2017–2021 CORPORATE PLAN SUMMARY

OPERATING BUDGET • CAPITAL BUDGET • BORROWING PLAN

Canada

EDC

Realize a World of Opportunity

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EXECUTIVE SUMMARY

EDC is a Crown corporation focused on ensuring that Canadian companies have access to the tools and knowledge they need to go, grow and succeed internationally. We support the growth of Canadian capabilities and expertise around the world – connecting businesses directly to foreign buyers and global supply chains – in order to bring benefits home to Canada. 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. At the core of our mission is our unique ability to use our knowledge of international trade and global buyers to enable us to take on and manage significant levels of risk in order to facilitate the success of Canadian companies in international markets. As an important contributor to Canada's economic success, our work helped generate almost $67B in Canada's GDP in 2015 – more than 4 cents of every dollar.

THE PLANNING ENVIRONMENT

The global economy continues to experience volatility giving rise to an uncertain and unpredictable international landscape. While the 2016 outlook for global economic growth remains subdued at 3.1 per cent, we expect that underlying strength in the economy will build global momentum through the close of 2016, resulting in a global economic expansion of 3.5 per cent in 2017. The U.S. engine will remain a key driver of global growth over the planning period, and we expect positive growth in emerging markets, such as China and India, to provide export opportunities for Canada into the future.

The Canadian economy faces challenges ahead, in particular resulting from the downturn in commodities and the limited size of the domestic economy. As such, globalization remains an important contributor to Canada's growth and companies must seek international opportunities in order to flourish. Despite the unpredictability of global markets, pockets of opportunity continue to emerge and Canadian businesses are well positioned to seize them. Furthermore, Canada continues to enter into and ratify new free trade agreements that will make it easier for Canadian companies to engage in international trade.

Within this context, EDC is forecasting Canada's export growth to be approximately 6.0 per cent in 2017. Trade and investment will be key drivers for the Canadian economy over the planning period, in part driven by a lower Canadian dollar.

EDC has an important role to play, and is investing to ensure we remain well positioned to help current and future exporters compete internationally. Canadian businesses have articulated a comprehensive set of challenges they face when looking to develop and grow their international footprint. Our job is to help them respond and successfully compete. Armed with this knowledge and our trade expertise, we will execute on our business strategy in order to help increase and diversify Canada's international trade.

THE BUSINESS STRATEGY

Export Development Canada is a leader in helping Canadian companies go, grow and succeed internationally. Our business strategy for the 2017-2021 period is focused on doing more to increase the number of Canadian companies exporting, and to support their diversification to new markets. We will also play a key role in supporting the Government of Canada as it advances its progressive trade agenda and works to raise Canada's profile globally.

We will increase the number of Canadian companies we serve and explore new ways to address the broad spectrum of challenges they face. Core to our service offering is a unique and deep-rooted expertise in international trade, supply chains and our understanding of Canadian capabilites. Our solutions include early stage services such as knowledge and advice on exporting. We also provide solutions for later-stage needs including a range of financial products for Canadian exporters – thousands of which count on EDC's financing, insurance and bonding solutions to maintain and grow their business, and in turn, support middle-class jobs across the country.

The 2017-2021 Business Strategy outlines three main objectives:

1. Build awareness of the benefits of exporting and provide knowledge and advice to help Canadian companies go international
2. Anticipate and respond to the needs of Canadian companies to support and accelerate their international growth
3. Create new trade opportunities and promote trade diversification in order to help Canadian companies succeed internationally

We serve companies of all sizes, in various sectors and markets around the world. We aim to support the growth of small and medium-sized enterprises (SMEs) into the leading companies of tomorrow. We also look to support companies in the sectors that are laying the groundwork for Canada's future trade success, such as clean technology. We do this in part through our vast network of representatives in Canada and abroad and through our partners, such as the Trade Commissioner Service.

We remain committed to Corporate Social Responsibility (CSR). This commitment is founded on our goal to meet the expectations of Canadians to act as a responsible corporate citizen, upholding Canada's values both at home and abroad, while ensuring that Canadian businesses benefit from international business opportunities.

In order for us to deliver on our business objectives, we have in place robust practices for risk management, operational management, and sustainability that are in alignment with private sector best practices.

THE FINANCIAL PLAN

Our ability to deploy lending and insurance solutions to Canadian global businesses is dependent on our commitment to sound financial management. The 2017-2021 Financial Plan outlines how EDC is managing its administrative and operating expenses . The Financial Plan also provides details on our key business assumptions, which underlay our projected financial performance. Chapter 3 includes Statements of Comprehensive Income, Statements of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and planned capital expenditures for 2017-2021.

INTRODUCTION

EDC OVERVIEW

Created in 1944 as Canada's export credit agency, 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.

Canadian companies face a wide range of challenges when engaging outside of Canada and require different types of support to succeed internationally. To meet these needs we must be more than a financial institution; while we provide insurance and financial solutions to Canadian exporters and investors, as well as their international buyers, we also offer guidance, support and connections required to navigate the competitive global landscape. We accomplish this by working with a range of partners including Government agencies such as the Trade Commissioner Service (TCS), insurance providers, banks and other export-oriented firms and, in so doing, accelerate the ability of Canadian companies to engage in trade and compete with exporters around the world.

EDC is the go-to trade finance solutions provider for both current and future Canadian exporters. We fulfill our mandate by ensuring that Canadian companies have access to the tools and knowledge they need to go, grow and succeed internationally. We support the growth of Canadian capabilities and expertise around the world – connecting businesses directly to foreign buyers and global supply chains – in order to bring benefits home to Canada. Our contribution to helping companies that export or invest internationally increases Canada's trade capability and creates benefits for Canada. As an important contributor to Canada's economic success, our work helped generate approximately $67B in Canada's GDP in 2015 – more than 4 cents of every dollar.

Our broad-based products and solutions are tailored to meet the needs of Canadian exporters of all sizes and offer support for Canadian companies throughout the exporter journey, and include:

- Market, industry and trade intelligence to help a company go international
- Credit Insurance policies for a Canadian company's first international sale
- Working capital solutions for Canadian exporters that want to grow
- Equity support for early stage exporters
- Help for companies investing directly into new markets
- Help for foreign companies investing in Canada for export purposes
- Connecting exporters with new buyers in foreign markets

1. THE PLANNING ENVIRONMENT

1.1 GLOBAL ECONOMIC OUTLOOK

Global business activity continues to be impacted by volatility in stock and bond markets, commodity prices and currencies. Further to this, the outcome of the Brexit referendum in 2016 has generated political instability in both the United Kingdom (UK) and Europe and threatens the outlook for 2017, as there will be impacts to the UK's GDP and Europe's growth forecast. With the European Union (EU) accounting for 17 per cent of the global economy, global growth will be affected to some degree and all trading partners, including Canada, will be impacted.

Some believe that globalization is at the root of this volatility and pockets of protectionism are beginning to emerge throughout the world. It seems that the world economy's protracted down-cycle, together with substantial technological disruption, has brought on frustration that is unfairly being aimed at globalization. Despite this, globalization has long since proven its worth, opening up new markets that have made significant contributions to the global economy, and bringing efficiencies that improve overall growth. This is particularly important for countries like Canada that have small domestic economies and must seek international opportunities in order to flourish.

While the 2016 outlook for global economic growth remains subdued at 3.1 per cent, we expect that underlying strength in the economy will build global momentum through the close of 2016, resulting in a global economic expansion of 3.5 per cent in 2017.

The U.S. engine will remain a key driver of global growth over the planning period. Pent-up demand continues to drive consumer spending on goods and housing, both of which are expected to see above-average growth for the next two years. This increased demand has placed tight capacity constraints on the U.S. industrial machine and corporations will likely need to import capacity such as foreign-sourced machinery and equipment, and ramp up foreign direct investment.

U.S. GDP is expected to grow by 2.3 per cent in 2017, a figure that is understated, in part, due to the high USD relative to other currencies, which is negatively impacting the U.S. export economy. As such, demand for imports is expected to increase in the near-term, resulting in export growth for key trading partners and the rest of the global economy. In spite of some uncertainty in the future direction of U.S. trade policy, the U.S. is expected to remain a key force in global trade and an important destination for Canadian exports. The Euro Area, following in the wake of the U.S., continues to expand above its long-term average, but the fallout from the UK's Brexit vote is expected to dampen the outlook for GDP growth in 2017 to 1.2 per cent. Emerging markets are also fueled by this increased demand and will likely follow suit with growth of 4.6 per cent in 2017.

After a long period of expansion driven by demographics and investment, the pace of China's economic growth is slowing, with an average growth target of 6.5 per cent over the next five years. Diminishing growth presents an increasing risk to the global economy and the world continues to monitor the economic situation in China closely. Despite this slow down, we expect China's GDP growth to remain above 6.0 per cent over the planning period. This continued positive growth will provide export opportunities for Canada into the future.

India remains a bright spot in the global economy with annual GDP growth expected to remain above 7.0 per cent over the next few years. The country has an increasingly favourable investment climate and presents many opportunities for Canadian exporters throughout the planning period. Other regions, such as emerging Asia, particularly the Association of South East Asian Nations (ASEAN) countries, will also see strong growth. Africa and the Middle East continue to experience growth in GDP and we expect the same to hold true for 2017 with growth of 4.6 per cent. Overall growth in these regions should set the stage for the next wave of global trade diversification.

1.2 THE CANADIAN CONTEXT

Canadian exporters have faced a challenging environment over the past few years and this will continue in the years ahead. Low commodity prices have significantly impacted the energy and mining sectors, resulting in reduced investment in these areas. To date, Canadian businesses have been affected by this commodity downturn and further repercussions to the Canadian economy are anticipated in the near term as project cancellations take effect. This coupled with housing market concerns and high levels of consumer debt will result in a soft domestic forecast for 2017.

As such, exports will play a more critical role in Canada's economic outlook. We are forecasting 6.0 per cent export growth in 2017, in part due to the value of the Canadian dollar remaining low relative to the U.S. dollar. Growth is expected to continue to developed markets including the U.S., Western Europe and developed Asia. The emerging markets are more of a mixed story. Exports to Latin America and the Caribbean, as well as emerging Asia, are slowing with Brazil and China being the main reason for slower growth in each region, respectively. Meanwhile, 2017 will see export growth return to Africa, the Middle East, emerging Europe and central Asia following export contraction in 2015.

All Canadian sectors will see growth in 2017, with certain sectors leading the charge. After a 14 per cent contraction in 2016, the energy sector is expected to experience a rebound of 18 per cent in 2017, as prices begin to recover. Forestry, building materials and industrial machinery and equipment are expected to grow by 5 to 6 per cent, driven by U.S. demand and the favourable exchange rate. The aerospace sector is also forecast to see growth in 2017 of 7 per cent.

1.3 OPPORTUNITIES AND CHALLENGES

Canadian businesses engage in trade in different ways. Some sell their goods and services directly to buyers outside of Canada, while others participate indirectly by selling to domestic buyers who then export their finished products. Some Canadian businesses choose to establish foreign affiliates in order to gain access to new markets and global supply chains. Despite the many ways to take part in trade, the value of Canadian exports has increased at only a modest pace over the past number of years – a pace that is not sufficient over the long-term if Canada is to remain competitive. The reality is, however, that Canada is already lagging behind its global peers. Only a small portion of Canadian firms are globally active with an even smaller portion present in high growth markets. With trade representing 60 per cent of our national GDP, there is a need for more Canadian firms of all sizes to go, grow and succeed internationally.

Canada continues to face challenges, particularly in traditional sectors like energy and mining that have been historically critical to the export economy. In order to remain relevant in trade, Canada must actively work to diversify its industries and their exports.

Canadian businesses also face many opportunities. The diversity of the U.S. and its strong economic outlook over the planning period presents significant opportunity for Canadian exporters. Compared to other U.S. trading partners, Canada will stand to benefit significantly from higher demand in the U.S., a weaker Canadian dollar, tightly integrated supply chains and the existence of NAFTA.

The ratification and implementation of new free trade agreements also presents significant opportunities for Canadian exporters, including the agreement with the European Union on the Comprehensive Economic and Trade Agreement (CETA). CETA is an ambitious trade initiative providing preferential market access to consumers in all EU member states. Its implmentation will provide Canadian exporters with access to 27 countries and more than 400 million people. In addition to CETA, in 2016 Canada concluded negotiations on the Canada-Ukraine Free Trade Agreement (CUFTA).

In addition to greater market access offered by free trade agreements, Canadian businesses will likely face new market opportunities over the planning period resulting from the re-opening of numerous markets that have been previously closed to the rest of the world. Argentina is starting to once again engage with the global economy. Iran is slowly opening again following the removal of sanctions imposed in 2007. Myanmar is rebuilding. Cuba is reintegrating after being cut off from much of the world since the late 1950s. While all pose significant challenges given their exclusion from the global economy, conflicting political views and remaining sanctions regimes, they also all represent “new” markets of opportunity for Canadian exporters.

Climate change is now seen as the largest challenge of the 21st century and has jumped to the forefront of global economic discussions, including the recent Paris accord on Climate Change (COP 21). The Government of Canada is committed to clean, sustainable economic growth and is investing in research, development and demonstration of new and innovative technologies in order to help Canadian businesses bring their green solutions to market faster. With the global demand for clean technologies on the rise, Canadian exporters of all sizes will have the opportunity to showcase their solutions in response to the growing international demand for clean, sustainable innovation.

One trend that continues to create opportunities is the growth of the middle-class in emerging market nations such as Indonesia, India, China and Brazil. This subsequent rise in per capita income and demand for better living standards drives demand for higher value-added goods and services including education and safe, high-quality foods and beverages. As these regions cannot accommodate their own future demands, they are increasingly importing these goods, creating lucrative opportunities for Canadian businesses in the years ahead.

1.4 WHAT DOES THIS MEAN FOR CANADIAN EXPORTERS?

While many Canadian companies are already pursuing new export sales with the U.S., our largest trading partner, this is a great point in time for current non-exporters to venture to the U.S. market. This is particularly important given the soft domestic outlook for Canada into the planning period. However, relying on just one export market can leave companies vulnerable, as experienced during the 2009 downturn. Trade diversification remains as critical as ever given the volatility in the global economy. As such, a critical success factor for Canadian exporters will be the diversification of their export business into other areas of high growth and expansion into emerging markets.

Navigating and entering emerging markets can be a daunting task, particularly for SMEs who have limited resources, and successful emerging market penetration is often achieved by direct investment. Having a local presence within global markets helps eliminate trade barriers often encountered in exporting and can increase access to resources to accelerate global growth. For example, setting up an affiliate in a particular emerging market enables access to the preferential trade agreements specific to that country. This underscores the importance of Canadian Direct Investment Abroad (CDIA) throughout the planning period as it allows Canadian companies to gain access to these new markets and supply chains and to get closer to foreign buyers.

The impact to Canadian exporters resulting from Brexit will be felt in 2017 and 2018 when exports to the UK are expected to decrease. While it is unlikely that the overall near term disruption will be significant, uncertainty remains around the medium to long term outlook. Of particular interest will be the impact to the 1,100 Canadian foreign affiliates that are active in the UK. Many of these firms use the UK as their operational base to serve Europe, the Middle East and Africa. These firms will likely face new challenges in the latter half of the planning period, including their ability to move people and goods to the EU and vice-versa.

No matter the export path, the needs of Canadian companies vary as the risk and complexity of international trade intensifies and exporters require more support than ever in order to be competitive players within global markets.

1.5 THE CANADIAN TRADE LANDSCAPE: A CLOSER LOOK

As leaders in international trade we know where Canadian exporters are going and what they need to get there. We keep our finger on the pulse of trade eco-systems, both domestically and globally. We continue to study the market to keep abreast of changing economic conditions so that we can be agile, responsive, and remain relevant to the changing needs of Canadian exporters. Several of our more recent studies served to capture a more current picture of Canada's modern trade environment and how it is evolving. As we reflect on what we have learned from Canadian companies, we understand that there is even more that we can do as an organization to evolve along with Canadian exporters and meet their changing needs.

Insights into our understanding of today's Canadian exporter population, the challenges and needs companies face along the exporter lifecycle, and the paths they take in pursuit of international opportunities along the exporter journey, are shared below.

THE CANADIAN EXPORTER POPULATION

The modern trade environment in Canada is characterized by a mix of businesses varying in size, industry, product and service offering. Despite the diversity of Canadian enterprise, current data on the number of exporting companies in Canada is limited to exporters of merchandise goods only. As a result, the published number of Canadian exporting companies, in recent years, has averaged around 40,000 and is an inaccurate representation of Canada's overall exporter population.

As Canada's export credit agency, we understand that Canadian exporters take many forms as the concept of exporting can no longer solely be tied to the exchange of goods across a border. To establish a more comprehensive understanding of Canada's exporter population, in our most recent study we broadened the definition of 'exporter', and added to the number of merchandise exporters by including service exporters, companies with foreign affiliates and indirect exporters. In addition, we included the number of Canadian businesses that are ready to export with plans to sell internationally in the near term.

The result? By updating the definition of 'Canadian exporter' to reflect the many ways Canadian businesses engage in trade today, we now know that there are approximately 120,000 companies in the Canadian exporting community. Of this, 100,000 Canadian companies are actively engaged in trade with more than 75 per cent exporting directly. The remaining 20,000 Canadian businesses are 'export-ready' and will soon become active exporters. This tells us that many more Canadian exporters could benefit from our support and there is more that we could be doing to reach them and help them grow. Only six per cent of Canadian goods and services companies are exporting today, and we believe that this number needs to increase significantly in order to ensure Canada's prosperity into the future.

CANADIAN EXPORTER NEEDS

Trade is critical to the future health and prosperity of the Canadian economy, and as such, we want to inspire businesses of all sizes to seek opportunities beyond Canada's borders. To do so, we must understand the barriers that impede businesses from going and growing internationally, and ensure that our solutions address needs at various stages of the exporting lifecycle.

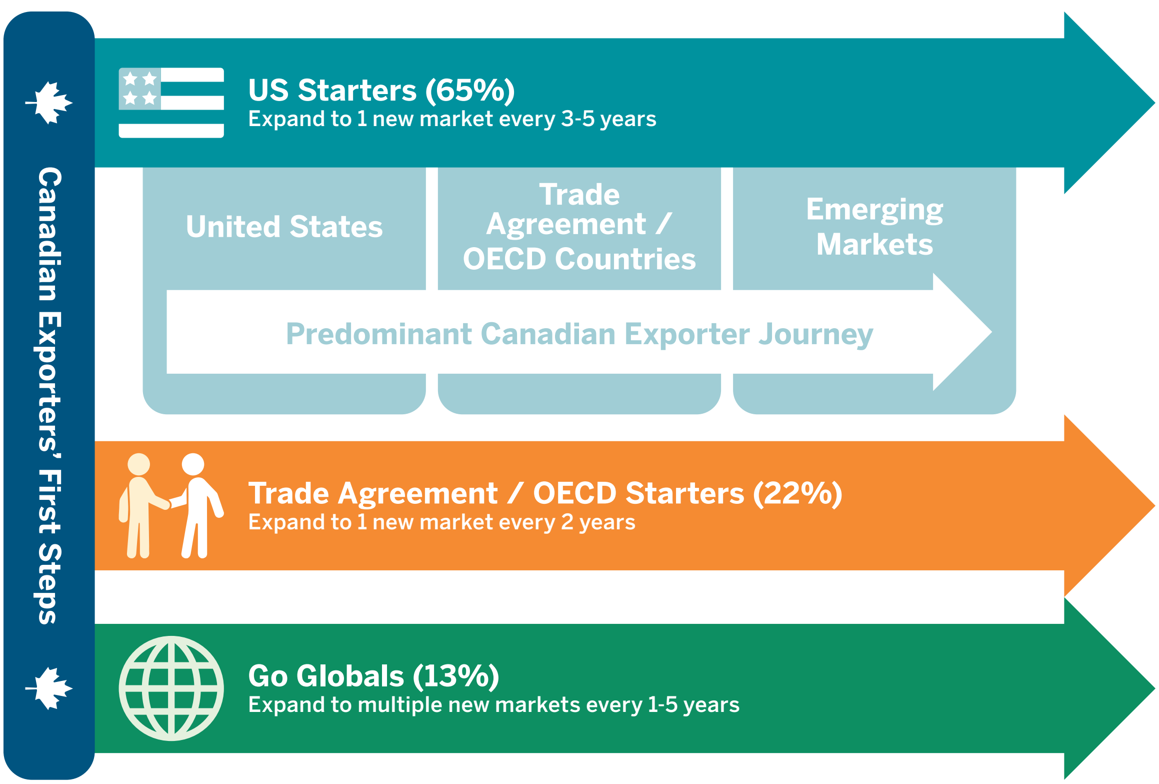
In 2016, we connected with approximately 700 Canadian companies to better understand what support and services they require to successfully engage in international business. We learned that, in addition to financing and risk mitigation needs required to deliver on export opportunities, companies have a wide range of non-financial needs which they see as pre-conditions to exporting. Canadian companies require awareness, knowledge, connections and advice in a number of key areas before they are able to go international. We refer to this full spectrum of requirements as 'exporter needs' throughout the remainder of the Corporate Plan.

THE EXPORTER JOURNEY

While every exporter journey is unique, there is a path most travelled by Canadian businesses. As noted, in 2016 we set out to understand this journey and where future exporters intend to go. We learned that 65 per cent of current exporters began in the U.S.. As Canada's largest trading partner, the U.S. provides a straightforward entry point for those going international for the first time. This market also serves as a springboard into global supply chains as U.S. multinationals pull Canadian suppliers with them as they expand their own global market reach. Canadian exporters who began in the U.S. typically progressed along a natural path to internationalization and diversification.

There are, however, alternate paths to internationalization. Exporting to countries that have free trade agreements with Canada also proves popular for Canadian businesses as these agreements reduce barriers to trade for Canadian companies, making these countries a natural next step. We learned that 22 per cent of current Canadian exporters took their first international steps to a non-U.S. market in OECD countries or those countries with which Canada has free trade agreements.

Finally, advances in digital technology and global connectivity have made it easier for Canadian businesses, particularly service companies, to export immediately. Approximately 13 per cent of the companies we spoke with were born global, entering multiple markets at once. We also connected with Canadian companies that are not currently exporting, but plan to start. Their intended journeys and approaches to expansion follow very similar paths to current Canadian exporters.



The majority of exporters within these distinct groups did expand beyond their first international market(s) and leveraged CDIA to do so, however, only in later rounds of international expansion. Adding new markets takes time and most Canadian exporters begin selling into a new market every one to five years.

Understanding the exporter journey and the paths taken to go, grow and succeed internationally is critical to our ability to effectively serve the Canadian exporter population. With this knowledge, we can build and facilitate connections and opportunities for Canadian businesses in the markets in which they are present. It also helps us identify new areas of opportunity so that we can help accelerate the entry of Canadian exporters into exciting new markets around the world.

SUMMARY

The global economy continues to experience volatility giving rise to an uncertain and unpredictable international landscape for businesses around the world. At home, the Canadian economy faces challenges of its own, in particular resulting from the downturn in commodities. The softening domestic economy is limiting the growth potential of Canadian businesses nationally, and the increasingly competitive global economy is making it more difficult for them to navigate new markets alone. Canadian trade is advancing at an insufficient pace when compared with its international peers and we are beginning to lag behind – something Canada can no longer afford to do should it wish to remain globally competitive.

Despite all of this, pockets of opportunity continue to emerge and Canadian companies are well positioned to seize them. Furthermore, Canada continues to enter into and ratify new free trade agreements that will make it easier for Canadian companies to engage in international trade.

EDC has an important role to play, and is investing to ensure we remain well positioned to help current and future exporters compete internationally. We believe that the key to success depends on our ability to help current and future exporters flourish in today's complex global environment. This is the focus of our business strategy for the 2017-2021 planning period; a strategy that begins with our understanding of the Canadian exporter population:

- Only six per cent of Canadian goods and services companies export despite our limited domestic market and proximity to the U.S.;
- The exporter population is larger and more diverse than previously thought given the significant role of exporters of services in the Canadian economy;
- Canadian exporters follow different paths to internationalization and take different steps to get there; and
- Canadian businesses face barriers that prevent them from becoming exporters and diversifying beyond traditional markets.

Canadian businesses have articulated a comprehensive set of challenges they face when looking to develop and grow their international footprint. Our job is to help them respond and successfully compete.

Armed with this knowledge and our robust trade expertise, we will execute on our business strategy over the planning period in order to help increase and diversify Canada's international trade.

2. THE BUSINESS STRATEGY

2.1 OVERVIEW

Export Development Canada is a leader in helping Canadian companies go, grow and succeed internationally. This includes both those planning to export for the first time as well as experienced exporters looking to expand their international footprint.

Our business strategy for the 2017-2021 period is focused on doing more to increase the number of Canadian companies exporting, and supporting their diversification to new markets.

EDC will continue to be a leading player in Canada's trade eco-system by fulfilling three important roles:

- Building awareness of the benefits of exporting and sharing our unique knowledge to encourage more Canadian companies to export;
- Providing access to a range of products and services that address exporter needs and support growth; and
- Connecting exporters with partners and international opportunities to facilitate trade diversification.

We will also play a key role in supporting the Government of Canada as it advances its progressive trade agenda.

We have begun to adjust our business strategy in order to remain relevant to Canadian companies. To understand the needs of exporters, EDC must be close to Canadian companies here in Canada. We also need to be where they are going around the world. Our regional and international presence allows us to accomplish just this, and we remain committed to actively developing our national and global presence over the plannng period. We will also leverage digital channels and partnerships in order to reach and serve more exporters and investors in the future.

We will serve more Canadian companies than before and explore new ways to address the broad spectrum of challenges they face, particularly as they relate to non-financial challenges. Our solutions include early stage offerings such as knowledge and advice on exporting. We also provide solutions for later-stage needs including a range of financial products for Canadian exporters – thousands of which count on EDC's financing, insurance and bonding solutions to maintain and grow their business, and in turn, support middle-class jobs across the country. We are committed to collaboration and to building and maintaining partnerships with both public and private organizations in support of exporters.

Core to our service offering is a unique and deep-rooted expertise in international trade, supply chains and our understanding of Canadian capabilites. Canadian companies value our understanding of their business and appreciate our broad risk appetite. We leverage this expertise and tolerance for risk to facilitate and create trade for Canadian companies.

In support of this strategy we will be making significant investments over the planning period. Investments will be made in several areas including raising awareness, and further developing channels and online services in order to serve more exporters.

2.2 CONTRIBUTING TO CANADA'S TRADE AND INVESTMENT STRATEGY

EDC is committed to the successful delivery of the Government of Canada's trade priorities, including collaboration on the development of a new Trade and Investment Strategy. Over the planning period, we will play an important role in support of this progressive trade strategy by contributing in areas where we can have the greatest impact. This will include the promotion of free trade agreements and the provision of aftercare to help Canadian exporters take advange of opportunites that flow from these agreements.

Our support for the new Trade and Investment Strategy will also include efforts to help Canada raise its global profile and attract new investment into Canada. CETA, as well as other recent free trade agreements, will complement NAFTA and have the potential to heighten Canada's appeal as a destination for Foreign Direct Investment (FDI). We expect foreign investors will look for opportunities to establish operations or expand current operations in Canada. FDI will become a more pronounced factor in increasing Canada's capacity to trade across many sectors and will play a role in helping strengthen Canada's middle-class through the creation of new jobs. In 2016, we began collaborating with Global Affairs Canada on a Strengthened Invest In Canada Office in order to help facilitate new and expanded investment into Canada. We have the tools and the resources to support FDI and will actively pursue select FDI opportunities in key sectors over the planning period.

EDC is aligned with Canada's focus on inclusive trade growth. Our suite of products and solutions are available and accessible to all Canadian exporters and investors, including those in underrepresented groups such as women, youth and Indigenous peoples.

2.3 STRATEGY AND OBJECTIVES

International trade is a key driver to the growth and prosperity of the Canadian economy and EDC plays an important role in helping the Government of Canada deliver on its progressive and inclusive trade agenda. To do so, EDC is continually exploring new ways to help make Canadian innovation accessible abroad.

In 2016, we advanced our technology transformation projects to deliver better online credit insurance solutions to exporters with the expectation of deploying this new platform in 2017. We also created a new group focused on connecting Canadian companies with international opportunities and introducing exporters to new supply chains and markets around the globe; we have adapted our solutions to better meet the needs of SMEs in Canada; and we have established a foundational enterprise risk management practice to better understand and manage risk. In addition, we expanded our global presence by opening offices in Singapore, London and Jakarta. Despite the steps we have taken, we recognize an opportunity for us to do more. For 2017-2021 we have identified three strategic objectives that form the foundation of our business strategy:

1. Build awareness of the benefits of exporting and provide knowledge and advice to help Canadian companies go international: We will connect with more Canadian companies to share information and build awareness of the solutions EDC and its partners can provide to help Canadian companies become exporters and encourage trade growth.

2. Anticipate and respond to the needs of Canadian companies to support and accelerate their international growth: We will ensure that current and potential exporters have access to a range of solutions that address and evolve with their needs as they grow their business internationally.

3. Create new trade opportunities and promote trade diversification in order to help Canadian companies succeed internationally: We will facilitate connections and find new opportunities for Canadian companies in order to help them expand beyond traditional markets.

Details on our activities in each of the three areas of our business strategy are outlined in detail in the following pages.

2.4 EDC'S 2017-2021 OBJECTIVES

OBJECTIVE 1: BUILD AWARENESS OF THE BENEFITS OF EXPORTING AND PROVIDE KNOWLEDGE AND ADVICE TO HELP CANADIAN COMPANIES GO INTERNATIONAL.

We will connect with more Canadian companies to share information and build awareness of the solutions EDC and its partners can provide to help Canadian companies become exporters and encourage trade growth.

Our first objective for the planning period is to continue to increase awareness about the benefits of exporting and the knowledge and services that EDC can offer to exporters of all sizes and stages. The goal of this objective is to encourage more Canadian companies to start exporting and to encourage those that already are, to export more. Our efforts in this regard are particularly important for SMEs, as we look to help them grow their small firms into big businesses by selling internationally. Our aim is to help give businesses the confidence they need to go global. We will do so by promoting free trade agreements and connecting companies with information, tools and partners required to begin selling overseas. In so doing, we will support progressive and inclusive trade growth and help increase Canada's trade competitiveness.

BUILDING AWARENESS

While the Canadian exporter population is evolving and connecting with trade in different ways, there remains to be a significant number of non-exporting companies in Canada, including many that do not currently have exporting on their radar. As noted in the Planning Environment, there are currently 100,000 exporters in Canada. An additional 20,000 companies have indicated they plan to export in the near future, but have yet to take those first steps – so what is stopping them? While many Canadian firms are capable of exporting today, they are missing opportunities because they are not aware of them or the services available to help them find that first international sale. Further to this, many do not view themselves as export-able given the product or service they offer and their sell-local mindset. Our role is to promote, demystify and inspire confidence in exporting and create the conditions for these companies to be able to take advantage of opportunities. Critical to this is our ability to generate awareness, which goes beyond the activities addressed in this objective to include the efforts of our regional offices and international representations, and our matchmaking and connections efforts, all detailed in later sections of the Plan.

MARKETING AND COMMUNICATIONS

Our marketing and communication efforts over the planning period will focus on encouraging more Canadian businesses to think beyond our borders and beyond traditional markets. With the goal of increasing the ‘exporter-mindset’ amongst Canadian companies, and particularly SMEs, our communication will focus on helping exporters navigate and eliminate barriers present at all stages of the exporter journey. This includes helping exporters understand and leverage Canada’s free trade agreements. We will continue to do this in part through marketing campaigns that comprise television, web, print, and social media channels.

Digital technologies and platforms will also play an important role in our efforts to broaden our reach with current and future exporters. We will explore ways to share information and facilitate interaction with export-oriented businesses in Canada by making our solutions, knowledge and advice more available.

CONNECTING WITH THE MARKET

In order to reach and serve more Canadian customers EDC will be investing in channels and partnerships to extend our market reach.

CHANNELS

In addition to using our direct sales force, we touch the Canadian exporter market through multiple channels including financial institutions, brokers and digital technology. These channels are a scalable and efficient way for us to generate greater trade awareness and provide more Canadian companies with simplified access to our suite of solutions.

In 2017, EDC will assess its channels to identify areas of improvement in our existing relationships, as well as gaps in our national network, so that we may work to deepen existing connections and build new ones. This work will also help to identify where and how we may add more financial and risk capacity to the commercial banking sector.

PARTNERSHIPS

As noted above, partnerships are another way that we touch the market. By building and maintaining relationships with key partners, we simplify connections and access to our services for businesses across Canada. Ensuring alignment and complementarity of services across federal agencies is a key priority for the Government of Canada and we remain committed to partnership and collaboration over the planning period.

We will continue to strengthen our relationships with the Trade Commissioner Service (TCS), Business Development Bank of Canada (BDC), and Canadian Commercial Corporation (CCC) such that that all four organizations promote each other’s services when appropriate and collaborate seamlessly when working to serve Canadian companies. The Accelerated Growth Service (AGS) initiative, led by the Government of Canada, is a key example of federal agencies working together to deliver coordinated and effective solutions in support of high growth Canadian firms. The AGS will be addressed in greater detail later in the Plan.

In 2016, we extended the existing Memorandum of Understanding (MoU) with Global Affairs Canada, allowing for continued collaboration and coordination of joint services between EDC and the TCS. We partner regularly with the TCS to serve Canadian exporters, share market intelligence and sponsor events that generate awareness of the benefits and opportunities for international trade. An example of this collaboration is our joint attendance at domestic and international Signature Trade Events such as the annual Prospectors & Developers Association of Canada (PDAC) Convention. Further examples of our partnership with Global Affairs Canada are addressed throughout the remainder of the Plan.

We continue to partner with CCC to ensure that we all deliver on our value propositions for Canadian companies. In so doing, each Crown is able to execute on its core responsibilities while allowing Canadian exporters to maintain access to emerging markets.

Together, BDC and EDC are delivering a continuum of complementary support in order to position Canadian firms, notably SMEs, for success in global markets. BDC assists entrepreneurs in bringing their innovations to market and helps them strengthen their business domestically so that they can sustain further growth. Growth-oriented SMEs that then set their sights internationally begin their voyage along the exporter journey and transition to EDC for support in growing their global footprint. Our existing protocol with BDC ensures that companies have access to the services and financial capacity that best suits their needs. As part of this protocol, EDC and BDC have agreed to better coordination and more efficient services for SMEs, which means that both organizations have committed to not duplicating each other's services. We see even more opportunity for successful collaboration over the planning period.

As part of our protocol with BDC we have a referral program in place to ensure that customers receive the right solutions for their needs. Cooperation between the two organizations has also moved beyond referrals to joint events, learning sessions, and regular senior level discussions.

EDC partners closely with commercial financial institutions to deliver many of our solutions. In 2015, 90 per cent of our financing transactions were done in partnership with commercial banks. In order to ensure consistency in the way that Canadian banks leverage EDC capacity to do more business with their clients, we began the development of a domestic bank strategy in 2016. This work will continue into 2017.

We also work closely with private-sector insurance companies and, in 2015, provided approximately $70M CAD of support to private insurers in the form of reinsurance. In addition, we continue to participate in the Credit Insurance Advisory Group (CIAG), a Government of Canada-led initiative and one of the most important ways we maintain and grow our partnership with private-sector credit insurers. Further, we are an active member of the Receivables Insurance Association of Canada.

Partnering with federal and provincial agencies and business associations mandated to promote international trade and assist Canadian companies to grow their international business will remain a priority over the planning period. Working with organizations like the Canadian Chamber of Commerce, Fédération des chambres de commerce du Québec and Women Business Enterprises supports our outreach efforts, and allows us to reach specific and underrepresented audiences. We leverage these relationships for awareness building and joint marketing activities. Further to this, we will continue to partner with innovation hubs like MaRS Discovery District and Communitech, allowing increased access to innovative startups and early stage Canadian companies and helping make Canadian innovation accessible abroad.

PROMOTING FREE TRADE AGREEMENTS

We know that 22 per cent of current Canadian exporters took their first international steps to a non-U.S. market in countries where Canada has free trade agreements in place. These agreements play a critical role in helping companies go international by allowing freer and more open access to markets around the world and giving Canadian companies a level playing field on which to compete. The Government of Canada has recently signed on to several new free trade agreements, such as the Comprehensive Economic and Trade Agreement with the European Union and the Canada-Ukraine Free Trade Agreement. The ratification and implementation of new free trade agreements presents significant opportunities for Canadian exporters and forms an important component of the Government of Canada's Trade and Investment Strategy.

In 2016, Global Affairs Canada created the Free Trade Agreement Business Promotion Task Force – a unit dedicated to the development of trade agreement implementation plans to help Canadian companies take advantage of the opportunities that flow from trade agreements. EDC recognizes that it has an important role to playing ensuring that Canadian companies are aware of and take advantage of these agreements in order to go international for the first time, or to enter new markets. EDC will work closely with the Government of Canada to support this initiative over the planning period. These efforts will begin with a focus on the promotion of the many opportunities that will result from CETA.

RESPONDING TO THE NEED FOR KNOWLEDGE

As noted in the Planning Environment, international trade knowledge is, in many cases, a pre-condition to exporting. It also plays a key role in helping companies diversify beyond traditional markets. While EDC's core service offering has conventionally addressed financial and risk mitigation challenges, we recognize that we must play a role in addressing the earlier stage need for knowledge often faced by first time exporters. We also recognize that international growth is not linear and experienced exporters may have similar knowledge needs, particularly as they explore new markets.

EDC is an organization with deep knowledge of international trade. Over the next few years we will work to ensure that current and future exporters have increased access to, and get greater benefit from, our international trade expertise. We will explore ways to package and make this information available to Canadian businesses such that it can be used meaningfully in support of their international growth. Over the planning period, we will also look to develop new resources and tools in order to fill existing trade knowledge gaps.

For example, with a better understanding of the steps taken by companies on the global path, we undertook work to identify the existing resources, and resulting gaps, in services available to Canadian SMEs at various stages of internationalization. We also sought to confirm key challenges faced by many exporters. We discovered that exporters need assistance in working through the steps required to export, including managing regulatory requirements and accessing available government support. In response to this, we plan to explore ways to consolidate and simplify trade-oriented resources in order to help Canadian businesses navigate programs for exporters. Our intent is to simplify exporting for Canadian businesses and to further encourage the use of government programs.

SUPPORTING FIRST INTERNATIONAL STEPS

The United States is a strategic market for Canadian exports and its position as the largest and most developed economy in the world makes it a 'showcase' market where Canadian companies can profile their innovative products and services. For many Canadian exporters, the U.S. represents the first international market to which they will sell. As noted in the Planning Environment, 65 per cent of current exporters began their journey by selling to the U.S. and over 60 per cent of current export-ready businesses are also targeting this market for their first international sale. While this is in large part due to proximity and ease of access, the U.S. is also an important gateway to the supply chains of large multinational corporations and Canadian businesses will eventually move their products overseas through these channels.

Our efforts in this market over the planning period are geared towards helping non-exporting Canadian SMEs get to the U.S. for the first time. We are also focused on helping those SMEs already present in the U.S. to grow their business within this market. Our strategy includes greater collaboration with the 18 Canadian Consulates and over 100 Trade Commissioner resources in the U.S. with the goal of identifying opportunities and connecting Canadian SMEs with potential buyers. For example, in 2016 we partnered with the TCS on a wide range of trade-oriented events in the U.S., including those that target under-represented groups such as the Atlanta Women's Summit.

While we do not currently have a representation in the U.S., we will leverage our relationships within the North American Platform Program (NAPP) to maximize our time spent in market. NAPP is a program supported by federal partners, including EDC, that funds various trade initiatives within North America. This includes the Temporary Duty program – a program EDC will leverage to temporarily co-locate within Canadian consulates in the U.S., allowing us to better connect with this important market.

Image courtesy of LFT Group Brands Ltd.

LFT (LIVE FOR TOMORROW) GROUP BRANDS LTD

LFT (Live for Tomorrow) Group Brands Ltd. is a Vancouver-based manufacturer of innovative, eco-friendly household cleaning products. In 2015, the company won a game-changing purchase order with American retailer, Target. The single order was triple the size of Live for Tomorrow's annual sales, and resulted in a national test of the brand in 876 stores across 49 U.S. states including Alaska and Hawaii. This was an exciting yet challenging spot for the small business to be in. On the one hand this opportunity could elevate the company's revenues to the next level, but on the other hand were the challenges of filling an order of this size, such as scaling up production, ensuring the supply chain could deliver, and finding a short-term warehousing solution to stage the order. Financing was required to overcome these challenges - something that Live for Tomorrow could not secure from a bank due to their small size and the relative large size of loan they required to fulfill the order. Through its new Direct Stretch financing program, EDC was able to provide Live for Tomorrow with the capital they needed to fulfill the order. This successful delivery to such a large size retailer gave an immediate boost to Live for Tomorrow's bottom line, and their reputation, which has led to further business opportunites in the U.S. and beyond.

OBJECTIVE 2: ANTICIPATE AND RESPOND TO THE NEEDS OF CANADIAN COMPANIES TO SUPPORT AND ACCELERATE THEIR INTERNATIONAL GROWTH.

We will ensure that current and potential exporters have access to a range of solutions that address and evolve with their needs as they grow their business internationally.

As Canadian businesses progress along their journey to globalization, the support they need evolves and becomes more specific to their respective global strategies. Some require insurance for a single foreign sale and are best served by an easy to use online product. Some have more complex needs and receive the greatest benefit when we work closely with them to find a solution.

We listen to what Canadian exporters are telling us they require to conduct business internationally. In so doing, we ensure that Canadian businesses have access to a comprehensive suite of products to help them achieve growth at any stage in their exporter life cycle. Over the planning period, we will work to anticipate and respond to gaps in the market and enhance our existing service offerings to address these needs.

REGIONAL PRESENCE

One of the key ways we remain connected to our customers and to the Canadian trade landscape is by virtue of our regional presence. EDC has a dedicated sales force spread across Canada from St. John's to Vancouver. Regional offices are responsible for managing EDC's relationship with our Canadian exporter base and developing new business opportunities. They are an important component of our awareness building efforts given their reach across Canada. Our national sales teams are located close to customers and have a deep understanding of local market conditions and the real challenges faced by current and pre-exporters.

We have 18 regional offices across Canada and staff in several more centers working remotely to connect more easily with Canadian exporters at home. In 2016, in an effort to replicate the success of our international co-locations with TCS representations, we partnered with Global Affairs Canada to add a TCS representative to our Calgary office.

SUPPORT FOR HIGH GROWTH FIRMS

With SMEs accounting for over 80 per cent of our customers, support for this critical segment is part of the EDC fabric. We continue to look for ways to enhance and streamline services to this segment and accelerate SME growth to contribute to Canada's prosperity. For example, in 2015 we adopted a formalized approach to mentoring and supporting innovative, high-growth SMEs focused on international growth. This involves EDC providing market intelligence, needs assessments, support in building export strategies, exposure to procurement opportunities, and introductions to key partners, including the TCS and Canadian banks.

Since its inception, our SME mentoring program has grown and evolved in response to an increasing need for customized assistance when exporting. In 2016, we partnered with the Toronto Board of Trade to deliver our mentoring services through their Trade Accelerator Program (TAP). Through TAP, EDC's mentoring support is being provided to approximately 250 companies over a three-year period. We also began a partnership with Deloitte via their Best Managed Companies program. Under this partnership, Canada's Top 50 Best Managed Companies will be offered EDC mentoring services to support their efforts to grow their business internationally.

In 2016, the Government of Canada launched the Accelerated Growth Service (AGS). Innovative, high-potential firms help drive Canada's economy by creating middle-class jobs and generating economic growth. The AGS will allow these firms to access coordinated services that address needs commonly experienced at critical stages of growth and globalization. The AGS facilitates access to programs, financing, consulting, and support for trade and innovation by ensuring that all federal partners are aligned in supporting companies identified as high-impact. These partners include the Department of Innovation, Science and Economic Development (ISED), Business Development Bank of Canada (BDC), EDC, National Research Council and the Industrial Research Assistance Program (NRC/IRAP), Trade Commissioner Service (TCS) and Regional Development Agencies (RDAs) across Canada.

The AGS is an important component of the Government's new Innovation Agenda and EDC is a key contributing partner in this impactful initiative. Our diverse SME customer base will allow us to identify eligible candidates to form part of the program and support its participation targets over the planning period.

INCREASING ONLINE SERVICES FOR OUR CUSTOMERS

Digital technology is transforming business as we know it – this holds true for both our customers, and for EDC. A few years ago, we embarked on several large scale projects to transform our technology systems in order to improve the ease of doing business for our customers and to respond to their need for fast, simple and predictable services that can be accessed from anywhere at any time.

The ongoing success of our first two online, self-service products is a key example of our digital strategy at work. In 2015, we launched our Select Credit Insurance and Trade Partnership Insurance in response to the needs of our customers and partners for fast web-based services.

- Select Credit Insurance is an innovative, online, self-service product that provides exporters with the ability to obtain selective sales coverage in a matter of minutes. This solution closes a significant gap in the market by allowing Canadian businesses the option of covering a single foreign sale – a unique offering in the insurance space. Select Credit Insurance is ideal for small businesses, particularly those at the very small end of the SME spectrum, who need protection against risk yet cannot afford larger policies. This solution provides them with a simple and effective way to obtain the confidence they need to step out of Canada and into a new market.

- Trade Partnership Insurance provides our private insurance partners a simpler and more efficient process for getting supplemental reinsurance on export sales and, in so doing, allows them to provide more capacity to their customers.

We continue to expand these programs to serve more customers and private sector partners by increasing limits and offering coverage on a wider range of products and services. The first quarter of 2016 saw 93 per cent growth in Select Credit Insurance transactions versus the same period in 2015. The success we have experienced with the launch of our first digital offerings bodes well for the continued evolution of our suite of credit insurance solutions into the planning period.

Our credit insurance transformation project made significant headway in 2016 and will continue into the planning period. In 2017, a significant number of our insurance customers will have been successfully transitioned from our legacy systems to a new digital platform that covers the end to end customer experience and offers a simplified product. Further to this, the new platform will provide an optimized delivery model allowing for more effective and efficient customer service.

To help ensure that our customers experience a seamless transition during this time of change, in 2017 we will also turn our efforts towards developing a dedicated one-stop shop for inbound customer queries in order to provide our insurance customers with a consistent standard of service across different channels. This will make it easier for customers to connect with us in a way that is simple, relevant and caring.

TAKING MORE RISK FOR CANADIAN SMEs

Recognizing the importance of the SME segment to Canada's prosperity, EDC has invested significantly in better serving this space over the past four years. As a result, we continue to grow our customer base in this segment and helped approximately 6,000 SMEs conduct $15.5B in exports in 2015.

Certain markets, transactions and companies pose higher than normal risks – risks that commercial banks are not always comfortable taking. This creates gaps in the market which our stretch programs help close in support of Canadian exporters. The more we do to address the needs of SMEs in this regard, the more investment it takes on our end. Our stretch programs are resource intensive activities that push our standard business practices beyond what we normally do. While these deals require more oversight, more capital and more risk management, they often make the difference between the failure and success of Canadian SMEs internationally.

Risks undertaken by our programs, and notably our stretch programs in support of SMEs, are assessed and managed with the support of various sources of expertise. These include our sector and market knowledge that is garnered through our regional and international presence, as well as our robust economic and political intelligence center.

We adapt our programs and risk appetite to address the challenges faced by exporters that are growing. In response to market demands for access to additional credit at a reasonable cost, in 2016 we improved our Export Guarantee Program (EGP) – a risk sharing program offered in partnership with banks to provide financing to SMEs. We worked with our partners to streamline and simplify our processes, invested in program awareness and reduced our premiums to reflect the shift in market risk. In addition, we broadened our EGP program to accommodate partnerships with different types of lenders, including leasing companies and boutique lenders, in order to provide more support for Canadian exporters.

LIBRESTREAM

In an increasingly globalized world, companies are spreading their operations and projects across oceans and borders more than ever before. While this presents many opportunities, it also presents challenges for these companies, including collaboration - ensuring that all satellite operations and field teams are working to the standards set by headquarters. Winnipeg, Manitoba's Librestream found a solution to this challenge and invented an 'Onsight Collaboration Platform' and a full range of collaboration products to accompany it. The platform essentially creates a "virtual presence" where remote experts can troubleshoot equipment and assess environments with the accuracy needed to make decisions on the spot. International demand for Librestream's products came quickly and as a smaller company, they soon recognized the importance of payment guarantees. They began using EDC's single buyer credit insurance to insure their sales, but as turnaround times from buyers became shorter and demand for their products continued to increase, they required a new solution that would allow them to be more nimble. They found that solution in EDC's newly launched **Select Credit Insurance** – an exclusively online platform that enables Canadian companies to insure sales in a matter of minutes. Select Credit Insurance includes a database of international companies for which EDC already possesses credit information, which facilitates lightning quick approval and low premiums. Earlier this year, for example, it took Librestream a total of ten minutes to insure a sale of their video collaboration equipment to a reseller in Brazil. Select Credit Insurance is one more way that EDC is making exporting easier for Canadian companies.

Image courtesy of Librestream

Our EGP Stretch program was created in response to the difficulties encountered by early stage, higher risk SME exporters in accessing working capital to grow their business or seize new export opportunities. We continue to see growth in this 100 per cent loan guarantee offering to banks and in 2015, 15 per cent more SMEs were able to get the bank financing they needed to grow internationally.

For those SMEs that still have difficulty accessing bank financing, despite the offer of our 100 per cent EGP guarantee, we began to provide direct loans in 2015, known as our Stretch Direct program. The LFT (Live for Tomorrow) Group Brands customer success story profiled in Objective 1 showcases the importance of this program for Canadian exporters. It fills a gap in the market and, in many cases, our ability to do more for these SMEs is a critical first step in helping them become bankable with commercial financial institutions.

Our risk appetite sets us apart from other financial institutions and adds much needed capacity to the market. A key example of this was seen in 2016 in the Canadian Oil and Gas industry, when many commercial banks reduced their exposure to Canadian companies in this sector and decreased funding for new investments within the industry. In response to this, in early 2016 EDC announced a $750M CAD Oil and Gas support envelope to help Canadian SMEs grow beyond their traditional domestic markets in Western Canada and to encourage the sector to build its environmental sustainability. As a result, we saw increased demand in our Stretch EGP and Direct products as commercial financial institutions required help to provide credit to their clients and welcomed our support. This additional support is providing Canadian companies with the financial flexibility and diversification ability they require to survive the downturn.

We are continually exploring ways to improve these programs and expect to see further uptake in their usage over the planning period.

SUPPORT FOR CANADIAN DIRECT INVESTMENT ABROAD

Critical to Canada's engagement in the global economy are Canadian foreign affiliates and the economic impact they are having domestically. Over the past few years we have been speaking to Canadian companies with foreign affiliates in order to confirm their significance in supporting trade diversification. We learned that Canadian businesses can often compete more effectively by establishing a local presence in a given market. Having a local presence, globally, can help firms overcome protectionist tendencies in a given market and gain access to local opportunities and resources they might otherwise not have access to. Benefits of foreign affiliates include increased sales, increased contact with international customers, and greater access to lucrative global value chain networks. These networks also allow companies to diversify their client base and participate in the consumer revolutions that are taking place in fast growth emerging markets. At the national-level, our study demonstrated that foreign affiliates have a beneficial impact on domestic employment and wages and provided evidence that Canadian direct investment abroad (CDIA) helps diversify Canada's international trade footprint.

Increased and diversified trade is a key objective for Canada. CDIA is critical to the attainment of this objective and, as such, remains a priority for EDC over the planning period. In 2015, we facilitated over $12B of CDIA-related business, primarily through loans to help Canadian companies open facilities in new markets or participate in joint ventures, and credit insurance for sales by foreign affiliates of Canadian companies. In 2017, we will continue to make enhancements to our CDIA program to further support export growth and the growth of SMEs internationally.

SUPPORT FOR CANADIAN INDUSTRIES

To help our customers grow internationally, we dedicate staff to specific industry sectors in order to develop expertise that is used to help Canadian companies win new business in their sectors. This work involves understanding Canadian capabilities to help match those capabilities with international demand, often through supply chains. EDC supports companies in sectors, such as information and communications technology (ICT), clean technology, creative industries, aerospace, agriculture, oceans, forestry and natural resources, among others, and we have highlighted our activities in four sectors below.

CLEANTECH

Over the past few years, we have focused our resources to help propel Canadian exporters further into international markets as the global demand for clean technology continues to grow. In 2012, we began work on a dedicated cleantech strategy with the goal of addressing some of the significant financing challenges faced by Canadian companies in this sector. Our support for this sector will continue to grow as we look to increase the number of companies we serve over the planning period.

In 2015, we started work on the interdepartmental Cleantech Working Group alongside Global Affairs Canada, BDC and Sustainable Development Technology Canada (SDTC) in order to identify and align federal approaches in this sector. This will ensure that we do more to support cleantech companies and assist in the delivery of the Government's commitment to ensure Canadian firms are leaders in the development of clean and sustainable technologies. To achieve this, we will continue our efforts in a number of key areas over the planning period.

Firstly, EDC is committed to continuing collaboration with key federal partners to provide a more integrated ecosystem to support Canadian cleantech companies. We will work together to provide focused support to companies destined to become global cleantech champions. We are considering a new joint solution and collaborative approaches that should ensure increased support for these businesses as they grow. Secondly, EDC is continuously exploring ways to enhance and redefine our cleantech strategy. We will serve more companies over the planning period with enhanced financial solutions and a broadened risk appetite. We will also continue to provide trade connections in order to accelerate their success internationally.

MANUFACTURING

The ongoing recovery and forecasted growth in the United States continues to provide opportunities for Canadian manufacturing, including machinery and automation, aerospace and automotive. In addition, the global automotive space continues to value Canadian auto manufacturers' reputations as producers of high quality, reliable products.

The Canadian agri-food industry stands to benefit greatly over the planning period. The world's population is expected to reach 9 billion people by 2050, requiring a 70 per cent increase in agricultural production to sustain a population this size. Capital investment and innovation will be crucial and the resulting demand for modern processing and agricultural equipment, precision farming techniques and related advanced technologies aligns well with Canadian capabilities. Further to this, Food and Beverage Processing is the leading Canadian manufacturing sector, contributing 16 per cent to Canada's GDP. Continued growth in the global middle-class over the planning period will drive up demand for quality processed and packaged foods and EDC's role is to help Canadian firms respond to and deliver on these opportunities. Free trade agreements, such as CETA, will also provide ample opportunities for Canadian exporters in this sector.

MINING

The current multi-year downturn in this sector is forcing the mining industry to rethink, retool and respond strategically. As such, global mining companies are looking for suppliers that offer a level of competitive differentiation as a means to add value to their business. This includes technologies that increase productivity, while reducing the environmental footprint and increasing the safety of operations. The industry continues to innovate and Canada is well positioned to respond to these global demands. For example, global mining companies are increasingly leveraging Canadian ICT solutions to optimize processes and achieve efficiency gains.

Given the importance of mining to Canadian trade, and to our economy as a whole, we are focused on supporting supply chain companies within the industry to help the sector maintain its global leadership position amidst the industry's transformation.

OIL AND GAS

As the oil and gas sector continues to deal in a lower-price environment, we continue to provide stable support to this industry and help Canadian companies weather the domestic slow-down by looking internationally. For example, earlier we noted our efforts to add much needed capacity to the Canadian oil and gas sector in 2016 in this regard. Canadian companies are renowned for excellence in many areas in the oil and gas industry and will continue to capitalize on their strong international reputation over the planning period. EDC sees opportunities for exporters to grow their footprint in emerging markets as a result of long-term energy demands within these regions and as foreign buyers continue to look for innovative and cost effective solutions to add value to their global operations.

Image courtesy of D&V Electronics

D&V ELECTRONICS

In a book entitled "Driving the Future," Margo T. Oge, a former Director at the U.S. Environmental Protection Agency, argues that electric technology is the future of the automotive industry, and is essential to hitting greenhouse gas targets. She predicts that in the future we'll see widespread conversion to pure electric vehicles along with plug-in hybrids. Woodbridge, Ontario's D&V Electronics is counting on that green driving future, and they've set themselves up to play a significant role in making it happen. The company designs and manufactures leading edge tester systems for Electric Vehicle/Hybrid Electric Vehicle motors, as well as other automotive electrical systems. D&V's relationship with EDC began in 2009, when the company was looking for credit insurance following a particularly difficult time in the global economy and more specifically the auto industry. The relationship has grown significantly since that time, with EDC providing solutions such as performance bonds on advanced payments from buyers, and financing for work in progress on multiple export contracts. D&V leverages these products to grow their business while investing heavily in research and development, which sets them apart in this sector. The large-scale adoption of functional electric vehicles will be a considerable step towards a green future, and EDC is helping D&V 'test that future,' ensuring it is as efficient as it can be.

OBJECTIVE 3: CREATE NEW TRADE OPPORTUNITIES AND PROMOTE TRADE DIVERSIFICATION IN ORDER TO HELP CANADIAN COMPANIES SUCCEED INTERNATIONALLY.

We will facilitate connections and find new opportunities for Canadian companies in order to help them expand beyond traditional markets.

The third objective is to create new opportunities for Canadian businesses and promote trade diversification among Canadian exporters and investors. In order to do so, we will leverage our deep knowledge of Canadian company capabilities, international trade opportunities, in-depth market knowledge as well as our connections with foreign buyers, for the benefit of Canadian companies seeking new and diversified opportunities.

MAKING CONNECTIONS AND CREATING TRADE

EDC continues to play an important role in originating trade for Canada. Many of our current business development activities look beyond Canada's current export trade flows to proactively identify new opportunities to introduce Canadian companies to potential new international buyers and partners. Together, we call these activities trade creation which forms a fundamental part of our 2017 business strategy and represents a critical component of our efforts to augment Canada's global competitiveness over the planning period.

Trade creation is not something that happens organically – a system is required to effectively create new opportunities for Canadian exporters. To successfully execute on this strategy, we require deep knowledge of Canadian capabilities and industries, and we need a vehicle through which we can connect Canadian exporters to international opportunities – this is how we create trade.

In 2016, we implemented a new Global Trade Creation group dedicated to creating trade opportunities for more Canadian exporters over the planning period. This means that in 2017 we will deliver a more coordinated and efficient approach to matching Canadian companies with promising international opportunities. We will do so by leveraging knowledge, as well as our related equity connect program and matchmaking services.

MAKING CONNECTIONS

The need for international connections is present at many stages of the exporter journey – be it for future exporters or those active exporters looking to grow and diversify their international sales. Connections are particularly important for SMEs who require assistance as they look to grow their businesses into the leading companies of tomorrow. Matchmaking is a key tool we employ to facilitate these connections and it can take many different forms, both formal and informal. It often involves dedicated, one-on-one meetings between a Canadian exporter and a foreign buyer. We also set up events that bring together groups of Canadian and foreign companies with common interests, both in Canada and abroad. This can be done at trade shows, through in-market missions, or by arranging cross-Canada visits for foreign firms to meet potential Canadian suppliers, and is often done in partnership with TCS. In 2015, we organized 26 matchmaking events during which we facilitated 1,160 introductions between Canadian exporters and foreign buyers.

In the 2016 Corporate Plan, we introduced the Central Connector project, a project that responds to the need for a more structured approached to making international connections for Canadian exporters. Core to Central Connector is knowledge. This project requires that we work to better understand and track Canadian capabilities, continue to grow our sector expertise, leverage our existing market knowledge and develop a system to match Canadian businesses with new international opportunities.

In 2015, we partnered with CME to launch Enterprise Canada Network (ECN), a platform that enables SMEs to register their capabilities and markets of interest in order to connect them to foreign market opportunities. In 2016, we focused on completing the build of the Canadian Capabilities Database, a data collection system stemming from ECN. By the end of 2016, this database will house detailed information on 7,000 innovative, high potential Canadian companies that are currently exporting or are export-ready. The the database will become fully operational in 2017, and will allow us to facilitate more effective introductions between more Canadian companies and foreign buyers than ever before, as we are able to better understand the specific products and services that Canadian companies offer.

CREATING TRADE

Perhaps one of our most effective tools used to create trade and support trade diversification for Canadian exporters is our pull program. A pull facility is when EDC makes a financing commitment to a potential foreign buyer in advance of a Canadian contract, and then leverages the relationship established by the loan to prompt the foreign buyer to procure from Canadian suppliers. It is the main vehicle we use to create trade. Many Canadian companies, particularly SMEs, do not have the size or connections to be included in the procurement plans of large foreign buyers. As such, these introductions can be critical to the international growth of Canadian businesses, particularly in markets where opportunities exist, but Canada is traditionally not well-known, and there is low penetration or awareness of Canadian capabilities. A single pull facility will often support dozens of exporters over the life of the loan. The success of the pull program has been a key contributor to EDC's mandate and has supported thousands of Canadian exporters on their journeys to international success in both developed and emerging markets around the world.

Since the inception of the pull program in 2003, EDC has entered into 365 pull facilities with 263 foreign buyers. Pull facilities have now been put in place by EDC in 47 countries. These facilities have supported the exports of more than 5,500 Canadian exporters, the vast majority of them (79 per cent) being SMEs. In 2015 alone, EDC initiated 29 new pull facilities totaling $4.1B CAD and supporting procurement from more than 1,400 Canadian exporters, 70 per cent of which were SMEs. We will continue to enter into pull relationships over the planning period to continue facilitating meaningful connections for current and soon-to be exporters.

The TCS plays an important role in ensuring the success of EDC's pull facilities given its experience, network of contacts and extensive presence in international markets. EDC has collaborated on 20 pulls in partnership with TCS and, as a result, both EDC and TCS have reported improved information sharing, planning and outreach as well as better coordinated matchmaking efforts. Together with the Trade Commissioner Service and other channel partners, EDC arranged 23 matchmaking sessions with pull buyers in 2015, resulting in 250 Canadian introductions. EDC will continue to work closely with the TCS to increase the success and reach of EDC's pull strategy through increased collaboration and coordination of business development and matchmaking activities.

In support of SME growth, we also create trade connections through our international network of private equity fund investments. We refer to this as our connect strategy whereby we help Canadian SMEs access local business opportunities, market channels, knowledge, partners and relationships in key emerging markets. In 2015, this activity resulted in over 350 introductions for Canadian companies.

Finally, foreign multinationals with operations in Canada provide an important contribution to Canada's economy, as such, the attraction of foreign direct investment is a critical component of Canada's new Trade and Investment Strategy. The multinationals' activities in Canada will often be part of the company's overall value chain. Foreign multinationals present in Canada often have strong export levels and their parent or non-Canadian affiliates may source goods and services from Canadian companies, which constitutes additional export trade from Canada.

To encourage this investment in Canada and bring global supply chains closer to Canadian companies, we undertake agreements – or protocols – with targeted foreign multinationals that have Canadian subsidiaries. Under these protocols, we provide credit capacity that can be used to support international transactions for these multinationals with the goal of influencing procurement from Canada, as well as maintaining and increasing their Canadian R&D expenditures and Canadian investment levels. In 2016, for example, after expanding our capacity under our existing protocol with General Electric, the U.S. industrial giant announced that it will be relocating its innovative gas-engine platform to Canada in 2018. Not only will this move create new jobs in Canada, it also brings new opportunities to Canadian exporters of all sizes over the planning period by giving them better access to doing business with a multinational company with operations around the world.

TRADE DIVERSIFICATION: INCREASING CANADA'S PRESENCE IN NEW MARKETS

Making the first sale in a new market is a challenging proposition for most Canadian companies. In order to be successful in today's unpredictable global economy, Canadian companies must not only look for new opportunities, but continue to diversify the markets into which they sell. As such, our strategy to increase trade diversification over the planning period has both a developed markets and an emerging markets component.

INTERNATIONAL FOOTPRINT

Core to our trade diversification strategy is our international footprint. Our ability to align our solutions to meet the needs of Canadian exporters requires us to maintain current, on-the-ground knowledge of markets of importance to Canada's trade environment. Our network of foreign representations helps deepen relationships with local buyers and borrowers, and provides on-the-ground market information and intelligence to Canadian exporters and investors. Understanding the financial and procurement needs of local borrowers and buyers helps us to identify opportunities for Canadian supply and investment, and offer market-specific financial solutions that benefit Canadian companies.

EDC's international focus is divided into three key geographic areas, each with a dedicated office or 'hub' that oversees and delivers our solutions to that region. These regions include the Americas; Europe, the Middle East and Africa (EMEA); and Asia. Our hub offices are located in Ottawa, London, and Singapore, respectively. Our other international representations remain positioned as 'spokes' around the globe and conduct targeted business development activities within those markets that will yield the greatest benefits for Canadian trade. This model allows us to better deploy our business development and underwriting efforts across key global regions. With our hub and spoke model in full swing in 2017, we will be better positioned to serve more Canadian exporters, more efficiently, than ever before.

Our 19 international representations support Canadian businesses in their journeys to international success. We will leverage recently opened offices in support of the Government's efforts to increase trade diversification and ensure awareness of free trade agreements and the opportunities they will provide. In so doing, we will help more SMEs access international markets. In addition to being present in markets of importance for our exporters, we will assess new international locations based on their alignment with the Government's Trade and Investment Strategy, Canada's free trade agreements, our business strategy, existing gaps in global markets as well as our ability to transact in a socially responsible way within the market. An increased global presence is an important part of our business strategy to help Canadian companies go, grow and succeed internationally.

DEVELOPED MARKETS

While tremendous growth opportunities exist in emerging markets, developed markets still account for approximately 90 per cent of Canadian trade and are the top destination for the majority of first time exporters. Earlier in the Plan, we spoke to our efforts in generating awareness and promoting exporting to the U.S. and our efforts to get more Canadian companies exporting than ever before. While this is a pillar of our developed markets strategy over the planning period, we are also committed to growing trade in other developed markets for Canadian exporters. Trade to Europe and developed Asia still accounts for more than half of all Canadian export trade to non-U.S. destinations. As such, we will build awareness of opportunities and increasing trade to these markets over the planning period, trade that will undoubtedly grow as a result of new free trade agreements. Developed markets are also critically important to Canadian companies as a gateway to emerging markets.

Europe and CETA: European companies make approximately one-third of their sales to developing regions, making Europe an important indirect channel for Canadian SMEs looking to grow by breaking into emerging markets. Further to this, there are a large number of Canadian foreign affiliates in the United Kingdom and many leverage their presence in this market to diversify trade and sell into Europe, the Middle East and Africa.

EDC sees opportunity for Canadian exporters in several sectors, including rail transportation, infrastructure, power, extractive, automotive, cleantech and ICT. Over the planning period, our representations in Dusseldorf and London will continue to focus on integrating Canadian companies into European supply chains. They will also play an important role in supporting the anticipated increase in trade and investment that will result from the implementation of CETA.

As previously noted, we have been working closely with Global Affairs Canada's new Free Trade Agreement Business Promotion Task Force. EDC is well positioned to raise awareness of CETA and recognizes that Canadian businesses will require awareness, knowledge and support in navigating new opportunities in Europe. As such, we will continue work on the development of a structured CETA promotion roadmap. This roadmap will help Canadian exporters understand the opportunities and challenges in relation to CETA, as well identify resources that can be leveraged to successfully export into Europe.

Developed Asia: We define developed Asia as Japan, South Korea and Australia, and this market continues to offer many opportunities for both Canadian exporters and investors over the planning period. Perhaps the largest source of prospective business for Canadian exporters is the large-scale privatization of major infrastructure projects, particularly in Australia. These include light rail and transportation systems and renewable energy projects that align well with Canadian company capabilities.

The Canada-Korea Free Trade Agreement is expected to increase trade between Canadian exporters and South Korea, Canada's third-largest trading partner in Asia and the fourth largest Asian economy. Like Japan, South Korea controls access to important global supply chains and is increasingly active (domestically and internationally) in sectors of mutual interest to Canada, including infrastructure, energy and ICT. As such, this market continues to offer sound diversification opportunities for Canadian companies.

Our strategy for developed Asia over the planning period remains focused on finding potential new buyers and supply chain opportunities for Canadian SMEs. We will do so by continuing to build relationships with multinational corporations in key sectors such as extractive and infrastructure in Australia and by seeking opportunities to integrate Canadian exporters with global supply chains in Japan and South Korea.

EMERGING MARKETS

As noted in the Planning Environment, emerging markets present unique challenges for Canadian exporters and oftentimes require more exporting experience to navigate. We know that only 13 per cent of first time exporters take their first international steps into multiple global markets at once, and that it can take a few years for current exporters to diversify beyond traditional markets. This underscores the need to do more to help existing exporters, particularly SMEs, enter new, high growth, high potential and often higher risk markets. We will assist in the development and execution of the Government's targeted strategy to promote trade and investment with emerging markets, with a focus on China and India and the mobilization of Canadian SMEs to these markets.

Our 2017-2021 strategy for emerging markets is focused on creating trade to help more Canadian exporters enter these lucrative markets faster. We will focus on providing support in these markets and strive to be present in advance of Canadian demand in order to establish connections and pave the way for exporters to gain access. Pull transactions and matchmaking initiatives will play a key role in this strategy. We highlight opportunities in Asia and Latin America below, but our emerging market strategy also focuses on other regions of continuing importance. Africa, for example, remains a priority market for EDC. Our newly established representation in Johannesburg will support greater alignment between Canadian exporters and opportunities that arise in this market in key sectors such as ICT, infrastructure and aerospace.

China: China is the top trading nation in the world and although it may be experiencing economic volatility and a slowing growth rate, it remains a priority market for the Government of Canada, Canadian exporters and investors, and EDC. We play a key role in helping Canadian exporters conduct trade with China and will continue to do so over the planning period. In 2015, we helped ensure payment from Chinese buyers to Canadian exporters by providing insurance on over $3.7B CAD of Canadian goods, including commodities and a wide range of manufactured goods. We also supported the Canadian aerospace industry by providing financing for multiple transactions. Further to this, we supported 35 Canadian companies in establishing a local presence in China by way of our CDIA support – a record for any single market.

In 2017, we will focus our efforts on doing more to support Canadian exporters selling to China, particularly as it relates to commodities, aerospace and CDIA activity. We will also work to support Canadian exporters in the cleantech, infrastructure and automotive sectors which we see as being key areas of growth for Canadian exporters in China in the next few years. In addition, we will work to further leverage EDC's financing capabilities within China's evolving financing environment with the goal of helping more Canadian companies break into significant Chinese global supply chains.

Currently, we have foreign representations co-located with the Government of Canada in Shanghai and Beijing. We will continue to leverage our presence in China over the planning period to further support Canadian trade to this important emerging market.

India: In 2017, we will continue to deepen relationships with Indian businesses in order to create and support opportunities for Canadian companies. We are well positioned to support trade across a wide variety of sectors in this opportunity-rich environment. The demand for infrastructure and engineering, information communication technologies, agricultural equipment and cleantech aligns very well with Canadian capabilities. Over the planning period, our efforts in this market will support the Government of Canada's focus on increasing Canadian trade with India.

Working closely with the TCS, EDC signed over $1B CAD in pull financing with Indian corporations in 2015 and is on track to match or even exceed this in 2016. We will continue to leverage these relationships to create new opportunities for Canadian exporters to be integrated into Indian and global supply chains. In 2015, we facilitated over 130 introductions between Indian buyers and Canadian companies via matchmaking events led in conjunction with the TCS. We also maintain major strategic relationships with key Indian corporates though our protocol program. These relationships have encouraged increased foreign investment into Canada by these Indian conglomerates and serve to further strengthen ties between Canada and this fast growing economy.

Asia: We are responding to the importance of Asia to Canada and to Canadian exporters and investors by opening our first global branch office in Singapore, which will be operational by the end of 2016. The Singapore branch will allow us to better respond to opportunities in Asia by allowing for faster turn-around times, better in-market connections with Canadian firms in Asia and their buyers, and real time understanding of market practices. Perhaps the most noteworthy aspect our Singapore branch is our ability to underwrite transactions in this market. This allows us to deliver solutions to our customers throughout Asia more efficiently than ever before.

In addition to Singapore and in recognition of the potential to increase trade for Canadian exporters with South East Asia, EDC also opened an international representation in Jakarta, Indonesia, in 2016. This office is co-located with Government of Canada's mission.

Finally, the progressive establishment of the ASEAN economic community is leading Canadian companies of all sizes to invest resources in these markets to drive foreign sales. EDC provides significant support for Canadian companies in Asia and is preparing to support additional opportunities over the planning period as a result of continued growth in this region.

Latin America: Significant opportunity exists in Mexico and parts of the Andean region. Over the planning period we will support the mobilization of SMEs to this market to respond to a growing demand for high quality consumer goods. Also in this period, Mexico will move forward with its energy reform and will look to develop low-carbon electricity grids and clean-energy technologies. We will leverage our three local representations to connect Canadian SMEs with these opportunities.

In 2017 and beyond, we will work to support the market-friendly measures recently implemented by the Government of Canada regarding Argentina. Canadian businesses of all sizes are well positioned to respond to the infrastructure, natural resource and energy needs of this market and we have a role to play in facilitating these opportunities.

Image courtesy of Eight Solutions Inc.

EIGHT SOLUTIONS INC.

Eight Solutions Inc. is an innovative software development company focused on digital media. Led by a team of veterans from Canada's video gaming industry, the company creates and develops elegant technology solutions, bringing science and art together to solve business challenges. Eight Solutions' portfolio includes an award-winning technology that converts two-dimensional films into three-dimensional (3D) masterpieces. This particular asset was a challenge to maintain given its volatile staffing requirements and the considerable resources required by the small company to work with the large Hollywood studios. In 2015, Eight Solutions seized the opportunity to license the service side of the 3D software to one of the world's largest post-production companies, Prime Focus Limited out of India. EDC assisted by working with Eight Solutions' bank, as well as Prime Focus in India, to find a solution that best suited the Canadian exporter. In the end, Eight Solutions was able to monetize the licensing fees it recieves from Prime Focus and, with EDC's support, obtained a line of credit from their bank against those fees. By divesting themselves of the 3D conversion services, Eight Solutions has redirected their efforts towards creating and developing new technologies that provide disruptive solutions in dynamic industry sectors, with a focus on big data visualizations and analytics. Today, Eight Solutions is focused on the human element of interacting with data.

2.5 CORPORATE SOCIAL RESPONSIBILITY

Today's broader global market has enhanced expectations regarding responsible business practices. As we assist customers in pursuit of international opportunities, we also support them in responding to these expectations by informing them about conducting business in a socially responsible manner. Companies that employ sound Corporate Social Responsibility (CSR) practices may benefit from a competitive advantage as they are better able to respond to growing international demand for good business conduct.

Increasingly volatile markets bring heightened reputational risk for businesses, making CSR an increasingly important factor in a company's strategy. By educating and promoting strong CSR with current and future exporters, we help them manage risks and give them the confidence they need to enter new markets.

For us, CSR is about applying a rigorous, values-based approach to our daily business practices and, through these efforts, positively impacting the business that we help facilitate for Canadian exporters and investors globally. Our CSR practices balance the interests of our many stakeholders and are foundational to what we do, guiding our actions as we conduct business both in Canada and abroad. We review transactions to ensure that international standards will be met, while working with customers and borrowers to help increase their knowledge and understanding of these standards and how they can enhance their own business practices. Our CSR team has extensive technical knowledge and expertise in international standards and helps ensure that the business we support is conducted in a socially responsible manner. CSR will remain a corporate priority for EDC throughout the planning period.

EDC was ranked in the top 10 amongst the Corporate Knights Future 40 Responsible Corporate Leaders in Canada in both 2015 and 2016. We are continually exploring ways to actively engage in CSR discussions, both at customer and international standards levels. Over the planning period, we will explore new ways to add value to our customers in this regard and, in so doing, we will help Canadian companies increase their awareness and practice of international CSR standards when conducting business internationally.

ANTI-CORRUPTION AND BRIBERY

As an active party to numerous international agreements aimed at addressing corruption and bribery in business transactions, we have developed processes and safeguards to ensure we do business in an ethical way with foreign buyers who have the same values. We are also subject to legal obligations to ensure that we do not support international activities that are connected to corruption and bribery. If an allegation is brought forward or our research reveals a potential issue, we will conduct enhanced due diligence to ensure that we not only meet OECD obligations, but also our own anti-corruption objectives. We will gather all of the facts from a company until our team can reasonably determine what risks are involved, whether they can be managed, and potential mitigation and monitoring steps. This collaborative assessment approach not only allows us to make sound business decisions, it helps our customers understand our expectations and helps them up their own CSR game.

In light of EDC's dedicated anti-bribery and corruption efforts, in 2015 we saw an increase in the number of transactions that underwent anti-corruption due diligence and anticipate this to increase into the planning period. In 2015, a third party conducted a review of our program to ensure that it met OECD standards and took into consideration evolving practices in anti-corruption. In 2016, we implemented a number of enhancements to our anti-corruption program as per recommendations of this review. The enhancements are expected to improve employee knowledge and capacity regarding anti-corruption, and help bring more clarity and confidence to management and decision making for business where corruption is a risk factor such as in higher risk markets. An example of our increased efforts in this space will be the creation of a new financial crimes program in 2017, with further improvements to our bribery and corruption efforts to continue through the planning period.

We work closely with the Government of Canada to ensure proper due diligence and alignment in our approach to companies that face allegations. We will continue to collaborate with Global Affairs Canada and Justice Canada, taking a leadership role among other advocates of the OECD's Recommendation on Bribery and Officially Supported Export Credits to ensure they remain effective and relevant for Canadian exporters and investors.

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT

We are also committed to robust environmental and social risk management processes and standards. Our team works closely with companies to review projects, provide guidance, propose risk mitigation plans, and monitor progress against our requirements for the duration of our support. We are committed to ensuring the implementation of international standards, including the International Finance Corporation (IFC) Performance Standards and Equator Principles (EP). The EPs include ten guiding principles aimed at increasing transparency and disclosure of information related to environmental and social matters, ensuring a consistent approach to due diligence, and reporting and monitoring of supported transactions. We also adhere to our own Environmental Review Directive which uses the IFC Performance Standards as the international benchmark.

EDC has been a member of the EP Steering Committee since 2011 and is the only ECA to ever hold membership in this committee. This committee sets the direction for the broader group of financial institutions that have signed on to the EPs. We continue to contribute to the strategic direction of the EPs and play an active role in working groups to more closely align the practices of the Equator Principle Financial Institutions (EPFIs). In addition, we play an active leadership role at the OECD's Environmental Practitioners Group of ECAs, participating in numerous working groups and sharing and exchanging experiences and knowledge with other ECA environmental and social practitioners. The Practitioners Group seeks to develop technical guidance related to environmental, social and human rights matters and to share and advance the best practices related to the Common Approaches among the ECAs. Both the EP Steering Committee and the OECD Practitioners Group cross collaborate through various learning communities to ensure a level and consistent playing field for Canadian exporters and investors.

In recognition of the Government of Canada's broader climate change objectives, EDC endorsed the early adoption of the OECD's Sector Understanding (SU) on Coal-Fired Electricity Generation Projects. EDC implemented the SU on August 29, 2016, ahead of the official entry-into force, and will apply the parameters of the SU in the evaluation of requests for support for coal-fired power plants.

Over the planning period, we will continue to collaborate with Global Affairs Canada to ensure our systems and processes are aligned with their objectives under the Government of Canada's own CSR strategy.

SUPPORT FOR CLIMATE CHANGE INITIATIVES

As noted in the Planning Environment, climate change has emerged as a prominent priority in today's global economy. Canada is committed to playing a larger role in combatting climate change and is dedicated to significant investment in developing a clean growth economy. EDC remains committed to a whole of government approach to climate finance. In addition to advancing our own cleantech strategy, we will continue to work with government departments, including Environment and Climate Change Canada and Finance Canada, to scale up and report on our climate finance activities.

In an effort to promote transparency and help Canada demonstrate international leadership through its climate change commitments, EDC will work to develop an approach for defining, categorizing, and reporting on its climate finance-related activities. We will do so over the planning period by building on internationally recognized methodologies, such as those of the IFC, and through collaboration with our Export Credit Agency peers.

EDC's issuance of Green Bonds continues to garner strong interest and is an example of innovation in the Climate Finance space. Having successfully issued two Green Bonds to date, we will continue to build on the success of the program over the planning period. These bonds fund transactions that preserve, protect or remediate air, water or soil, or help mitigate climate change. We aim to issue Green Bonds on a regular basis in order to support financially, environmentally and socially responsible Canadian companies in their international growth.

2.6 HOW WE DELIVER ON OUR OBJECTIVES

In order for us to meet the needs of more customers than ever before and to contribute significantly to the Government of Canada's trade agenda over the long term, we have in place robust practices for risk management, operational management, and sustainability that are in alignment with private sector best practices. These practices include enterprise risk management (ERM), financial sustainability, and human resources and we look to align ourselves with the Government of Canada, where relevant. We continuously look for ways to create capacity, efficiency and value for the corporation.

RISK MANAGEMENT

Our global business activities expose us to a wide variety of risks – financial, operational and strategic – across a diverse economic and political landscape. As we seize new business opportunities, we must be vigilant in our efforts to identify and anticipate risks and manage them in a prudent manner. By doing so, we will safeguard our ability to achieve our business objectives and remain sustainable and relevant in the years to come.

EDC has established a foundational enterprise risk management (ERM) practice and we are making significant investments in our risk management activities over the planning period. Recently, we adopted a plan to enhance our practice to ensure comprehensive, enterprise-wide risk management. We refer to this as our ERM Transformation program.

The focus of the program is not about developing a system to take more or less risk, but rather a system to better manage and govern the risk we do take, including elevating awareness, understanding and foresight throughout the organization. By better managing our risk, we can serve more exporters and investors and in so doing, play a more significant role in Canada's trade-ecosystem. Our Board of Directors and management team are actively engaged to ensure that the ERM plan is effectively implemented at all levels of the corporation.

The ERM plan emphasizes a strong risk culture of oversight and clear direction, ownership and accountability, and the requirement for robust monitoring and reporting. It is an enterprise-wide project touching all areas of our business. Key elements include: governance in accordance with a three-lines-of-defense model; articulation and operationalization of EDC's risk appetite; enhanced discipline around risk management processes; and integration of new financial risk policies. As a component of our robust ERM practice, EDC has a well-established annual risk survey that considers all of the risks inherent to EDC's business.

THREE LINES OF DEFENSE (3LD)

We have a dedicated team that has worked to identify opportunities to improve and further align weaknesses and gaps in our current structure and are in the process of designing a new future business model that will be implemented in 2017. This model is known as the three-lines-of-defense (3LD) business model and its build out has been a major component of the ERM Transformation program work to date. While the 3LD model requires significant investment, it will ensure we continue to manage our business according to the evolving standards of Canadian financial institutions. Our new business model will ensure that three distinct stages of appropriate checks and balances are in place as we deliver our solutions for our customers. This will greatly enhance overall clarity around risk and decision-making and, in turn, help us deliver risk appropriate solutions for our exporters in a more efficient and predicable manner.

The work undertaken thus far has resulted in clearly defined and strengthened roles and responsibilities across two of the three lines, or stages. We have also been working in collaboration with the Government of Canada to in order to provide quarterly reports to the Department of Finance on the progress of the ERM Transformation program. These status updates will continue into the planning period and serve to provide transparency on our transformation.

In 2016, we focused our attention on the design and planning of our future business model and on conducting a deep dive into key organizational areas impacted by this transformation. In 2017, we will turn our efforts towards the implementation of the new 3LD model as well as conducting ongoing assessments. Core to these assessments will be the development of metrics and reporting measures to help us gauge our progress and ensure we are tracking against recommendations.

COMPLIANCE AND ETHICS

In addition, as part of our ERM transformation, through the end of 2016 and into the planning period we will begin work on two additional projects in relation to financial crimes and the build out of a new compliance function. As noted in previous Corporate Plans, we added the position of Chief Compliance and Ethics Officer in 2015 with the goal of increasing our oversight and management of compliance risks across the organization. This position has a direct reporting line to the Risk Management Committee of the Board.

In 2016, we established the core functions of the new Compliance and Ethics group at EDC. Work on building out this group, and related programs, is ongoing. These include compliance risk management, ethics, privacy and access to information, complaints, insider threats and financial crimes. The financial crimes project will allow us to closely examine this compliance function to assess the risks of money laundering, terrorist financing, sanctions, bribery and corruption, as well as external fraud as they relate to EDC. Work will begin towards the end of 2016 and continue into the planning period with the desired outcome being a thorough understanding of financial crimes and the development of policies and procedures that govern the way we address them.

Our Chief Internal Auditor (CIA) reports to the Chair of the Audit Committee of the Board of Directors, and has a dotted line relationship with EDC's President. The CIA has overall responsibility for providing quality assurance and advisory services with respect to our internal controls, risk management and governance processes. The role provides independent and objective oversight pertaining to operations, reporting and compliance with laws and regulations. The Chief Internal Auditor also provides leadership for the teams that develop and execute EDC's audit plan and contributes to findings and reports prepared for audiences such as the Audit Committee of the Board and EDC's senior management.

STRESS TESTING

We are vigilant in our efforts to identify and anticipate risks and manage them in a prudent manner. We do so in order to be able to sustain our business in support of Canadian exporters, and to weather the storm that can arise due to volatility in the global market. We conduct regular market and sectoral assessments to identify, plan and provision for risk events that may impact our portfolios and this information is shared with the Risk Management Committee of the Board regularly. In addition to this, we proactively conduct 'stress tests' and scenario analyses on key markets in order to anticipate risks and minimize the impact of potential market disturbances. We will continue to conduct stress tests over the planning period as part of our robust risk management and capital framework.

FINANCIAL SUSTAINABILITY

We undertake significant risk in support of Canadian exporters. We do so while maintaining a focus on our longer term financial sustainability so that we are able to meet the needs of our customers today, and will be there to respond to their needs in the future. We are also making important investments in our people, processes and technology to ensure that we can manage risk and continue to remain financially sustainable. With solid-risk management practices in place, EDC will continue to be a sought after, well-respected and credible partner.

Financial Sustainability is discussed in further detail in Chapter 3. The Financial Plan provides details on the key business assumptions which underlay our projected financial performance. Chapter 3 also includes detail on our efficiency, Statements of Comprehensive Income, Statements of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and planned capital expenditures for 2017-2021.

CAPITAL AND DIVIDEND POLICY FRAMEWORK

Over the past year, we have been collaborating with the Department of Finance, Farm Credit Canada (FCC), Business Development Bank of Canada (BDC) and Canada Mortgage and Housing Corporation (CMHC) to develop a common framework for capital and dividends. The objective of this framework is to align on key principles for the management of capital and reporting on capital adequacy. Collaboration will continue into the planning period and more detail can be found on our capital adequacy and dividend policy in Chapter 3 of the Corporate Plan.

HUMAN RESOURCES

Our human resources (HR) strategy is critical to the success of our business strategy. Without the right people, we would not be able to deliver on our commitment to being a leader in helping Canadian companies go, grow and succeed internationally. In order for EDC to support Canadian exporters and investors over the long term, we must continue attracting, developing and retaining the right people. To do this, we must maintain a compelling employee value proposition that allows us to leverage trade finance talent from the private sector. We must also make sure that our workforce is set up to succeed in the future and to adapt to changing market conditions.

Our HR strategy will require additional investment over the planning period. It considers our ambition to help more Canadian companies export than ever before and it considers the investments we are making in our infrastructure in order to remain agile, relevant and responsive to changing customer needs and volatility within the global economy.

As previously noted, EDC's business strategy for the 2017-2021 planning period includes continued work on several significant transformation projects including our Credit Insurance Transformation and our Enterprise Risk Management Transformation program. Our business is also changing in ways that extend beyond our infrastructure. As such, it is equally important that our organizational culture evolves along with our business in order to provide strong leadership, and to ensure seamless support and delivery of our products and solutions for our customers throughout this period of change.

TALENT MANAGEMENT AND SUCCESSION PLANNING

Attracting and retaining a highly skilled talent pool will remain critical to deliver on our commitment to Canadian businesses. We recognize that most careers no longer follow the traditional path of long term vertical growth within the same discipline, and that the ability to shift careers within the same company is an attractive component of an organization's employee value proposition. As such, in 2016 we made a significant upgrade to our HR systems in order to standardize the way we describe work and organize roles into a simplified career framework. The new system provides our employees with better tools and information required to manage career development and makes it easier to compare role expectations across EDC. This will not only help employees build plans for the future roles they aspire to, but will also help EDC leverage its considerable internal talent for resource planning purposes.

A key element of our talent development strategy is to ensure we maintain a healthy pipeline of leaders well into the future. In 2016, the first cohort of employees completed a pilot 'Emerging Leaders' program, designed to help ready them for potential leadership roles in the future. This program helps with succession planning, retaining and developing high-potential employees earlier in their career who can hit the ground running in their first leadership role and will continue into the planning period.

We will continue to review the effectiveness of our talent management process and to assess succession planning risks. To help mitigate any potential risks, we will use our talent review process to identify technical experts, future leaders, as well as performance issues that need to be addressed. We continue to have well-defined performance plans in place for all employees to ensure accountability and alignment towards corporate objectives and behavioural expectations.

CULTURE

Our culture enhances our ability to deliver on our mandate. Several years ago, EDC began a cultural transformation with the introduction of "The EDC Way." This approach drives principles and behaviours that we value as an organization and provides the foundation for how we work. The management systems we have put in place to support this cultural change help us achieve success by ensuring that our goals are clearly communicated across the organization, by visually measuring our performance, and by embedding a continuous improvement culture such that every employee is empowered to suggest and make improvements for the benefit of our customers. Today, we are proud to have in place an organizational culture that prizes high corporate, team and individual performance. In 2016, the evolution of our culture extended beyond our management systems to transform our leadership style from one that limits innovation though hierarchy and control, to one that sets a clear direction for our employees and is highly focused on getting sustainable results through ideal behaviours. We will continue to evolve our culture over the planning period by creating the right conditions to empower our talent to ensure we get the best possible contribution from each and every employee. This will help us continue to reach high levels of performance, thereby improving the customer experience.

DIVERSITY AND INCLUSION

Diversity and inclusion are key competitive strengths, integral to helping Canadian companies go, grow and succeed internationally. Increasing the diversity of our employee population and leveraging its diverse views, perspectives and experiences will allow EDC to deliver greater value and better connect with customers of all sizes in the markets in which they do business.

In 2017, we will continue to focus our efforts on increasing awareness of the importance of diversity and inclusion as a corporate priority. We will continue to undertake various initiatives in support of this, including targeted training for leaders to help them become more mindful of unconscious bias and its impact on decision making. Other initiatives include: addressing the needs and concerns of EDC's LGBT+ community, raising awareness of Indigenous issues, sponsorship of Syrian refugees and generating mental wellness awareness through external speakers and lunch & learns.

These concerted efforts are starting to yield positive results that can be measured by our diversity and inclusion action plan – a roadmap for increasing the diversity of our workforce and measuring progress. Targets were recently established for the next five years to achieve our 2020 goal of having our internal employee population mirror, if not exceed, external availability for the four designated groups (women, visible minorities, Indigenous peoples and persons with disabilities).

Languages are also an integral component of diversity and inclusion and bilingualism continues to be a corporate priority. At the leadership level, bilingualism is trending upward as a result of targeted training initiatives.

Over the planning period, we will continue our efforts to attract, develop, and retain diverse talent which will position us to best serve Canadian customers in the future.

2.7 MEASURING SUCCESS: SCORECARD

Our 2017 scorecard drives our behaviours and contributes to the achievement of the objectives laid out in the plan. As the trade environment and our priorities evolve, so do the benchmarks against which we measure our success.

NET PROMOTER SCORE

The Net Promoter Score (NPS) is the measure against which we evaluate our customers' satisfaction and loyalty. NPS measures the likelihood that our customers would recommend EDC to business colleagues. EDC continues to be a leader in customer loyalty. Our score, relative to other organizations, is strong and remains in the top 10 per cent of North American B2B companies.

We expect that our 2016 NPS will end the year around 75.4 as a result of our continued focus on customer experience during the past year. As a result, for 2017 our target NPS range will be 70.0 – 76.0.

TOTAL BUSINESS FACILITATED

This measure provides an order of magnitude of the business Canadian companies carry out with the help of our solutions. We expect our business facilitated in 2016 to decline by 6.7 per cent compared to 2015, and end the year at $97.2B. This decline is primarily attributable to decreases in our insurance programs. Looking forward to 2017, we are projecting growth in the range of 4 to 7 per cent. This growth is expected to stem from targeted initiatives in our Accounts Receivable Insurance program, increases in signings due to new foreign office openings and new pull transactions with international buyers.

BUSINESS IN EMERGING MARKETS (BEM)

This measure uses revenue to demonstrate the value we deliver to Canadian companies in emerging markets. Revenue is a comparable measure of value across our insurance and financing programs, therefore providing a balanced view of our business. Revenue derived from all programs counts towards BEM and is defined as the accounting revenue reported on the income statement earned during the calendar year through premiums, fees and interest on transactions in emerging markets.

At the end of 2016, we expect to see growth in BEM of 34 per cent due to growth in our existing loan book, and due to the effects of foreign exchange and LIBOR rates. In 2017, we expect growth in BEM to be in the 2 to 6 per cent range, due in-part to growth in our loan portfolio. This growth will be partially offset by declines in EDC's insurance business in emerging markets.

CANADIAN DIRECT INVESTMENT ABROAD (CDIA) TRANSACTIONS

CDIA continues to be critical to the health of the Canadian economy, and supporting CDIA transactions has become an integral part of our core business.

In 2016, we anticipate growth in CDIA transactions of 6 per cent due to positive momentum in both our Export Guarantee and Direct Lending CDIA programs. We expect this trend to continue, resulting in a growth range for CDIA of 2 to 7 per cent in 2017. This will be attributable to our focus on expanding partnerships with financial institutions and making improvements to our programs to facilitate their usage. Declines in other CDIA programs, such as Political Risk Insurance, may temper anticipated growth.

SMALL AND MEDIUM BUSINESS TRANSACTIONS

Over the past number of years we have placed a strong emphasis on supporting small and medium sized exporters in both developed and emerging markets.

For 2016, we expect to finish the year with growth of Small and Medium Business Transactions (SME-T) in the 6 to 7 per cent range. This is a result of increased use in our Export Guarantee Program and Performance Security Guarantee program due to the rebound in Ontario and Quebec's export-oriented manufacturing sector. In addition, we see continued growth in our Direct Lending program which helps those early stage or higher risk SME exporters who typically have challenges accessing financing with traditional lenders.

In 2017, we are replacing SME-T with a new, modified measure called Small Business and Commercial Transactions. This updated measure reflects a more comprehensive range of businesses that export to ensure that we have an eye on companies at all sizes and stages of the SME spectrum. We anticipate growth in this measure to be in the 4 to 10 per cent range due to our continued efforts to increase EDC's awareness and to strengthen partnerships with financial institutions.

PRODUCTIVITY RATIO

Our Productivity Ratio captures, in aggregate form, how well we use our resources. It is the ratio of administrative expenses to net revenue.

In 2017, our range will be 28 to 32 per cent, which reflects critical investments we are making in key areas including transformation projects and our effort to serve more Canadian exporters than before. Chapter 3 provides further detail on our Productivity Ratio.

THE SCORECARD

Performance Measures	2015 Actual (Baseline)	2016 Plan	2016 Forecast	2017 Plan
Net Promoter Score	71.9	70.0 – 76.0	75.4	70.0 – 76.0
Business in Emerging Markets ($M)	633	15 – 20% growth	851	2 – 6%
CDIA Transactions	444	2 – 7% growth	473	2 – 7%
Small and Medium Sized Business Transactions	4221	2 – 7% growth	4501	n/a
Small Business and Commercial Transactions (new measure)	n/a	n/a	5155	4 –10%
Productivity Ratio	22.9	25 –30	27.7	28 – 32%
Total Business Facilitated ($M)	104,205	0 – 3% growth	97,247	4 – 7%

2.8 AN INSTRUMENT IN SUPPORT OF PUBLIC POLICY

EDC is an important contributor to the Government of Canada's agenda to advance Canadian commercial interests around the world. The support we provide Canadian businesses helps them to achieve success overseas. In 2015, our work helped generate almost $67B in Canada's GDP – more than 4 cents of every dollar.

SUPPORT CANADA'S PARTICIPATION IN THE INTERNATIONAL WORKING GROUP ON EXPORT CREDITS

EDC has been an active participant in the International Working Group on Export Credits (IWG) since its inception in 2012. The IWG was initiated by China and the United States as a platform for the negotiation of a set of international guidelines on the provision of official export financing. These guidelines will be consistent with international best practices and take into account various national interests and situations.

EDC will continue to play an active role over the planning period in helping to shape the guidelines that will be set forth by the IWG. We will contribute to the reshaping of the international export credit landscape with the goal of creating a framework that includes all major providers of official export credit, establishes modernized and market-reflective guidelines, and secures a level playing field for Canadian exporters into the future.

3. EDC'S FINANCIAL PLAN

INTRODUCTION

Key items to highlight in the Financial Plan are as follows:

- Net income is projected to be $1,026 million in 2016 and then is expected to be within the $750 to $850 million range between 2017 and 2021.
- Our financial position remains strong due to growth in interest earning assets throughout the Corporate Plan period.
- The 2016 financial results will lead to an eligible dividend payment of $802 million in 2017. The eligible dividend payments for the remainder of the Corporate Plan period range between $800 and $900 million.
- Throughout the Corporate Plan period, we will be making significant investments in our business. These investments, which are necessary in order to fulfill our mandate of supporting Canadian exporters, include the following and are further discussed in section 3.2:
    - Investment in our strategy:
        - to build brand awareness;
        - anticipate and respond to the needs of Canadian companies to further their international growth; and
        - to create new trade opportunities and increase trade diversification to help Canadian companies succeed internationally.
    - We are investing in a large scale transformation effort to replace and enhance our credit insurance systems and other systems in the future to improve the ease of doing business for our customers.
    - We are investing in the build out of our enterprise risk management framework, including the development of a more robust compliance function in line with the recommendations from OSFI.

    These planned investments will lead to higher administrative expenses and as a result we are projecting an increase in our productivity ratio over the Corporate Plan period.

In the Financial Plan, we will first present the key business assumptions which were used to derive our projected financial results followed by a discussion of our projected operating expenses and planned capital expenditures. Projected financial statements and a discussion of our capital management and the statutory limits by which we must manage our organization are also included.

3.1 KEY BUSINESS ASSUMPTIONS

A series of key assumptions, including business facilitated, risk profile of business facilitated, foreign exchange and interest rates, all of which have an impact on our business activity and financial performance, drive the Financial Plan. Using these assumptions, which align with our business strategy and economic outlook, projected financial statements are developed for the planning period, including a forecast to the end of the current fiscal year. Any changes to our business strategy or to the underlying assumptions may materially affect the projections over the planning period.

BUSINESS FACILITATED

The level of business facilitated for each program is presented in the table below.

Table 1: Projected Level of Business Facilitated (2015-2021)

(in millions of Canadian dollars)	2015 Actual	2016 Plan	2016 Fcst	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan
Business Facilitated								
Direct lending	21,201	18,300	20,300	24,600	26,300	27,900	29,300	30,800
Project finance	2,934	2,400	3,300	3,500	3,600	3,800	3,900	4,100
Loan guarantees	924	1,000	1,100	1,200	1,200	1,300	1,300	1,400
Investments	351	300	280	380	380	370	370	360
Total financing and investments	25,410	22,000	24,980	29,680	31,480	33,370	34,870	36,660
Credit insurance	60,175	61,000	56,000	58,200	60,700	63,200	65,900	68,600
Financial institutions insurance	7,666	8,100	6,000	5,700	5,900	6,200	6,400	6,700
Contract insurance and bonding	8,149	7,700	7,800	8,000	8,500	8,900	9,400	9,800
Political risk insurance	2,805	2,400	2,400	2,200	2,300	2,400	2,500	2,600
Total insurance	78,795	79,200	72,200	74,100	77,400	80,700	84,200	87,700
	104,205	101,200	97,180	103,780	108,880	114,070	119,070	124,360

2016 FORECAST

The 2016 financing and investments business facilitated is projected to increase by $3.0 billion over the Corporate Plan primarily due to a favourable foreign exchange impact as a result of the weakening of the Canadian dollar in relation to the U.S. dollar, the currency in which the majority of our loans are denominated.

Forecast business facilitated for our insurance offerings has decreased $7.0 billion from the 2016 Plan mainly due to a decline in our credit insurance and financial institutions programs. The decline in credit insurance is primarily due to the impact of two large policies, one of which was not renewed in 2016 and the other which was restructured. We are projecting a 26 per cent decline in the business facilitated for our financial institutions insurance portfolio as the economic slowdown in Brazil and other key markets has resulted in a significant decline in demand for capacity from EDC as Canadian financial institutions are able to manage the decreased demand from their counterparties within their own limits.

2017 PLAN

We are projecting the business facilitated in our financing and investments program to increase by $4.7 billion over 2016. Business facilitated in our credit insurance program is projected to grow by 4 per cent while the remainder of the insurance programs are expected to remain consistent with 2016.

2018 TO 2021 PLAN

We are projecting the financing program to grow in the range of 4.5 per cent to 6 per cent between 2018 and 2021. The variability mainly relates to the financing of the CSeries program which begins to ramp up in 2017 based on the most current projections. Our insurance programs are forecast to grow 4 per cent per year from 2018 to 2021.

RISK PROFILE OF BUSINESS FACILITATED

We assume more risk than a typical financial institution - this increased risk appetite is mandate driven. We take on larger single counterparty exposures and larger concentration exposures by sector, most notably in the transportation and extractive sectors, exposing us to large potential losses.

The risk profile of the financing portfolio is one of the key drivers of both the provision for credit losses and capital demand for credit risk.

As depicted in the following table, 81 per cent of our credit risk demand for capital is generated from non-investment grade financing exposure.

Table 2: Impact of Financing Portfolio Risk Mix on Demand for Capital

as at December 31, 2015 (in billions of Canadian dollars)	Notional exposure*	% of total	Demand for capital (credit risk)	% of total
Investment grade	40.5	54	0.9	19
Non-investment grade	34.4	46	3.9	81
Total	$74.9	100	$4.8	100

**Includes all financing exposure that attracts demand for capital*

Table 3 provides the projected risk profile for new loan signings for the remainder of 2016 and throughout the planning period.

Table 3: Risk Categories for New Loan Signings (2015-2021)

(Based on $ value of signings)	2015 Actual	2016 Plan	2016 Fcst	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan
Investment grade	65%	66%	62%	64%	63%	63%	63%	63%
Non-investment grade	35%	34%	38%	36%	37%	37%	37%	37%

We are forecasting the level of investment grade signings for 2016 to be 4 per cent lower than the 2016 Corporate Plan mainly due to large non-investment grade deals signed in the first half of 2016 across all sectors. In addition we facilitate a large number of higher risk, lower dollar value loan transactions. Based on number of transactions, 84 per cent of financing signings in the first half of 2016 were with non-investment grade obligors.

FOREIGN EXCHANGE

The Financial Plan uses a year-to-date average rate as the U.S. dollar foreign exchange rate assumption for the remainder of 2016 and all subsequent years. This methodology removes the volatility associated with yearly dollar fluctuations and ensures more easily comparable projections. The rate used in this Plan, as represented by the average rate for the period January 2016 through June 2016, is U.S. $0.75. To provide perspective on the impact of movements in the Canada/U.S. exchange rate on EDC's net income and total assets, a depreciation in the Canadian dollar of 5 cents will result in an increase to net income of $47 million and total assets of $3.3 billion.

INTEREST RATES

This forecast is based on Bloomberg financial market data, and is driven by supply and demand as well as market expectations for interest rates.

OTHER KEY ASSUMPTIONS

Other (income) expense projections include realized gains on our investments portfolio. The projections are based on a complex model, using market-driven internal rate of returns, which evaluates the expected cash distributions of current and future investments. The realized gains are then estimated based on those projections. Should actual results differ from projections, our profitability and productivity ratio will be impacted.

Due to the volatility and difficulty in estimating fair value gains or losses on long-term debt, investments and related derivative instruments, no forecast for these items is included in the Corporate Plan financial results.

The administrative expense projections include a significant amount related to accounting pension expense in each year. The pension expense is an actuarially determined amount and is difficult to predict as it is determined using a discount rate which is dependent on year-end market data. The discount rate has decreased in 2016 and we expect to end the year lower than the 4.10 per cent at the end of 2015. We are forecasting the discount rate to increase throughout the planning period and it will reach 4.50 per cent for the 2021 expense. Included in the administrative expense projections are pension cost reductions commencing in 2018 as a result of the projected increase in the discount rate which aligns with our outlook on interest rates.

3.2 ADMINISTRATIVE EXPENSES AND PRODUCTIVITY RATIO

Table 4: Projected Administrative Expenses and Productivity Ratio (2015-2021)

(in millions of Canadian dollars)	2015 Actual	2016 Plan	2016 Fcst	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan
Salaries and benefits	180	202	196	224	231	239	247	255
Pension, other retirement and post-employment benefits	54	51	49	63	58	53	47	42
Occupancy	24	30	29	29	30	30	31	31
Amortization and depreciation	24	29	28	40	53	59	60	62
Marketing and communications	17	19	19	22	22	22	23	23
Professional services	12	20	26	22	22	22	22	22
Other	40	49	51	58	60	61	64	67
Total administrative expenses	351	400	398	458	476	486	494	502
Productivity Ratio	22.9%	27.4%	27.7%	29.9%	31.6%	32.2%	31.8%	31.8%

We are targeting administrative expenses of $458 million for 2017 versus a current forecast for 2016 of $398 million. As previously discussed, items of significance in our administrative expense projections for 2017 and beyond are as follows:

- Our investment in the build out of our enterprise risk management framework, including the development of a more robust compliance function, requires additional resources to deliver on this critical priority. The benefits of our ERM plan will be a strong risk culture of oversight and clear direction, ownership and accountability and the requirement for robust monitoring and reporting.
- We are investing in a large scale transformation effort to modernize our legacy systems and improve the ease of doing business for our customers. This work has been undertaken in part because our customers expect fast, simple and predictable services, a consistent experience across all lines of business, as well as access from anywhere at any time. Additionally, our systems are aging and becoming obsolete thereby making it mandatory to replace them. This will involve significant capital expenditures and as a result, in addition to increased operating costs during the transformation, we will also be incurring increased depreciation expenses once the new technology becomes operational.
- We are making investments to build brand awareness, anticipate and respond to the needs of Canadian companies to further their international growth and to create new trade opportunities and increase trade diversification to help Canadian companies succeed internationally. This will require an increase in promotional costs and additional resources to ensure we are close to Canadian companies here in Canada as well as being close to where they will be exporting around the world.
- Pension costs are expected to decline throughout the Corporate Plan period as previously discussed. In addition, closing EDC's defined benefit pension plan to new members at the end of 2011 and introducing a defined contribution plan for new employees as of January 1, 2012 is also having a positive impact on our pension expense during the planning period.

We remain committed to ensuring long term financial sustainability through the management of our productivity ratio (PR), which measures our administrative expenses as a percentage of our net revenue. In 2016 we are expecting our PR to be slightly higher than the Corporate Plan.

In 2017, we are projecting PR to increase to 29.9 per cent due to several factors previously discussed including the investments necessary to achieve our corporate objectives, the transformation effort to modernize our legacy systems and the build out of our enterprise risk management framework.

The following tables provide information on our travel and hospitality expenses from 2013 to 2021. We are projecting an increase in travel in 2016 due to additional resources and the expansion of our international presence as previously discussed. We have aligned with the directive issued on July 26, 2015.

Table 5: Travel and Hospitality Expenses (2013-2021)

(in thousands of Canadian dollars)	2013 Actual	2014 Actual	2015 Actual	2016 Fcst	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan
Travel	6,232	7,257	6,932	8,471	8,365	8,449	8,533	8,618	8,705
Hospitality	966	1,184	1,179	1,272	1,285	1,298	1,311	1,324	1,337
Total	7,198	8,441	8,111	9,743	9,650	9,747	9,844	9,942	10,042

Table 6: Travel and Hospitality Expenses as a Percentage of Total Administrative Expenses (2013-2021)

(in millions of Canadian dollars)	2013 Actual	2014 Actual	2015 Actual	2016 Fcst	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan
Total travel and hospitality expenses	7.2	8.4	8.1	9.7	9.7	9.7	9.8	9.9	10.0
Total administrative expenses	310	327	351	398	458	476	486	494	502
Travel and hospitality as a % of total administrative expenses	2.3%	2.6%	2.3%	2.4%	2.1%	2.0%	2.0%	2.0%	2.0%

3.3 PLANNED CAPITAL EXPENDITURES

Table 7: Projected Capital Expenditures (2015-2021)

(in millions of Canadian dollars)	2015 Actual	2016 Plan	2016 Fcst	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan
Facilities	2.0	10.7	7.9	15.5	4.6	3.2	2.9	4.7
Information technology	34.4	58.5	48.7	61.4	47.6	40.3	40.9	40.0
Total capital expenditures	36.4	69.2	56.6	76.9	52.2	43.5	43.8	44.7

* Facilities capital expenditures include leasehold improvements, furniture and equipment. Information technology capital expenditures include hardware, internally developed and purchased software.

Capital expenditures for 2017 and 2018 are projected to be higher than the 2016 forecast as a result of the modernization of our legacy systems and the build out of our enterprise risk management framework as previously discussed. We continue to draw on capital, internal resources and operating costs as we rebuild our business platforms while continuing to maintain our existing systems and deliver on our mandate to support exporters. We anticipate these capital expenditures to result in efficiency gains in multiple areas of the organization over the medium to long term. In addition, facilities expenditures are anticipated to be higher in 2017 due to leasehold improvements related to potential new leases and upgrades to our regional offices.

3.4 FINANCIAL RESULTS

STATEMENT OF COMPREHENSIVE INCOME

Table 8: Projected Condensed Consolidated Statement of Comprehensive Income (2015-2021)

for the year ended December 31 (in millions of Canadian dollars)	2015 Actual	2016 Plan	2016 Fcst	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan
Financing and investment revenue:								
Loan	1,475	1,546	1,672	1,698	1,783	1,871	2,022	2,201
Finance lease	5	-	1	-	-	-	-	-
Marketable securities	60	70	72	65	64	66	68	76
Investments	8	2	5	5	5	5	5	5
Total financing and investment revenue	1,548	1,618	1,750	1,768	1,852	1,942	2,095	2,282
Interest expense	183	441	405	471	606	718	850	1,038
Leasing and financing related expenses	28	31	39	39	39	40	38	37
Net Financing and Investment Income	1,337	1,146	1,306	1,258	1,207	1,184	1,207	1,207
Loan Guarantee Fees	41	36	41	45	58	71	80	86
Insurance premiums and guarantee fees	217	222	237	224	231	241	250	262
Reinsurance assumed	7	5	7	5	6	6	7	7
Reinsurance ceded	(30)	(25)	(43)	(31)	(26)	(27)	(27)	(28)
Net Insurance Premiums and Guarantee Fees	194	202	201	198	211	220	230	241
Other (Income) Expenses	(200)	(76)	(145)	(31)	(31)	(34)	(37)	(47)
Administrative Expenses	351	400	398	458	476	486	494	502
Income before Provision and Claims-Related Expenses	1,421	1,060	1,295	1,074	1,031	1,023	1,060	1,079
Provision for Credit Losses	437	73	194	221	160	73	197	137
Claims-Related Expenses	59	80	75	59	93	94	97	101
Net Income	925	907	1,026	794	778	856	766	841
Other comprehensive income (loss):								
Pension plan re-measurement	24	75	(128)	102	99	95	91	87
Comprehensive Income	949	982	898	896	877	951	857	928

2016 FORECAST VERSUS 2016 CORPORATE PLAN

We are forecasting net income of $1,026 million for 2016, an increase of $119 million over the 2016 Corporate Plan. Items of note regarding this forecast are as follows:

- Net financing and investment income has increased by $160 million when compared to the Plan mainly due to a favourable foreign exchange impact as a result of the weakening of the Canadian dollar in relation to the U.S. dollar and an increase in net loan disbursements during the first half of 2016.
- We are projecting a provision charge of $194 million compared to $73 million in the Plan. The increase is mainly due to downward credit migration in the telecom sector, as well as the impact of the decline in the collateral values associated with our secured aerospace portfolio used in the allowance calculation which were more significant than projected in the Corporate Plan.
- Other income is forecast to be $145 million compared to $76 million in the 2016 Corporate Plan primarily due to unrealized gains on our financial instruments carried at fair value in our year-to-date results. The increase is tempered by a decrease of $66 million in the forecast for realized gains on investments as a result of uncertainty in private equity markets noted through reduced year-to-date activity.
- Other comprehensive income has decreased by $203 million when compared to Corporate Plan due to the re-measurement of pension assets and liabilities. The discount rate used to value our pension obligation decreased in the first six months of the year, while the Corporate Plan had projected it would increase. The decrease in discount rate is largely due to a reduction in available high-yielding long-dated instruments used to derive the discount rate.

2017 CORPORATE PLAN VERSUS 2016 FORECAST

We are anticipating that interest rates will rise from 2017 to 2021, thereby increasing both loan revenue and interest expense. Over this time period, we are projecting net financing and investment income to decrease when compared to 2016. In addition to a higher cost of funding for our debt, we are projecting a decrease in the overall yield on our loan portfolio as the forecast for the spreads on our new loans are less than the spreads on the loans coming off our books.

The planned net income for 2017 is $794 million, which is a decrease of $232 million from 2016. Items of note include:

- A decrease in other income due to unrealized gains on our financial instruments during the first half of 2016.
- Higher administrative expenses as previously discussed.

STATEMENT OF FINANCIAL POSITION

Table 9: Projected Condensed Consolidated Statement of Financial Position (2015-2021)

as at December 31 *(in millions of Canadian dollars)*	2015 Actual	2016 Plan	2016 Fcst	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan
Assets								
Cash	438	142	105	105	105	105	105	105
Marketable securities:								
At fair value through profit or loss	7,256	5,714	5,926	5,931	5,934	6,162	6,065	5,892
Derivative instruments	350	449	519	519	519	519	519	519
Assets held-for-sale	15	-	-	-	-	-	-	-
Loans receivable	53,136	48,999	54,211	58,705	61,082	64,138	69,603	73,743
Allowance for losses on loans	(1,715)	(1,182)	(1,757)	(1,826)	(1,836)	(1,792)	(1,851)	(1,854)
Investments at fair value through profit or loss	848	809	873	978	1,107	1,230	1,337	1,398
Net investment in aircraft under finance leases	64	-	-	-	-	-	-	-
Recoverable insurance claims	54	198	55	48	54	58	74	84
Reinsurers' share of premium and claims liabilities	141	95	100	91	95	99	103	107
Other assets	110	149	101	75	66	59	51	43
Property, plant and equipment	53	58	60	75	71	60	55	51
Intangible assets	71	115	94	114	117	112	101	87
Building under finance lease	148	139	141	134	127	120	113	106
Retirement benefit assets	-	-	-	-	-	-	27	103
Total Assets	60,969	55,685	60,428	64,949	67,441	70,870	76,302	80,384
Liabilities and Equity								
Accounts payable and other credits	115	97	97	91	84	77	69	61
Loans payable:								
Designated at fair value through profit or loss	39,291	37,756	41,411	46,032	48,558	51,971	57,401	61,314
At amortized cost	7,618	5,245	5,637	5,637	5,637	5,637	5,637	5,637
Derivative instruments	3,434	2,287	2,400	2,400	2,400	2,400	2,400	2,400
Obligation under finance lease	162	158	158	154	149	145	140	135
Retirement benefit obligations	225	110	342	255	164	70	-	-
Allowance for losses on loan commitments	113	46	77	82	80	54	53	58
Premium and claims liabilities	688	487	599	481	504	524	548	571
Loan guarantees	158	157	144	160	203	253	313	375
	51,804	46,343	50,865	55,292	57,779	61,131	66,561	70,551
Equity								
Share capital	1,333	1,333	1,333	1,333	1,333	1,333	1,333	1,333
Retained earnings	7,832	8,009	8,230	8,324	8,329	8,406	8,408	8,500
	9,165	9,342	9,563	9,657	9,662	9,739	9,741	9,833
Total Liabilities and Equity	60,969	55,685	60,428	64,949	67,441	70,870	76,302	80,384

2016 FORECAST VERSUS 2016 CORPORATE PLAN

Loans receivable are forecast to be $5.2 billion higher than Plan due to the weakening of the Canadian dollar as the majority of the loan portfolio is denominated in U.S. dollars, as well as higher than anticipated net loan disbursements in the first six months of 2016.

2017 CORPORATE PLAN VERSUS 2016 FORECAST

Loans receivable are projected to be $4.5 billion higher than the 2016 forecast of $54.2 billion as a result of net loan disbursements in 2017. Loans payable will grow due to the funding required for the increase in loans receivable.

2018 TO 2021

The proportion of our debt to equity is increasing over the planning period. Since the end of 2011 we have paid $3.6 billion in dividend payments and we are projecting another $4.2 billion over the planning period all of which are funded with debt. As a result, our debt position is growing at a faster pace than our equity.

STATEMENT OF CHANGES IN EQUITY

Table 10: Projected Condensed Consolidated Statement of Changes in Equity (2015-2021)

for the year ended December 31 (in millions of Canadian dollars)	2015 Actual	2016 Plan	2016 Fcst	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan
Share Capital	1,333	1,333	1,333	1,333	1,333	1,333	1,333	1,333
Retained Earnings								
Balance beginning of year	6,883	8,072	7,832	8,230	8,324	8,329	8,406	8,408
Net income	925	907	1,026	794	778	856	766	841
Other comprehensive income (loss)								
Pension plan re-measurement	24	75	(128)	102	99	95	91	87
Dividends paid	-	(1,045)	(500)	(802)	(872)	(874)	(855)	(836)
Balance end of year	7,832	8,009	8,230	8,324	8,329	8,406	8,408	8,500
Total Equity at End of Year	9,165	9,342	9,563	9,657	9,662	9,739	9,741	9,833
Return On Equity	10.6%	9.7%	11.0%	8.3%	8.1%	8.8%	7.9%	8.6%

STATEMENT OF CASH FLOWS

Table 11: Projected Condensed Consolidated Statement of Cash Flows (2015-2021)

for the year ended December 31 *(in millions of Canadian dollars)*	2015 Actual	2016 Plan	2016 Fcst	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan
Cash Flows from (used in) Operating Activities								
Net income	925	907	1,026	794	778	856	766	841
Adjustments to determine net cash from (used in) operating activities								
Provision for credit losses	437	73	194	221	160	73	197	137
Actuarial change in the net allowance for claims on insurance	(55)	(150)	(18)	(108)	20	17	17	17
Depreciation and amortization	31	38	36	47	60	66	67	69
Realized (gains) and losses	(120)	(76)	(2)	(31)	(31)	(34)	(37)	(47)
Changes in operating assets and liabilities								
Change in accrued interest and fees receivable	(22)	37	(115)	13	28	35	38	76
Change in fair value of marketable securities	24	-	(89)	-	-	-	-	-
Change in fair value of loans payable	(159)	-	221	-	-	-	-	-
Change in derivative instruments	186	-	(526)	(305)	(278)	(174)	(150)	(83)
Other	(86)	(252)	(14)	(45)	(58)	(57)	(76)	(55)
Loan disbursements	(18,800)	(18,841)	(21,875)	(23,173)	(24,878)	(26,051)	(26,961)	(27,996)
Loan repayments and principal recoveries from loan asset sales	14,990	16,427	18,572	18,580	22,412	22,903	21,432	23,780
Net cash used in operating activities	(2,649)	(1,837)	(2,590)	(4,007)	(1,787)	(2,366)	(4,707)	(3,261)
Cash Flows from (used in) Investing Activities								
Disbursements for investments	(209)	(227)	(227)	(266)	(303)	(313)	(317)	(319)
Receipts from investments	194	278	204	192	205	224	247	305
Finance lease repayments	16	-	4	-	-	-	-	-
Purchases of marketable securities at fair value through profit or loss	(70,267)	(29,578)	(50,226)	(32,460)	(33,054)	(35,052)	(32,783)	(34,556)
Sales/maturities of marketable securities at fair value through profit or loss	70,421	30,072	51,412	32,452	33,052	34,823	32,880	34,731
Purchases of marketable securities at amortized cost	(25)	-	-	-	-	-	-	-
Sales/maturities of marketable securities at amortized cost	117	-	-	-	-	-	-	-
Proceeds on sale of assets held-for-sale	74	-	15	-	-	-	-	-
Net cash from (used in) investing activities	321	545	1,182	(82)	(100)	(318)	27	161
Cash Flows from (used in) Financing Activities								
Issue of long-term loans payable - designated at fair value through profit or loss	14,883	12,986	14,485	12,593	16,564	16,995	19,175	22,466
Repayment of long-term loans payable - designated at fair value through profit or loss	(13,312)	(8,515)	(7,936)	(8,901)	(13,938)	(13,437)	(13,640)	(18,530)
Issue of long-term loans payable at amortized cost	1,206	-	-	2,397	-	2,663	-	574
Repayment of long-term loans payable at amortized cost	(128)	(1,270)	(1,691)	(2,397)	-	(2,663)	-	(574)
Issue of short-term loans payable - designated at fair value through profit or loss	27,406	24,813	34,821	28,631	26,101	27,299	26,101	25,701
Repayment of short-term loans payable - designated at fair value through profit or loss	(27,306)	(25,677)	(37,699)	(27,432)	(25,968)	(27,299)	(26,101)	(25,701)
Disbursements from sale/maturity of derivative instruments	(158)	-	(388)	-	-	-	-	-
Receipts from sale/maturity of derivative instruments	73	-	-	-	-	-	-	-
Dividend paid	-	(1,045)	(500)	(802)	(872)	(874)	(855)	(836)
Net cash from financing activities	2,664	1,292	1,092	4,089	1,887	2,684	4,680	3,100
Effect of exchange rate changes on cash	33	-	(17)	-	-	-	-	-
Net increase (decrease) in cash	369	-	(333)	-	-	-	-	-
Cash								
Beginning of period	69	142	438	105	105	105	105	105
End of period	438	142	105	105	105	105	105	105

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). The earnings of the corporation and its subsidiary are not subject to the requirements of the *Income Tax Act*.

AMENDED AND EVOLVING STANDARDS

The International Accounting Standards Board (IASB) has a number of projects underway, some of which will affect the standards relevant to EDC.

IFRS 9 – Financial Instruments - In July 2014, the IASB issued the final version of IFRS 9 which is to be applied retrospectively for reporting periods beginning on or after January 1, 2018. The standard introduces an expected loss impairment model and limited changes to the classification and measurement requirements for financial assets. Changes to the impairment model are highly relevant to EDC and will impact our allowance for losses on loans, loan commitments and loan guarantees. We are currently assessing the impact to EDC, accordingly, the projected financial results for 2018 and beyond within this Corporate Plan do not reflect the impact of this standard.

IFRS 16 – Leases - In January 2016, the IASB released the new Leases Standard requiring lessees to recognize assets and liabilities for the rights and obligations created by leases. The standard is expected to have a minimal impact on EDC's financial statements and is effective for reporting periods beginning on or after January 1, 2019.

We are also closely monitoring the progress on IASB projects related to insurance contracts and the Disclosure Initiative which could potentially have a significant impact on EDC's financial statements in future years.

RISK MANAGEMENT

For a comprehensive discussion on our risk management, please refer to pages 69-77 of our 2015 Annual Report.

3.5 CAPITAL MANAGEMENT

CAPITAL ADEQUACY POLICY (CAP)

As a financial institution EDC efficiently manages its capital through the Board-approved CAP in order to be able to meet the demands of current and future business while maintaining the ability to withstand future, unpredictable risks. This is a key governance mechanism for both management and the shareholder.

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 our exposures even in exceptional circumstances. As a corporation, we target the maintenance of a AA solvency rating, consistent with the level targeted by leading financial institutions. 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.

EDC is in the process of developing a new capital management framework that will include revisiting the capital demand models to improve our estimates. This is also being complemented by an initiative led by the Department of Finance in tandem with the financial Crowns to develop a common capital and dividend framework. Items under consideration include commonality of risk components among the Crowns which sees for EDC the introduction of capital set aside for pension plan risk, the introduction of correlation in the modeling of credit risk, a redefinition of a business/strategic risk component, and a redefinition of capital supply more in line with industry standards.

The targeted implementation date for this new framework, although not in full mature state, is year-end 2016. Table 13 shows EDC's projected capital position using the new framework for the Corporate Plan forecasted period. At this time these projections are based on work still in progress and actual results at year-end 2016 may vary from this baseline.

Table 12: Projected Capital Position (2016-2021)

(in millions of Canadian dollars)	2016 Fcst	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan
Credit risk	3,204	2,947	2,918	3,033	3,208	3,294
Market risk	1,106	1,121	1,113	1,115	1,115	1,117
Operational risk	254	230	226	226	233	237
Total pillar I risks	4,564	4,298	4,257	4,374	4,556	4,648
Strategic risk	456	430	426	438	456	465
Pension plan risk	500	500	500	500	500	500
Total pillar II risks	956	930	926	938	956	965
Total economic capital	5,520	5,228	5,183	5,312	5,512	5,613
Capital reserved for strategic initiatives	35	69	110	154	47	-
Capital reserved to withstand a stressed period	-	-	-	-	-	-
Total capital demand	5,555	5,297	5,293	5,466	5,559	5,613
Supply of capital	9,563	9,657	9,662	9,739	9,741	9,833
Capital surplus/ (deficit)	4,008	4,360	4,369	4,273	4,182	4,220
EDC target rating	AA	AA	AA	AA	AA	AA
EDC implied solvency rating	AAA	AAA	AAA	AAA	AAA	AAA

In order to better understand the drivers behind EDC's capital demand from a macro-economic perspective, the following two tables show a historical breakdown along both a geographical and industry lens. The redistribution of risk from both a geographical and industry perspective was driven by the same factor which was the credit appreciation of EDC's largest concentration of risk which is the U.S. airline sector.

Table 13: Distribution of the Demand for Credit Risk by Region

Region	2013 Actual	2014 Actual	2015 Actual
Africa and Middle East	5.1%	5.9%	8.6%
Asia and Pacific	6.8%	9.0%	10.7%
Europe and CIS	14.7%	13.8%	12.3%
North America	64.8%	57.5%	50.4%
South and Central America and the Caribbean	8.6%	13.8%	18.0%

Table 14: Distribution of the Demand for Credit Risk by Industry

Industry	2013 Actual	2014 Actual	2015 Actual
Aerospace	59.3%	49.3%	37.6%
Agri-food	0.5%	1.3%	1.8%
Automotive	1.1%	1.0%	1.0%
Construction	2.0%	1.8%	1.8%
Environmental	0.6%	1.6%	1.5%
Financial and insurance services	4.8%	6.5%	7.2%
Forestry	0.4%	0.4%	0.4%
Knowledge technologies	1.3%	1.2%	1.2%
Light manufacturing	2.6%	3.2%	4.9%
Mining	5.2%	7.7%	12.3%
Oil and gas	9.0%	10.5%	13.5%
Sovereign	6.4%	8.0%	6.9%
Surface transportation	0.6%	0.6%	1.0%
Telecom and media	3.1%	4.2%	6.1%
Tourism and government services	0.0%	0.0%	0.0%
Utilities and alternative and renewable energy	3.1%	2.7%	2.8%

ELIGIBLE DIVIDENDS

One of the anticipated outcomes of the new capital and dividend framework among the financial Crowns will be a better alignment of the dividend methodology with the capital framework. The principle behind this approach is in periods where EDC generates a capital surplus under the new framework, the surplus is released back to the Shareholder as a dividend over a certain period of time which should tie in with the forecasted outlook period. This new methodology will be in place for year-end 2016 subject to discussion and agreement with the Department of Finance.

3.6 STATUTORY LIMITS

EDC is subject to two limits imposed by the *Export Development Act:*

- A limit on our contingent liability arrangements which is currently $45 billion ('Contingent Liability Limit'); and
- A limit on our borrowings ('Loans Payable Limit'), as discussed on page 71.

Our projected position against each of these statutory limits at year-end throughout the planning period is provided in the following table:

Table 15: Statutory Limits (2015-2021)

(in millions of Canadian dollars)	2015 Actual	2016 Plan	2016 Fcst	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan
Contingent Liability Limit	45,000	45,000	45,000	45,000	45,000	45,000	45,000	45,000
Credit insurance	9,140	9,511	8,512	9,175	9,570	9,962	10,391	10,806
Financial institutions insurance	4,872	2,941	3,355	3,189	3,326	3,463	3,612	3,756
Contract insurance and bonding	8,906	9,042	8,901	8,962	10,161	10,471	10,978	11,546
Political risk insurance	1,396	2,189	1,519	1,281	1,470	1,531	1,595	1,665
Loan guarantees	2,187	2,165	2,246	2,959	3,832	4,458	4,964	5,219
Position against limit	26,501	25,848	24,533	25,566	28,359	29,885	31,540	32,992
Percent used	59%	57%	55%	57%	63%	66%	70%	73%
Loans Payable Limit	123,240	141,075	137,475	143,445	144,855	144,930	146,085	146,115
Position against limit	46,909	43,001	47,048	51,669	54,195	57,608	63,038	66,951
Percent used	38%	30%	34%	36%	37%	40%	43%	46%

3.7 ASSET/LIABILITY MANAGEMENT AND BORROWING STRATEGIES

In accordance with the *Export Development Act* and the *Financial Administration Act,* we raise our funding requirements in international and domestic capital markets by borrowing, which includes issuing bonds, commercial paper or other debt instruments.

ASSET/LIABILITY AND MARKET RISK MANAGEMENT

We manage our exposures to interest rate, foreign exchange and credit risks arising from our Treasury operations through a policy framework, including risk and liquidity limits. Our policies are consistent with industry practices, approved by our Board of Directors and are compliant with the Minister of Finance *Financial Risk Management Guidelines for Crown Corporations.*

Market risks to which we are exposed include movements in interest rates and the impact they have on our book of assets and our liability positions, as well as foreign exchange risk as we report our financial results and maintain our capital position in Canadian dollars, whereas our asset book and much of our liabilities are in U.S. dollars or other currencies.

Credit risk from Treasury activities arises from two sources: marketable securities and derivatives. In each case, there is a risk that the counterparty will not repay in accordance with contractual terms. The Board-approved Market Risk Management Policy establishes minimum counterparty credit rating requirements and maximum exposure limits for the management of credit risk. We also use other credit mitigation techniques to assist in credit exposure management. EDC has a collateral program in which Treasury swap counterparties pledge highly rated sovereign debt from any of Canada, the United States, Great Britain, France and/or Germany, which typically offset a major portion of our credit exposure.

We continually monitor our exposure to movements in interest rates and foreign exchange rates as well as 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. Our Asset Liability Committee meets, at least quarterly, to review current and future compliance with the Corporation's Market Risk Management policies. Our market risk positions are reported quarterly to the Risk Management Committee of the Board of Directors.

BORROWING STRATEGIES

STATUTORY BORROWING AUTHORITIES

EDC's funding activities are governed by sections 12, 13 and 14 of the *Export Development Act* and section 127 of the *Financial Administration Act*. The activities must also comply with the Minister of Finance's *Financial Risk Management Guidelines for Crown Corporations*.

The *Export Development Act* permits us to borrow and have outstanding loans payable up to a maximum of 15 times the aggregate of our current paid in capital and retained earnings as determined by the audited financial statements for the previous year. Based on the 2016 forecast, the maximum borrowing limit allowable under the Act for 2017 is estimated at $143.4 billion, compared to forecast loans payable at the end of 2017 of $51.7 billion.

In accordance with subsection 127(3) of the *Financial Administration Act*, EDC requires the approval of the Minister of Finance to enter into any particular transaction to borrow money, including the time and the terms and conditions of the transaction. We obtain Minister of Finance approval annually for our capital and money markets borrowing plans. Annual Board resolutions permit us to operate within the authorities prescribed by the Minister.

Occasionally, 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 of the borrowing plans. In such instances, we will continue to seek the approval of the Minister of Finance and report on any associated changes in the Corporate Plan.

Should market conditions warrant, we could also request access to the Consolidated Revenue Fund (CRF). Minister of Finance authority to access the CRF is sought as part of the annual short-term and long-term borrowing approval process.

SHORT-TERM BORROWING AUTHORITIES FOR 2017

EDC requests authority to borrow:

> Short-term borrowing of up to a maximum of U.S. $14.0 billion, including authority for a standby credit facility of up to U.S. $1.0 billion, and approval to approach the Minister for additional money markets capacity of U.S. $4.0 billion should business requirements or market conditions necessitate access to additional funding.

LONG-TERM BORROWING AUTHORITIES FOR 2017

EDC requests authority to borrow:

> Long-term borrowings through the issuance of new debt securities not exceeding U.S. $14.3 billion.

BORROWING APPROACH

The objective of our funding programs is to ensure that commitments are met within the parameters of our Liquidity Policy and Risk Management Guidelines. Funding requirements are determined from a base amount as established in the Corporate Plan, adding a buffer for increased needs due to stressed market conditions or additional new business demand.

We issue commercial paper (CP) to meet operating requirements and may, in cases of restricted capital markets access, issue CP to fund long-term requirements for short durations. We issue capital market debt to meet requirements for maturing debt, our loan asset portfolio, the liquidity portfolio and future lending activities. The Treasury team seeks to maximize market access and flexibility, price debt issues fairly in the primary market and closely monitor secondary market performance to minimize debt service costs. The team also seeks to take advantage of opportunities to raise funds in currencies which match the currencies of our assets.

Derivatives are used as part of the asset/liability management process. Our policies prohibit the issuance of any financial instrument, derivative, or structured note whose value and hence financial risk cannot be calculated, monitored and managed on a timely basis.

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

SOURCES OF FINANCING

MONEY MARKETS BORROWING PROGRAM

We issue commercial paper in the money markets, in various currencies under multiple platforms for cash management purposes to fund our short-term financial commitments as well as to manage interruptions in capital markets access and unpredictable cash flow demands.

The Liquidity Policy requires the liquidity portfolio to meet anticipated cash requirements for a minimum of two weeks on a daily basis during a liquidity event. Forecast cash requirements are calculated using a 14 calendar day rolling forecast which includes operations, loan disbursements, a portion of undrawn revolver commitments, and short and long- term debt maturities. The target size of the USD component of our liquidity portfolio is U.S. $4.0 billion. This target is based on a forecasted cash requirement under the policy which averages U.S. $3.0 billion, plus U.S. $1.0 billion to manage larger maturities and unexpected drawdowns from revolvers. We also maintain a CAD component of the liquidity portfolio with a target size of CAD $400 million. In addition, a daily minimum U.S. $2 billion of unused CP capacity is required.

CAPITAL MARKETS BORROWING PROGRAM

The capital markets borrowing program diversifies its funding sources by offering debt securities to investors worldwide. Typical capital markets instruments include, but are not limited to: benchmark global bonds, plain vanilla bonds, structured and medium-term notes.

Structured and medium-term notes may be used to smooth the maturity profile, respond to investor demand or access local currency funding in priority emerging markets. These notes can be issued in a variety of maturities including maturities of under one year as well as longer-dated issues with callable features. Longer- dated callable instruments are swapped into floating or fixed rate obligations. The mix of funding is guided by numerous factors including relative cost, market conditions and the profile of the loan assets portfolio.

TOTAL BORROWINGS - NEW AND OUTSTANDING

2016 Borrowings

As at August 31, 2016, we have issued U.S. $7.4 billion in long term debt compared to the Minister of Finance approved 2016 maximum of U.S. $12.7 billion. Commercial paper outstanding amounted to U.S. $6.95 billion as at August 31, 2016 compared to the Minister of Finance authorized 2016 maximum of U.S. $14.0 billion. 2016 short-term borrowing outstanding at year end is forecast to be CAD $1.6 billion lower than the 2016 Plan reflecting the forecast increased use of capital markets borrowing compared to the 2016 Plan.

In 2016, the liquidity portfolio is forecast to maintain an average balance of CAD $6.6 billion, with a minimum balance of CAD $5.9 billion and a maximum balance of CAD $7.6 billion.

2017 Borrowings

Money Market Borrowings (short-term borrowings)

Unpredictable cash flow demands most often result from undrawn revolver commitments, estimated at U.S. $12 billion at December 31, 2017. These facilities range in size from approximately U.S. $875 thousand to U.S. $500 million, can provide for same day advances and can be highly concentrated among certain industries and individual borrowers. Additional committed facilities which have not yet been drawn are forecast to total U.S. $6 billion at the end of 2017.

In 2017, the liquidity portfolio is forecast to maintain an average balance of CAD $6.4 billion, with a minimum balance of CAD $5.9 billion and a maximum balance of CAD $6.9 billion. The entire liquidity portfolio can be accessed during a liquidity event.

We are seeking approval from the Minister of Finance for a money markets borrowing program limit of U.S. $14 billion. The limit will enable us to meet the forecast peak in CP outstanding balances of U.S. $8.0 billion while ensuring that the unused CP capacity combined with the investment portfolio is sufficient to meet Liquidity Policy requirements and unpredictable cash flow demands during a liquidity event. We are also seeking approval to approach the Minister for additional money markets capacity of U.S. $4 billion should business requirements or market conditions necessitate access to additional funding.

Capital Market Borrowings (long-term borrowings)

The Corporate Plan projects a baseline borrowing requirement of U.S. $11.3 billion with potential additional long-term requirements of U.S. $3.0 billion. We are therefore requesting a capital markets borrowing limit of U.S. $14.3 billion from the Minister of Finance.

Total Outstanding Borrowings

The aggregate principal amount outstanding of borrowings will not at any time exceed CAD $51.8 billion, which is well below the maximum statutory limit of fifteen times the current paid in capital and retained earnings (equivalent to CAD $143.4 billion estimated as of December 31, 2017).

PRIMARY USES OF FINANCING

Refinancing of Maturing Debt – Maturing debt is refinanced through new issuance.

Increased Lending Activity (Term Loan and Revolver New Business) – Positive net loan disbursements are forecast in 2017.

CP Outstanding – Decrease in the level of CP outstanding.

POTENTIAL INCREASES IN REQUIREMENTS

Increased Lending and Investment Activity – New business activity requirements could increase further if global economic activity outpaces our forecasts and/or world liquidity is reduced. Additional lending and investment program activity could increase borrowing requirements.

Reduce CP Outstanding – An increase in capital markets funding in response to favourable market conditions may permit us to reduce the amount of CP outstanding.

Pre-Funding of 2018 Business Facilitated – We may seek to pre-fund some of our 2018 capital markets requirements to minimize debt service costs and lock-in longer term funding.

Table 16: Capital Markets Borrowing Requirement Projection for 2017

(in millions of U.S. dollars)	USD	2017 Plan
Decrease/(increase) in cash from operations	(440)	
Net loan disbursements	3,505	
Net increase (decrease) in cash	-	
Eligible dividend	602	
Activity from operations		3,667
Funding reduction from change in CP outstanding	(900)	
Funding reduction from change in marketable securities at fair value through profit or loss	7	
Refinancing of debt maturities	8,234	
Buybacks	250	
Activity from liabilities		7,591
Forecast Borrowing Requirements for Corporate Plan		**11,258**
Potential increases to cash requirements		
Changes to assumption on lending activity	1,000	
Changes to assumption on revolving facilities	1,000	
Reduction of outstanding commercial paper	500	
Pre-funding of 2018 volumes/maturities	500	
Forecast Borrowing Requirements Including Contingencies		**14,258**

Table 17: Projected Borrowing Plans (2014-2021)

(in millions of Canadian dollars)	2014 Actual	2015 Actual	2016 Plan	2016 Fcst	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan
Capital Markets Borrowing Limit									
(U.S. $12.7 billion)*	15,683	20,756	16,912	16,912	-	-	-	-	-
Position	10,650	17,518	12,986	14,485	14,990	16,564	19,658	19,175	23,040
Percent used	68%	84%	77%	86%	-	-	-	-	-
Short-Term Borrowing Limit									
(U.S. $14.0 billion)*	13,940	16,604	17,283	17,283	-	-	-	-	-
Position	8,233	9,911	8,271	6,658	7,857	7,990	7,990	7,990	7,990
Percent used	59%	60%	48%	39%	-	-	-	-	-

**The limits are set each year in consultation with the Department of Finance, and accordingly, there are no limits set for 2017 to 2021.*

Table 18: Projected Total Outstanding Borrowings (2014-2021)

as at December 31 *(in millions of Canadian dollars)*	2014 Actual	2015 Actual	2016 Plan	2016 Fcst	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan
Short-term borrowings	8,233	9,911	8,271	6,658	7,857	7,990	7,990	7,990	7,990
Long-term borrowings	29,805	36,998	34,730	40,390	43,812	46,205	49,618	55,048	58,961
Total borrowings	38,038	46,909	43,001	47,048	51,669	54,195	57,608	63,038	66,951

Table 19: Projected Short-Term Borrowings by Currency (2014-2021)

as at December 31 *(in millions of Canadian dollars)*	2014 Actual	2015 Actual	2016 Plan	2016 Fcst	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan
Canadian dollar	-	-	-	-	-	-	-	-	-
U.S. dollar	8,215	9,911	8,271	6,658	7,857	7,990	7,990	7,990	7,990
Other currencies	18	-	-	-	-	-	-	-	-
Total short-term borrowings	8,233	9,911	8,271	6,658	7,857	7,990	7,990	7,990	7,990

Table 20: Projected Peaks in Short-Term Borrowings by Currency (2014-2021)

for the year ended December 31 *(in millions of Canadian dollars)*	2014 Actual	2015 Actual	2016 Plan	2016 Fcst	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan
Canadian dollar	6	27	-	-	-	-	-	-	-
U.S. dollar commercial paper	8,215	11,575	10,493	10,855	10,653	7,990	8,256	9,322	8,256
U.S. dollar line of credit	-	-	-	-	-	-	-	-	-
Other currencies	1,223	66	-	45	-	-	-	-	-
Total short-term borrowings	9,444	11,668	10,493	10,900	10,653	7,990	8,256	9,322	8,256

Table 21: Projected Long-Term Borrowings (2014-2021)

(in millions of Canadian dollars)	2014 Actual	2015 Actual	2016 Plan	2016 Fcst	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan
Opening balance	25,349	29,805	31,451	36,998	40,390	43,812	46,205	49,618	55,048
Maturities	(9,015)	(13,440)	(9,785)	(9,627)	(11,298)	(13,938)	(16,100)	(13,640)	(19,104)
New issuances	11,803	16,089	12,986	14,485	14,990	16,564	19,658	19,175	23,040
Foreign exchange translation and other changes	1,668	4,544	78	(1,466)	(270)	(233)	(145)	(105)	(23)
Total long-term borrowings	29,805	36,998	34,730	40,390	43,812	46,205	49,618	55,048	58,961

Table 22: Projected Long-Term Borrowings by Type (2014-2021)

as at December 31 *(in millions of Canadian dollars)*	2014 Actual	2015 Actual	2016 Plan	2016 Fcst	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan
Fixed rate	3,778	5,611	4,446	4,768	4,635	4,635	5,634	3,237	3,237
Floating rate	26,027	31,387	30,284	35,622	39,177	41,570	43,984	51,811	55,724
Total long-term borrowings	29,805	36,998	34,730	40,390	43,812	46,205	49,618	55,048	58,961

3.8 OPERATION OF SUBSIDIARY

EXINVEST INC.

We incorporated Exinvest Inc. in 1995 and acquired shares of Exinvest Inc. in accordance with the applicable provisions of the *Financial Administration Act* and the *Export Development 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.

During 2016 and over the planning period, no new financing vehicles and no potential business transactions are anticipated. A shareholder distribution which represented a disposition of substantially all the assets of Exinvest Inc. was approved in the 2016 Corporate Plan and was paid out following the approval by the Board of Directors of EDC and Exinvest Inc. We are maintaining the subsidiary so that it will be available for future initiatives if required.

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 23: Exinvest Inc. Projected Statement of Income (2015-2021)

for the year ended December 31 (in millions of Canadian dollars)	2015 Actual	2016 Plan	2016 Fcst	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan
Revenue								
Marketable securities	1	-	-	-	-	-	-	-
	1	-	-	-	-	-	-	-
Expenses/(Income)								
Foreign exchange gain	(10)	-	-	-	-	-	-	-
	(10)	-	-	-	-	-	-	-
Net Income	11	-	-	-	-	-	-	-
Retained earnings at beginning of year	42	-	-	-	-	-	-	-
Dividend	(53)	-	-	-	-	-	-	-
Retained earnings at end of year	-	-	-	-	-	-	-	-

Table 24: Exinvest Inc. Projected Statement of Financial Position (2015-2021)

as at December 31 (in millions of Canadian dollars)	2015 Actual	2016 Plan	2016 Fcst	2017 Plan	2018 Plan	2019 Plan	2020 Plan	2021 Plan
Assets								
Cash and marketable securities	-	-	-	-	-	-	-	-
Total Assets	-	-	-	-	-	-	-	-
Liabilities and Equity								
Share capital	-	-	-	-	-	-	-	-
Retained earnings	-	-	-	-	-	-	-	-
Total Liabilities and Equity	-	-	-	-	-	-	-	-

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.

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 strategic framework outlined in the Corporate Plan 2017-2021.
- **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.

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 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.

OPERATING PRINCIPLES

EDC's decision-making on key corporate initiatives is focused on improving Canada's trade and investment performance while continuing to improve the responsiveness and resilience of the organization.

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 - in an optimal manner. In doing so we ensure that, in our key decisions, we balance the value of our services to Canadian businesses with our ability to manage risk and our long term financial sustainability.

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.

In March 2014, after five years of temporary domestic powers granted to EDC in the 2009 budget in response to the financial crisis, new *Regulations Amending the Export Development Canada Exercise of Certain Powers Regulations* came into force. They define how EDC can deploy its capabilities in support of transactions in Canada. These regulations will be subject to a review by the Government of Canada three years after their entry into force.

LEGISLATIVE OBLIGATIONS

Section 25 of the Act requires that the Minister of 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. The next review is scheduled to commence in 2018.

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.

In addition to the Legislative Review, a special examination is mandated at least every ten 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 and the next special examination will be completed in 2017.

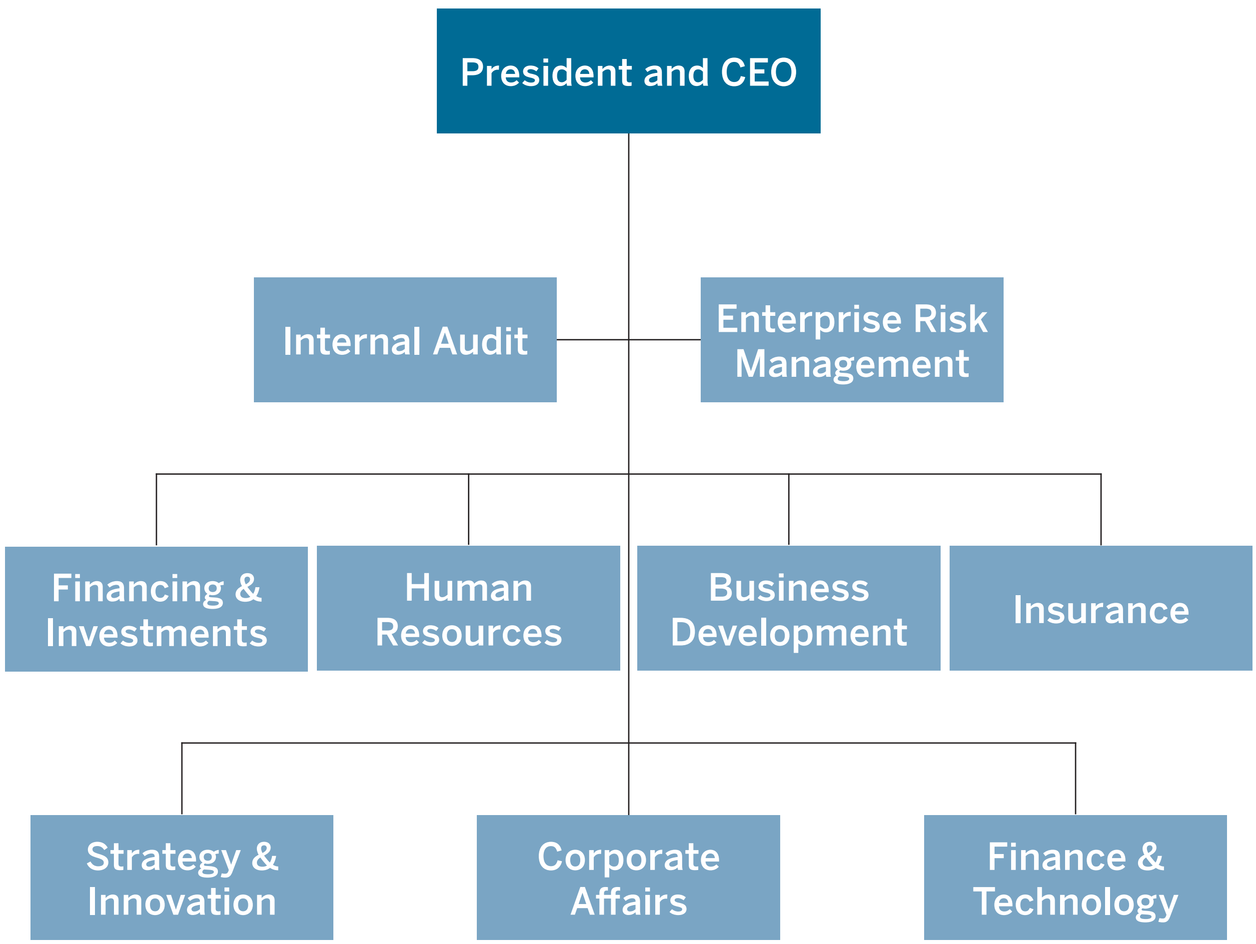
The Act also stipulates that an audit of the design and implementation of EDC's Environmental Review Directive (the Environment Audit) must be undertaken by the Office of the Auditor General (OAG) every five years. The 2014 review was presented to the EDC's Board of Directors and was tabled in Parliament [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

Audit Committee

- Financial and management control systems
- Financial reporting
- Corporate financing
- Approval of certain major expenditures
- Internal and external audit matters, including audits of the Directive on the environment, and special examinations
- Dividend: review eligibility

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
- Recommendations to the Board re risk management and capital adequacy policies and strategies
- Ethical compliance, including Compliance Officer oversight
- Environmental compliance
- Review of proposed transactions, and policy limit increases for recommendation to Board

Nominating and Corporate Governance Committee

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

Human Resources Committee

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

Business Development and Strategy Committee

- Input into strategic policy direction, including recommendations to the Board re: Corporate Plan
- Oversight of analysis of market conditions, and responses
- Monitors performance as against business strategies and policies including review of Canadian Benefits Framework

ANNEX II: OVERVIEW OF EDC'S FINANCING AND INSURANCE SOLUTIONS

To achieve success, we must understand the needs of Canadian exporters and respond to these needs with products and services that can help them export. Often, we have a product or service within our existing toolkit that meets their requirements. In the cases where we don't, we look for new ways to provide solutions to meet their needs, or refer them to one of our partners with complementary services who can address their specific challenge.

OVERVIEW OF EDC'S FINANCING AND INSURANCE SOLUTIONS

EDC provides financing and insurance solutions locally and around the world to help Canadian companies of any size respond to international business opportunities. EDC works together with private and public-sector financial institutions to create greater capacity for Canadian companies to engage in trade and investment.

EDC's financing and insurance solutions are intended to add capacity where and when it is needed. We provide a range of services to help exporters in a variety of areas.

FINANCING SOLUTIONS

In today's competitive global market, companies with international customers need to have readily available export financing to fill orders, open a foreign office or even provide financing options to customers outside Canada. EDC offers a variety of solutions, including bank guarantees and loans so that Canadian companies have the financing they need to grow.

EXPORT GUARANTEE PROGRAM

EDC can provide a risk-sharing guarantee to a Canadian company's financial institution encouraging them to extend additional financing—helping the company access the working capital they need to grow.

BUYER FINANCING

Providing financing options for a potential customer can be the key to a successful sales pitch. Buyer Financing can help give a Canadian company a competitive advantage by providing customers with flexible payment options. EDC has guarantee solutions for transactions under $10 million.

STRUCTURED AND PROJECT FINANCE

If a Canadian company is working on a large-scale global project that demonstrates economic benefits to Canada, EDC's Structured and Project Finance program can help raise the financing needed. EDC can act as a partner in international financing syndicates to advise, arrange and underwrite financing. It also provides support for a project's technical, environmental and social or documentation needs.

DIRECT LENDING

EDC can work with Canadian companies to support and enable expansion plans through Direct Lending against their international assets. Direct Lending helps companies with financing by way of a secured loan, made directly to the company in support of its international investment or directly to their foreign affiliate, secured by the foreign assets.

INVESTMENTS

EDC is 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.

INSURANCE SOLUTIONS

EDC has a range of insurance solutions to help exporters protect their international business whether they have one contract, one customer or want support for their entire book of business. Our insurance can also help companies access the working capital they need and protect their assets as they grow their international sales.

ACCOUNTS RECEIVABLE INSURANCE

Accounts Receivable Insurance (ARI) is EDC's trade credit insurance option for Canadian companies looking to insure their U.S. and international sales against non-payment. It is an ideal option if companies need the security of knowing they will be protected if any of their U.S. or international customers can't pay. In many markets, Accounts Receivable Insurance can also be extended to foreign affiliates.

TRADE PROTECT

Trade Protect is EDC's select export credit insurance option, available exclusively online, for Canadian companies who wish to insure up to five of their U.S. or international customers against non-payment.

CONTRACT FRUSTRATION INSURANCE

Contract Frustration Insurance insures companies for up to 90 per cent of eligible losses resulting from political and commercial risks such as customer bankruptcy or contract cancellation on a single contract.

POLITICAL RISK INSURANCE

Emerging markets present great opportunities to grow a company's business, diversify their customer base, and increase sales. In some markets, however, political upheaval can happen overnight, leaving companies exposed to a broad range of risks that could threaten their international business. EDC's Political Risk Insurance provides flexible solutions that can protect against risks such as protecting access to foreign held funds and non-payment or contract cancellation.

BONDING & GUARANTEE SOLUTIONS

Posting bonds and letters of guarantee are a necessary part of exporting— customers can demand bonds at almost any stage of the contract – and issuing bonds can be expensive and risky, since financial institutions typically freeze operating lines or ask for collateral equivalent to the amount of the bond.

With the protection offered by EDC's bonding and guarantee solutions, a company's bank may choose to drop its collateral requirements, helping companies free up much-needed working capital.

ACCOUNT PERFORMANCE SECURITY GUARANTEE

EDC can provide a 100 per cent irrevocable guarantee to a bank to cover a company's bonding needs. With an Account Performance Security Guarantee in place, the bank is assured it will receive full payment for any calls against a company's guarantees. This means that additional collateral is probably not required, allowing companies to focus their cash flow on other business priorities.

SURETY BOND INSURANCE

A surety company can, similar to a financial institution, issue a contractual or performance bond on a company's behalf. EDC's Surety Bond Insurance can protect a company's existing surety company in the event of a call, encouraging them to provide the company with the bonding capacity they need to sell internationally. If finding a surety company is an issue, EDC can also help companies fulfill their bonding requirements through our various partnerships.

FOREIGN EXCHANGE FACILITY GUARANTEE

EDC's Foreign Exchange Facility Guarantee encourages a company's foreign exchange provider to forego the need for collateral when they sign a foreign exchange contract to lock in exchange rates. This means companies can mitigate fluctuations in exchange rates without tying up their cash flow.