EDC was given greater flexibility to work with companies in the domestic market. These temporary powers, which complement EDC's core export mandate, enhance access to lending and insurance for Canadian companies. In 2011, the Government of Canada extended until March 2012 the temporary powers granted to EDC in 2009. The government also announced in *Budget 2011* a review of the regulatory framework that governs EDC's role in the domestic financing market.

CREATING NEW OPPORTUNITIES

EDC intends to place greater emphasis on the creation of new trade and investment opportunities for Canadian companies over the planning period. It will do so by making more extensive use of the trade creation tools within its core service offering (see page

33). It will also achieve this goal through the implementation of trade-creating initiatives in three promising areas.

The first area is the **Aerospace Industry,** where rapid technological innovation and demand from emerging markets, combined with the launch of Bombardier's CSeries, have the potential to generate sizeable growth opportunities for hundreds of companies in the sector across Canada.

The second area is the **Clean Technologies** – or Cleantech – industry. This sector, which focuses on the development of solutions that address pressures on the planet's natural environment, will benefit from and contribute to technological innovation. Canada has a strong, diverse sector, currently facing a competitive market.

The third area is the development of infrastructure opportunities in **India** – one of the world's fastest growing economies, poised to undergo a spending boom to develop its infrastructure. Its infrastructure requirements, growing population, rising per capita income, rapidly expanding manufacturing, high-tech and services sectors, as well as its natural resources make it an important market for Canadian companies, albeit one with several significant challenges to entry.

These initiatives are described in detail in section 2.6.

ENHANCING PRODUCTIVITY AND BUILDING ORGANIZATIONAL RESILIENCE

Being resilient means having the ability to anticipate our customers' changing needs and react to the volatility of the environment. This is achieved by maintaining an adequate financial position, ensuring nimbleness in the organization, and constantly pursuing productivity gains to have the flexibility to allocate resources where they are most needed.

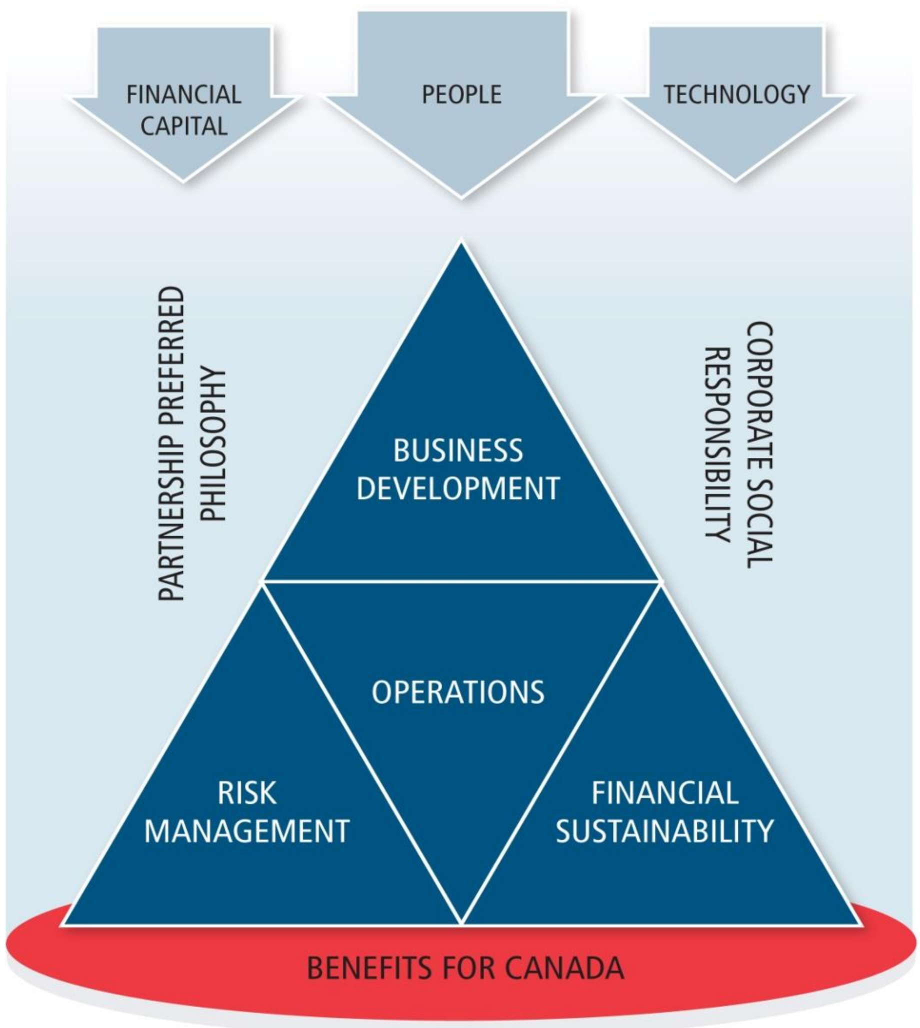
EDC has made improvements in its productivity over the past few years. The more effective integration of sector and product lines through virtual teams, the adoption of new technological tools to facilitate communication and collaboration and the introduction of Lean process methodology (see page 43 for more on Lean) to our programs have all led to faster turnaround times and greater predictability for EDC's customers. For instance, turnaround times have been reduced from 107 to 80 days for direct loans, and from 67 to 34 days for bonding transactions. These efforts have helped contain costs by enabling the corporation to deliver more value per employee, and provide greater value to our clients.

Productivity is measured in many different ways across the corporation. Over the planning period, EDC will continue to refine its measures to better capture the gains derived from our investments in higher performance. Our scorecard (section 2.7) provides details on current measures and new ones envisaged.

2.2 EDC'S STRATEGIC FRAMEWORK

In 2011, EDC adopted a new framework to guide its decision-making on key corporate initiatives, a model that is both simple and truly reflective of the complex dimensions of our business. It will allow EDC to be more responsive and resilient, while focusing all its efforts on improving Canada's trade and investment performance. This new framework constitutes the architecture for the 2012-2016 Corporate Plan.

Figure 3: EDC's Strategic Framework



EDC's goal is to create benefits for Canada. Fulfillment of this goal requires us to deploy our resources: first our people and their unique talents, but also our financial capital and our technology. To deploy these resources in an optimal manner, we must take into account the four dimensions present in everything we do: business development, operations, risk management and financial sustainability.

Business development: is EDC's ability to anticipate and address the needs of Canadian businesses and deliver value. It keeps EDC relevant to its customers and to Canada's economy.

Operations: is how we do business. EDC's tools, solutions and processes aim to efficiently serve Canadian companies so that they can succeed on world markets. Well-run operations keep EDC commercial.

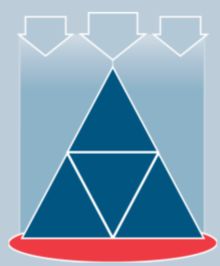
Risk management: keeps EDC safe through the proper identification, assessment, control and mitigation of credit and other organizational risks.

Financial sustainability: entails EDC earning an adequate return on its capital to ensure that we are able to fulfill our mandate for the long term, even in the occurrence of significant adverse events. Financial sustainability keeps EDC viable.

For the organization to be effective and able to quickly adapt to changes – or resilient - requires that all four dimensions remain well balanced in all our key decisions. Persistent disregard for one or more of these dimensions could seriously undermine our ability to fulfill our mandate.

The model would not be complete without the purpose and direction provided by the corporation's two overarching principles: our Partnership-Preferred Philosophy and our commitment to Corporate Social Responsibility.

In the following sections, we will illustrate EDC's strategies and how they align with this framework. The icon below will help the reader identify how each part of this Plan relates to the framework.



2.3 CAPITALIZING ON OUR STRENGTHS

Our resources are our strengths. In order to help Canadian businesses take advantage of global trade and investment opportunities and generate benefits for Canada, EDC will continue to invest in its people and its technology, while prudently managing its financial capital. These three strengths together play a fundamental role in EDC's ability to adapt to change in the face of unforeseen events.

A FOCUS ON PEOPLE

EDC has a high performing workforce committed to continuous improvement and to advancing Canada's trade agenda. Over the planning period, EDC will continue investing in its workforce through initiatives that ensure employees perform at their best and are able to adapt to a fast-changing environment.

In the context of increased competition for talent, EDC's ability to attract, retain, motivate and develop the talent needed to accomplish our vision is critical. Fostering greater productivity and supporting organizational resilience is a key component of that success.

Productivity

Lean processes and continuous improvement across the corporation will ensure on-going gains in productivity (for more on Lean see page 43). This will be supported through the corporation's continued investment in Lean training to deliver greater value to our customers. The creation of a "productivity pool" out of our permanent workforce is targeted for 2012. Gains from continuous improvement, from the elimination of "white space" or other improvements will be captured in a capacity pool that can be flexibly redeployed in response to changing needs. It will allow the corporation to keep a lower headcount in 2012, while delivering on priorities and new initiatives.

We will review our regional representation to determine whether more EDC employees could effectively be located outside of the head office, closer to our customers. EDC will continue to support flexible work arrangements and the principle of "work happens anywhere". This principle not only increases commitment and efficiency, it also helps the corporation attract and retain young, dynamic talent. Technology will strengthen internal engagement with tools necessary for employees to ensure collaboration, connectivity, knowledge management, and internal capability to serve EDC customers.

Leadership

The value placed on strong leadership throughout EDC has been central to creating a positive, productive workplace over the long-term. Leadership development programs are being redesigned to further align with EDC's revitalized competency framework as well as with corporate initiatives aimed at improving productivity and resilience.

Learning and development

A culture of learning continues to be a cornerstone of EDC's employment value proposition, with a particular focus on product training, language training and professional development. Learning streams are aligned to our corporate goals and confirmed annually by EDC's Executive Team.

As greater numbers of EDC employees are working outside of Ottawa, efforts will continue to build greater accessibility through on-line delivery of training and “intensive” training weeks. The implementation of a learning management system will continue, establishing the platform for "anytime, anyplace, any pace" access to learning. By the end of 2012, 75% of EDC’s course offerings will be provided to employees in non-classroom type formats.

Course offerings continue to be rationalized and are anchored in EDC’s five learning streams: New Employees, Products & Services, Leadership Development, the “EDC Way” and Languages.[7] Job rotation and assignments will be used more extensively in 2012 and beyond.

Diversity and bilingualism

To increase our capacity to innovate and be resilient in the face of change, EDC will focus on enhancing the diversity and bilingualism of its workforce. Leaders need to manage increasingly diverse teams and be able to tap into the experiences, cultures and perspectives that employees bring to these teams. A robust training program is being developed to ensure leaders have the knowledge and skills to build a diverse and inclusive workplace for higher performance.

To better communicate with our customers and provide service to them in the official language of their choice, a truly bilingual work environment will be encouraged. Bilingualism is also being driven by example, and achievement of B level proficiency for leaders will be requisite within a reasonable time frame. We are changing our approach by embedding on-the-job coaching and the use of both official languages in the workplace as well as during in-class training.

The workplace

EDC’s new work environment is governed by the principles of “work happens anywhere”, “green is good” and an “agile and flexible” workplace. With the move to a new head office, Ottawa-based employees are realizing the benefits of working in an environment that enables mobility, collaboration and innovation. To the extent possible, employees based outside of Ottawa will experience the same principles by being better connected through technology.

Measurements to ensure success

EDC’s Human Resources (HR) Group will be establishing a new baseline for measuring employee engagement. Whereas EDC has typically measured employee satisfaction and

7 The “EDC Way” refers to the work habits and methods that EDC employees are expected to display and use in order to better serve Canadian companies.

engagement, our new approach will be more forward-looking and measure both engagement and enablement for future success. The HR Group will build a measurement framework to ensure continuous improvement and to measure EDC's ability to bring greater value to its employees. This will track whether EDC is creating a climate that encourages employees to make full use of their potential, which leads to increased productivity, innovation and a high performing workplace, while also identifying key areas to focus on that will give the greatest lift in achieving corporate goals.

RENEWING EDC'S INFORMATION TECHNOLOGY PLATFORM

After its investment in people, EDC's most significant investment - including both capital and operating expenditures - is in Information Technology (IT). IT at EDC helps connect Canadian companies and their trade partners to the intelligence, products and services they need to prosper on world markets. It also equips EDC employees with the tools and knowledge they need to provide high levels of service to customers and to create new trade and investment opportunities for Canada. Additionally, technology is a major driver of productivity gains, helps increase employee effectiveness and output and enhances the independent access to EDC products and services for Canadian companies. Over the planning period, EDC will work on IT initiatives aimed at achieving four strategic objectives.

Closing the gap between existing systems and new business processes

EDC's move towards providing greater value to customers and operational efficiency has highlighted a gap between our evolving business processes and the systems and architecture that support them. The introduction of Lean five years ago eliminated many process "silos" between business functions and teams. However, the systems previously developed to support these "silos" have become a source of inefficiency. A key goal over the planning period will be to eliminate the inefficiencies and complexity of systems and to migrate EDC's legacy systems away from the current mainframe. The replacement of the corporation's credit risk rating application and the centralization of EDC's invoicing and payment function are important next steps.

EDC's mainframe has become increasingly incompatible with new systems and processes and is costly to work with and maintain. Therefore, the gradual decommissioning of this mainframe has been made a priority. It is a complex task that will be paced appropriately in order to ensure ongoing support for EDC's core business operations. The plan is to first migrate the two largest mainframe applications: the Insurance Group's Credit Administration System and the Company Index. Afterwards, alternative technology solutions will be implemented for the remaining applications at which time the mainframe can be retired.

Ensuring reliable and accessible information

Like other organizations, EDC is faced with how to more effectively harness rising volumes of information. In order to address the inefficiencies of improper information management, EDC is implementing enterprise-wide document and records management discipline and tools. This will involve creating common business definitions for critical corporate data, establishing accountabilities for managing this data and fully using the data housing and management capabilities of existing and new internal systems.

Enhancing EDC's external connectivity and web presence

EDC's partners and customers are increasingly looking at the corporation's website as a channel for self-service, especially relating to our insurance products, requesting credit reports, submitting applications and claim requests, even selecting insurance coverage and receiving policies online. In response to this, EDC's external website will be redesigned by the end of 2011 to allow for more efficient content management. The new website will also include a profile building function to allow EDC content to be tailored to each user's interests. Our new web strategy is found on page 44 of this plan.

Enabling employee collaboration and self-service

A unified set of technologies were deployed in 2011 to help build an organizational culture of collaboration, efficiency and continuous improvement and enhance service levels for our customers. Known as EDC's "Digital Workplace", it provides technologies and services for individual, team, workgroup and enterprise activities. Office tools, voice services, records management, knowledge sharing, collaboration and mobile connectivity technologies will continue to play a key role in enabling employee productivity while managing operating costs. Through 2012 and over the planning period, we will invest in awareness, training and change management activities to ensure EDC's Digital Workplace is fully leveraged to support collaboration, self-service and productivity objectives.

Measuring EDC's IT success

EDC evaluates the effectiveness of its technology expenditures using a common industry benchmark that looks at the allocation of IT dollars between what is known as "Total Cost of Ownership" (TCO) and "Value for Money" (VFM) initiatives. The former refers to investments that relate to maintaining technology assets and infrastructure, whereas VFM relates to investments that support business growth and the implementation of new business models.

The scorecard section of this plan provides a detailed explanation of this measure.

MANAGING OUR CAPITAL BASE

EDC needs a strong and stable capital base in order to provide Canadian companies with the financial tools they need to succeed on global markets. The challenges that currently confront Canada as a trading nation will require that the corporation deploy its financial resources to the fullest extent throughout the planning period. At the same time, EDC must ensure that its ability to service the needs of Canadian companies remains intact over time. The unpredictability that characterizes the present planning environment makes it important for EDC to ensure that it has the financial capacity to withstand future shocks so that it may continue responding to its customers' needs.

The initiatives described in this plan were selected because they serve the needs of Canadian businesses and help grow Canadian trade. However, they also meet our criteria for prudent and optimal resource allocation, process effectiveness and value delivered. The decision-making framework we have implemented is designed to ensure that the capital we invest in new initiatives helps deliver increasing value to our clients, further improves our ability to withstand abrupt changes in our environment and frees up resources to dedicate to new, more impactful initiatives.

EDC will keep investing in its capital management, through a review of our capital adequacy policy and through the investment in better tools for capital analysis, stress testing and management.

Chapter 3 – The Financial Plan – will present EDC's activities and policies pertaining to the management of our capital as well as the corporation's financial forecasts.

2.4 OUR OVERARCHING PRINCIPLES

EDC's decisions are guided by two overarching principles: our Partnership-Preferred Philosophy and our commitment to Corporate Social Responsibility.

A PARTNERSHIP-PREFERRED PHILOSOPHY

EDC's financial capacity aims to complement private sector financial institutions. Working alongside private sector partners is EDC's preferred business model. It makes for better, seamless customer service. It ensures that our capacity is deployed where it is needed, and that the best available competencies are used in an efficient manner. Similarly, EDC works closely with the Government of Canada and other Crown corporations.

Partnering with the private sector

EDC is one of many players that offer trade finance solutions to Canadian companies. By working with other service providers, such as private insurers and banks, EDC ensures that customers have access to the financial solutions and services best suited to their needs. Partnership with the private sector means sharing risks on commercial terms. The availability of private sector capacity will have an impact on EDC's involvement. When credit is harder to access, as was the case during the 2008-10 period, EDC steps up alongside the private sector to provide creditworthy companies with the capacity they need. Similarly, as the private sector returns, EDC's capacity may no longer be needed, and consequently be reduced or withdrawn. However, where significant potential benefits exist for Canada, EDC will also provide support to companies or sectors ahead of the private sector. In those circumstances, EDC will fill temporary gaps in the availability of private sector financial capacity and help create conditions for subsequent private sector involvement.

In 2010, EDC closed in excess of 5,400 transactions in partnership with the private sector. This measure is included in EDC's incentive structure, which means that every employee has a direct interest in building partnerships.

In the insurance sector, EDC will maintain its participation in the Credit Insurance Advisory Group (CIAG) established by the Government of Canada. Active involvement in CIAG is one of the initiatives that EDC uses to grow its evolving partnership with private sector credit insurers. In addition, EDC will continue to add capacity to the credit insurance market.

EDC will fully deploy its Export Supplemental Insurance program that allows private credit insurers to purchase export credit re-insurance capacity from EDC in order to supplement their offering to Canadian exporters.

In the financing space, EDC has built strong, business relationships with Canada's banking industry and credit unions. The strength of these relationships was reinforced by close collaboration during the 2008-10 financial crisis. This is particularly important in the context of financing transactions in Canada, where EDC's transactions are done exclusively in partnership.[8] Overseas, particularly in emerging markets, EDC will partner in similar fashion with Canadian banks where they are present in the market. In doing so we not only help our customers, we also help Canadian financial institutions themselves grow their footprint and expertise in those markets.

Over the planning period, EDC will continue to deepen its relationships with the financial industry, with a particular focus on the distribution of solutions to exporters across Canada. For instance, we will further strengthen our online service offering, thereby making it easier for banks and other lenders to help deploy EDC solutions for the benefit of their clients.

As a further step to solidify these partnerships, EDC and the Business Development Bank of Canada (BDC) have proposed to set up a joint consultative body with Canada's private financial sector. Made up of senior executives from Canadian banks and from both

8 In Budget 2011, the Government of Canada announced it will review the regulatory framework that governs EDC's role in the domestic financing market, and that in the interim, the temporary powers granted to EDC in Budget 2009 have been extended until March 2012.

Crown corporations, its role will be to foster partnership and ensure a consistent and open dialogue around strategic issues affecting the industry in the field of trade and international finance.

Partnering within the government community

EDC is a member of the broader government community, where each player has specific roles and competencies. In addition to its partnership with the private sector, EDC will continue to build improved service for Canadian businesses alongside these other players, with particular attention to the Department of Foreign Affairs and International Trade (DFAIT) and its Trade Commissioner Service (TCS), BDC and the Canadian Commercial Corporation (CCC).

The TCS is at the heart of the Government of Canada's trade presence around the globe. It is a unique source of intelligence and support for Canadian businesses and its expertise is very complementary to EDC's financial capabilities. Building on past years of collaboration, EDC and the TCS will continue to work on key initiatives in Canada and around the world:

- EDC's Canadian offices and the TCS have engaged in joint initiatives to reach out to Canadian businesses and share intelligence. These initiatives will be continued and deepened, with a focus on cross referrals and on matchmaking. A successful collaboration project was recently developed in the Montreal area, where EDC small business account managers identified existing clients who would benefit from TCS expertise and facilitated the introduction to the relevant Trade Commissioner. Fifty such introductions were made in Quebec; the program will now be expanded to Vancouver and other cities will be considered.
- Overseas, EDC will continue building its relationships with the TCS, in the markets where it is present and beyond. Sharing of information and matchmaking will be two areas of focus. For example, EDC will leverage strong partnerships with the TCS to widen EDC's reach in Asian markets and collaborate closely on matchmaking activities.
- Providing training on EDC products and services to the TCS will remain an important part of this collaboration, and is an area of significant value to the TCS. This will be accomplished through our annual on-site training and further supported with EDC's new online training modules for the TCS.
- The Global Business Opportunities (Sectors) Bureau at DFAIT has established public-private sector advisory boards for each of its five structured sector practices (ICT, Life Sciences, Infrastructure, Cleantech, and Aerospace). Representatives from EDC assist sector advisory boards with the identification, evaluation and selection of promising SMEs with the capacity to engage in international business development, and whose success would mean a significant contribution to the Canadian industry.

EDC will continue to provide regular content on DFAIT's internal website through a dedicated EDC page, and EDC content on the International Trade Financing and International Trade Portfolio pages. The objective is to ensure that EDC's role, structure, mandate and a brief outline of EDC's solutions are available for all TCS to access in a sustainable manner. The pages also provide examples of opportunities for collaboration and link to EDC's customized web portal for the TCS.

EDC's activities in support of Canadian companies are enhanced by its relationships with other Crown corporations including BDC and the Canadian Commercial Corporation. By working with these organizations and others, EDC is able to present a wider variety of solutions to meet the needs of Canadian companies, better positioning them for success.

BDC plays a unique role in the Canadian financial industry, particularly with small and medium-sized companies. EDC and BDC have different, complementary roles. Both Crown corporations have developed a two-way referral system to ensure that Canadian companies easily access the services of the organization whose competencies best meets their needs. EDC is continuing to work with BDC to ensure our clients and partners have a clear understanding of our respective competencies. A Memorandum of Understanding was finalized in late 2011 laying out the guiding principles that will optimize collaboration and engagement. It will constitute the basis for concrete action in 2012, starting with regular, structured engagement at operational and executive levels, with a main objective to provide better all-around service for Canadian businesses.

CCC is an important player in Canada's international trade presence. It has a unique competency in international contracting, and expertise in key sectors and markets. EDC has frequently partnered with CCC on specific projects or programs. We have recently strengthened our collaboration with a particular focus on increasing knowledge of respective products and services and a formal Memorandum of Understanding that will clarify responsibilities around customer engagement in the field is under development. Over the planning period, we will continue efforts to deploy joint solutions in support of Canadian companies. Regular engagement is taking place in specific product areas and markets, identified for their high potential.

COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY

EDC's core social value lies with the benefits the corporation generates for Canadian society through its financing and insurance solutions. By providing financial intermediation to Canadian companies, EDC helps to create wealth and jobs and to strengthen Canadians' standard of living.

In today's economy, companies have an increased responsibility to consider the ethical, environmental and social impacts of their business. Canadian companies operate successfully in virtually every sector and have established a reputation, both in Canada and abroad, for conducting business in a fair, open and responsible manner. As a partner, EDC shares responsibility for that reputation, and seeks to enhance and support it through its operating principles and policies.

In 2011, EDC completed a strategic review of its Corporate Social Responsibility (CSR) practices, benchmarking itself against the CSR practices of export credit agencies (ECA) and private sector peers, and setting a strategic direction for the coming years. This direction reflects a number of recent international developments in CSR. For instance, the International Finance Corporation's (IFC) Environmental and Social Performance Standards ("IFC Performance Standards") underwent revisions, with the new version including a greater focus on climate change, business and human rights, and supply-chain management.[9] In June 2011, the United Nations endorsed the concept of businesses' responsibility to respect human rights as expressed by Harvard University Professor John Ruggie.

With the changing CSR landscape in mind, three themes emerged from EDC's strategic review. First, the corporation will continue to engage with its public and private sector partners to keep pace with evolving standards and to support a level playing field, by promoting consistent implementation and application of the IFC Performance Standards. A complementary objective is to work towards greater commonality among ECAs and financial institutions in how to address human rights issues, including drawing links to the social impacts already considered in environmental and social reviews.

This particular focus on consistency is critical to EDC's longer term support as more Canadian companies do business in emerging markets. For example, as part of its strategy to encourage greater Canadian presence in India, EDC will collaborate with likeminded ECAs and financial institutions to support projects that meet international environmental and social standards. It will allow EDC to create trade while ensuring a consistent implementation of its CSR policies.

The second theme is the provision of financial solutions for projects involving environmental technology companies. EDC's Clean Technologies strategy, described in section 2.6, is well-aligned with our commitments to CSR.

The third significant theme is the improvement of transparency. This includes the integration of EDC's Annual CSR Report with the EDC Annual Report, undertaken for the first time in 2011; more robust disclosure of the environmental and social impacts of projects financed or insured by EDC; and more actively profiling EDC's CSR policies and performance to the public.

Performance against these three themes is further supported by EDC's revised Environmental and Social Risk Management Policy, implemented in 2011.[10] The policy better reflects changing expectations regarding social impacts and climate change. It includes:

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9 IFC Performance Standards are used by the IFC in connection with the investment projects it supports in order to minimize the impact on the environment and affected communities. These standards are used by the majority of financing institutions, and provide a common foundation between EDC's colleague institutions.

10 EDC's Environmental and Social Risk Management Policy is an umbrella policy which covers all of EDC's business products and which sets out commitments and processes that are followed when assessing the environmental and social risks of transactions that EDC is asked to facilitate.

- Making the IFC Performance Standards EDC's dominant reference standard for environmental and social project performance in developing countries;
- A new section on EDC's strategy with respect to climate change risks and opportunities; and,
- Increased disclosure on Category A projects (i.e. projects that are likely to have significant environmental and social impacts).

Looking ahead, EDC will continue to play an active role at the Organisation for Economic Co-operation and Development (OECD) in reviewing, along with its peers, the environmental and social requirements for officially supported export transactions. As well, EDC will participate in the process to review and update the Equator Principles (EP) framework.[11] Key areas of discussion include: scope of the EP; reporting and transparency; and governance issues, including membership criteria. EDC continues to pursue our long-standing goal to harmonize practices amongst our commercial and ECA peers for the benefit of our customers.

2.5 THE FOUR CORE DIMENSIONS OF EDC'S BUSINESS

In introducing EDC's new strategic framework, we explained the importance for EDC to constantly balance the four key dimensions of its business in order to fulfill its mandate to the fullest. This balance is not static. As the environment evolves, EDC needs to have the flexibility to understand how events affect its clients' and Canada's competitiveness. It also needs to have the nimbleness to adjust its investments in each of these dimensions, always keeping in sight the benefits to Canada.

This year's Corporate Plan focuses primarily on activities that will enhance our capacity to serve the needs of Canadian business internationally and have a positive impact on Canada's trade.

These activities, as is the case for all of EDC's activities, touch on the four dimensions of our business: Business Development, Operations, Risk Management, and Financial Sustainability. Each activity takes root primarily in one of these dimensions. We therefore present the initiatives of our Corporate Plan 2012-16 under the dimension that is most relevant to each.

11 The Equator Principles are a set of standards for the assessment and management of environmental and social risks used by financial institutions in project financing.

THE BUSINESS DEVELOPMENT DIMENSION

At the core of EDC's activities are the needs of Canadian businesses. Our knowledge of global supply chains and the challenges facing Canadian companies in foreign markets have helped us understand these needs and deliver value-added solutions over the years.

Over the planning period, EDC will continue building on its core activities. We will also launch new business development initiatives to help Canadian companies overcome the obstacles they meet in a challenging global environment to create trade opportunities for them.

Trade Creation Tools

Identifying and developing business opportunities where they would otherwise not exist requires focused, sustained action. EDC, working with our partners, has over the years developed a number of tools that do just that: create trade. Going forward, EDC will use the tools detailed below to their fullest extent and strive to find new, creative ways to generate new opportunities for Canadian companies.

Using our capital to Pull exports from Canada

Canadian companies often do not have the size and international visibility required to be included in the procurement plans of large foreign buyers. Through its participation in international financing facilities for targeted foreign companies, EDC is able to create opportunities for Canadian suppliers. Whether through corporate or project lending, the financial capacity EDC provides is leveraged to raise awareness of Canadian suppliers and seek to influence the foreign buyer's procurement decisions and "pull" exports from Canada.

Establishing a close relationship with foreign buyers is important to understanding their current and future needs and identifying Canadian exporters that can specifically meet these needs. As this relationship strengthens over time, foreign buyers tend to purchase more than the amount of the original loan. At the end of 2010, Pull loans that were in place for four or more years had, in the aggregate, generated exports equal to 139% of the value of these loans (i.e. $9.7 billion in exports compared to $7.0 billion in loans).

Looking ahead, EDC will continue to lend on a Pull basis to develop Canada's export trade, particularly in emerging markets.[12] Over two-thirds of the foreign borrowers to whom Pull loans are made are in emerging economies. This has stimulated demand for Canadian goods and services in fast-growing markets.

12 EDC is currently working on putting in place two Pull transactions that will be based on bonding facilities – something that has not been done to date.

Working with foreign multinationals present in Canada

Foreign multinationals with operations in Canada provide an important contribution to Canada's economy. Many have large employment levels, sizeable investments and annual expenditures that add to Canada's GDP. More generally, the foreign multinational's activities in Canada will often be part of the company's value chain. This will be the case, for example, when Canadian operations conduct R&D that is used by the parent company or its affiliates based outside of Canada. Foreign multinationals present in Canada may have strong export levels and their parent or non-Canadian affiliates may source goods and services from Canadian companies – which constitutes additional exports from Canada.

In exchange for written undertakings to maintain and seek to grow Canadian investment levels, R&D expenditures, exports or procurement from Canada, EDC is willing to make available to a foreign multinational a pre-set amount of financial capacity to facilitate export transactions that do not originate from Canada. The details of the agreements signed between EDC and foreign multinationals are contained in "Protocols". EDC currently has eight Protocols in place with global leaders from industries such as auto, rail and telecommunications.

EDC uses Protocols to create new trade opportunities by bringing global supply chains closer to Canadian companies. Matchmaking sessions are regularly organized by EDC between key procurement officials from Protocol companies and Canadian companies with requisite capabilities. In most cases, it would not have been possible for Canadian companies (often small and medium-sized exporters) to gain direct access to these large buyers on their own. Protocols produce mutual, cumulative benefits. Over the planning period, EDC will accelerate its discussions with product groups of the various Protocol companies to get a better indication of technologies of choice. This in turn will allow EDC to better direct Canadian companies to meet Protocol companies' needs.

Connecting Canadian companies with foreign buyers

The matching of Canadian capabilities with the needs of foreign buyers is a central way in which EDC helps create trade for Canada. Matchmaking activities are often driven by the need to maximize the return on existing Pull facilities and Protocol arrangements – although many connections are also made between Canadian companies and foreign buyers outside of these arrangements. EDC performs this matchmaking function by working closely with partners, including the Trade Commissioner Service (TCS) and Canadian industry associations.

In order to connect Canadian companies with potential foreign buyers, EDC regularly invites senior executives and key procurement officials from large foreign buyers to Canada. One-on-one meetings are organized with Canadian suppliers that have the potential to bring value to these multinationals' global supply chains. EDC also organizes overseas missions where, often in the context of a major industry trade show, it helps open doors for Canadian companies by organizing individual sessions with targeted buyers. In organizing or participating in trade missions, EDC works very closely with Canada's Trade Commissioner Service.

The key to success in matchmaking is to ensure that the right fit exists between a Canadian supplier's expertise and a foreign buyer's supply chain needs. EDC recently strengthened its ability to match Canadian capabilities to the needs of foreign buyers, by consolidating various sector-specific supplier databases. EDC has also concentrated its efforts in recent years on understanding where Canadian companies fit into global supply chains. Further efforts will be deployed over the planning period to better understand the structure of large foreign buyers' supply chains so that new trade and investment opportunities can be uncovered for Canadian companies.

Providing valuable trade advice centered on EDC competencies

Access to targeted information is critical to Canadian businesses trying to break into global markets. In launching its Trade Advisory Services (TAS) in 2010, EDC wanted to enhance the availability and the value for customers of EDC's trade expertise and the wealth of information it holds on how to do business in foreign markets. It also wanted to make this information better integrated with other key sources, such as the TCS. These services have quickly been recognized by our customers, particularly small and medium-sized businesses, as an important element of EDC's value proposition. As more small and medium-sized EDC clients wish to do business in emerging markets with strong potential, such as China, they will often request general guidance and market knowledge from EDC. Through its TAS, EDC shares its expertise relative to exporting or investing in these markets and refers to other government partners and associations to ensure that Canadian companies obtain all of the information they require.

The TAS program delivers various trade-related information from EDC, including supply chain management expertise, in an efficient, accessible way to clients. The development of internal online tools gives customer-facing employees the information needed to answer frequently asked customer questions. For more complex queries, they can obtain assistance from the TAS virtual team, comprised of experts from all areas across EDC. TAS also identifies other sources of information available to Canadian business, such as BDC or the TCS. An understanding of future trends in the integrative trade environment contributes to the strength of EDC's trade expertise. Building on our research and supply chain operations expertise, we have developed a portfolio of education and advisory services for Canadian companies. In 2011, EDC is planning to deliver 20 supply chain diagnostics to customers experiencing rapid growth to help them better understand the opportunities for improved operations through a holistic view of supply chain management and the understanding of best practices.

EDC is also working with DFAIT in several areas regarding supply chain management. TAS and EDC's Corporate Research Department have partnered with DFAIT to develop a Global Value Chain manual, with EDC contributing to the section on the financial management of global value chains. Additionally, TAS and EDC's International Business Development Mexico team have partnered with the TCS to get a better understanding of the value chain for a large corporation doing business in Latin America. With an objective to provide opportunities to leverage Canadian capabilities, DFAIT will use this knowledge for matchmaking opportunities for Canadian exporters and investors, while EDC will be in a better position to offer financial solutions.

Helping Canadian companies with overseas investments

EDC estimates that one in ten small and medium-sized Canadian exporter currently has some form of physical presence overseas, such as a plant, a warehouse or a sales and distribution office.[13] For larger exporters, this proportion rises to one in three.[14] In total, this amounts to roughly 4,000 Canadian exporters with some type of business operation outside the country. This overseas investment is referred to as Canadian Direct Investment Abroad (CDIA).

Investing overseas allows Canadian companies to get closer to existing and potential clients, improve their cost structure and gain access to new technology and resources such as skilled labour and raw materials. These benefits result in new global trade opportunities. CDIA has the potential to stimulate exports from Canada into the market where the investment takes place, leading to the creation of further trade opportunities for Canadian companies.

Through its entire suite of products and services EDC can assist Canadian companies establish new operations in a foreign market or facilitate the growth of existing foreign affiliates. In 2010, EDC completed 573 CDIA transactions valued at $4.7 billion. Two-thirds of these transactions were in respect of credit insurance provided to foreign affiliates, one quarter of these transactions were in respect of financing and the remainder were in respect of political risk insurance. Transactions were well diversified across industry sectors with the largest area being Light Manufacturing with 157 CDIA deals. On a volume basis, the Extractive sector (45%) and Infrastructure and Environment (31%) represented the largest contributors.

Globalization’s march forward, rapid technological innovation and the fast growth in emerging markets are likely to generate further CDIA activity during the next five years. Based on CDIA’s potential to create new trade opportunities for Canadian companies, EDC will encourage the delivery of financial solutions and advice to Canadian companies with overseas investments.

Contributing to the Government of Canada’s Digital Economy Strategy

The increasing use and reliance on digital technologies opens areas of opportunity which play to some of Canada’s strengths in the information and communications technology

13 Estimate based on EDC’s Trade Confidence Index Survey, conducted during the spring and in the fall of 2010.

14 For the purposes of this estimate, SME exporters were defined as Canadian companies that have total annual sales (i.e. domestic and foreign) of less than $25 million. Companies that have total annual sales above $25 million were classified as large exporters.

(ICT) sector and beyond. The digital economy refers to the network of suppliers and users of digital content, technologies, and goods and service that enable or enhance everyday life for people and companies. It includes sectors such as advanced telecommunications, new media, gaming, software and internet-related activities.

The Government of Canada announced in Budget 2011 that it will develop a strategy to position Canada as a global leader in the digital economy. This will require a coordinated and concerted effort by the public and private sectors. EDC has a significant role to play in developing Canada's digital economy capabilities given its expertise in the ICT sector. Over the planning period, EDC will:

- Deepen its understanding of the market for digital economy products and services, which fall into two broad categories: platform delivery and content. Product life-cycles are short in this area and trends need to be followed closely in order to connect Canadian expertise with the procurement needs of key industry players, as well as match Canadian innovation with commercialization imperatives. Of particular interest is the emerging "cloud-based" trade and services activities.
- Invest in relationships with emerging players in digital economy segments both in Canada and overseas. Over the years, EDC has established close relationships with major digital economy players, a number of which have significant activities in Canada. New trade linkages are appearing rapidly and EDC intends to be well connected with the most promising participants on both sides of this demand-supply equation.
- Contribute to making Canada an attractive location for digital economy multinational enterprises (MNEs). To achieve this goal, EDC will use its broad product offering, including financing for inward foreign direct investment and Protocol agreements. It will take advantage of its relationships with MNEs to create strong and sustained linkages between them and Canadian suppliers. The quality and reputation of Canada's supply chain in this field is high, and raising awareness of this fact can help make Canada a location of choice for foreign companies.
- Grow Canada's digital economy exports. EDC's entire spectrum of solutions, ICT sector understanding and foreign relationships will be put to use in order to reach this objective. Specifically, EDC intends to use Pulls and Protocols to generate export opportunities. There are many early-stage companies in this sector which require capital, financing, trade expertise and contacts with potential buyers. EDC will seek to address these needs for companies that are in the commercialization stage of their growth.

To ensure complementarity, EDC's efforts to develop Canada's capabilities in the digital economy will be deployed in coordination with other government organizations and partners, including Industry Canada, DFAIT, Canadian Heritage, BDC and Sustainable Development Technology Canada.

Getting closer to our clients abroad

EDC's international presence allows the corporation to build relationships and gather market intelligence to open doors for Canadian companies. EDC's 16 foreign representations are currently co-located with Canada's consular and diplomatic missions. Amendments enacted in 2010 to the Export Development Act enable EDC to establish and operate its own offices abroad, subject to approval by the Ministers of Foreign Affairs and International Trade.

As it considers future opportunities to expand its international footprint, EDC will continue to engage with DFAIT on how to most effectively serve Canadian companies in markets around the world. The process will involve identifying markets and locations with the greatest potential for Canada. The nature of services needed in-market in order to effectively convert business opportunities for Canadian companies will need to be assessed to determine whether delivering such services is best achieved with a location within Canadian missions.

EDC has a network of 16 foreign representations:

1997: Beijing (China)

2000: Mexico City (Mexico), Sao Paulo (Brazil)

2002: Monterrey (Mexico)

2004: Rio de Janeiro (Brazil)

2005: New Delhi (India)

2006: Moscow (Russia)

2007: Shanghai (China), Mumbai (India)

2008: Santiago (Chile), Abu Dhabi (United Arab Emirates), Singapore

2009: Lima (Peru)

2010: Dusseldorf (Germany), Panama City (Panama), Istanbul (Turkey)

International business development strategies and initiatives

EDC's on-the-ground representations in emerging markets around the world, its research on global economic trends and its ability to identify efficiencies through effective supply chain management, contribute to the success of Canadian businesses. EDC's international business strategies are summarized in the table below. They focus on building and maintaining relationships with strategic foreign buyers, encouraging procurement from Canadian suppliers and fostering financial partnerships, all designed to generate benefits for Canada.

EDC'S INTERNATIONAL BUSINESS DEVELOPMENT STRATEGIES AND INITIATIVES
Africa, Europe and the Middle East
With the expansion of telecom companies from the Middle East and India into North Africa, EDC is well positioned to leverage its investment in the development of strategic relationships with emerging global leaders to introduce Canadian technology.

EDC'S INTERNATIONAL BUSINESS DEVELOPMENT STRATEGIES AND INITIATIVES
EDC's representation in Germany, a corridor for automotive, telecom and medical equipment into Asia, Africa and emerging Europe, will provide opportunities for Canadian companies to penetrate emerging market buyers through developed market supply chains anchored by large European firms.
EDC's representation in Turkey will support Canadian exporters of specialty crops as well as Canadian companies pursuing infrastructure opportunities in this market. CDIA will be facilitated to help Canadian companies improve their access to consumer markets.
The untapped potential in energy and mining in sub-Sahara Africa will be a focus of EDC's business development strategy for this continent in 2012. As well, key government investments in the power grid from South Africa to Angola, coupled with infrastructure investments in roads, airports and rail present an enormous opportunity for Canadian companies.
Greater China, India and Southeast Asia
EDC is well positioned to support Canadian infrastructure companies who are participating in the anticipated one trillion dollar investment spend that the Asia economies are making to build out their infrastructure, through EDC's representations in Mumbai, New Delhi, Shanghai, Beijing and Singapore.
CDIA support is at the heart of EDC's Asia market coverage strategies. Through a number of financial products and in partnership with Canadian banks, EDC is supporting Canadian companies to establish an on-the-ground presence in Asia to compete for and participate in trade and investment opportunities.
Brazil, Chile, the Andean Region
EDC will broaden its support for CDIA through targeted in-market outreach to select Canadian affiliates active in the region as well as through approaches to Canadian parent companies.
EDC will help position Canadian exporters to compete for business opportunities generated by the 2014 World Cup and 2016 Olympic events in Brazil.
EDC's representations in the region will invest in strengthening relationships with local financial institutions to facilitate financing for Canadian exports to small and medium-sized buyers.
Mexico, Central America and Caribbean
EDC will develop new business opportunities by actively pursuing high potential Mexican buyers in the infrastructure and environment, oil & gas, power, mining, transportation and light manufacturing sectors, with a focus on identifying high quality second tier buyers.
The promotion of CDIA in the region is a key objective which will be achieved, namely, by establishing and building local insurance relationships to foster ARI and bonding coverage for Canadian subsidiaries.
EDC will work to raise the profile of the Central America and Caribbean region for all sectors, with a particular emphasis on infrastructure and environment, and extractive industries, by fully leveraging our representation in Panama.

THE OPERATIONS DIMENSION

EDC's financing and insurance solutions are at the core of our business. Our ability to deliver high quality, timely and predictable solutions is critical to meeting the needs of EDC's customers, who operate in an increasingly competitive environment. We must also do so in a way that is resource-efficient.

The initiatives described in this section will enable the corporation to deliver better value to its customers, while promoting operational excellence and optimal deployment of our resources.

How EDC is structured to deliver value for Canadian companies

EDC's structure is designed to both develop a deep understanding of our customers' challenges and needs, and seamlessly deliver the full breadth of our expertise and solutions.

Six sector teams - Transportation, Information and Communications Technology, Infrastructure and Environment, Light Manufacturing, Resources and Extractive - are dedicated to building partnerships, sharing intelligence and developing business opportunities for our customers in their respective supply chains. They work closely with the International Business Development Group (IBDG), who plays a similar role in key emerging markets.

Delivering value to our customers also requires that we organize ourselves around the unique challenges of our customers in their respective market segments. EDC's engagement and service delivery model in each of these segments ensures that we connect with each of our customers in the most effective way possible.

EDC's Business Development (BD) professionals are trained to work with our customers to recognize their needs from their business objectives and opportunities, and match those needs with the appropriate solutions and services that EDC – or other partners – offer. When a match is effectively identified, the BD professional will engage with the internal resources needed to develop and deliver the appropriate solution. This is done through work-cells, multidisciplinary groups working closely together to deliver the appropriate solutions to customers in a time-effective manner.

The transaction decision-making process involves early-stage triaging so that potential challenges are identified early on, giving the customer clear information on what can be expected. "Service Level Agreements", determined on the basis of a transaction's profile and complexity, ensure transactions stay on track.

All along, performance of our work-cells and of the underwriting process is measured through direct customer surveys, the Voice of the Customer feedback and The Net Promoter™ Score, as well as against three Service Standards: Predictability, Value and Communication. These Service Standards were introduced to focus efforts on the customer's experience and help promote continuous improvement. Performance against these various measures is monitored and discussed on a regular basis by management forums.

Overview of EDC's financing and insurance solutions

Trade and investment-related financing and insurance solutions are at the core of EDC's value proposition to Canadian companies. EDC's ability to deliver financial solutions that meet the evolving needs of its customers is more than ever necessary given the opportunities and sudden changes that will characterize the global environment over the planning period. The main elements of EDC's suite of financial products are briefly described in this table.

EDC offers **financing solutions** to Canadian companies and their suppliers, to foreign buyers of Canadian goods and services, to Canadian and foreign investors and to financial institutions. These solutions include, among others:

- guarantees to banks enabling them to lend more to Canadian companies
- foreign buyer financing to facilitate export sales
- financing to Canadian companies investing overseas
- project finance for large-scale global infrastructure and industrial projects
- pre-shipment financing to Canadian companies in support of export contracts
- general purpose corporate facilities for Canadian exporters
- receivables purchase and similar structures for Canadian exporters
- financing to foreign companies investing in Canada

EDC is also an investor in direct venture and growth capital investments and partners with private sector fund managers, both domestically and internationally. This program is particularly helpful to small and medium-sized companies as it gives them access to the private equity they need to penetrate the global marketplace. International investments also help connect Canadian companies with foreign buyers.

EDC provides Canadian companies with **Accounts Receivable Insurance** (ARI) in order to help them mitigate credit risk and gain access to additional working capital with their financial institutions. ARI helps Canadian exporters and their foreign affiliates offer buyers more flexible payment options, which enhance their competitiveness. EDC also adds capacity to the credit insurance market, working in partnership with private sector insurers, for example through reinsurance agreements. In complement to its insurance solution, EDC can provide debt recovery services for its customers.

EDC also offers coverage to Canadian banks to protect against the risk of non-payment by foreign banks. This complementary risk capacity facilitates Canadian exports and allows Canadian banks to expand their international trade finance activities.

EDC's **bonding** products are used by companies to access capacity with sureties and banks that issue guarantees to buyers, regulatory authorities and suppliers. Without EDC's bonding products, companies might have to collateralize their obligations with working capital or may not be able to obtain bonding capacity at all. EDC also offers exporters and their affiliates' contract-related insurance products to mitigate various financial risks.

Establishing a physical presence in foreign markets is often a sound strategy for companies seeking to improve their competitiveness. Political risks are regularly a concern, however, for firms that invest in production facilities, bring equipment or hold inventory in emerging markets. Banks that finance the sale of goods and services to emerging market governments are often concerned with the risk of non-payment. EDC's **Political Risk Insurance** suite of products helps Canadian exporters and foreign direct investors manage these risks.

EDC also engages in transactions to actively manage its portfolio in order to optimize the deployment of its capital in support of its clients.

Canadian Business Facilitated in Emerging Markets (2010)	
Total Business Facilitated ($B)	$84.6
Total Emerging Markets ($B)	$24.7
Brazil ($M)	$2,741
India ($M)	$1,748
Mexico ($M)	$2,394
China ($M)	$4,031
Russia ($M)	$496

The Impact of Basel III

In the wake of the credit crisis, the Bank for International Settlements (BIS) via the Basel Committee on Banking Supervision has introduced common global guidelines for regulation of liquidity, capital and leverage. Commonly referred to as Basel III, the new guidelines will strengthen bank capital requirements and introduce new regulatory requirements on bank liquidity and leverage. A final framework for these guidelines was adopted in December 2010, with dialogue ongoing on a few aspects of Basel III, notably the potential impact on trade finance and international trade. Implementation of Basel III will take place in various stages to be completed by 2019.

In collaboration with the banking industry in Canada, EDC is in the process of evaluating the impact of Basel III on its financing and insurance solutions as well as the potential impact on access to trade finance for Canadian companies and their supply chains. This initial evaluation will be completed in 2012 but constant monitoring of ongoing Basel III developments will continue to occur. Preliminary observations indicate that Basel III has the potential to constrain bank lending and raise the cost of credit. It may also increase the cost of traditional trade finance such as documentary and standby performance letters of credit. Demand for EDC solutions may go up or down depending on the product area.

Once EDC has a clearer understanding of the implications of Basel III, it will work closely with its public and private sector partners to ensure Canadian companies' access to trade finance.

Sustaining Lean Principles

Through the introduction of Lean process methodology five years ago, EDC has been transforming the way it works to further strengthen the quality of its products and services, to increase our internal productivity and deliver better value to our customers. Lean presents opportunities to eliminate waste, shorten wait times and make the EDC experience more predictable and consistent.

At EDC, we have improved several of our core processes, including decision-making processes, and made considerable progress to sustain a high performing and Lean environment. In 2011, EDC launched a new Lean ARI Credit Granting function, which improved the internal credit granting process to eliminate bottlenecks, ensure better visibility of the business pipeline and provide stable credit capacity to customers as efficiently and effectively as possible. Additionally, the corporation also launched an improved process and collaboration model for its Advisory Service teams, which provide expert advice relating to environmental and social impacts, technical and legal issues, and political, reputational and human rights risks. An improved end-to-end process, with a goal of increasing turnaround times and fostering collaboration was launched in 2011 across the corporation.

To be successful, our organizational structure must support a deliberate, strategic blend of centralized expertise and decentralized operational ownership. Over the planning period we will create a "Lean Centre of Expertise", a team of senior experts to stay abreast with best industry practice and provide support, coaching and, if appropriate, project management to the rest of the organization. At the same time, Lean experts will be embedded across the organization as promoters of organizational change and continuous improvement.

The steps in this process will be as follows:

- Complete the remaining corporate Lean projects identified for 2011-2012, under the management of the existing dedicated units.
- Ensure the transfer of skills and capabilities to operational units across the organization in order to provide them with self-sufficiency and autonomy for smaller scale initiatives and continuous improvement.
- Design and implement programs designed to ensure continuous improvement, strengthen leadership capabilities, and develop Lean practitioners.

- Assess Lean maturity at EDC with recommendations to address performance gaps and issues, especially in relationship to governance.

EDC remains committed to sustaining Lean efficiencies and productivity gains across the organization in order to deliver greater value to Canadian exporters.

Web Channel Strategy

EDC is redesigning its web portals, both external (edc.ca) and internal (Livewire) in order to deliver more efficient service to our customers and partners.

EDC’s business strategy for its external website is to provide an effective and engaging personalized, self-serve user experience where it makes the most sense. It is driven by three main objectives: satisfy growing customer expectations, increase operational efficiency, and leverage “Web Intelligence” to drive proactive engagement.

The strategy over the planning period will be:

- Integrating the Web Strategy with the Business Strategy. A set of web principles will be incorporated into strategic planning. They will include reducing customer effort, delivering core business well, promoting user self-sufficiency and Lean web deployment.
- “My EDC” - offering personalized portals for customers, partners and other stakeholders. Functionalities will be dictated by the nature of the relationship the user has with EDC.
- Consistency of Service Standards across Channels: external and internal web users will share the same view into transactional information and intelligence assets to ensure seamless service.

A complete set of effective web metrics and business targets will be developed in the early stages of implementation to ensure that the strategy meets its stated objectives.

THE RISK MANAGEMENT DIMENSION

Risk management is at the heart of EDC, as our business activities expose us to a wide variety of risks including credit, market, operational, organizational and business risks. EDC’s ability to adequately manage these risks is a key competency within the organization, supported by a strong risk management culture, effective policies and management. This has enabled the corporation to continue deploying its lending and insurance solutions to Canadian companies throughout the business cycle, and ensured that we can withstand adverse events and trends, predictable or not.

Enterprise Risk Management

We manage our risks by seeking to ensure that business activities and transactions provide an appropriate balance of return for the risks assumed. Our risk appetite is collectively managed throughout the organization, through adherence to our Enterprise Risk Management (ERM) Framework. Our ERM Framework identifies and defines a broad range of risks to which our businesses and operations could be exposed. This framework gives us an overall view of all potential risks EDC faces and forms the foundation for appropriate oversight processes, consistent communication and reporting of key risks.

ERM at EDC is a continuous process, of which identification and measurement are important components. Enterprise-wide methodologies, models and techniques are in place to measure both the quantitative and qualitative aspects of the various risks we face. They are subject to constant assessment and review for appropriateness and reliability. ERM will be further integrated in our overall processes and strongly supported by the leadership. Building on initiatives launched in 2011, EDC's Board of Directors is increasingly involved in the annual risk assessment process.

EDC uses techniques such as sensitivity analysis and stress testing to help ensure that the risks remain within our risk appetite and that our capital is adequate to cover those risks. Our stress testing program includes evaluation of the potential effects of various economic and market scenarios on our risk profile.

Our risk governance structure emphasizes and balances strong central oversight and control of risk with clear accountability for, and ownership of, risk within each business unit. This structure supports the flow of information between the business units, the members of the Executive Team, who represent each significant business unit and corporate oversight function, the President and Chief Executive Officer, and the Board of Directors.

Over the planning period, EDC will continue to identify risks that have the potential to prevent us from achieving our corporate objectives and develop appropriate measures to manage them. Investing in improving our risk management tools and practices,such as the new Credit Risk Rating Engine, is a priority for the corporation.

Credit Risk Rating Engine

Credit risk is the risk of loss incurred if a counterparty fails to meet its financial commitments. We are exposed to credit risk under our loans and insurance programs and our treasury activities. We manage credit risk in the organization through policy requirements, established authorities and limits, mitigation activities and reporting. Our credit risk policies set out our requirements on credit granting, concentration, counterparty and country limits, risk rating, exposure measurement, monitoring and review, portfolio management and risk transfer, as well as management and Board reporting.

The Credit Risk Rating Engine (CRRE) project will update and standardize EDC's credit risk rating methodologies and processes. Credit risk ratings are a fundamental element of credit granting and portfolio management decisions. This initiative includes the replacement of EDC's credit risk rating models and as a result, EDC's commercial obligor risk ratings that are used in establishing loan allowances and demand for economic capital may change.

The CRRE project will result in enhanced processes and a consistent rating methodology which can be used and applied across the organization when assessing credit risk of obligors and related transactions. It combines both a new technology platform and modern methodology and processes. In addition, the methodology used by EDC in setting sovereign risk ratings is also being reviewed with a revised model to be implemented in late 2011.

The project is designed to improve EDC's existing risk rating methodologies and processes, streamlining data flow to ensure effective and efficient information is received on a timely basis and giving decision-makers a better tool to make informed decisions.

THE FINANCIAL SUSTAINABILITY DIMENSION

EDC's ability to deploy its lending and insurance solutions to Canadian businesses is dependent on the corporation's commitment to sound financial management. To realize our vision, we must prudently manage our capital base ensuring that we are there for our customers in good times and in bad. This is the purpose of EDC's Financial Plan and related policies (Chapter 3). A number of initiatives that EDC will be undertaking over the planning period also belong in the business strategy.

Maximizing Operational Efficiencies

The Government of Canada announced in Budget 2011 the undertaking of a Strategic and Operating Review (SOR) in order to identify areas for savings. As a non appropriation-dependent Crown corporation, EDC is not formally subject to the SOR but is committed to the spirit and intent of the exercise. The corporation will continue to review the way it operates and assess how to gain operational efficiencies. EDC's Financial Plan (Chapter 3) will identify areas in which the corporation is exercising additional prudence in managing its operational costs. It will also demonstrate how the investments it is making in its people, processes and technology will enable the corporation to carry out its activities in an efficient manner over the planning period, with a view to maintaining operational excellence and ensuring that Canadian businesses are well equipped to compete effectively in the global market.

While delivering on its objective to create trade, EDC will improve productivity across its operations. Initiatives that will achieve productivity gains have been outlined in greater detail throughout this plan. As productivity gains are achieved, they will free up resources – both people and capital – which will be deployed to further support Canadian trade, while maintaining or reducing our administrative footprint.

For 2012, EDC's administrative expenses will be $303 million. This will be achieved both by direct cost reductions and by productivity gains. In subsequent years, EDC will focus on productivity improvements. Freed up resources will be applied in large part to offsetting the increase in administrative expenses due to inflation.

EDC targets a productivity ratio range for 2012 and beyond of 24-26%. It means that we commit to spending no more than approximately $0.25 for every incremental dollar of net revenue that we earn.

Capital Management

A critical component of the Financial Plan is EDC's capital adequacy policy. This policy is designed to ensure that we manage our capital in a way that supports the evolving needs of Canadian exporters and investors while ensuring that we remain financially self-sustaining. The current policy was developed in 2006 and continues to serve us well. However, we see opportunities to strengthen it in three areas.

First, there is a need to incorporate stress testing more formally into our capital adequacy methodology. Stress testing is increasingly being prescribed by regulators as an essential element of good capital management by private sector financial institutions. Additionally, the current policy does not account for the foreign exchange impact of having our capital demand denominated in U.S. dollars while most of our capital supply is denominated in Canadian dollars. Finally, the current model is limited in terms of its accounting for future demand by only looking out one year.

We think the model could be significantly enhanced by incorporating future capital demand over a longer time horizon. This would also align better with our corporate plan, which looks out over a five-year time horizon. We are working closely with the Department of Finance and DFAIT as we incorporate these improvements into our methodology during 2012.

2.6 THREE TRADE-CREATING INITIATIVES

EDC's solutions, delivered across a variety of programs, sectors and markets, help contribute to the success of Canadian companies on international markets. They will continue to be at the core of our activities. In addition, taking into account expected developments in the trade environment, EDC has identified three areas where the potential to create new trade and investment opportunities for Canadian companies is significant. For each of these areas, EDC will develop a strategic plan that will help break new ground for Canadian trade and contribute in a meaningful way to Canada's trade success. A description of these three key initiatives follows; including an analysis of the impact that each will have on the four core dimensions of EDC's business.

PREPARING FOR A NEW CHAPTER FOR CANADA'S AEROSPACE INDUSTRY

The aerospace industry in Canada is set for significant growth over the planning period. Some of the global trends outlined in our introduction will be critical factors in this success. Technological innovation and environmental concerns will drive the evolution towards lighter material and higher fuel efficiency. Rapid growth in emerging markets will be accompanied by sharp growth of air transportation.

The last 20 years have seen a new trend line develop, one where Canada's aviation innovation, R & D and design excellence have flourished and the next generation of high-tech materials and concepts successfully developed.

The Canadair Regional Jet (CRJ), introduced by Bombardier in 1992, revolutionized and transformed the Canadian industry. It benefited not just Bombardier, but also a growing number of its suppliers and sub-suppliers. Bombardier's work on the CRJ led these suppliers and sub-suppliers to take on bigger and more innovative projects across many different global supply chains.

Canada's aerospace industry now spans the country, with more than 400 large and small companies competing successfully worldwide, in three world-class aerospace clusters in Vancouver, Toronto and Montreal. In 2010, it contributed $8.2 billion to Canada's GDP and directly employed 37,000 workers. With over 75% of revenues from exports, it is one of the most export intensive industries in Canada.

Bombardier is now embarking on a completely new level of operation with the development of the CSeries, a family of two aircraft destined to serve the 100-149 seat market segments. Like the CRJ 20 years ago, the CSeries has the potential to change the face of the Canadian aerospace industry and enhance our country's leadership in this sector globally.

The development of the CSeries is a critical opportunity for Canadian aerospace companies all along the supply chain to move to the forefront of the industry. It will help them remain in Canada, invest in such areas as new composite material fabrication, and develop new manufacturing technologies that will keep them at the forefront of design and sustainable innovation.

In this environment, many aerospace industry leaders increasingly rely in large part on ECA assistance. EDC, in accordance with its mandate, will consider financing sales of different aerospace products when private sector financing is limited or absent. In the case of the CSeries, this may be more likely to occur during the first few years of the program. We will also work with Canadian companies of all sizes in the industry, helping them meet the financial requirements that come with being part of a highly competitive supply chain.

Beyond the CSeries, EDC will work with other Canadian aerospace industry subsectors, such as helicopters and flight simulators, for which international prospects appear bright over the planning period.

Based on EDC's experience in the sector and supported by an analysis of the CSeries program under a variety of scenarios, we believe we are well prepared for the nature and magnitude of risks we expect to assume. As the CSeries program unfolds, scenarios will be monitored. Our risk analysis is comprehensive, including both direct credit risks and exposure to aircraft residual value and resale markets.

<table>
<tr><th colspan="2">THE AEROSPACE STRATEGY AND THE FOUR CORE DIMENSIONS OF EDC'S BUSINESS</th></tr>
<tr><td>Business Development</td><td>Operations</td></tr>
<tr><td>Aerospace is a market supported primarily by export credit agencies globally. Private sector capacity is relatively scarce globally. EDC is positioning itself to play a role in addressing industry needs:
Directly with buyers
Supporting the financial needs of suppliers and sub-suppliers</td><td>The OECD's ASU will apply to all aircraft financing transactions in this sector, making aircraft underwriting resource requirements predictable.

EDC's sector experience will help manage the program efficiently. No additional resources are needed in the foreseeable future. Resource requirements will be reviewed as the program ramps up post 2013.</td></tr>
<tr><td>Risk Management</td><td>Financial Sustainability</td></tr>
<tr><td>EDC has long experience managing the type of risks the program represents. However, given its magnitude, scenarios will constantly be monitored as the program unfolds.</td><td>Forecasting exercises and stress tests have been conducted to understand the impact on our capital.

On-going monitoring will be performed with a focus on long term viability and resilience

Depending on deliveries, as well as other trends in the sector, impact on capital may exceed current projections.</td></tr>
</table>

HELPING CANADA SUCCEED GLOBALLY IN CLEAN TECHNOLOGY

Clean Technologies – or Cleantech - is a large-scale opportunity that responds to a global demand for technologies that reduce negative environmental impacts and allow for a more efficient use of the Earth's resources. As highlighted in the Planning Environment, rapid technological change and fast economic growth in emerging markets are factors that will favour the development of Cleantech solutions. More recently, higher global demand for natural resources and the adoption of regulations in many countries that encourage or mandate the use of green technology have stimulated demand for Cleantech. EDC estimates that global revenues for the Cleantech industry (excluding green buildings) were $1.0 trillion in 2010 and will expand to $1.6 trillion in 2016 and $2.4 trillion in 2021.

WHAT IS A CLEAN TECHNOLOGY COMPANY?

A clean technology company is predominantly engaged in the development, marketing and/or use of its proprietary technology to deliver products or services that reduce negative environmental impacts. The key subsectors of the Cleantech industry are:

- Biofuels and biochemicals: Feedstocks, harvesting, conversion, production, biomass
- Power generation: Solar, wind, hydro, geothermal, fuel cells, tidal
- Energy infrastructure: Management systems, infrastructure, storage, smart grid
- Energy efficiency: Building, lighting and glass
- Process efficiency and abatement: Nanomaterials and biomaterials, pollution prevention and emissions control
- Remediation: Contaminated sites and brownfield redevelopment
- Transportation: Zero- and low- emissions vehicles and clean components, abatement, emission reductions
- Recycling and waste: Recycling, material handling and storing, hazardous waste elimination, energy from waste
- Water and wastewater: Purification, treatment, infrastructure, conservation[15]

From China and Japan to Europe and the U.S., almost all major economies have prioritized the development of their respective Cleantech industries, leading to an international race to achieve market-leading positions in key Cleantech sub-sectors. Against this, Canada has a significant concentration of development-stage companies, a good portion of which are now commercializing their technology and going to market. Combined public and private venture capital flow into the sector is strong, with Canada ranking fifth globally in 2010 in total venture capital directed to Cleantech.

To date, EDC has facilitated Cleantech trade for established Canadian companies that use commercially proven technologies in sub-sectors such as water, wastewater treatment, wind and solar energy generation. The corporation's engagement in the sector has grown at a solid pace in recent years. In 2010, EDC concluded 222 transactions in the Cleantech space, up from 135 in 2007.

Going forward, EDC will continue to assist mature Cleantech firms and technologies through its standard processes and criteria. However, in order to create trade for Canada, the corporation will also help relatively young Canadian Cleantech firms. For these

15 Source: SDTC 2010 Cleantech Report.

companies, accessing lending and insurance can be challenging, even when their technology has been commercially proven. In light of this, EDC has decided to develop a formal Cleantech strategy.

EDC will further develop its understanding of the Cleantech market in order to better assess the risks associated with this industry. We will identify, working with partners like Sustainable Development Technology Canada (SDTC), Canadian companies whose successful technologies have strong growth prospects in international markets.

EDC will carefully assess a series of factors, namely whether a company, its technology and associated contracts or projects are commercially viable. If EDC's assessment yields positive results, EDC will consider extending the financial solutions needed by the company, working preferably with private sector partners who can bring capacity. In parallel to the provision of financial services, EDC will also actively attempt to match Canada's Cleantech capabilities with global opportunities as well as provide requisite trade advice to Canadian companies working, in both cases, in close partnership with Government of Canada and provincial trade partners as well as with SDTC.

Cleantech markets with the most promise include Southeast Asia (along with Singapore), Central America, Mexico, India and China. China is already one of the world's largest importer and developer of Cleantech solutions. Its central government is intent on attaining two objectives by investing massively in Cleantech: mitigating its environmental degradation to improve the quality of life of its growing middle class and positioning the country at the forefront of a future strategic industry. As both a major buyer and supplier of Cleantech, China should be on the short list of countries that Canadian companies wish to do business with over the planning period. EDC will therefore work closely with DFAIT and other public and private sector partners to assist Canadian companies make the most of the Chinese Cleantech opportunity.

Finally, EDC, working with the Department of Finance, DFAIT, Environment Canada and Natural Resources Canada, will play an active role in the negotiations pertaining to the OECD Climate Change Sector Understanding (CCSU). The latter extends the scope of the current Renewable Energy and Water Sector Understanding (which is part of the OECD Arrangement on Export Credits) to a number of new industries and technologies in the Cleantech area. Finalization of the core sections of the CCSU is expected to take place in the coming months. The adoption of the CCSU will help more Canadian Cleantech companies overcome the financial barriers that the high upfront costs associated with acquiring their technology at times create. The CCSU will thus allow EDC, along with other export credit agencies that adhere to the CCSU, to provide foreign buyers with longer and more flexible repayment terms.

THE CLEANTECH STRATEGY AND THE FOUR CORE DIMENSIONS OF EDC'S BUSINESS	
Business Development	**Operations**
EDC will identify Cleantech companies with strong export potential working with partners such as SDTC. EDC will develop a better comprehension of the financing and risk mitigation challenges that confront Cleantech companies as they attempt to take their proven technologies to foreign markets. EDC will continue to facilitate trade for Canadian Cleantech firms with well-established technologies.	EDC's strategy will require the development of clear gating criteria and processes (including the creation of a cross-sectional Cleantech virtual team) to facilitate the execution of financing and insurance transactions for these firms. The development and deployment of the Cleantech initiative is not expected to necessitate additional resources for the foreseeable future. If such a need should arise, it will be met through redeployment of existing resources.
Risk Management	**Financial Sustainability**
The Cleantech initiative will expose the corporation to new technologies and sub-sectors in respect of which it has relatively limited underwriting experience. In order to mitigate this risk, EDC will work at gaining a solid technical understanding of the market in the early phase of the Cleantech strategy deployment. From a credit risk perspective, Cleantech transactions may regularly fall outside the confines of EDC's normal risk parameters. EDC will develop appropriate criteria to determine in which cases it is prepared to stretch its risk appetite.	EDC is prepared to prudently commit the capital needed to implement its Cleantech strategy. Such use of capital is not expected to have a material adverse impact on EDC's balance sheet over the planning period as we will monitor closely the evolution of the capital requirements tied to Cleantech transactions. We will also monitor transactions to ensure that they are priced and structured in a way that favours the overall Cleantech program's self-sustainability.

TARGETING INDIA'S INFRASTRUCTURE BOOM FOR CANADIAN COMPANIES

The Indian market, already significant with GDP exceeding $1.5 trillion, is forecast to expand at an annual rate of more than 8% over the planning period. This rapid growth will create opportunities in many sectors such as automotive, telecom, oil and gas and, in particular, infrastructure.

Supporting India's rapid economic growth will require massive investment in new infrastructure ranging from power generation and transmission, to transportation and municipal services. The Indian government has clearly indicated its commitment to delivering this infrastructure, with spending expected to reach $1.0 trillion over the next five years. The need to engage foreign resources – both expertise and capital – to build such infrastructure is acknowledged by the Indian government.

Many of the world's trading nations have responded with strategies to position their companies to capitalize on India's infrastructure opportunities. The market is increasingly competitive, and difficult to break into. Given the scale of the market, even capturing a small percentage can generate significant benefits. India's priority to the Government of Canada is evidenced by its plans to launch free trade negotiations, which are set to conclude in 2013. Bilateral trade between Canada and India, currently worth just over $4.0 billion, is expected to more than triple to $15.0 billion over the planning period. However, Canada's market share in India remains small and ranks 34th among India's suppliers.

EDC has achieved success in India since establishing a local market presence in 2005. The volume of business we facilitate grew from less than $400 million in 2005, to over $1.7 billion in 2010. Over 250 Canadian companies sought EDC's services to conduct business in India in 2010. Our activities are conducted in close partnership with the Government of Canada, particularly through our representations in New Delhi and Mumbai. We exchange information on a constant basis, collaborate on industry events and frequently hold joint meetings with Canadian companies in the market.

India's infrastructure sector aligns well with Canadian capabilities in engineering, transport systems and environmental technologies. Over the planning period, EDC will invest in creating infrastructure opportunities for Canadian companies in India. Our strategy in this respect will be centered on project financing as well as direct project equity to create a draw (or Pull) for Canadian companies.

Foreign export credit agencies and public financial institutions have been successful in creating profile for their countries by providing significant lending capacity and publicly promoting their activities. EDC will initially focus on participation roles in a select subset of transactions led by financial partners with whom we are familiar. We expect these to be Pull transactions, to facilitate a starting point in the market, assist in building comfort with local standards and allow time to address certain hurdles before expanding further.[16] By 2014, having solidified key relationships and become more familiar with the market, EDC expects to start playing a more diverse role helping Canadian exporters and investors into the market. By 2015 - 2016, the annual financing volume facilitated by EDC is expected to reach $900 million, represented largely by the activity of Canadian "anchors".

We will need to address some challenges along the way: India is a complex and cost-competitive market. Certain exporters and investors have made the strategic decision not to seek expansion into India. Others have entered previously and reported mixed

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16 See page 33 for a description of "pull" facilities.

experiences. An enhanced focus will therefore be placed on reaching out to Canadian investors and exporters to discuss their strategic interest in India and promote suitable opportunities, and on creating tools to assist new investors and exporters set up in India and navigate the regulatory framework.

To execute this strategy EDC will expand its operational infrastructure and deploy, as appropriate, existing corporate resources to address market realities and hurdles. The ability for EDC to raise and provide Rupee funding is important in order to create new opportunities in this market.

Similarly, transacting in India is premised upon relationships and the understanding of local documentation and business practices. The ability to engage locally in due diligence and engage potential project buyers in a manner comparable to local institutions is important to secure and maintain their interest.

Risk-mitigation products specific to the market may need to be developed to facilitate exporter entry. This may include insurance against regulatory impediments, contract frustration, receivables payment default as well as performance security guarantees and additional working capital to support expansion.

Prior to developing this strategy, EDC conducted in-depth due diligence, including in market, of the CSR risks inherent to doing business in this market. EDC concluded that we can do meaningful business in the market without compromising our standards, providing we follow strict discipline, particularly in choosing our partners and counterparties. US Ex-Im, a fellow ECA whose standards and processes we understand and respect, has expanded its footprint in India with success.

India is a new market with many complexities we are still learning about. Over time, we aim to better understand these complexities, and be in a position to consider broader sets of issues. As an example, this means being able to understand a local standard or process well enough to determine how it compares with a well understood international one.

From a credit risk perspective, a new approach to project financing in India is contingent upon expanding our risk appetite in several respects, particularly in the early stages of implementation. EDC will need to underwrite new risks and be generally more aggressive with its offerings, provided it would be beneficial for Canada and remains within acceptable risk management practice. As part of managing credit risk, EDC will also need to gain confidence and comfort around different reporting and monitoring standards.

Our goals are realistic, but we will need to be practical in applying our own approaches, processes and systems, while preserving our fundamental principles.

THE INDIA STRATEGY AND THE FOUR CORE DIMENSIONS OF EDC'S BUSINESS	
Business Development	**Operations**
Loans and equity investments in projects to create a "pull" for Canadian companies' finance transactions. Develop key relationships to build the foundation of success. Address market-specific challenges by offering a wide range of market access services.	Operational infrastructure will be expanded and some existing resources redeployed. The opening of a standalone office will be explored to build local recognition, and offer rupee financing options. Specific risk mitigation solutions may be developed to address market specific needs.
Risk Management	**Financial Sustainability**
CSR risks have been thoroughly assessed. Discipline and guidelines will govern the nature of business we engage in. More aggressive credit risk taking will likely be required; it will be mitigated in part by greater understanding of reporting and monitoring standards.	Initial launch costs will be funded entirely from EDC's existing administrative expenses. They are expected to be matched with adequate returns over time.

2.7 CREATING BENEFITS FOR CANADA

The Business Strategy presented in the Corporate Plan outlines how EDC is working towards enhancing Canada's trade performance. EDC's measurement program enables the corporation to track its performance against the various components of this Strategy. EDC's success is a function of its customers' successes and, through them, of Canada's success.

This vision has driven the evolution of our scorecard over the years. It led to the adoption of a Canadian Benefits scorecard 10 years ago, which has been regularly refined since.

The following table presents the Canadian Benefits Scorecard for the past three years.

CANADIAN BENEFITS SCORECARD	2008	2009	2010
Total Business Facilitated ($B) % of Exports Facilitated	85.8 16.3	82.8 20.6	84.6 19
SME – Number Served	6,866	6,886	6,628
Business in Emerging Markets ($B)	22.0	18.7	24.7
Contribution to Canada's GDP ($B) Contribution to Canada's GDP (%)	59.3 4.4	61.0 5.0	63.4 4.9
# of Jobs Supported % of National Employment	572,523 3.3	642,465 3.8	627,704 3.7

EDC'S SCORECARD FOR 2012

EDC's 2012-16 Corporate Plan introduces some significant changes in the way we intend to conduct our business, notably with a focus on creating trade and on productivity and resilience. We believe our existing scorecard remains relevant and allows us to truly measure our progress against the strategies set out in this plan. It also accounts for Canada's success, notably in emerging markets.

EDC's scorecard for 2012 will therefore remain largely unchanged. However, we will incorporate measures related to each of the three new trade-creating initiatives announced in this plan, in order to track their impact. As the execution of these initiatives begins, measures will be defined to assess their success, such as number of transactions closed, business facilitated, and qualitative milestones.

We will also include performance measures for the core trade-creation tools highlighted in this plan: pull facilities and protocols.

Certain measures will be renamed in order to ensure better alignment with the Corporate Plan's strategic orientations and philosophy, and make them more meaningful for employees.

- The Efficiency Ratio will be renamed Productivity Ratio. This concept will be better understood by employees and will further strengthen the relationship between EDC's continuous improvement initiatives and its financial performance. EDC's Productivity Ratio captures, in aggregate form, how well the corporation uses its resources. It is the ratio of administrative expenses to net revenue, excluding debt relief. In 2010, the Productivity Ratio was 24.3%. In 2012 and beyond, notwithstanding the growing complexity of EDC's business, inflationary pressures and the implementation of three new trade-creating initiatives, EDC is targeting a Productivity Ratio between 24% and 26%.

- Volume in Emerging Markets will be renamed Business in Emerging Markets. EDC wishes to move away from emphasizing volume as a measure of EDC's success. Volume is primarily an indication of the activity of Canadian exporters. Emphasis should more accurately be placed on the facilitation role played by EDC.
- Total Volume Facilitated will be renamed Total Business Facilitated to take the emphasis away from volume.

Net Promoter Score: The Net Promoter Score (NPS) is the measure against which EDC evaluates its success in customer satisfaction and loyalty. It measures the likelihood that a customer will recommend EDC to colleagues or other businesses. A range of 70 to 76 continues to place EDC among an elite group of loyalty leaders.

Total Business Facilitated: This measure provides an order of magnitude of the business Canadian companies carry out with the help of EDC's solutions. It is subject to variation from a range of external factors such as exchange rates or commodity prices. Looking forward to 2012, we expect the growth of this measure to remain in line with the assumptions presented in our Financial Plan.

Business in Emerging Markets: We expect growth in emerging market business to be slightly stronger than our overall growth, as Canadian companies keep diversifying their activities.

Canadian Direct Investment Abroad (CDIA): Investments in foreign markets by Canadian companies are an important source of benefits to Canada. It is facilitated by EDC though a variety of solutions, from both its insurance and financing programs. EDC changed the definition of this measure in 2011, leading to a sharp increase in the number of transactions. The adjusted growth column provides a comparison with 2010 numbers calculated according to the same definition. In 2012, growth is expected to continue at a slightly slower pace, as companies consolidate their balance sheets in a generally uncertain environment.

Partnering to serve Canadian companies: EDC's Partnership-Preferred Philosophy translates into a steady growth of the business we conduct by sharing risks with private sector partners. This measure was also affected by a definitional change in 2011. The adjusted growth column provides a comparison with 2010 numbers calculated according to the same definition. In 2012, we expect this measure to keep growing at a steady pace, as we strengthen our relationships with a broad range of partners, and explore further opportunities to share risks.

Value for Money (VFM) to Total Cost of Ownership (TCO): While every organization must determine an optimal level of technology investment based on its corporate needs, the desired trend is to devote more resources to delivering on VFM objectives while managing TCO. As the redesign of EDC's IT architecture progresses, EDC will continue to focus on the appropriate pacing of VFM objectives and it is expected that this ratio will rise over the planning period.

The following table provides the details of EDC's core performance measures for 2012:

EDC'S SCORECARD						
Performance Measures	**2010 Actual**	**2011 Plan**	**2011 Forecast**	**2011 growth** (Adjusted)[17]	**2011 growth** (Raw)	**2012 Plan**
Net Promoter Score	72.1	70.0 – 77.0	72.1	n/a	n/a	70.0 – 76.0 maintain
Total Business Facilitated ($B)	84.6	2 – 4% growth	96.2	11%	14 %	3 – 6% growth
Business in Emerging Markets ($B)	24.7	2 – 5% growth	29.4	9%	19 %	4 – 8% growth
CDIA Transactions	573	4 – 7% growth	767	7%	34%	3 – 6% growth
Partnerships Transactions	5,461	Maintain-2% growth	5,809	5%	6%	4 – 8% growth
VFM to TCO Ratio	31:69	45:55	40:60	n/a	n/a	35:65
Financial Measures				n/a	n/a	
Productivity Ratio (%)	24.3	26.1	24.0			24 – 26
Net Income ($M)	1,475	611	682			917
Return on Equity (%)	18.5	7.3	8.2			10.5
Employee Measures				n/a	n/a	
Employee Engagement	-	Rank same as high-quality institutions	-			Rank same as high-quality institutions
Employee Retention (%)	92.7	≥CB rate	91			

17 **Growth adjustments for 2011** The figures in this column reflect two different adjustments: exceptional transactions were removed from 2011 Total Business facilitated and 2011 Business in Emerging Markets for better comparability with 2010 figures. 2010 numbers for CDIA transactions and Partnership transactions were restated applying the new definition introduced in 2011.

EDC'S SCORECARD	
New Measures	
Pull facilities Number of facilities Business facilitated Pull ratio (%)	EDC already tracks its use of Pulls. In 2012, we will review and revise, where appropriate, our current methodology for measuring the corporation's performance in using Pulls to create trade for Canada.
Protocol facilities Number of protocols Business facilitated	The corporation already assesses how Protocol companies meet their undertakings. During 2012, we will review and revise, where appropriate, our current methodology for measuring the corporation's performance in using Protocol agreements to create trade for Canada.
New initiatives Aerospace Industry Clean Technologies India	EDC's new trade creation initiatives are in early stage of development. The definition of adequate metrics will be part of their execution.

2012 AND BEYOND: ENSURING THE CONTINUED RELEVANCE OF OUR MEASURES

EDC will review its scorecard over the course of 2012 in order to ensure it continues to accurately reflect the corporation's core objectives and philosophy: providing value to our customers, and contributing to Canada's trade competitiveness. Several avenues are under consideration and will be thoroughly assessed and tested in 2012.

EDC cannot be satisfied with its success if Canada itself is not successful. We are therefore looking into the development of a composite measure that would give a comprehensive view of Canada's trade performance.

The growth of EDC's business is not an end in itself. Our goal is to respond to Canadian companies' needs where and when they arise. We wish to measure the value we effectively bring to them. We also prefer to partner with private sector players and complement their activities. This means that the volume of our activities may fluctuate as the economic environment changes, and private sector capacity and customer needs evolve.

We will look at options to move further away from volume-based measures, and develop a reliable, consistent measure of customer value. One such measure could be the revenue generated by the provision of our solutions. This is how other businesses measure their success, in particular in the financial industry.

As we continue investing in our people, we want to keep improving how we track the success of our Human Resources initiatives. Over the planning period EDC will build a measurement framework which will capture continuous improvement and measure our ability to bring value clients through investments in our people.

3

EDC’S FINANCIAL PLAN

Introduction

Financial sustainability is one of the four dimensions included in EDC’s newly articulated management framework. This is not a new concept for EDC but the new management framework is bringing greater visibility to this dimension. Financial sustainability is the anchor of the 2012-2016 Financial Plan and aligns with the Statement of Priorities and Accountabilities from the Minister of International Trade.

EDC’s ability to deploy its lending and insurance solutions to Canadian businesses is dependent on the corporation’s financial sustainability, which is achieved through our commitment to sound financial management. This involves earning a return sufficient to pay the bills and build capital to support more business. It means we control our administrative expenses, and we minimize losses. Under normal operating conditions we expect to earn net income in the range of $600 million to $800 million annually. Fluctuations in the fair value of long-term debt and derivatives, claims related expenses and provision for credit losses could cause net income to fall outside this range.

The income that we generate is applied directly against Canada's fiscal accounts and it provides us with a stronger capital base and the capacity to offer additional support for Canadian exporters.

Each aspect of Sound Financial Management at EDC is discussed in further detail in this Chapter, as follows:

- The prudent management of administrative expenses, including our response to the Government’s Strategic and Operating Review, as discussed in section 3.2.
- Measurement of our financial performance, which forms the cornerstone of sound financial management at EDC. The measures are consistent with measurements used in the financial services sector. The definitions and projected results of these measures are discussed in section 3.4;
- Our capital adequacy policy, as discussed in section 3.5; and
- Asset/liability management and borrowing strategies, as discussed in section 3.7.

The Financial Plan presents the key business assumptions and flowing from them the projected financial performance including:

- Projected condensed consolidated financial statements in section 3.3;
- Performance ratios in section 3.4;
- Capital management in section 3.5;
- Planned capital expenditures in section 3.6;
- EDC's borrowing strategy in section 3.7; and
- Projected financial statements for the corporation's subsidiary, Exinvest Inc., in section 3.9.

3.1 KEY BUSINESS ASSUMPTIONS

A series of key assumptions, including those with respect to trade facilitated, risk profile, foreign exchange and interest rates, all of which have an impact on the corporation's business activity and financial performance, drive the financial plan. Using these assumptions, EDC first prepares a forecast of its expected business activity and, based on that forecast, develops projected financial statements for all years throughout the planning period. We have included the 2010 actual results for information purposes.

We discuss each of these assumptions in the following pages. As is the case with any assumption, each is subject to volatility. The current economic climate and related unpredictability amplify this potential for volatility. Any changes to the business strategy or to the underlying assumptions may materially affect the projections over the planning period.

TRADE FACILITATED

Forecast business facilitated by the Credit Insurance program in 2011 has increased to $73.6 billion, compared to the $65.0 billion forecasted in the 2011 Corporate Plan. This increase is based on growth in both large customer accounts and in the Financial Institutions (FIT) program – most notably in China. The level of trade facilitated with some of our large customers has grown because of increasing commodity prices as well as due to organic growth within the customers' business. The Financing business facilitated in 2011 has also increased to $11.0 billion from last year's Corporate Plan forecast of $10.1 billion, mainly due to strong results in the domestic financing program – the 2011 Corporate Plan assumed that the domestic powers would end in March 2011; however, the government subsequently extended these powers to March 2012.

We are currently projecting core Financing activity to increase to $10.6 billion in 2012 from $9.3 billion in 2011.The level of trade facilitated by our core insurance programs is expected to increase to $87.9 billion in 2012 with growth in the credit insurance program being the most significant contributor to this increase.

Trade Facilitated for the years 2013 to 2016 for all programs assumes a growth rate of 5% per year, from the 2012 base, consistent with export growth projections included in EDC Economics' Fall Global Export Forecast. The plan also includes Financing trade facilitated in respect of three trade-creating initiatives, as discussed in Chapter 2; namely, Aerospace, Clean Technology and India infrastructure.

The following principles applied in arriving at the preceding trade facilitated:

Financing – includes transactions arising from EDC's commercial and sovereign lending programs as well as from EDC's loan guarantee program. Generally, trade facilitated includes transactions from signed agreements with the exception of aerospace, which is only included upon aircraft delivery.

Equity – EDC invests in private equity funds, venture capital funds and makes direct investments in Canadian companies. The Equity figures reflect the total amount of EDC's commitments made during the period. Those commitments, particularly in fund investments, can disburse over periods of up to 12 years. The investment may not require a full advance against that commitment.

Credit insurance – includes transactions from EDC's accounts receivable and FIT products. The policyholder makes declarations of sales; these declarations represent trade facilitated by EDC. For example, Company X signs a policy with EDC. After signing this policy, Company X sells goods to its buyers valued at $100 in month 1, $200 in month 2 and $100 in month 3. By the end of the quarter, Company X would have declared to EDC $400 in sales, representing $400 of trade facilitated.

Contract insurance and bonding (CIB) – EDC provides reinsurance guarantees to sureties and banks on the contractual and corporate performance obligations of the policyholder. Policies provide coverage for periods between one and four years and are typically set up as facilities, with overall facility limits established in advance. Requests for cover by the policyholder, to initiate specific coverage on individual transactions, trigger inclusion in trade facilitated.

Political risk insurance (PRI) – EDC insures the overseas assets and corporate interests of its policyholders against the threat of political risks. These policies have an average life of five years with the option to renew the coverage annually. Trade facilitated results from signings of new policies as well as from renewals.

RISK PROFILE OF TRADE FACILITATED

Risk Profile of Financing Portfolio

The risk profile of the Financing portfolio is one way the corporation can track its risk appetite. The risk profile is also one of the key drivers of both loan provision expense and capital demand for credit risk.

Table 1: Risk Categories for New Loan Signings (2010-2016)

	Investment Grade	Below Investment Grade
Actual 2010	**53%**	**47%**
2011 Corporate Plan	**45%**	**55%**
Forecast 2011	**43%**	**57%**
2012-2016 Corporate Plan	**45%**	**55%**

The forecast credit mix for new loan signings over the planning period has shifted toward a riskier portfolio from 2010 results. This is due in part to a post credit crisis "new normal" in which banks are more cautious with respect to the transactions they back. As a result, there is increased demand for EDC to provide support for riskier deals. In addition, the 2010 signings included several large investment grade transactions, which also affected the overall risk mix of the 2010 portfolio.

Risk Profile of Insurance Portfolio

The risk profile of EDC's Credit Insurance portfolio is assessed on a basis similar to that used for the Financing program with one of several risk ratings (low, moderate, medium, high, priority or critical) assigned to each buyer.

EDC assesses the risk profile of our Contract Insurance & Bonding (CIB) and Political Risk Insurance (PRI) portfolios on the same basis as the Financing program risk assessments.

FOREIGN EXCHANGE

Last year, EDC updated its foreign exchange rate methodology to use a simple year-to-date average for the current year and all subsequent years in lieu of using annual forecasts from EDC Economics. The intention was to remove the volatility associated with yearly dollar fluctuations and ensure more easily comparable projections. The rate used in this plan, as represented by the average rate for the period January 2011 through July 2011 is U.S. $1.03.

As the majority of EDC's business transactions are denominated in U.S. dollars, fluctuations in the Canada-U.S. exchange rate have a direct impact on EDC's bottom line. There is also the indirect impact on EDC that occurs via our customers, the Canadian exporters. Since at least 70% of Canada's exports are priced in U.S. dollars, Canadian companies are highly exposed to fluctuations in the Canada-U.S. exchange rate. For a Canadian company that receives U.S. dollar revenues for its exports, appreciation of the Canadian dollar causes revenues to fall (when converted back to Canadian dollars). So even if there is no change in the physical volume of shipments, the stronger Canadian dollar automatically translates into lower export receipts in Canadian dollar terms.

Over the past five years, the Canadian dollar has fluctuated between U.S. $0.78 and U.S. $1.09. The main reason for the volatility is that the Canadian dollar is often referred to as a "commodity currency" or "petro currency", because its value moves when oil and other non-energy commodity prices move. The Canadian dollar also responds to swings in interest rate spreads and in U.S. dollar movements against other currencies.

To provide perspective on the impact of movements in the Canada/U.S. exchange rate on EDC's results, a $0.01 appreciation or depreciation in the value of the Canadian dollar in relation to the U.S. dollar translates into an approximate $8 million decrease or increase to the corporation's Net Financing and Investment Income, all other things being equal.

The model that EDC uses to forecast the value of the Canadian dollar reflects all of these factors. Based on this model, EDC Economics' Global Economic Forecast exchange rate for the 2012 plan year is U.S. $1.00, which represents a 3% depreciation of the Canadian dollar relative to the rate used in the development of this Corporate Plan.

Although historically this model has performed well in predicting the value of the Canadian dollar, recently there has been a distortion in the relationship between these variables, with the Canadian dollar being stronger than expected. Since the onset of the credit crisis, Canada has attracted large portfolio inflows as investor appetite has been driven by Canada's "safe haven" status because of its healthy bank sector and favourable public debt metrics. Compounding this effect are low interest rates in the U.S., which are likely to remain near-zero until mid-2013, and higher market expectations of inflation in the U.S. due to the expansion of the U.S. monetary base. The resulting downward pressure on the U.S. dollar has buffeted the Canadian dollar well above where fundamental levels suggest it should be according to purchasing power parity.

INTEREST RATES

We are projecting an increase in U.S. LIBOR from the current rate of approximately 0.40% to 4.00% in 2016. This forecast assumes that as growth resumes, the U.S. Federal Reserve will reverse the extraordinary monetary stimulus currently in place and interest rates will gradually return to normal levels.

3.2 ADMINISTRATIVE EXPENSES

As a non-appropriated Crown corporation, the government has asked EDC to deploy its capital fully while at the same time respecting the spirit and intent of budgetary constraints within the government community. EDC has always exercised prudent financial management of its administrative expenses. In response to the cost containment measures announced in the Budget 2010, the corporation further demonstrated its resolve to managing costs by limiting increases in expenses for 2011 to existing commitments.

STRATEGIC AND OPERATING REVIEW

The Government's 2011 budget outlined the plan for a Strategic and Operating Review to achieve at least $4.0 billion in on-going annual fiscal savings by 2014-15. This review is applicable to virtually all areas of government that receive appropriations.

Crown corporations such as EDC, which do not receive appropriations, are not subject to the requirement for a formal Strategic and Operating Review. However, the Minister of International Trade has asked EDC, in the Statement of Priorities and Accountabilities, to adhere to the spirit and intent of this exercise by undertaking a self-review to identify efficiencies. The Government of Canada has asked such Crowns to define clear objectives against which progress can be measured.

Cost containment is an on-going discipline at EDC. We have made significant investments in Lean and technology with a view to containing and reducing our costs over the long term. We have conducted an in-depth review of our cost structure and identified areas for continued focus.

EDC's administrative expense objectives for 2012 and beyond are as follows:

1. Holding 2012 administrative expenses to $303 million - this represents a significant constraint given the need to absorb some non-discretionary expenses such as a $7 million increase in depreciation. Absent the increase in depreciation expense, our administrative expenses for 2012 would be $296 million, representing a $4 million reduction from the 2011 forecast administrative expenses of $300 million. In addition, we are introducing a defined contribution pension plan for new employees effective January 1, 2012, which, in the long-term, will begin to reduce expense volatility.
2. Targeted reductions in the following areas:
   a. Travel.
   b. Marketing.
   c. External Business Development.
3. Targeting a productivity ratio range for 2012 and beyond of 24-26% - that means that we commit to spending no more than approximately $0.25 for every incremental dollar of net revenue that we earn. This is a challenging undertaking, which will be especially difficult given inflationary pressures as well as the new trade-creating initiatives planned. We will need to leverage productivity gains achieved through our investments in people, process improvements and technology to offset these pressures. By focusing on the Productivity Ratio rather than solely on expenses, it allows us some degree of flexibility to increase costs, where appropriate and/or when required provided there is a commensurate increase in revenue.

Notwithstanding EDC's administrative expense objectives, it is important to highlight that EDC's annual pension expense, which is included within administrative expenses, is difficult to predict, as it is determined using a discount rate which is dependent on year-end market data. Fluctuations in the discount rate from the rate used in our 2010 actuarial accounting extrapolation will result in changes in administrative expenses.

To provide perspective on the impact of movements in the discount rate, a 10 basis point decrease in the discount rate translates into an approximate $1.3 million increase in the corporation's pension expense, all other things being equal.

Also of importance to note is the release, on September 20, 2011, of the Canadian Institute of Actuaries' (CIA) educational note, "Accounting Discount Rate Assumption for Pension and Post-Employment Benefit Plans", that provides guidance to actuaries for the setting of discount rates for use in accounting valuations. This note was issued by the CIA as a means of streamlining the methodologies used by actuarial firms in setting accounting discount rates. A preliminary review of the document suggests a 30 to 50 basis point reduction in discount rates could result from the revised methodology recommended. Such a decline in the discount rate would translate into an approximate increase in our pension expense in the range of $3.9 million to $6.5 million dollars.

3.3 FINANCIAL RESULTS

ACCOUNTING POLICIES AND FUTURE ACCOUNTING CHANGES

The accounting policies used in the preparation of this Financial Plan are in accordance with International Financial Reporting Standards (IFRS). Effective January 1, 2011, the Canadian Institute of Chartered Accountants adopted IFRS for publicly accountable enterprises. The policies, which are similar in approach to those of other private sector financial institutions, reflect the long-term nature of EDC's business and are prudent in light of the risks associated with its unique portfolio. The earnings of the corporation and its subsidiary are not subject to the requirements of the *Income Tax Act.*

Note that the 2010 results presented in the Corporate Plan are unaudited but do not represent a significant change from the results presented in our 2010 Annual Report under previous Canadian GAAP.

EVOLVING STANDARDS

The International Accounting Standards Board (IASB) has a number of projects underway, some of which will affect the standards relevant to EDC. In June 2011, the IASB amended International Accounting Standard (IAS) 19 – *Employee Benefits* that will become effective January 1, 2013. We are currently assessing the impact of the changes to this standard on EDC.

In addition, we are closely monitoring the progress on IASB projects related to the impairment of financial assets, insurance contracts and leases. Revisions made to these standards could potentially have a significant impact on EDC's financial statements in future periods.

STATEMENT OF COMPREHENSIVE INCOME

Table 2: Projected Condensed Consolidated Statement of Comprehensive Income (2010-2016)

(in millions of Canadian dollars)	2010 Actual	2011 Corp Plan	2011 Fcst	2012 Plan	2013 Proj	2014 Proj	2015 Proj	2016 Proj
Financing and investment revenue								
Loan	1,004	1,067	1,005	986	1,043	1,180	1,393	1,673
Finance lease	8	7	7	6	5	5	4	2
Operating lease	32	32	21	15	12	8	3	1
Debt relief	25	6	3	1	–	–	–	–
Investment	47	57	47	47	52	62	71	82
	1,116	1,169	1,083	1,055	1,112	1,255	1,471	1,758
Interest expense	147	168	110	103	158	354	594	866
Leasing and financing related expenses	53	60	36	21	17	24	7	3
Net Financing and Investment Income	916	941	937	931	937	877	870	889
Loan Guarantee Fees	33	19	34	34	39	44	49	53
Insurance premiums and guarantee fees	210	229	238	251	267	279	295	309
Reinsurance assumed	11	15	10	6	6	6	6	6
Reinsurance ceded	(11)	(15)	(18)	(20)	(22)	(23)	(24)	(25)
Net Insurance Premiums and Guarantee Fees	210	229	230	237	251	262	277	290
Other Income (Expenses)	(41)	(12)	86	(11)	(4)	7	16	27
	1,118	1,177	1,287	1,191	1,223	1,190	1,212	1,259
Provision for (Reversal of) Credit Losses	(631)	130	41	(125)	46	69	98	167
Claims-Related Expenses	1	136	264	96	117	122	131	137
Administrative Expenses	273	300	300	303	306	309	312	315
Net Income	1,475	611	682	917	754	690	671	640
Other comprehensive income	–	–	–	–	–	–	–	–
Comprehensive Income	1,475	611	682	917	754	690	671	640

2011 Forecast versus 2011 Corporate Plan

We are forecasting a net income of $682 million for 2011, an increase of $71 million over the 2011 Corporate Plan. Items of note affecting this variance are as follows:

Other income is forecast to be $86 million, representing an increase of $98 million over the 2011 Corporate Plan expense of $12 million mainly as a result of gains arising from changes in market conditions which were not contemplated in the Plan. Realized and unrealized gains on investments ($43 million) and foreign exchange gains ($15 million) are the primary contributors to this increase.

Provisions for credit losses for 2011 are forecast to be $41 million, a decrease of $89 million from the 2011 Corporate Plan mainly due to a release of provisions resulting from changes in the portfolio composition. The 2011 Corporate Plan projected a provision expense of $74 million as a result of portfolio growth. We are now forecasting a provision release of $118 million due to lower net disbursements, decreases in provisioning rates and changes in the credit profile of new and existing loans.

Additional items affecting the provision variance from the Corporate Plan include:

- updated default rates and concentration threshold resulting in a provision release of $112 million;
- updated collateral values on aircraft in the secured loan portfolio resulting in additional provision of $121 million;
- higher credit migration than anticipated in the Corporate Plan increasing provisions by $52 million; and
- an increase in the average term to maturity on our loans, primarily in the telecom sector, resulting in additional provisions of $44 million.

We are forecasting claims related expenses of $264 million, an increase of $128 million over the 2011 Corporate Plan mainly due to higher claims activity within our Political Risk Insurance program.

2012 Corporate Plan versus 2011 Forecast

The planned net income for 2012 is $917 million, which is somewhat higher than our normal income level and represents an increase of $235 million over 2011 mainly due to:

- a provision release of approximately $100 million anticipated upon the adoption of the Credit Risk Rating Engine (CRRE) probability of default rates. The CRRE is a new tool that will update and standardize EDC's risk rating methodologies. It prescribes a standard default rate for each risk category and assigns obligors to the proper rating. This differs from the old methodology that was based on Moody's and Standard & Poor's historical average default rates. This change in the default table represents the first of several potential impacts of the CRRE project on EDC's provision expense. We expect the following additional changes to occur in 2012, the impact of which we could not quantify at the time of the writing of this plan:
    - The implementation of new rating models for each business sector. In addition to the impact of the change from the new default tables, the possibility exists that the risk ratings for individual obligors will change as we assess each obligor using the new model.
    - EDC will implement a new model that assesses the loss given default at a more granular facility/transaction level. EDC currently uses a broad loss given default assumption in deriving its loan provisioning rates.

  It is possible that the financial impact of these additional changes could partially or wholly offset the release of provision included in the plan because of the new default table. However, as it was not possible to quantify the impacts, we have chosen to include the known impact in its entirety.
- lower claims related expenses because of the impact of the Political Risk Insurance program claim activity on 2011 results; and

- lower other income, since 2011 income includes gains on investments and foreign exchange translation that are not projected for 2012.

STATEMENT OF FINANCIAL POSITION

Table 3: Projected Condensed Consolidated Statement of Financial Position (2010-2016)

(in millions of Canadian dollars)	2010 Actual	2011 Corp Plan	2011 Fcst	2012 Plan	2013 Proj	2014 Proj	2015 Proj	2016 Proj
Assets								
Cash	124	102	89	89	89	89	89	89
Marketable securities:								
Fair value through profit or loss	3,660	3,267	3,054	3,054	3,054	3,054	3,054	3,054
Amortized cost	19	–	73	73	73	73	73	73
Derivative instruments	2,010	1,888	2,082	2,082	2,082	2,082	2,082	2,082
Loans receivable	26,611	29,687	26,513	27,170	27,008	27,838	29,241	32,818
Allowance for losses on loans	(1,561)	(1,555)	(1,424)	(1,253)	(1,181)	(1,108)	(1,043)	(1,043)
Equity financing at fair value through profit or loss	317	399	412	503	597	664	718	704
Equipment available for lease	143	124	67	53	37	6	1	–
Net investment in finance leases	99	93	88	78	68	56	44	15
Investment in joint ventures *	47	58	5	–	–	–	–	–
Recoverable insurance claims	94	76	218	218	218	218	218	218
Reinsurers' share of allowance for claims	109	159	138	142	149	157	165	173
Other assets	135	123	141	141	141	141	141	141
Building under finance lease	–	–	169	162	155	148	142	135
Property, plant and equipment	33	88	83	74	65	55	48	45
Intangible assets	42	41	42	41	41	41	40	40
Total Assets	31,882	34,550	31,750	32,627	32,596	33,514	35,013	38,544
Liabilities and Equity								
Accounts payable and other credits	259	298	257	222	195	154	122	100
Loans payable:								
Designated at fair value through profit or loss	20,465	22,534	19,882	21,312	21,009	22,728	24,051	27,436
Amortized cost	2,019	2,091	1,968	994	994	19	19	–
Derivative instruments	200	242	130	130	130	130	130	130
Allowance for losses on loan commitments	93	83	123	100	120	128	141	149
Allowance for claims on insurance	569	662	648	681	718	757	800	845
Obligation under finance lease	–	–	169	166	162	159	155	151
Deferred insurance premiums	71	66	103	106	106	108	108	109
Loan guarantees**	245	219	177	169	184	206	230	253
	23,921	26,195	23,457	23,880	23,618	24,389	25,756	29,173
Equity								
Share capital	1,333	1,333	1,333	1,333	1,333	1,333	1,333	1,333
Retained earnings	6,628	7,022	6,960	7,414	7,645	7,792	7,924	8,038
	7,961	8,355	8,293	8,747	8,978	9,125	9,257	9,371
Total Liabilities and Equity	31,882	34,550	31,750	32,627	32,596	33,514	35,013	38,544
Contingent Liability Statutory Limit								
Section 10(3), 10(4)								
Contingent Liability Limit	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Position against limit	25,827	27,888	30,044	29,531	32,433	35,758	38,830	41,876
Percent used	57%	62%	67%	66%	72%	79%	86%	93%

* Investment in joint ventures represents EDC's subsidiary Exinvest's investment in joint ventures now accounted for using the equity method.
** The allowance related to loan guarantees was reclassified to the liability for loan guarantees.

2011 Forecast versus 2011 Corporate Plan

Forecast 2011 loans receivable are $26.5 billion, a decrease of $3.2 billion (11%) from the 2011 Corporate Plan. This decrease is mainly a result of three key items:

- The actual 2010 loans receivable ending balance was $1.3 billion lower than anticipated when preparing the 2011 Corporate Plan. The main factors contributing to this decline were a stronger Canadian dollar at the end of 2010 than used in the 2011 Corporate Plan and lower 2010 net disbursements than included in the 2011 Corporate Plan.
- Net disbursements in the current forecast for 2011 are $1.4 billion lower than projected in the 2011 Corporate Plan.
- A stronger Canadian dollar currently forecast at the end of 2011 ($1.03) than used in the 2011 Corporate Plan ($0.97) resulting in a $395 million reduction in the 2011 loans receivable balance.

Loans Payable balances forecast for 2011 are $2.8 billion lower than projected in the 2011 Corporate Plan. This is because generally, our funding requirements move in tandem with the Loans Receivable balances, which we are also forecasting to decrease, as previously discussed.

2012 Corporate Plan versus 2011 Forecast

Planned 2012 loans receivable are $27.2 billion, $0.7 billion (3%) higher than the 2011 forecast of $26.5 billion, resulting from net disbursements in 2012 of $0.7 billion.

Planned 2012 loans payable are $22.3 billion, $0.4 billion (2%) higher than the 2011 forecast of $21.9 billion. This is lower than the increase in 2012 loans receivable as we are able to fund a portion of the increase in loans receivable through our increased capital.

STATEMENT OF CHANGES IN EQUITY

Table 4: Projected Condensed Consolidated Statement of Changes in Equity (2010-2016)

(in millions of Canadian dollars)	2010 Actual	2011 Plan	2011 Fcst	2012 Plan	2013 Proj	2014 Proj	2015 Proj	2016 Proj
Share Capital	1,333	1,333	1,333	1,333	1,333	1,333	1,333	1,333
Retained Earnings								
Balance beginning of year[1]	5,153	6,752	6,628	6,960	7,414	7,645	7,792	7,924
Comprehesive income	1,475	611	682	917	754	690	671	640
Dividend paid	–	(341)	(350)	(463)	(523)	(543)	(539)	(526)
Balance end of year	6,628	7,022	6,960	7,414	7,645	7,792	7,924	8,038
Total Equity at End of Year	7,961	8,355	8,293	8,747	8,978	9,125	9,257	9,371

1. IFRS 1 requires that our initial financial statements under the new standards reflect our financial position as if IFRS had always been applied, with any differences upon transition eliminated through opening equity. This adjustment resulted in a $164 million reduction in our opening retained earnings.

STATEMENT OF CASH FLOWS

Table 5: Projected Condensed Consolidated Statement of Cash Flows (2010-2016)

(in millions of Canadian dollars)	2010 Actual	2011 Plan	2011 Fcst	2012 Plan	2013 Proj	2014 Proj	2015 Proj	2016 Proj
Cash Flows from (used in) Operating Activities								
Comprehensive income	1,475	611	682	917	754	690	671	640
Adjustments to determine net cash from (used in) operating activities								
Provision for (reversal of) credit losses	(631)	130	41	(125)	46	69	98	167
Actuarial change in the allowance for claims on insurance	(84)	42	50	29	30	31	35	37
Depreciation and amortization	53	35	16	16	17	22	9	8
Changes in operating assets and liabilities								
Change in derivative instruments receivable	(271)	–	(158)	–	–	–	–	–
Change in derivative instruments payable	665	–	339	–	–	–	–	–
Other	(91)	313	(216)	271	223	165	155	162
Net cash from operating activities	1,116	1,131	754	1,108	1,070	977	968	1,014
Cash Flows from (used in) Investing Activities								
Loan disbursements	(10,095)	(11,458)	(9,049)	(10,011)	(9,527)	(10,723)	(11,863)	(13,108)
Loan repayments	8,533	9,639	8,672	9,324	9,646	9,805	10,321	9,351
Equity financing disbursements	(117)	(131)	(133)	(140)	(145)	(139)	(131)	(106)
Equity financing receipts	10	48	45	68	76	110	124	176
Finance lease repayments	9	6	11	10	10	12	12	29
Net cash from (used in) investment in joint ventures	–	28	42	5	–	–	–	–
Net (purchase)/sales/maturities of marketable securities at fair value through profit or loss	1,576	(30)	606	–	–	–	–	–
Net (purchase)/sales/maturities of marketable securities at amortized cost	–	–	(53)	–	–	–	–	–
Net cash from (used in) investing activities	(84)	(1,898)	141	(744)	60	(935)	(1,537)	(3,658)
Cash Flows from (used in) Financing Activities								
Issue of long term loans payable - designated at fair value through profit or loss	4,822	7,403	4,831	6,418	2,795	4,992	9,624	7,080
Repayment of long term loans payable - designated at fair value through profit or loss	(5,791)	(6,418)	(6,273)	(5,142)	(2,100)	(3,169)	(9,474)	(3,854)
Repayment of long term loans payable at amortized cost	(163)	–	–	(974)	–	(974)	–	(19)
Net change in short-term loans payable - designated at fair value through profit or loss	171	123	783	(203)	(1,302)	(348)	958	(37)
Change in derivative instruments receivable	120	–	86	–	–	–	–	–
Change in derivative instruments payable	(111)	–	(7)	–	–	–	–	–
Dividend paid	–	(341)	(350)	(463)	(523)	(543)	(539)	(526)
Net cash from (used in) financing activities	(952)	767	(930)	(364)	(1,130)	(42)	569	2,644
Effect of exchange rate changes on cash	(8)	–	–	–	–	–	–	–
Net increase (decrease) in cash	72	–	(35)	–	–	–	–	–
Cash								
Beginning of year	52	102	124	89	89	89	89	89
End of year	124	102	89	89	89	89	89	89
Net increase (decrease) in cash	72	–	(35)	–	–	–	–	–

3.4 PERFORMANCE RATIOS

As shown in EDC's scorecard for 2012 on page 58, EDC uses three key financial measures in assessing its financial performance:

Net income is the net result of the financing, investment, insurance and risk management activities of the corporation. The major component of net income is net revenue, defined as net financing and investment income (NFII) plus revenues from insurance operations, loan guarantee fees and other income/expense. Net revenue must provide enough margin to cover operating costs, provisions for credit losses and claims related expenses as well as provide for sufficient growth in retained earnings to support future business.

Return on equity (ROE) is a traditional profitability measure, which expresses net income as a percentage of shareholder's equity.

Productivity ratio (PR), previously referred to as the Efficiency Ratio, is the ratio of administrative expenses to net revenue, excluding debt relief. PR measures the operational efficiency of the corporation as investments in people and technology are required to keep pace with the growth and complexity of the business. We are now referring to the Efficiency Ratio as the Productivity Ratio to better reflect the intent of the measure, otherwise, the calculation of the ratio remains unchanged.

Table 6: Projected Financial Performance Ratios (2010-2016)

	2010 Actual	2011 Plan	2011 Fcst	2012 Plan	2013 Proj	2014 Proj	2015 Proj	2016 Proj
Net Income - $ in Millions	1,475	611	682	917	754	690	671	640
Return on Equity	18.5%	7.3%	8.2%	10.5%	8.4%	7.6%	7.2%	6.8%
Productivity Ratio	24.3%	26.1%	24.0%	25.5%	25.0%	26.0%	25.7%	25.0%

Net Income

A detailed discussion is available in the Statement of Comprehensive Income commentary in section 3.3.

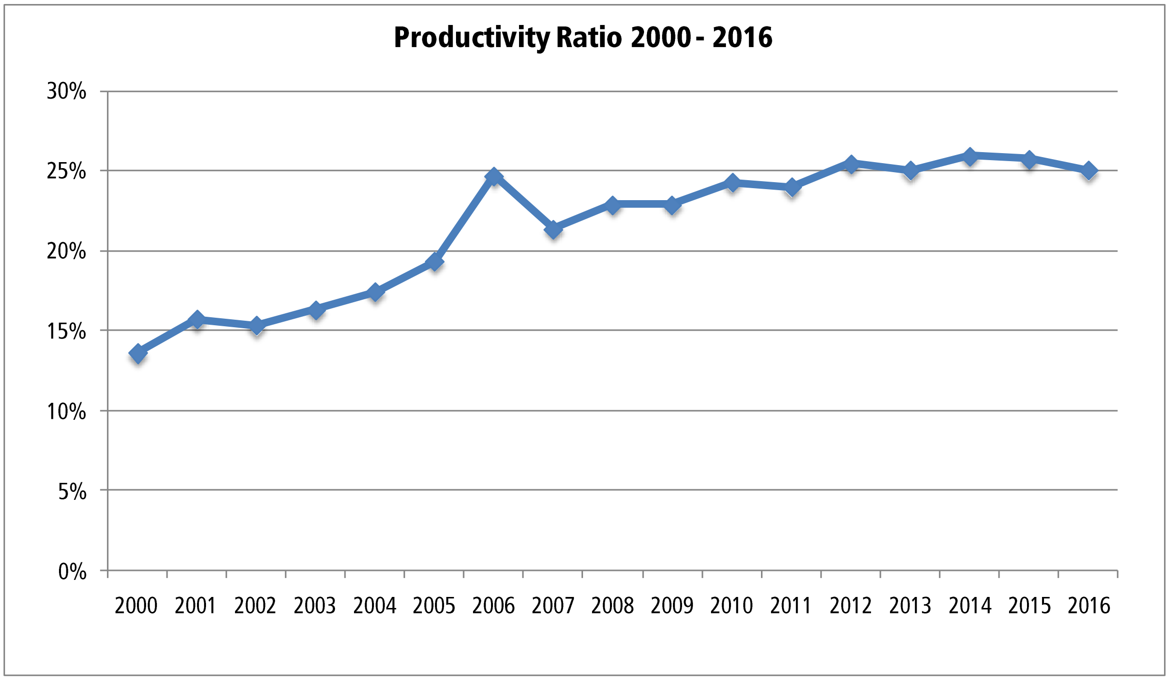
Return on Equity

Increases in net income, as referenced in the previous section, explain the change in ROE for 2011 from 7.3% in the 2011 Plan to 8.2% in the current forecast. In 2012, the ROE improves to 10.5% mainly because of the increase in net income in the year.

Productivity Ratio

To provide greater perspective on EDC's Productivity Ratio, Table 7 provides both a historical view and a forecasted view of the productivity ratio.

Table 7: Historical and Projected Productivity Ratio (2000-2016)



For 2011, we are projecting a PR of 24.0%. This represents a significant increase from the level 11 years ago in 2000 when PR was 13.6%. The ratio has increased because growth in administrative expenses outpaced the growth in operating revenue.

Throughout this period, EDC undertook a number of significant initiatives to expand its service offering and deliver more value to Canadian companies and to its financial partners. In the first five years, EDC made strategic investments in technology and people in order to facilitate more foreign Canadian business. With the growth came additional complexity in our operations and the need to develop our internal risk management framework and the Risk Management Office. In the latter six years, EDC undertook other initiatives including growing our foreign network, investing in our regional representation within Canada, enhancing our account management capacity and cultural transformation/Lean initiatives. We also made sizeable investments in our technology. These investments in people and technology were required to keep pace with the growth and complexity of the business.

The current PR forecast for 2011 of 24.0% is more favourable than last year's Corporate Plan PR of 26.1% due to higher net revenue. The major items contributing to this variance include higher revenue from loans and loan guarantees, lower impaired loans, and higher net operating lease revenue. Based on the current assumptions embedded in the financial plan, EDC's PR is expected to fall within the 24-26% range throughout the planning period.

3.5 CAPITAL MANAGEMENT AND ELIGIBLE DIVIDENDS

CAPITAL ADEQUACY POLICY (CAP)

EDC manages its capital, through its Board-approved CAP, in order to be able to support its current and future business and to sustain the corporation. At its foundation, the CAP has a guiding philosophy and set of principles that balance the requirement to fulfill our public policy mandate while remaining financially self-sufficient. The CAP also contemplates the need to maintain sufficient capital to protect the corporation from risk uncertainties.

A key principle of our CAP is the establishment of a target solvency standard for EDC that determines the level of capital that is required to cover its exposures even in exceptional circumstances. As a corporation, we target the maintenance of a AA solvency rating, a solvency level consistent with the level which leading financial institutions target. Maintaining a AA target solvency rating ensures that our capital position is strong enough to enable us to remain a self-sustaining Crown corporation and to contribute, in a positive manner, to Canada's bottom line. Our capital position is also subject to downside vulnerabilities, and a AA target provides an appropriate level of resilience to the risks we take on in order to fulfill our mandate.

Both our demand for capital and our supply of capital are calculated using methodologies that are generally consistent with the Basel II framework. The introduction of Basel III will not affect our capital framework but is consistent with our objective of maintaining strong levels of capital relative to our risk assets. EDC defines capital supply as the sum of total shareholder's equity and allowances, as determined in accordance with Canadian GAAP. Under the capital management framework, we determine whether we have adequate capital by comparing our supply of capital to our demand for capital. EDC quantifies demand for capital arising from credit, market, operational and business risk using rigorous models and practices. In addition, we allocate a further portion of available capital for strategic risks and market volatility.

EDC measures and reports changes to capital supply, capital demand and its implied solvency rating to executive management monthly. We report these capital measures to the Board quarterly together with forward looking stress tests, which model the potential impact on capital of portfolio migration and other key risk events.

EDC's capital is first and foremost available to support Canadian exporters and investors for the benefit of Canada and it is our intention to fully utilize our capital in support of our mandate. The CAP also recognizes that there may be situations in which EDC's Board of Directors may authorize a dividend payment from surplus capital. Therefore, the CAP includes a potential eligible dividend methodology to guide the Board of Directors in determining the dividend amount (see Eligible Dividends section on page 78 for a more fulsome discussion).

Over the last several years, we have developed our stress testing capabilities. This has permitted the corporation to better ascertain its ability to sustain potential financial shocks in the future. In tandem with this development, EDC will be updating its capacity to estimate credit and market risks through a new capital system application. We will begin using the new application at year-end 2011. This has been reflected in the forecasts for 2011 and onwards. In light of this system implementation, EDC determined it would be appropriate to embark on a review of the capital adequacy policy in 2012, rather than in 2011. Throughout this review, we will work in collaboration with colleagues at both the Department of Finance and the Department of Foreign Affairs and International Trade. We anticipate implementing a revised approach by the end of 2012.

Our demand for capital includes a demand component for Strategic Risk Capital (SRC). SRC is designated for supporting higher risk business opportunities of strategic importance to EDC's customers and their industries, but which are outside of EDC's typical operational norms. Importantly, we also use SRC to address unforeseen or unexpected changes in our existing portfolio emanating from, for example, market instability. This heightened risk appetite is now embedded within EDC's day-to-day operations.

PROJECTED CAPITAL POSITION

Our objective for managing capital over the planning period is to grow the corporation's capital base to a level that will enable EDC to support both our existing base of business and potential new opportunities for Canadian exporters, as discussed in Chapter 2. In addition, EDC must remain resilient to potential portfolio stresses - in the current global environment, "black swans" have the potential to occur more frequently. Our capital position should be strong enough to absorb these potential market shocks

EDC is currently forecasting a capital surplus of $1,773 million in 2011 compared to a capital surplus of $1,030 million in 2010. Our adoption in 2011 of a new capital system, which uses higher quality data and improved estimates, will result in a reduction in the demand for credit and market risk capital. This is the main contributor to the increase in capital surplus in 2011**.** The surplus increases to $1,907 million by the end of 2012, mainly due to the increase in the supply of capital resulting from the forecast 2011 net income.

It is also important to highlight that the projected capital surplus is vulnerable to downside risk during the planning period. Of note is the fact that the projections assume for planning purposes that the Canadian dollar remains at the July 31, 2011 year-to-date average of $1.03. By way of illustration, if the Canadian dollar were to decline by 20% in 2016 to around $0.83, this capital surplus would decline by about $700 million. The forecast surplus also assumes relatively stable credit portfolio performance during the planning period but could be negatively impacted by an increase in capital demand due to credit deterioration in the portfolio or capital destruction through unexpected large claims or loan write offs during the planning period. Given the uncertain risk outlook at this time this remains a significant planning risk.

ELIGIBLE DIVIDENDS

The amount of the eligible dividend is determined by a methodology that is based on the net income and the capital base of the corporation and includes a forward-looking test. We calculate the eligible dividend in the first quarter of the following year once we have finalized our year-end results. Management provides the Board of Directors with the results of the dividend eligibility calculation, together with a recommendation as to the amount of the dividend to pay, if any. The Board makes the final determination of whether EDC will pay a dividend. Provided the Minister of International Trade supports the approved dividend, we normally pay the dividend prior to March 31 of the following year.

In 2011, EDC paid out a dividend of $350 million. Since 2002, EDC has paid a total of $1,045 million in dividends to the Government of Canada. We calculated all eligible dividends and capital results included in the plan using our new capital system. The forecast eligible dividend for 2011 is $463 million.

While the plan assumes the payment of dividends, based on current projections, the further capital requirements related to aircraft sales arising after the planning period will likely exceed the available capital at the end of 2016. In addition, the capital demand associated with the other strategic initiatives should also become clearer with the passage of time. As such, dividend declaration decisions will need to be considered carefully each year in light of the developing picture of our capital demand.

3.6 PLANNED CAPITAL EXPENDITURES

Table 8: Projected Capital Expenditures (2010-2016)

(in millions of Canadian dollars)	2010 Actual	2011 Plan	2011 Fcst	2012 Plan	2013 Proj	2014 Proj	2015 Proj	2016 Proj
Head Office	14.2	51.4	51.5	–	–	–	–	–
Facilities	0.4	1.9	1.7	5.3	3.3	1.3	1.0	3.5
Information Technology	21.8	21.9	21.0	17.6	19.6	18.8	17.2	19.8
Total Capital Expenditures	36.4	75.2	74.2	22.9	22.9	20.1	18.2	23.3

Capital expenditures for 2012 are projected to decline by $51.3 million from the 2011 Forecast, primarily the result of the completion of EDC's Head Office project.

Head Office and Facilities

EDC is in the process of moving into a new head office which will consolidate all Ottawa staff into one building and provide an environment that is more open, flexible, collaborative and environmentally friendly. Construction and occupancy is being conducted on a phased basis and the building will be completed and fully occupied by November 2011. The majority of expenditures are being incurred in 2011, but some expenditures related to post occupancy remediation are included in the Facilities projections for 2012.

Information Technology (IT)

In 2012, IT capital requirements will decrease by $3.4 million reflecting lower capital requirements for IT infrastructure (hardware/software/telecom) expenditures following EDC's move to its new head office. IT infrastructure capital requirements will increase slightly over the planning period as aging equipment is upgraded or replaced.

Over the planning period, our focus will be on modernizing key legacy systems to eliminate the inefficiencies and complexity of "silo" systems. In parallel, we will increase information reliability and accessibility while enhancing EDC's external connectivity and web presence through EDC's Customer Web Portal as described in Chapter 2.

The focus on legacy system modernization requires continued funding of technology renewal projects in 2012 through 2016. The funding will be required for the planning, design and implementation of specific legacy system modernization projects. A number of large business systems will be migrated off the mainframe while modernizing their legacy architectures and functionality as well as supporting lean process improvements in areas such as Credit Insurance. During the planning period, two of the largest business systems will be moved off the mainframe.

Throughout the planning period, operating costs will be managed by fully leveraging the new Digital Workplace implemented during the new building move. Doing so will realize efficiencies and productivity gains through improved collaboration, connectivity, knowledge management and internal capability to serve EDC customers.

There is a well-developed governance structure in place which includes a focus on transforming IT functions to meet present and future demands of EDC and its customers in the most effective way. The approval of specific technology projects is provided by the Board of Directors, EDC executive or management, depending on the project cost. EDC has an IT Strategic Plan which clearly outlines the responsibilities of EDC management and management committees in the planning, authorization and monitoring of the portfolio of technology expenditures. This management oversight, combined with an IT Governance group, ensures appropriate oversight of all EDC technology expenditures.

3.7 ASSET/LIABILITY MANAGEMENT AND BORROWING STRATEGIES

In accordance with the Export Development Act (ED Act) and the Financial Administration Act (FAA), EDC raises its funding requirements in international and domestic capital markets through borrowings by any appropriate means, including issuing bonds, commercial paper or other debt instruments. EDC's objective is to borrow at an attractive cost of funds relative to the market while prudently managing interest rate, foreign exchange and credit risks arising from its Treasury operations.

ASSET LIABILITY AND MARKET RISK MANAGEMENT

EDC manages its exposures to interest rate, foreign exchange and credit risks arising from its Treasury operations utilizing a policy framework, including risk and liquidity limits, which is consistent with industry practices and approved by the corporation's Board of Directors. The policy framework is compliant with the Minister of Finance Financial Risk Management Guidelines for Crown Corporations (FRMG).

Market risk is the potential for loss as a result of movements in interest and foreign exchange rates. EDC is exposed to movements in interest rates and the impact they have on the corporation's book of assets, as well as its liability positions. EDC is exposed to foreign exchange risk as it reports its financial results and maintains its capital position in Canadian dollars whereas its asset book and much of its liabilities are in U.S. dollars or other currencies.

Through its policies and procedures, EDC ensures that market risks are identified, measured, managed and regularly reported to management and the Board of Directors. EDC's Market Risk Management Policy sets out interest rate and foreign exchange risk limits, and exposure to market risk arising from any mismatch between assets and liabilities is managed within these limits. EDC believes that prudent funding and risk management at the portfolio level, rather than the matching of individual assets with specific liabilities, provides management with the flexibility to achieve attractive funding costs while managing market risks within EDC's policy requirements. EDC manages its exposure through its funding strategy and using derivatives to hedge exposures.

Credit risk from Treasury activities arises from two sources: investments and derivatives. In each case, there is a risk that the counterparty will not repay in accordance with contractual terms. The Market Risk Management Policy establishes minimum counterparty credit rating requirements and maximum exposure limits for the management of credit risk. In addition to limits, EDC utilizes other credit mitigation techniques to assist in credit exposure management. Currently, EDC has a collateral program in which 13 of Treasury's swap counterparties participate; EDC's counterparties pledge sovereign debt from any of Canada, the United States, Great Britain, France and/or Germany (held by EDC's collateral agent) which typically offset a major portion of EDC's credit exposure.

EDC continually monitors its exposure to movements in interest rates and foreign exchange rates as well as its counterparty credit exposures. Positions against policy limits are reported on a monthly basis and any policy breach is immediately reported directly to the Chair of the Board of Directors. EDC's Asset Liability Committee meets, at least quarterly, to review current and future compliance with the corporation's Market Risk Management policies. EDC's market risk positions are reported quarterly to the Risk Management Committee of the Board of Directors.

BORROWING STRATEGIES

Statutory Borrowing Authorities

The ED Act permits the corporation to borrow and have outstanding loans payable up to a maximum of 15 times the aggregate of its current paid in capital and retained earnings which are determined in accordance with the corporation's audited financial statements for the previous year. Based on the 2011 forecast, the maximum limit for 2012 is estimated at $124.4 billion, compared to forecasted loans payable at the end of 2012 of $22.3 billion.

In determining the amount of capital markets borrowing authority which is sought from the Minister of Finance, a margin of prudence is added to facilitate intra-year management of the debt program. For the money market borrowing authority, a buffer is required to ensure that EDC can respond to any rapid escalation in the drawdown of revolvers (approximately U.S. $7.5 billion undrawn), meet its current obligations and maintain sufficient money market borrowing capacity given this is considered a source of liquidity. The temporary expansion of EDC's mandate to include facilitation of domestic trade as well as the uncertainty sweeping capital markets in Europe and the U.S. heightens the importance of this cushion.

On an annual basis, EDC obtains approval from the Minister of Finance for the amounts it plans to borrow in the capital and money markets. EDC follows the Minister of Finance's guidelines in all of its borrowing and capital market activities. Board resolutions are put in place, annually, which permit EDC to operate within the authorities prescribed by the Minister.

As a back-stop to the borrowing strategy, EDC maintains a liquidity portfolio that allows the corporation to bridge unfavorable market conditions and respond to rapid changes in demand for asset funding. Under the corporation's Liquidity Policy, EDC and the Department of Finance have a formalized process in which EDC could access the Consolidated Revenue Fund if required. The authority to access this Fund is granted in the short-term and long-term borrowing letters and is available should market conditions warrant. These borrowings would be subject to the normal operating limits already in effect for the year.

Borrowing Approach

The primary objective of EDC's funding programs is to ensure that commitments are met. This is done within the parameters of the corporation's Liquidity Policy and Risk Management Guidelines.

EDC issues commercial paper (CP) to meet EDC's operating requirements and it issues capital market debt to manage the size of the CP program. This philosophy may change during periods of market stress.

Treasury can customize debt products to meet investors' preferences. Investor sentiment is balanced by EDC's internal asset/liability management, cash requirements and business development driven market priorities. The timing, currency and maturity of issues are influenced by market demand. EDC offers a wide range of debt products with various characteristics.

Derivatives are used as part of the asset/liability management process and to reduce fixed or floating rate funding levels. Treasury's internal policies do not allow for the issuance of any financial instrument, derivative, or structured note whose value and hence financial risk cannot be calculated, monitored and managed internally on a timely basis.

The execution of the borrowing and liquidity strategies are monitored on a daily basis by the Treasury management team. Monthly reports are provided to senior management and quarterly reports are provided to the Audit Committee of the Board.

A critical part of our borrowing approach is high execution standards. Broad support from underwriters ensures solid primary placement within a diversified investor base. Treasury seeks to price their respective issues fairly in the primary market and closely monitors secondary market performance in an effort to ensure debt service costs are minimized.

SOURCES OF FINANCING

Money Markets Borrowing Program

The money markets borrowing program, with a current authorized limit of U.S. $8.0 billion, consists of various global CP programs designed to ensure that sufficient funds are available to meet EDC's daily financial commitments. Daily cash requirements are managed proactively to reduce the cost of funds and rollover risk. It is typical for the size of the CP programs to increase as they fund EDC's daily activity and to decrease as the proceeds from a capital markets borrowing are absorbed.

The amount of CP outstanding is typically managed within a range. A minimum threshold is set due to the need to maintain a market presence while the upper end of the range is governed by best practice benchmarks. The corporation's current operating range is U.S. $1.5 to $5.5 billion.

Under the corporation's Liquidity Policy, unused CP capacity is recognized as a source of liquidity. An operational liquidity buffer is maintained to safeguard the corporation against cash flow interruptions in the capital markets and unexpected cash flow demands. During periods of market stress, financial institutions often tighten their lending practices, forcing companies to seek liquidity elsewhere including their EDC revolver or other EDC financing commitments. Unexpected cash flow demands most often result from EDC's undrawn revolver commitments which are estimated at U.S. $7.5 billion and have a typical notification period of two days. Revolver commitments continue to increase as a percentage of EDC's lending, accounting for 38% of forecasted 2012 total lending commitments, thus adding volatility to projected financing requirements.

Capital Markets Borrowing Program

The capital markets borrowing program diversifies its funding sources by offering debt securities to investors around the world, both through global offerings and by way of borrowings designed to meet the needs of specific markets or types of investors. Typical long-term instruments include, but are not limited to: benchmark global bonds, plain vanilla bonds, structured and medium-term notes.

In order to smooth its maturity profile, respond to investor demand and to access local currency funding in priority emerging markets, EDC may issue structured and medium-term notes. Structured notes can be issued in a variety of maturities including some which are longer-dated (investor preference can extend out to 30-year maturities) with callable features. Longer dated callable instruments include an option for EDC to terminate the instrument at certain points up to and including at the 10 year anniversary of the instrument and are swapped into floating or fixed rate obligations. The mix of funding will be guided by numerous factors including, relative cost, market conditions and the profile of the loan assets portfolio.

Funding raised in any given year is used for EDC's general operations, including loan disbursements, refinancing of maturing debt and prefunding for future lending activities. The corporation determines its funding requirements from a baseline amount as established in the Corporate Plan adding a buffer for increased needs due to stressed market conditions or additional new business demand.

The Corporate Plan projects a baseline borrowing requirement of U.S. $6.6 billion which is driven by capital markets refinancing requirements. Borrowing requirements resulting from net loan disbursements are expected to decrease as EDC's product mix changes and the continued global recession limits economic growth. EDC is requesting from the Minister of Finance a capital markets borrowing limit of U.S. $9.0 billion based on the Corporate Plan calculations plus a margin for prudence reflecting potential increases to long-term financing requirements due to tighter lending conditions.

DRIVERS OF CAPITAL MARKETS BORROWING REQUIREMENTS

Refinancing Needs

In 2012, capital markets refinancing needs are projected to be approximately U.S. $5.8 billion. These are contractual maturities which must be refinanced. In addition to this, Treasury assumes that a certain portion (U.S. $198 million) of EDC's structured debt will be called and will need to be refinanced.

Net Loan Disbursements

The level of net loan disbursements is a key driver of EDC's borrowing requirements. EDC expects that borrowing requirements for net loan disbursements will be lower than in 2011 as EDC's financing product offerings have evolved, resulting in lower cash disbursements despite an increase in the level of trade facilitated. EDC is also projecting lower core trade facilitated as economies throughout the world continue to struggle.

Debt Buyback

Treasury considers opportunities to buy back its debt in order to smooth its maturity profile or to take advantage of refinancing opportunities at lower costs. Buybacks are also considered part of our investor relations strategy, offering assistance to investors that are unable to find a reasonable market for our non-benchmark maturities. EDC has maintained this program for several years which gives investors confidence that they will have no concerns when making adjustments to their portfolios.

Potential Increases to Cash Requirements

The actual amount borrowed for the year may differ from the Corporate Plan due to the uncertainty with respect to economic conditions and the timing of cash transactions. Any changes to the planned debt program will be communicated to market participants on an as needed basis.

Increased Lending Activity (New Business)

The level of trade facilitated by EDC is dependent upon the import spending done by other countries. If a global recovery outpaces EDC's forecasts and/or world liquidity further tightens, capital markets funding requirements could increase. As part of the Corporate Plan process, a sensitivity analysis was prepared. Based on the analysis, an additional U.S. $1.0 billion of financing trade facilitated could increase borrowing requirements by approximately U.S. $300 million.

Reduce CP Outstanding

As market conditions change and investor demand permits, additional capital markets funding may be accessed. If the amount of capital markets funding exceeds that which is planned, EDC may reduce the amount of CP outstanding to a level that is closer to the lower end of its targeted range.

Pre-Funding of 2013 Trade Facilitated

Uncertainty plaguing capital markets due to Eurozone insolvencies and U.S. deficit and debt levels, as well as associated credit rating agency actions, have resulted in sharp increases in funding costs for certain sovereigns and somewhat lackluster reception to some capital market issues. Continued uncertainty could result in market stress with attendant increased funding levels and/or reduced access to capital in 2013. As a result, EDC may seek to pre-fund some of its 2013 capital markets financing requirements in an effort to minimize debt service costs and lock-in longer term funding.

Table 9: Capital Markets Borrowing Requirement Projection for 2012

(in millions of U.S. dollars)		2012
Decrease/(Increase) in Cash from Operations	(1,141)	
Net Loan Disbursements	764	
Net increase (decrease) in Cash	1	
Eligible Dividend[1]	475	
Activity from Operations		99
Decrease/(Increase) in Short Term Loans Payables	221	
Net (Purchase) sales of held-for trading marketable securites	-	
Refinancing of Debt Maturities	5,830	
Buybacks	250	
Callable Debt	198	
Activity from Liabilities		6,499
Forecast Borrowing Requirements for Corporate Plan		6,598
Potential Increases to Cash Requirements		
Changes to assumption on Callable Debt	198	
Changes to assumption on Lending Activity	300	
Changes to assumption on Revolving Facilities	750	
Reduction of Outstanding Commercial Paper	500	
Pre-funding of 2013 trade facilitated	500	
Potential Additional Borrowing Requirements		8,846

1. The eligible dividend of $463 million CAD is converted to U.S. (FX rate $1.03)

From time to time, as a result of unforeseen financial market conditions or unexpected variances in approved corporate activity, there may be a need to amend the terms and conditions as approved by the Minister of Finance, following the approval of the Corporate Plan. In such instances, EDC will continue to seek the approval of the Minister of Finance and report on any changes in the subsequent Corporate Plan.

Under extraordinary circumstances where the corporation could not access funds to meet its obligations, the corporation could request a loan from the Minister of Finance to enable it to continue to meet its payment obligations going forward.

Table 10: Projected Borrowing Plans (2012-2016)

(in millions of Canadian dollars)	2010 Actual	2011 Plan	2011 Fcst	2012 Plan	2013 Proj	2014 Proj	2015 Proj	2016 Proj
Loans Payable Limit	99,750	121,275	119,415	124,395	131,205	134,670	136,875	138,855
Position against limit	22,484	24,625	21,850	22,306	22,003	22,747	24,070	27,436
Percent used	23%	20%	18%	18%	17%	17%	18%	20%
Capital Markets Borrowing Limit								
(U.S. $9.0 billion) [1]	8,951	9,317	8,767	–	–	–	–	–
Position against limit	4,665	7,403	4,831	6,418	2,795	4,992	9,624	7,080
Percent used	52%	79%	55%	–	–	–	–	–
Short Term Borrowing Limit								
(U.S. $8.0 billion) [1]	7,957	8,282	7,793	–	–	–	–	–
Position against limit	2,606	3,106	2,820	2,922	1,948	1,948	2,922	2,922
Percent used	33%	38%	36%	–	–	–	–	–

1. The limits are set each year in consultation with the Department of Finance, and accordingly, there are no limits set for 2012 to 2016.

3.8 PROGRESSION OF EDC PLANS FOR 2010 AND 2011

Table 11: Progression of 2010-2011 Plans

(in millions of Canadian dollars)	2010 Plan	2010 Fcst	2010 Actual	2011 Plan	2011 Fcst
Business Objectives					
Financing and equity trade facilitated	14,317	12,500	13,408	10,200	11,175
Insurance trade facilitated	72,027	71,900	71,208	76,000	85,200
Condensed Consolidated Statement of Comprehensive Income					
Financing and investment revenue					
Loan	1,445	997	1,004	1,067	1,005
Finance lease	9	8	8	7	7
Operating lease	48	30	32	32	21
Debt relief	7	86	25	6	3
Investment	59	51	47	57	47
	1,568	1,172	1,116	1,169	1,083
Interest expense	362	163	147	168	110
Leasing & financing related expenses	58	53	53	60	36
Net Financing and Investment Income	1,148	956	916	941	937
Loan Guarantee Fees	23	28	33	19	34
Insurance Premiums and Guarantee Fees	225	213	210	229	230
Other Income (Expenses)	–	(31)	(41)	(12)	86
	1,396	1,166	1,118	1,177	1,287
Provision for (reversal of) Credit Losses	550	(719)	(631)	130	41
Claims-Related Expenses	210	8	1	136	264
Administrative Expenses	283	277	273	300	300
Net Income	353	1,600	1,475	611	682
Other Comprehensive Income	–	–	–	–	–
Comprehensive Income	353	1,600	1,475	611	682
Condensed Consolidated Statement of Financial Position					
Cash and Investments	4,161	3,339	3,803	3,369	3,216
Financing and Leasing Assets	35,379	27,036	25,656	28,806	25,661
Other assets	2,438	2,305	2,423	2,375	2,873
Total Assets	41,978	32,680	31,882	34,550	31,750
Loans payable	32,929	23,125	22,484	24,625	21,850
Other liabilities	2,405	1,470	1,437	1,570	1,607
Equity	6,644	8,085	7,961	8,355	8,293
Total Liabilities and Equity	41,978	32,680	31,882	34,550	31,750
Position Against Statutory Limits					
Section 10(3), 10(4)					
Contingent Liability Limit	45,000	45,000	45,000	45,000	45,000
Position against limit	22,137	28,780	25,827	27,888	30,044
Percent used	49%	64%	57%	62%	67%
Section 14					
Loans Payable Limit	96,930	99,750	99,750	121,275	119,415
Position against limit	32,929	23,125	22,484	24,625	21,850
Percent used	34%	23%	23%	20%	18%

3.9 OPERATION OF SUBSIDIARY

EDC incorporated Exinvest Inc. in 1995. It acquired shares of Exinvest Inc. in accordance with the applicable provisions of the FAA and the ED Act. The authorized objectives of Exinvest Inc. are to establish and/or invest in corporations, partnerships, joint ventures or any other form of unincorporated bodies (financing vehicles), all of which will provide financial assistance for, or to the benefit of, sales or leases of goods, or the provision of services, or any combination thereof.

Exinvest's investment in joint ventures represents its ownership in two entities which were established for the purpose of financing the sale of regional jet aircraft. In 2011, the related aircraft loans were fully repaid and the majority of the proceeds were returned to the shareholders.

During 2011 and over the planning period, no new financing vehicles and no potential business transactions are anticipated. The following tables set out the consolidated financial results of Exinvest Inc. for the planning period. No Capital Expenditure Plan is provided, as Exinvest Inc. does not anticipate entering into any such expenditure over the planning period.

Table 12: Exinvest Inc. Projected Statement of Income (2010-2016)

(in millions of Canadian dollars)	2010 Actual	2011 Plan	2011 Fcst	2012 Plan	2013 Proj	2014 Proj	2015 Proj	2016 Proj
Revenue								
Income from investment in joint ventures	1	11	1	–	–	–	–	–
Expenses								
Reversal of impairment loss on investment in joint ventures	(22)	–	(11)		–	–	–	–
Administrative & other	–	–	–	–	–	–	–	–
	(22)	–	(11)	–	–	–	–	–
Net Income	23	11	12	–	–	–	–	–
Retained earnings at beginning of year	(2)	22	21	33	33	33	33	33
Retained earnings at end of year	21	33	33	33	33	33	33	33

Table 13: Exinvest Inc. Projected Statement of Financial Position (2010-2016)

(in millions of Canadian dollars)	2010 Actual	2011 Plan	2011 Fcst	2012 Plan	2013 Proj	2014 Proj	2015 Proj	2016 Proj
Assets								
Cash & marketable securities	20	21	74	79	79	79	79	79
Investment in joint ventures	47	58	5	–	–	–	–	–
Total Assets	67	79	79	79	79	79	79	79
Liabilities and Shareholder's Equity								
Share capital	46	46	46	46	46	46	46	46
Retained earnings	21	33	33	33	33	33	33	33
	67	79	79	79	79	79	79	79
Total Liabilities and Shareholder's Equity	67	79	79	79	79	79	79	79

ANNEX I
EXPORT DEVELOPMENT CANADA CORPORATE OVERVIEW

Export Development Canada (EDC) is a Crown corporation which provides trade finance and risk management services to facilitate the trade and investment activities of Canadian companies.

EDC revised its vision statement in 2011 to spell out clearly for its stakeholders, starting with its employees, the kind of organization it wants to become. The new vision orients both strategy and everyday conduct. Being the most knowledgeable, the most connected and the most committed partner in trade for Canada is a call to action, and a benchmark to which all employees can aspire.

This reference guide is intended to complement the information provided in the Business Strategy by providing additional background, including information relating to EDC's:

- **Mandate and Operating Principles**, as prescribed under the Export Development Act and the new strategic framework outlined in the Corporate Plan 2012-2016.
- **Legislative Powers and Obligations**, as prescribed under the Export Development Act and the Financial Administration Act.
- **Managerial and Organizational Structure**, the executive team manages the operations of EDC within the strategic goals and objectives as laid out in the Corporate Plan.
- **Board and Committee Structure**, the Board plays a pivotal role in setting the strategic direction of EDC and in ensuring that public policy objectives are met by EDC in the most effective manner. The Board also reviews the development and refinement of the various financial services, approves certain loans, insurance and guarantee contracts, authorizes funding transactions, and monitors EDC's performance.
- **Products and Services**, the solutions which are structured to facilitate the needs of Canadian exporters in an ever changing global trade environment.

This information has been provided in accordance with the Treasury Board of Canada's Guidelines for the Preparation of Corporate Plans.

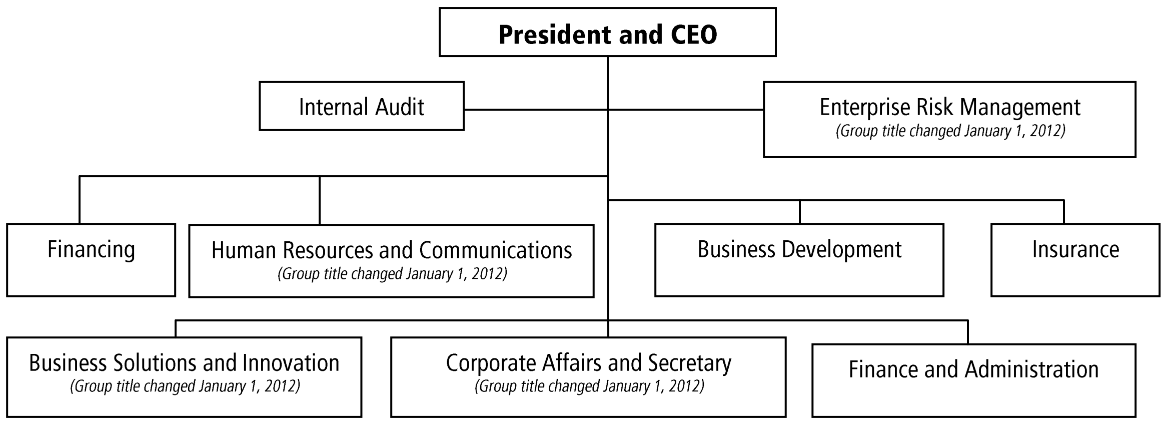
MANDATE AND OPERATING PRINCIPLES	
Mandate	EDC's mandate was temporarily expanded for a two-year period through the 2009 Budget Implementation Act. In 2011, the Government of Canada extended until March 2012 the temporary powers granted to EDC in 2009. The government also announced in Budget 2011 a review of the regulatory framework that governs EDC's role in the domestic financing market. Subsection 10(1) of the Export Development Act was amended to read: "The Corporation is established for the purposes of supporting and developing, directly or indirectly, (a) domestic trade and Canadian capacity to engage in that trade and to respond to domestic business opportunities; and (b) Canada's export trade and Canadian capacity to engage in that trade and to respond to international business opportunities."
Operating Principles	In 2011, EDC adopted a new framework to guide its decision-making on key corporate initiatives. It will allow EDC to be more responsive and resilient, while focusing all its efforts on improving Canada's trade and investment performance. EDC's goal is to create benefits for Canada. Our ability to fulfill this goal requires us to deploy our resources: our people and their unique talents, our financial capital and our technology. To deploy these resources in an optimal manner, we must take into account the four dimensions present in everything we do: business development, operations, risk management and financial sustainability. For the organization to be effective and able to quickly adapt to changes requires that all four dimensions remain well balanced in all our key decisions. Two overarching principles guide our decisions: our Partnership-Preferred Philosophy and our commitment to Corporate Social Responsibility.
Statement of Priorities and Accountabilities (SPA)	As a Crown corporation, EDC's business strategy must align with and reflect the priorities outlined by the Minister of International Trade in the Statement of Priorities and Accountabilities (SPA). In the SPA, the Minister encourages EDC to deploy its full range of financial services and market knowledge to continue to provide critical support to Canadian companies, complementing the Government's efforts to expand market access and implement international business development strategies in key markets such as Asia and the Americas. Additionally, the Minister recognized the role EDC has played in response to domestic credit gaps during the economic crisis. With respect to EDC's temporary domestic financing powers being extended for another year until March12, 2012, the SPA encourages continued dialogue with government officials at DFAIT and Finance Canada during this review. The Minister provides guidance to EDC for the following areas. The SPA: • recognizes EDC's active participation in the Credit Insurance Advisory Group (CIAG), and is pleased with EDC's enhanced reporting and disclosure on its

MANDATE AND OPERATING PRINCIPLES	
	credit insurance activities through its 2010 Annual report and in the context of CIAG's meetings; • encourages EDC to continue to place a high priority on coordination with the Trade Commissioner Service and the Canadian Commercial Corporation, as well as with the Business Development Bank of Canada, to ensure that there is an efficient and easy-to-navigate system of government services from which Canadian exporters and investors can draw; • commends EDC's recent update of internal policies and operations to promote sound Corporate Social Responsibility (CSR) practices in international business; • recognizes the value of EDC's international presence and encourages ongoing consultation with DFAIT, both in terms of EDC's internal expansion plans and the types of services to be delivered abroad; • expresses the Minister's appreciation for EDC's expertise as part of Canada's delegation to the OECD on Aircraft Sector Understanding negotiations, and requests that EDC play an active role in OECD discussions regarding EDC's "market window", as well as in negotiations to update the environmental Commons Approaches, OECD Climate Change Sector Understanding and ongoing OECD initiatives to engage non-members; • requests that EDC continue to engage Finance Canada and DFAIT to ensure that its capital is utilized to the fullest extent in support of Canadian businesses; and, • requests that EDC adhere to the spirit and intent of the cost containment measures outlined in Budget 2011, and demonstrate how such measures will be applied in the 2012-2016 Corporate Plan.

LEGISLATIVE POWERS AND OBLIGATIONS	
Legislative Powers	The *Export Development Act* (The Act) and subsequent regulations, as amended from time to time, provide the legislative basis for EDC's activities. Section 10 of the Act outlines the powers that EDC may exercise in pursuit of its mandate. Transactions supported under Section 10 are considered to be **Corporate Account transactions** as they are funded and supported by the corporation's own balance sheet and income generating capacity, and not through annual appropriations. In addition to its Corporate Account activities, under Section 23 of the Act, EDC may be authorized by the Minister for International Trade, with the concurrence of the Minister of Finance to undertake certain transactions of a financial nature to support and develop Canada's export trade. 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**. For instance, the transaction could exceed EDC's exposure guideline for a particular country or involve markets or borrowers representing exceptionally high risks, amounts or financing terms in excess of what EDC would normally undertake. The monies required to discharge Canada Account transactions are made available from the Consolidated Revenue Fund. The Act limits Canada Account's outstanding commitments to borrowers and liabilities under contracts of insurance and other agreements to an aggregate of $20.0 billion. As of March 31, 2011 such commitments and liabilities totaled $5.4 billion. The Regulations under the Act related to domestic financing and insurance were suspended for a two-year period as part of the 2009 Budget Implementation Act. In 2011, the Government of Canada extended until March 2012 the temporary powers granted to EDC in 2009. The government also announced in Budget 2011 a review of the regulatory framework that governs EDC's role in the domestic financing market. This suspension enables EDC to provide such support under its traditional export mandate without having to seek Ministerial authorization.

LEGISLATIVE POWERS AND OBLIGATIONS	
Legislative Obligations	Section 25 of the Act requires that the Minister for International Trade, in consultation with the Minister of Finance, initiate an independent review of the provisions and operation of the Act every 10 years. The 2008 review concluded in July 2010 with the passage of the *Budget Implementation Act*, which amends the *Export Development Act* to enable the corporation to open offices in foreign markets, and clarifies existing asset management powers for EDC's corporate account and the Canada Account. To respond to private insurers about EDC's role in the short-term credit insurance market that arose in the review process, the government has established a credit insurance advisory group with a view to promoting partnership and reinsurance support for both domestic and short-term export credit insurance. The outstanding issue stemming from the review is EDC request to amend its domestic financing regulations in order to better respond to the needs of Canadian global businesses. EDC is currently engaging with the government on whether regulatory amendments should be made to enable EDC to play a longer term role in providing services to companies engaged in integrative trade. In addition to the Legislative Review, a special examination is mandated every five years under the *Financial Administration Act* (FAA) and a report on the findings must be submitted to the Board of Directors. The last special examination was conducted in 2008. The report has been presented to EDC's Board of Directors, the Minister for International Trade and the President of the Treasury Board [a copy of the report has been posted on EDC's webpage]. The Act also stipulates that an audit of the design and implementation of EDC's Environmental Review Directive (the Environment Audit) must be undertaken by the Office of the Auditor General (OAG) every five years. The 2008 review was presented to the EDC's Board of Directors and was tabled in Parliament in June 2009 [a copy of the review is available at http://www.oag-bvg.gc.ca].
Accountability to Parliament	The Government of Canada primarily regulates Crown corporations through their enabling legislation and through the FAA. EDC is currently listed under Part I of Schedule III to the FAA, and as such is required to, among other things: • submit an Annual Report, a Corporate Plan and an Operating Budget to the responsible Minister; • make public the quarterly financial report within 60 days of quarter-end; and • undergo regular audits by the OAG.

MANAGERIAL AND ORGANIZATIONAL STRUCTURE



BOARD AND COMMITTEE STRUCTURE

Chair of the Board

Board of Directors

Executive Committee

- Handling of urgent matters between Board meetings
- Authority to exercise certain Board powers

Nominating and Corporate Governance Committee

- Appointment process for CEO, Board Chairperson, and Directors
- Board and Committees effectiveness

Risk Management Committee

- Oversight of management of credit, market and other enterprise risks and of overall capital adequacy relative to EDC's risk profile and Corporate Plan Objectives
- Risk management and capital adequacy policies and strategies
- Environmental compliance
- Review of proposed transactions, and policy limit increases for recommendation to Board

Human Resources Committee

- HR strategic planning
- Compensation policy and budgets
- Succession planning, including approval or review of certain senior appointments for recommendation to the Board
- President's objectives, recommendations re: performance, salary and benefits
- Design and compliance of EDC pension plan
- Oversight of pension plan administration

Audit Committee

- Financial and management control systems
- Financial reporting
- Corporate financing
- Ethical compliance, audit of the ERD and special examinations
- Internal and external audits
- Dividend: review eligibility

Business Development Committee

- Reviews Canadian Benefits Framework
- Input into strategic policy direction, including Corporate Plan
- Oversight of analysis of market conditions, and responses
- Monitors performance as against business strategies and policies

EDC'S FINANCING AND INSURANCE SOLUTIONS

Insurance protects policyholder against various types of risks.

Products	CUSTOMER Applications
Accounts Receivable Insurance	Protects policyholders against commercial credit risk such as non-payment by their buyers, whether due to insolvency, default, repudiation of goods or termination of contracts, as well as against political risks such as difficulty in converting or transferring currency, cancellation of export or import permits, and war-related risks. Coverage is available for companies of all sizes and some products have been streamlined to meet the needs of SMEs.
Export Protect	See Online Products and Tools.
Documentary Credits Insurance	Protects banks in Canada confirming or negotiating irrevocable letters of credit (ILCs) issued by foreign banks to exporters of Canadian goods and services. The policy provides insurance against the risk that the foreign bank may fail to pay the insured bank for payments due to the exporter under the ILC. This enables the exporter to look to a bank in Canada for payment rather than the buyer's bank abroad.
Contract Frustration Insurance	Tailored coverage used for one-off goods, services and project contracts.
Political Risk Insurance	Protects Canadian companies with investments in foreign countries and/or lenders which finance investments pursued by Canadian companies abroad. Traditional policies cover investors or lenders against currency conversion and/or transfer difficulties, expropriation by the host government, and political violence. Availability of political risk insurance can also allow companies to leverage additional financing for projects. The political risk insurance program includes the non-honouring of a sovereign payment obligation to a lender; the nonpayment to an investor of an arbitral award against a sovereign entity; and coverage of the rights associated with mobile assets. In addition, EDC has made a number of changes to the program to accommodate small business transactions.

BONDING

Contract bonds assist Canadian companies to post or secure surety, guaranteeing their bid, performance and certain other obligations related to an export trade. They are issued in the form of a letter of guarantee by banks or as surety bonds by licensed sureties.

Products	Customer Applications
Performance Security Guarantees	Provides banks with a guarantee against any calls pursuant to the guarantees issued by the bank on an exporter's behalf and frees up working capital for the exporter.
Performance Security Insurance	Protects exporters from wrongful calls made on their bank letters of guarantee and is also available online under the Wrongful Call Program.
Foreign Exchange Facility Guarantee	Provides a second demand guarantee to the financial institution (FI) for 100% of the collateral provided to the FI with respect to the exporter's forward contracts facility, in the event that the exporter does not close the forward contract on the "settlement date".
Financial Security Guarantee	Provides the bank with a second demand guarantee to secure exporters' obligations in respect of suppliers and offshore working capital facilities.
Surety Risk Sharing	When an exporter, with existing but limited surety lines, is required to post surety bonds instead of bank letters of guarantee, EDC offers surety capacity in the form of Surety Re-Insurance to licensed sureties to increase capacity to facilitate the issuance of such bonds.
Surety Fronting Services	Available to exporters when financial profiles or volume of business do not meet normal surety underwriting guidelines. Surety bonds are thus issued by licensed sureties with the full support of EDC. This allows smaller exporters to access a surety market that is not typically available to them.

FINANCING

Enables 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 the world over.

Products	Customer Applications
Lines of Credit	Provides a fast and inexpensive means by which exporters can promote sales via pre-arranged financing facilities between EDC and foreign banks or corporations. That is, EDC may lend to a foreign bank for on-lending to buyers of Canadian exports, or EDC can establish a line with a major foreign corporation which is purchasing from one or more Canadian exporters.
Loans	Loans between EDC and a buyer/borrower can be arranged for any export transaction. Two basic types of loans are available: Buyer Credit involves a financing arrangement between EDC and the buyer (or a separate borrower on behalf of the buyer) to finance Canadian exports generally related to a specific export contract. Supplier Credit transactions are structured to provide the exporter (supplier) with the ability to provide its buyer with extended payment terms. EDC can also provide pre-shipment financing to exporters, in conjunction with their bank, to finance costs directly related to an export contract. EDC may also provide financing to Canadian companies to support their export business or their foreign investments.
Project Finance	Provides limited recourse financing to fund the construction of industrial and infrastructure projects across various sectors in support of Canadian exports to, or Canadian sponsor investment in, such projects. Project sponsors can additionally benefit from EDC's considerable expertise in arranging project finance transactions in cooperation with other lenders.
Guarantees	EDC may issue a guarantee to a financial institution to cover loans to foreign borrowers for the purchase of Canadian exports, or to exporters to provide financing to support their export business or foreign investments.
Equity and other Forms of Related Investments	EDC may provide equity and/or other forms of related investments (including fund investments) in support of next generation Canadian exporters and to facilitate globalization of existing Canadian companies. This allows EDC to offer broader support to Canadian firms, leverage additional sources of financing, foster cooperation among Canadian firms and their partners, and assist Canadians to compete globally.

ONLINE PRODUCTS & TOOLS

Provides another channel to inform, contact, transact with and serve Canadian companies.

Products	Customer Applications
EXPORT Protect	Provides online single transaction insurance coverage on a foreign buyer.
EXPORT Check	Provides a credit profile of a foreign buyer and/or a Dun & Bradstreet business information report.
EXPORT Able?	Helps potential exporters assess their company's overall readiness to export.
EXPORT Finance Guide	Centralizes information about the wide range of solutions for an exporter's financing needs based on their location in the transaction cycle
Country Information	Provides comprehensive market intelligence on a variety of regions and countries enabling the user to assess business opportunities outside of Canada.
Online Solutions Advisor	A diagnostic tool that helps to identify the appropriate EDC product or service based on the exporter's need(s).
Currency Converter	Provides conversions into and from a variety of world currencies, for both current day and past dates (provided by the Bank of Canada).
Trade Links	Provides exporters with web-referrals to government and certain not-for-profit providers of export-related information and services.

ANNEX II CANADIAN EXPORT FORECAST BY SECTOR AND MARKET

CANADIAN EXPORT FORECAST BY SECTOR AND MARKET

SECTOR	MARKET	CAD ($B)	%SHARE OF TOTAL EXPORTS	EXPORT OUTLOOK (% GROWTH)	
		2010	2010	2011	2012
Agri-food	Developed	27.6	7.4	11.9	6.3
	Emerging	11.6	3.1	22.9	6.1
Energy	Developed	92.1	24.6	23.4	2.5
	Emerging	2.6	0.7	61.5	7.3
Forestry	Developed	21.3	5.7	-4.6	11.4
	Emerging	5.5	1.5	38.8	30.4
Ores and Metals	Developed	50.4	13.5	17.9	8.8
	Emerging	5.9	1.6	43.0	12.8
Other Industrial Products	Developed	5.6	1.5	-4.9	6.8
	Emerging	0.6	0.2	7.1	10.5
Chemical, Plastics	Developed	29.4	7.9	6.8	9.2
	Emerging	3.1	0.8	1.2	11.0
Fertilizers	Developed	4.7	1.3	18.8	8.7
	Emerging	2.0	0.5	45.5	25.9
Aircraft and Parts	Developed	8.5	2.3	-1.8	22.4
	Emerging	1.7	0.5	6.4	22.1
Advanced Technology	Developed	12.0	3.2	-4.1	0.7
	Emerging	2.2	0.6	7.7	4.6
Industrial M&E	Developed	19.9	5.3	10.3	7.7
	Emerging	4.0	1.1	11.9	11.3
Automotive	Developed	51.4	13.7	5.6	17.0
	Emerging	1.2	0.3	8.6	10.6
Consumer Goods	Developed	7.2	1.9	3.0	2.9
	Emerging	0.3	0.1	6.0	5.3
TOTAL Merchandise		**374**	**100.0**	**13.2**	**8.6**
Developed Markets		**333**	**89.1**	**11.7**	**7.9**
Emerging Markets		**41**	**10.9**	**26.1**	**13.4**

Source: EDC Economics.2010 is actual data, 2011 and 2012 are forecasted (Fall 2011 GEF)