

Summary of Proceedings:

Export Development Canada's ESG Advisory Council Meeting

Date: June 8, 2023

ESG Advisory Council Members:

Janet Annesley, Chief Sustainability Officer, Kiwetinohk Energy Corp.

Dave Collyer, Former President, Canadian Association of Petroleum Producers

Judy Cotte, Head of ESG, Onex

Rosemary McCarney, Diplomat in Residence at Massey College and the James Coutts Scholar in International Relations at Trinity College, University of Toronto

Marie-Lucie Morin, Former Executive Director, World Bank

Mario Thomas, President and Board Chair, Precision Biomonitoring

Absent:

Anita Ramasastry, Dean, Roland Hjorth Professor of Law and Director of the Sustainable International Development Program, Washington School of Law

From Export Development Canada (EDC):

Vivian Abdelmessih, Chairperson of the Board of Directors

Mairead Lavery, President and Chief Executive Officer, and Council Chair

Lorraine Audsley, Senior Vice-President and Chief Sustainability Officer

Guillermo Freire, Senior Vice-President, Mid-Market Group

Sven List, Senior Vice-President, Corporate and International Group

Julie Pottier, Senior Vice-President, Small Business and Partnerships

Rachel Guthrie, Vice-President, ESG Integration

Sophie Roy, Vice-President, ESG Advisory Services

Jennifer Cooke, Director, Inclusive Trade

Participant Guest Speakers:

Ashleigh Owens, Deputy Director, Financial Institutions Lead, Shift Project

Mark Hodge, Vice-President, Shift Project

SESSION OVERVIEW

The June meeting of the ESG Advisory Council focused on the social pillar of ESG, looking at the deliberate actions EDC is taking to help build a more equitable and inclusive society that respects human rights and empowers communities. Specifically, the meeting focused on two key areas of EDC's business:

- Inclusive Trade
- Indo-Pacific Strategy

EDC's President and CEO Mairead Lavery commenced the meeting by sharing key areas of focus for the organization since the March meeting of the Council:

- EDC was instrumental in modernizing the OECD [Arrangement on Officially Supported Export Credits](#), which will see the expansion of the scope of green or climate-friendly projects eligible for longer repayment terms.
- EDC participated in the [G7 Heads of ECAs Summit](#) in Rome, where the discussion focused on the continued support of Ukraine, as well as operationalizing the new OECD climate sector understanding.
- EDC facilitated a roundtable with representatives of seven civil society organizations with expertise in climate, human rights, transparency and governance. The conversation focused on top-of-mind issues for civil society, including EDC's role in the climate transition (oil and gas support, Glasgow Statement, alternative energy), anti-corruption and bribery, transaction due diligence, as well as the importance of inclusive stakeholder engagement.
- EDC's President and CEO and Senior-Vice-President and Chief Sustainability Officer participated in the Sustainable Finance Summit in Montreal, contributing to the dialogue on the climate transition and integration of biodiversity into corporate strategy.

Following the updates, guest speakers from [Shift](#) spoke to the importance of social performance in business, providing a foundation for the topics explored throughout the day.

Key insights from the discussion include:

- The social pillar of ESG includes distinct topical issues such as health and safety, human rights, supply chain management, child labour, employee relations, community impacts, ID&E, etc. However, there are varying degrees of understanding of each issue.
- The core of social is tied to the impact on people and ensuring that companies are respecting human rights; additionally, there is a convergence as to risks to business (legal, reputational, exacerbating equality or not). Each company may have impacts across different social factors.
- There is a range of outcomes for people, with human rights and equality representing the threshold - the minimum level of outcome that must be achieved. How do we move beyond to ensure people thrive?



- Measuring social performance is more challenging than climate-related measurement. Progress in the social sphere can only be made when there are meaningful, clear, transparent indicators.
- There is an inherent connection between the “S” and “E”, which needs to be better articulated. When delving deeper into environmental issues, impacts on people are at the core.
- The UN Guiding Principles on Business and Human Rights (UNGPs) have been unanimously endorsed and apply to all States and business enterprises. However, the application of the UNGPs differs around the world.
- Notions of leverage and saliency are valuable in understanding risk, where the most severe impacts can occur, where a company can achieve better outcomes for people, or to identify instances when it should disengage.
- Companies must adhere to mandatory human rights obligations and must conduct due diligence to address, understand, mitigate, account for impacts on people.
- Challenges remain in measuring social performance and ensuring competitiveness for Canadian companies in a world where there isn't a level playing field (example - competing against companies/markets with different values).

Following this discussion, the conversation moved to EDC's inclusive trade strategy, which continues to evolve to ensure more Canadian companies owned and led by members of equity-seeking groups can access capital, contracts and relevant trade solutions. Since it was established in 2019 with a focus on supporting women in trade, the program has expanded to include all equity-seeking groups.

Of note, the following themes emerged:

- Diverse businesses include financially stable companies operating across all industries, and with excellent growth and export prospects. The perception that equity-seeking groups (particularly Indigenous and Black-owned businesses) represent abnormally higher risk relative to all other businesses does not accurately reflect the reality of many diverse-owned businesses.
- While all groups face unique barriers, where possible, EDC should consider identifying common threads between the equity-seeking groups, who may be facing similar challenges. This will enable capacity-building and scale.
- EDC's support for Indigenous-owned and led businesses should be priority given the specific rights given to Indigenous Peoples under the UN Declaration on the Rights of Indigenous Peoples and inherent rights noted in section 35 of the Canadian constitution. There is tremendous opportunity to support Indigenous exporters across all sectors and markets. EDC's mandate and product offering (specifically project finance) make it uniquely positioned to partner with and support Indigenous companies. A flexible approach and adaptability in EDC's program criteria is needed to make EDC's financial products accessible and relevant.
- Indigenous-owned and led businesses consider international trade as an important economic tool, creating jobs and contributing to the economic, environmental and social well-being of communities. This social mandate aligns with EDC's priorities; there is an opportunity for EDC to play a larger role in helping Indigenous exporters integrate into the trade ecosystem.



- EDC has a key role to play in not only providing capital, but also fostering connections for all diverse groups who could benefit from EDC’s extensive network of companies and government partners. EDC can help companies connect to opportunities and navigate the vast ecosystem.
- One avenue for support EDC can consider over the long term is creating partnerships or connections between inclusive trade companies and medium or large EDC customers, who are actively looking to diversify their supply chains as a means of increasing competitiveness. A potential area to pilot this is leveraging EDC’s global partnerships program, which seeks to create positive impact beyond transactions.
- EDC has the opportunity to help smaller businesses accelerate their international growth through alliances, partnerships, and through stretching our risk appetite.

Following a break for lunch, the Council reconvened to learn more about EDC’s Indo-Pacific strategy, and to share insights on important ESG considerations specific to the region. Highlights from the conversation include:

- The Indo-Pacific is a big focus of EDC’s 2030 strategy, which seeks to drive Canadian trade and investment growth in the region. The strategy capitalizes on important trends shaping the region, including a rising middle class, demand for proteins/quality agri-food, the energy transition, infrastructure demand, supply chain re-orientation, geopolitics and increasing digitalization.
- EDC’s approach to the region aims to build strategic relationships, knowledge and networks in focus sectors, embedding ESG and being intentional with risk.
- Partnerships will be key to success in the regions. EDC should consider identifying strategic partners who are present in the region and leverage their learnings. It should also leverage third parties to support in risk assessment.
- When considering how to effectively manage ESG-related risks in the region (nascent governance standards as an example), EDC will benefit from engaging with local stakeholders and partners, multilateral institutions, who understand the non-credit risks. Advancing responsible trade may require a stretch in risk appetite.
- When assessing partnerships, EDC should consider Canada’s strengths specific to ESG (water management, utilities, regulations). This should be balanced with the needs of Canadian exporters – where they require EDC’s support.
- EDC has a role to play in clearly articulating Canada’s brand abroad in order to help Canadian companies compete.
- Given the complexity of the strategy, competition in the region and the need to build long-terms partnerships, EDC should consider extending the horizon to 2040 and beyond.

