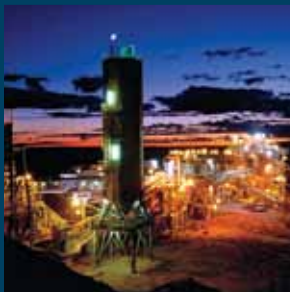


UNDERSTANDING EDC'S PROJECT REVIEW PROCESS



Starting with the basics

Every project that we evaluate for financing is different. Some projects will have a greater impact on the local community and environment, while others will have less.

We classify projects that are most likely to have significant adverse environmental or social effects as Category A projects; and those with lesser environmental and social effects are classified as Category B or C projects.

For the purposes of illustration, this guide will walk you through the steps of the typical review process for Category A projects. In order to qualify for financing from EDC, a project must meet the environmental and social performance criteria that are laid out in the International Finance Corporation (IFC) Performance Standards, the Equator Principles, as well as EDC's own Corporate Social Responsibility and legal directives.

As a first step, EDC pre-qualifies all business plans to ensure there are no credit issues. At a high level, we then look for areas that may not be aligned with our internal policies on human rights, environmental and social responsibility. Depending on the degree to which projects measure up to the internationally-recognized standards noted above, we will either engage project sponsors in further dialogue, discuss ways to deal with any serious issues, or, if gaps cannot be addressed, we decline the project outright.



EDC works with project sponsors to ensure each project aligns with international best practice.

Taking a closer look

Should we proceed to the next stage, EDC takes an in-depth look at the project design and evaluates the Environmental and Social Impact Assessment provided by the project developer/sponsor. The goal here is to scrutinize the specific environmental and social impacts the project is likely to cause and to address these and other issues identified in the review process.

To assist us at this stage, a lender's group, of which EDC is a member, hires a number of specialized advisors to assist with a more detailed review. This includes an independent environmental and social expert to provide unbiased input about the project's potential impacts, adequacy of the mitigation measures and the project's ability to meet international standards. The overall due diligence process also involves assessment of technical, financial, human resource, legal and host country issues that may arise when the project is implemented. Ultimately, the results of the assessment will feed into a term sheet that outlines the terms and conditions of financing, including elements such as the payment period and size of the reserve account.

When we are certain that our expectations for transparency, accountability, environmental and social responsibility and community involvement can be met, we begin to map out our requirements for implementation.

Export Development Canada (EDC) is Canada's export credit agency.

We provide innovative financing, insurance and risk management solutions to help Canadian exporters and investors expand their international business.

We offer financial support for industrial, commercial and infrastructure-related projects, including physical development, major extensions and transformation-conversion projects.

Our approach to project reviews

As part of its project review process, EDC assesses the benefits to the Canadian economy, evaluates the project's environmental and social impacts, and examines its technical, credit and commercial aspects.

This guide aims to provide you with a more detailed understanding of our review of environmental and social impacts, key components of EDC's overall assessment of projects.

A project is a physical development that is or will be greenfield, or a major extension or transformation-conversion.

Project reviews are an integral part of

EDC's loan financing process. They provide us with a wide range of information about potential environmental and social impacts, public accountability and business practices, and community relations and investment – information which forms the basis of financing decisions.

The information we gather throughout the project review process is also important because it tells us whether project sponsors share the same corporate goals as we do. Corporate Social Responsibility is deeply engrained in EDC's culture. Therefore, we scrutinize every project proposal to be sure these practices are upheld.

EDC'S PROJECT REVIEW PROCESS

1. Starting with the basics › PAGE 4

GOALS: To ensure there are no credit issues and to identify areas that may not be aligned with EDC's internal standards on human rights, environmental and social responsibility.

2. Taking a closer look › PAGE 5

GOALS: To examine in-depth the environmental and social impacts the project is likely to cause and to understand the extent to which the proposed risk mitigation plans will address these issues.

3. Moving the plan forward › PAGE 6

GOALS: To describe and prioritize additional mitigation measures to meet EDC's requirements.

4. Monitoring over the long-term › PAGE 6

GOALS: To ensure the project complies with the terms of the loan agreement, for the duration of EDC's support.

Moving the plan forward

At this stage, EDC has typically completed a site visit and we have taken what we have learned from our extensive analysis of all project documentation, as well as the consultant's input, to contribute toward ongoing discussions of the loan agreement.

Alongside the negotiation of loan documentation, we set to work to ensure the project developer/sponsor formulates an environmental and social action plan. The

plan will describe and prioritize time-limited commitments to complete any additional measures that the project will satisfy EDC and that it has fully met the requirements of the IFC Performance Standards.

If the outcome of this stage is favourable, the environmental and social review must be authorized by EDC's President. As a final step, EDC discloses its support for the project on www.edc.ca/disclosure.



Monitoring over the long-term

After the loan agreement is signed, EDC continues to monitor the project for compliance. We view non-compliance with the environmental and social covenants with the same degree of concern as we do repayment issues; and we will suspend disbursements of funds, or stop them entirely, until we are satisfied that the terms of the agreement are being met.

To this end, EDC requests regular monitoring reports for the duration of the implementation phase and may also ask for additional documentation, including independent monitoring and site visit reports. EDC may also undertake periodic site visits to ensure compliance with the terms of the loan documentation. Project monitoring continues until loans are repaid in full.



COURTESY OF BAJA MINING

Case study: Baja Mining

Vancouver-based Baja Mining owns a majority share of Minera y Metalurgica del Boleo (MMB), a Mexican company constructing the Boleo copper, cobalt, zinc and manganese mine, located on the east coast of the Baja Peninsula in Mexico. The project is located within the buffer zone of the El Vizcaíno Biosphere Reserve, which protects unique ecosystems, habitats and species of the Baja Peninsula. Baja Mining approached EDC for support in 2008, and before we agreed to provide \$150 US million for this Category A project, here's what happened:

- EDC reviewed the project's Environmental and Social Impact Assessments according to its Environmental and Social Review Directive for Category A projects and its commitments under the Equator Principles and the OECD Common Approaches.
- EDC evaluated the project against relevant international standards, including

the IFC Performance Standards, and ensured the project was designed to meet host country regulatory requirements.

- With the assistance of an independent consultant, we also assessed if the proposed mitigation measures were appropriate to address potential adverse environmental and social effects such as water, biodiversity, air quality and socioeconomic and land acquisition issues.
- EDC participated in a site visit to the mine, including a tour of the exploration mine, tailings areas, wharf location, construction camp and carbonate quarry and cultural sites.
- EDC met with MMB community liaison officers to discuss the status of the company's communications program.
- A loan agreement was signed in September 2010 and monitoring is ongoing, including site visits throughout the construction phase.