



EXPORT DEVELOPMENT CANADA
2021 INTEGRATED ANNUAL REPORT

HUMAN RIGHTS DISCLOSURE



HUMAN RIGHTS DISCLOSURE

“We’re in a unique position to be able to engage with, and convene, people in both the public and private sectors to tackle issues and drive genuine change for the better.”

Justine Hendricks,
Senior Vice-President and Chief Corporate
Sustainability Officer

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About this report

EDC’s 2021 Human Rights Disclosure highlights our foundational policy and frameworks that guide our governance of and approach to human rights risk management. It further covers the key implementation initiatives that took place over the last calendar year as well as what is to come in 2022 to 2024.

Approach to human rights reporting

EDC subscribes to best-practice frameworks to guide our risk management practice and disclosures. For human rights reporting, we follow the **United Nations Guiding Principles (UNGPs) Reporting Framework**. Our human rights disclosure is a key component of EDC’s Integrated Annual Report and responds to one of the key commitments we have made in our Human Rights Policy on tracking and reporting on our human rights performance.

The Government of Canada, through its **2021 Statement of Priorities and Accountabilities (SPA)**, acknowledged EDC’s Human Rights Policy and reporting efforts that promote responsible business conduct (RBC). The SPA directed us to continue to uphold high RBC standards within the business community and strengthen disclosures. As part of our efforts to address the human rights implications of our business, we aim to strengthen our human rights reporting each year and align more closely with the UNGPs and SPA. In this endeavour, we work with third parties to advise on best-practice opportunities to improve our program, through an in-depth understanding of the key drivers and trends, and perform annual limited assurance on human rights key performance indicators

(KPIs), in addition to other environmental, social and governance (ESG) KPIs.⁽¹⁾ We believe that performance tracking and reporting are essential for demonstrating accountability, evaluating our work, and building relationships with external stakeholders, customers and rights holders.

Transparency and disclosure

Human rights reporting is one part of EDC’s efforts to ensure transparency of our operations. Additionally, we have a number of annual progress reports that complement our human rights reporting in providing a clear view of our practices to build trust and accountability to our stakeholders. In addition to progress reports, we publish our strategies, policies, plans, and integrated and individual reports outlining our corporate commitments, goals and progress.

EDC’S KEY DISCLOSURES INCLUDE:

- › EDC 2030 Strategy
- › Annual reports
- › 2021 Climate-Related Disclosure
- › 2021 Human Rights Disclosure
- › Financial reports
- › Corporate Plan (summaries)
- › Canada Account annual reports
- › Green bond impact reports
- › 2021 Annual Public Meeting

RELATED PUBLICATIONS

For more detailed information on EDC’s human rights efforts, please see the following documents:

- › Human Rights Policy
- › 2019–2022 Human Rights Policy Implementation Plan
- › Due Diligence Framework: Human Rights
- › EDC’s Principles on Leverage and Remedy

Other supporting documents include:

- › Transparency and Disclosure Policy
- › Environmental and Social Risk Management (ESRM) Policy
- › Environmental and Social Review Directive
- › Climate Change Policy
- › Due Diligence Framework: Climate Change
- › Green Bond Framework
- › EDC Net Zero 2050

⁽¹⁾ Our 2021 ESG key performance indicators’ Assurance Statement can be found on our [website](#).

Introduction

Respecting internationally proclaimed human rights is central to our responsibility as an export credit agency (ECA). Every day, we work to ensure our efforts are focused on influencing better outcomes for people and the environment, with the broader objective of equipping our customers to participate and compete in a global economy where expectations for responsible business conduct are rising.

We are all responsible for respecting the rights of everyone, including the rights of vulnerable people such as women, children, religious and ethnic minorities, Indigenous Peoples, and anyone likely to suffer bias, such as human rights defenders, the LGBTQ2+ community, migrant workers and artisanal miners. EDC recognizes that it is people who advance our purpose to **“make Canada and the world better through trade,”** underpinned by our values of customer success, integrity and transparency, improving communities, and caring about people and the environment. Our purpose and values are operationalized through key impact areas and outputs identified in EDC’s 2030 Strategy, which includes addressing human rights issues in promoting responsible and inclusive business for all.

Trade affects people

International trade and the economic prosperity it builds is not possible without people. Our role allows us to connect Canadians with diverse companies all around the world. In fact, our trade ecosystem connects people globally every day, each expecting a relationship built on the respect of human rights.

However, trade connections do occasionally give rise to adverse human rights impacts. We believe that sustainable, responsible and inclusive trade is a powerful force for good in Canada and around the world, and is a key driving force for improving society. Given this, we understand the responsibility and importance of communicating how we have leveraged our influence to meet these objectives. This communication includes key progress that has been made within our policies, governance, risk management and due diligence, and stakeholder engagement and advocacy.

In line with the UNGPs Reporting Framework and our own commitments, this disclosure outlines:

- Our responsibility for respecting human rights in terms of governance and guiding policy
- How human rights issues are managed at EDC, including our processes for identifying, assessing, mitigating and monitoring issues as well as reporting and engaging with stakeholders

HUMAN RIGHTS AT EDC

EDC’s influence on human rights is guided by our [2019 Human Rights Policy](#). The policy is aligned with the UNGPs and provides the principles and commitments that guide our approach to respecting human rights and internal decision-making for the transactions we support. It covers our commitments within the fundamental areas of:

 Responsibility to respect human rights	 Monitoring
 Human rights due diligence process	 Enabling remediation
 Prioritization	 Communicating with stakeholders
 Client assessment	 Tracking and reporting on our human rights performance
 Leverage	 Taking an active role in the level playing field

Human rights considerations are integrated into our environmental and social due diligence processes, including through specific approaches in higher-risk customer relationships or transactions, as guided by our [Due Diligence Framework: Human Rights](#). EDC’s [Principles on Leverage and Remedy](#) outline our approach to preventing and mitigating human rights risks and impacts from customer relationships and enabling remediation when impacts nevertheless occur.

Tracking and disclosing performance

Tracking the performance of our human rights risk management approach is integral to the commitments laid out in our guiding policies. We use KPIs to monitor our performance in preventing and mitigating human rights impacts, including tracking our human rights screenings and customer engagement outcomes. These KPIs are described throughout the report and allow us to continuously improve and adapt our approach to respecting human rights within our ecosystem of influence.

Guided by our **Transparency and Disclosure Policy**, we follow a framework for disclosing information about our business in a way that balances the confidentiality required by our customers with the details sought by interested Canadians.

Accomplishments in 2021

This past year, we focused on strengthening our approach to better manage the human rights risks and impacts we encounter in transactions and customer relationships. This included developing a suite of due diligence tools to operationalize our **Principles on Leverage and Remedy** into a systematic, organization-wide practice to influence our customers and others to prevent and mitigate human rights risks, and to ensure that those who are harmed have access to effective recourse.



We further identified concerns linked to solar power as one of three key focus areas for human rights risk management (see our Leverage and Remedy Focus Areas section on [page 17](#) to learn more). To manage the risks associated with this sector, we developed a portfolio-level strategy focused on updating and strengthening our due diligence process, and on engaging with peers and industry experts to discuss effective ways to address systemic issues.

We also kicked off a review process to update our **Human Rights Policy** by completing an environmental scan of global trends and peer and industry

practices. This process takes place as part of the larger review of our Environmental and Social Risk Management (ESRM) Policy Framework and ensures we remain on top of human rights developments in a fast-changing and complex ecosystem.

As always, we continued efforts to raise awareness across the organization about EDC's responsibility to respect human rights. As part of our change management strategy, we included an emphasis on human rights in our enterprise-wide ESG 101 employee training.

KEY FUTURE PRIORITIES

In 2022 to 2024, we plan to:

- Operationalize our Leverage and Remedy Framework, which will mark the final stages of implementing our 2019 Human Rights Policy. Activities will include:
 - » launching our leverage and remedy due diligence tools
 - » providing training to teams across our lines of business, as well as decision-makers
- Conduct a review of our priority focus areas and further progress on the development and implementation of risk management strategies at the portfolio level
- Complete the review of our Human Rights Policy

Ongoing efforts to improve our human rights reporting approach are important, and we will continue to further align with the UNGP Reporting Framework, including exploring how we can better discuss our work on salient human rights issues.

HUMAN RIGHTS AT EDC

2008



Released our Human Rights Statement.

2011



Started embedding human rights risks into our environmental and social due diligence practices.

2015



Assessed our practice against the UNGPs.

2017



Aligned our environmental and social due diligence practices with the UNGPs.

2018



Began review of our Environmental and Social Risk Management Policy Framework.

2019



Issued our first board-approved and dedicated Human Rights Policy.

2020



Developed and approved Principles on Leverage and Remedy.

Disclosed our Due Diligence Framework: Human Rights.

2021



Developed due diligence tools on leverage and remedy.

KEY TERMS



We apply the **Universal Declaration of Human Rights definition** for the framing of human rights at EDC.

Human rights: Human rights are the basic rights and freedoms that belong to every person in the world, regardless of nationality, location, language, religion, ethnic origin or any other status, which are enshrined in the International Bill of Human Rights. They can include (but are not limited to) workplace rights, health and safety issues, discrimination, privacy, security, cultural rights and more.

Human rights impacts: Those that fundamentally impact basic human dignity.

Leverage: The ability to influence customers or other responsible parties to prevent and address risks or impacts in response to concerns about potential environmental, social or human rights issues.

Remedy: When adverse human rights impacts occur, affected stakeholders have a right to effective recourse to restore their dignity. Remedy refers to both the process of providing remedy for negative human rights impacts and the outcome that can counteract, or make good, the negative impact.

Governance

We understand that human rights abuses harm people and communities, compromise trust, and negatively affect a business's social licence to operate. Our human rights lens is guided by our core values of customer success, acting with integrity, improving communities, caring about people, and limiting our impact on people and the environment.

At EDC, we use our influence to create a more sustainable and equitable world through our leadership and business impacts. This section describes how our operational governance structure facilitates this goal.

Respecting human rights is embedded throughout all levels of our organization. Human rights commitments have been formalized through our policies and specific actions that we measure using structures, such as standing agenda items at the board, our CEO performance agreement, and multi-disciplinary staff working groups. These actions support the implementation of our established commitments, measured through targets and KPIs and disclosed through a formal reporting process.

Policy commitment

Leveraging our influence in trade begins with a policy commitment that ensures the rights of people are respected. In 2019, we became Canada's first commercial banking institution to release a dedicated Human Rights Policy aligned with the UNGPs.



Our human rights lens is guided by our core values of customer success, acting with integrity, improving communities, caring about people, and limiting our impact on people and the environment.

Our Human Rights Policy outlines human rights commitments and governance, in terms of review periods as well as roles and responsibilities. Overarching to this policy is our Environmental and Social Risk Management (ESRM) Policy Framework, which also includes the **Climate Change Policy**, **ESRM Policy** and the **Environmental and Social Review Directive**.

Our **2019–2022 Human Rights Policy Implementation Plan** outlines the path to achieve the policy commitments. Once our Leverage and Remedy Framework is operational in 2022, we will have completed all committed activities.

Operationalization of the policy

Legend:		E&S and Human Rights Due Diligence	Stakeholder Engagement	Integrated Annual Report & Human Rights Disclosure	Leadership in International Forums	Leverage and Remedy Framework
✓ Status: Complete						
● Status: In Progress						
Integration of human rights into due diligence	EDC takes a risk-based approach by prioritizing certain transactions for further due diligence	✓			✓	
	EDC assesses our customers' capacity to manage human rights impacts	✓				
	EDC builds and uses leverage to influence our customers' actions to prevent and mitigate their human rights impacts	✓				●
	When higher risks to people are identified in a transaction, EDC will track and monitor the human rights performance of our customers	✓				
Enabling remediation	EDC will play an appropriate role in enabling remedy	✓				●
Communicating with stakeholders	Communicating with EDC's stakeholders in good faith through constructive dialogue		✓			
Tracking and reporting performance	Disclose information on EDC's human rights due diligence processes			✓		
	Track EDC's performance related to human rights due diligence processes	✓				
Influencing our partners	Bring to the attention of EDC's customers best practices in the field of human rights	✓				●
	Play an active role in industry and standard-setting bodies as part of EDC's commitment to ongoing strengthening of best practice				✓	

Policy review

EDC conducts periodic reviews to guide the update of our ESRM Policy Framework. The review process enables us to identify opportunities to better align the policies with our ESG practices, business activities, customer needs, and emerging environmental and social risk management best practices.

The Human Rights Policy must be reviewed and approved at least once every three years, through a full consultative review process. Policy revisions must be accompanied by supporting detail on material changes and associated rationale. Stakeholder engagement, internal and external, forms a critical part of our regular Human Rights Policy review process, with final approval gained from the Executive Committee and the Board of Directors.

Similar to developing the 2019 policy, in 2021 we began a consultative review of our Human Rights Policy as part of the ESRM Policy Framework review process. The review is led by a core working group and includes completion of an environmental scan to identify peer and industry best practices and a discussion paper on the policy framework, rationale, and key issues and priorities for the review.

The discussion paper will be used to inform public consultations with industry and trade associations, civil society organizations (CSOs), national bank partners, and ECA peers as well as targeted outreach meetings with customers. EDC will also consult with key internal teams, our ESG Advisory Council, and host virtual open houses for all interested staff.

With material prepared, the Human Rights Policy review will continue in 2022 with stakeholder engagement activities and feedback channels to gather input. After gathering and integrating feedback, we plan to issue a Public Response Paper with the revised policy release. Combined, these documents provide a high-level description of how we incorporated feedback into our policy review.

For details on our stakeholder engagement initiatives outside of policy review, refer to the Stakeholder Engagement and Advocacy section on [page 19](#) and our [2021 Integrated Annual Report](#).

Board and management oversight

EDC’s leadership team aims to position us as a leader in human rights risk management. Our Chief Corporate Sustainability Officer (CCSO), board executives and supporting committees are active in the development, implementation and review of our human rights risks management practice. They act as champions in ensuring we influence trade so that it results in positive outcomes for people.

The Board of Directors oversees our ESG direction, strategy and risk management policies, including our Human Rights Policy. Formal progress updates on the implementation of our Human Rights Policy are provided to the board on a regular basis.

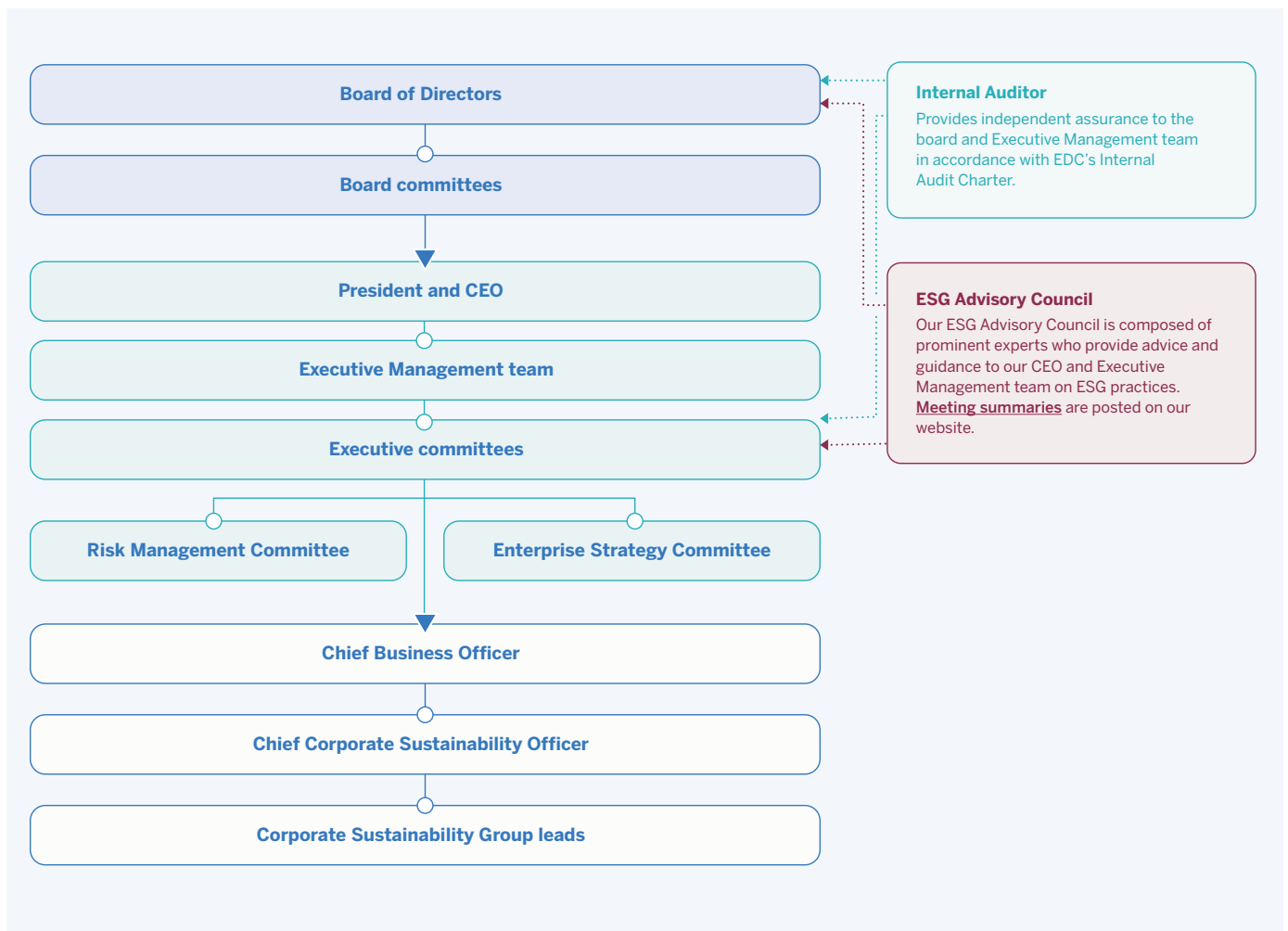
Given our growing network of influence, a reorganization substantially enhanced our Corporate Sustainability Group in 2021, with additional resources and leadership positions added in ESG. Major changes include the formalization of Justine Hendricks’ role as SVP, Sustainable Business & Enablement and Chief Corporate Sustainability Officer, and establishing the new roles of VP of ESG Policy, and VP of ESG Strategy, Outreach and Reporting.

Within this new structure, our CCSO owns the Human Rights Policy (as policy owner), with responsibility for its development, implementation and maintenance as well as its execution and effectiveness. The VP, ESG Policy functions as the policy monitor, with responsibility for monitoring, ensuring and attesting to compliance with the policy, and for reporting instances

of non-compliance to the policy owner. EDC’s internal auditor provides independent assurance to the Board of Directors and executive in accordance with EDC’s Internal Audit Charter. We added a structure to emphasize reporting importance by adding a VP of ESG Strategy, Outreach and Reporting, with a focus on disclosure, particularly in alignment to the Task Force on Climate-related Financial Disclosures (TCFD) and UNGP Reporting Framework. Both strategic and quantitative information flows from the executive committees to the board and its committees.

Our board, Executive Committee and supporting committees have distinct roles and responsibilities in overseeing the Human Rights Policy. The table below provides an overview of responsibilities and example activities in the reporting period.

ESG governance structure



ESG governance

		Responsibilities	2021 activities
Board level	Board	ESG matters feature routinely across the agendas of our board.	<ul style="list-style-type: none"> • Delivered a board workshop with Shift, the leading centre of expertise on the UNGP, to introduce the leverage and remedy due diligence tools • Provided updates to the board on Human Rights Policy implementation • The Chief Corporate Sustainability Officer regularly reported to the board • Performed a governance evaluation survey and confirmed the need to ensure the board skills matrix includes in-depth experience in ESG
	Risk Management Committee	Has oversight of EDC's Enterprise Risk Management Framework, including the ESRM Policy Framework. The committee regularly reviews compliance with the Corporation's Environmental and Social Review Directive and receives regular updates regarding the implementation of the ESRM Policy Framework, which includes our climate change and human rights policies.	
	Business Development and Performance Committee	Focuses on ESG developments through the strategic lens of strategy implementation and impact, including KPIs.	
	Internal Auditor	Provides independent assurance to the board and Executive Management team in accordance with EDC's Internal Audit Charter.	
Executive level	Enterprise Strategy Committee	Provides oversight and guidance for all strategic initiatives, decisions and outcomes across the enterprise, including ESG Strategy and initiatives.	<ul style="list-style-type: none"> • EDC's human rights specialist, along with Shift, provided a progress update on the development of EDC's Leverage and Remedy Framework
	ESG Executive Committee	Reviews regular reporting on the performance and progress of the ESG Strategy.	
External	ESG Advisory Council	Provides advice to EDC's President and Executive Management team. The Chair of the Board is an <i>ex officio</i> member and represents an important linkage between the council and the board, along with EDC's President and CEO.	<ul style="list-style-type: none"> • Shared input on ESG-related risks and opportunities critical to developing EDC's ESG Strategy, with human rights identified as a material issue

To ensure that our Executive Management team retains a long-term vision in decision-making, we plan to incorporate an ESG component into our long-term incentive plan in 2022. It will apply to vice-presidents and Executive Management.

As Canada's export credit agency, we strive to collaborate and share our lessons learned with the ecosystem of Canadian public bodies. In March 2021, our CEO shared our ESG story and approach to human rights while answering key questions from parliamentarians during an inquiry by the House Subcommittee on International Human Rights as part of the committee's study of the roles and powers of the Canadian Ombudsperson for Responsible Enterprise.

Day-to-day roles and responsibilities

Risk management at EDC is governed by the Three Lines of Defence (3LD) model. The 3LD model distinguishes roles and responsibilities via three lines of management in which employees in every area of the organization are responsible for managing risk.

ESG roles and responsibilities for the ESRM Policy Framework

Role/Team	Responsibility
First Line of Defence	
Business Development and Underwriting	Takes, owns, manages and monitors risks, including environmental, social and human rights related Conducts pre-screening to flag potential and/or actual environmental and social (E&S) risks to ESG Customer Success
ESG Customer Success	Identifies, assesses, manages and monitors environmental, social and human rights risks and issues in compliance with requirements set out in the ESRM Policy Framework and supporting documents Escalates E&S issues to the ESG Policy team and the Second Line of Defence, when additional oversight and guidance is needed
ESG Policy	Develops, implements and maintains the ESRM Policy Framework Provides guidance to the ESG Customer Success team and Business Development and Underwriting teams to ensure alignment of the due diligence process with the ESRM Policy Framework
Second Line of Defence	
Risk Management Office	Provides oversight as well as objective and effective approval of all risk ratings, with some exceptions
Relationship and Transaction Committee	Provides oversight as well as objective and effective challenge of risk assessments and recommendations (VP level)
Third Line of Defence	
Internal Auditor	Responsible for conducting periodic audits to review adherence to the principles outlined in the ESRM Policy Framework and to the standards, guidelines and procedures detailed in its supporting documents, and for providing independent assurance to the board and Executive Management that EDC's Framework for capital management is designed and operating effectively Provides independent assurance to senior management and the board that the first and second lines of defence are effectively managing and controlling risks Provides independent assurance that the ESRM-related policies are fully implemented

Capacity building and internal engagement

Embedding human rights into our everyday business activities requires that everyone at EDC understand our commitments and their role in achieving them. Recently, we included EDC's responsibility to respect human rights in our employee-wide ESG training, ESG 101. This training is a key component in upskilling our organization on what ESG is, how it is a key enabler for our corporate strategy, and why human rights is a key priority of our strategy and values.

To develop our Leverage and Remedy Framework, we took a collaborative approach engaging a cross-functional working group. Tasked with reviewing and providing feedback on the

framework throughout its development, the working group also participated in activities to increase project awareness across business units.

This approach enabled staff to become champions of the framework, working toward embedding it more seamlessly into operations. In particular, we dedicated time to defining the different roles that will be played by affected teams across the organization as they begin utilizing the new due diligence tools. This is further detailed in the Leverage and Remedy Due Diligence Tools section on [page 17](#).

To support an understanding of the framework at the leadership and board level, we provided progress updates on its development as well as virtual presentations (refer to the Roles and Responsibilities section above).

KEY FUTURE PRIORITIES

We will continue to find opportunities to further integrate human rights into governance. In 2022 to 2024, we plan to:

- Complete the ESRM Policy Framework review and obtain approval from the board for our updated Human Rights Policy
- Explore how to further raise awareness of EDC's responsibility to respect human rights across the Corporation
- Continue to engage with senior management and the board on EDC's progress operationalizing the Leverage and Remedy Framework

Management of human rights issues

Managing human rights issues is possible when our stakeholders, including employees, customers, peers and third parties, are equipped with the necessary tools, knowledge and support. With a strong governance foundation in place, we are well positioned to turn our human rights commitments into real action.

Approach to human rights risk management

EDC's **Human Rights Policy**, combined with our **Due Diligence Framework: Human Rights** and **Principles on Leverage and Remedy**, addresses our responsibilities related to the management of human

rights risks identified in our customer relationships and transactions.

Due diligence framework

Our due diligence framework allows us to identify, assess and manage human rights risks in our transactions and customer relationships, and subsequently integrate findings into decision-making processes and actions, as appropriate. It encompasses our approach to non-project and project-related transactions, as part of our environmental and social due diligence process. It also includes specific approaches for areas we consider to be of higher human rights risk, specifically:

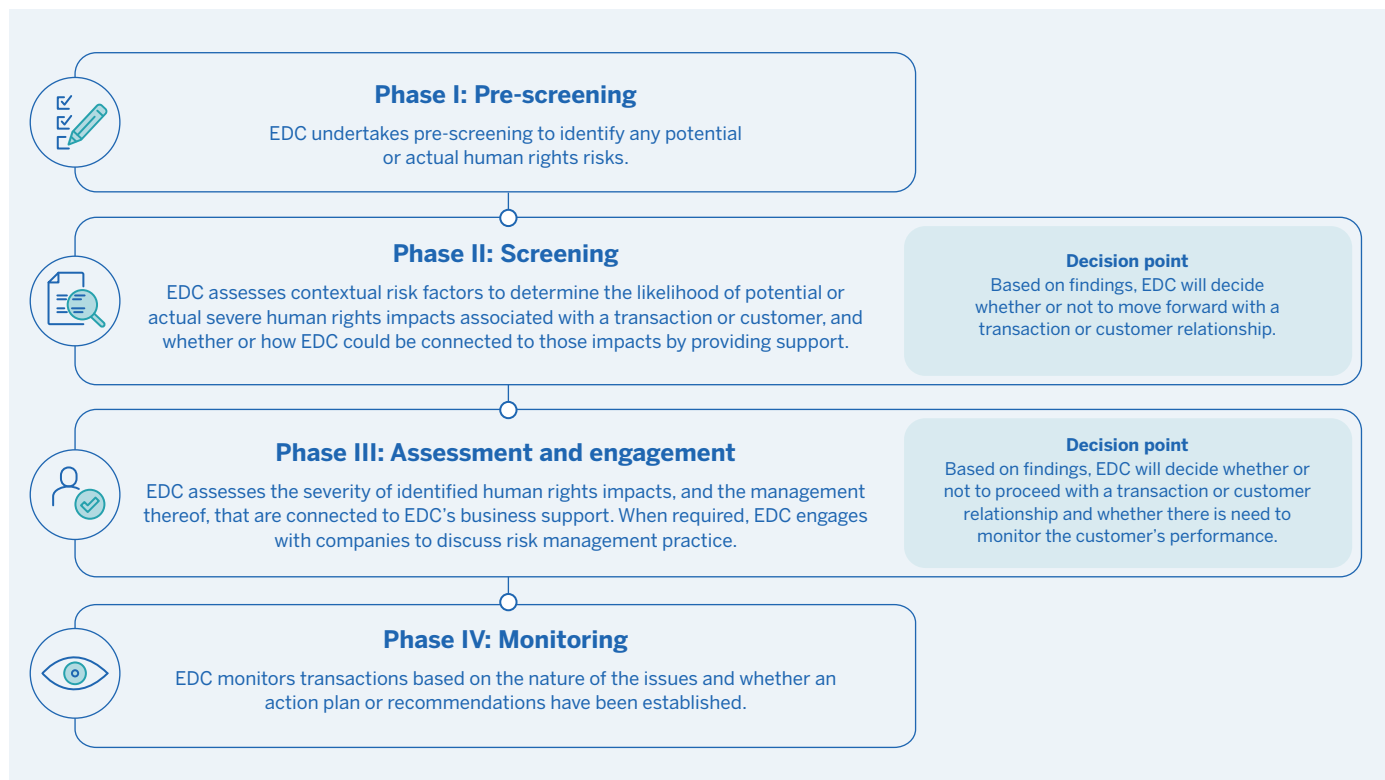
- Apparel, footwear and textile industries
- Telecom and software industries
- Gender risks and impacts
- Supply chain (added in 2021)

Additional due diligence considerations are in place for project-related transactions, which align the reviews with the Equator Principles and Organisation for Economic Co-operation and Development (OECD) Common Approaches on Environmental and Social Due Diligence.

We expect this framework to continue to evolve with the changing nature of our business, the business of our customers, as well as industry best practice.



Human rights due diligence process



Emerging issues

EDC identifies, researches, monitors and prioritizes emerging environmental and social issues and risks related to transaction support. We recognize the realities of rapid technological developments, shifting political landscapes, and growing complexities in supply chains, trade and the nature of our work.

Members of the ESG Customer Success and ESG Policy teams undertake an annual review of emerging environmental and social risks through a discussion informed by various sources, including the **World Economic Forum's Annual Global Risk Survey** and the teams' due diligence experience and knowledge. When it's determined that an emerging risk has become a salient issue, we incorporate the risk into our due diligence framework, or we develop and operationalize formal position papers or guidance notes.

In 2021, we expanded our **Due Diligence Framework: Human Rights** to include a dedicated approach for supply chain risks, including enhanced customer supply chain due diligence questions, to enable the collection of more granular information (see Appendix D of the Framework). Supply chain-related risks can be influenced by several high-risk factors, including sector-specific dynamics, supplier location, and adverse company media. Based on these risk factors, we flag transactions for further human rights risk screening.

We are committed to transparency and will continue to disclose details on our due diligence process as we develop human rights positions and approaches related to specific sectors, countries and issues.

Influencing the management of human rights risks in supply chains

Spoke at the OECD Environmental and Social Practitioner meeting about supply chain due diligence

Engaged with other financial institutions on these issues as part of **Shift's Financial Institutions Practitioners Circle**

Due diligence approaches for higher-risk contexts and associated salient human rights issues

Salient issue	Risk	Approach	Example practices
Apparel, footwear and textiles			
<ul style="list-style-type: none"> • Child labour • Forced labour • Health and safety • Gender equality • Wages • Freedom of association • Responsible sourcing • Hazardous chemicals • Water • Working time 	Based on the countries of operation or suppliers	<p>Small and medium-sized enterprises (SMEs)</p> <p>Provide information on human rights risks in supply chains, best practices and resources. Leverage EDC's expertise to provide customers with risk management tools and knowledge to build capacity.</p> <p>Large companies</p> <p>Gather detailed information and assess capacity to manage risks. Where necessary, develop an action plan with time-bound commitments. In the absence of such measures, EDC considers the transaction to be higher risk and may choose not to engage.</p>	<ul style="list-style-type: none"> • Targeted policies/procedures to respect human rights (e.g., Code of Conduct or Supply Chain Management Policy) • Due diligence processes to manage risk • Audits of suppliers and improving supply chain transparency • Grievance mechanisms and access to remedy • Strategic partnerships
Telecom and software			
<ul style="list-style-type: none"> • Right to freedom of expression • Right to privacy • Right to freedom of association • Right to fair trial • Right to not be arbitrarily detained 	Based on destination country, type of end-user, and technology or service and its potential misuse	<p>Software and application providers</p> <p>If the product or service, end-user and destination country are high risk, EDC will consider the transaction high risk.</p> <p>Telecom companies</p> <p>EDC will engage with companies in high-risk countries to assess risk management. EDC may develop an action plan with time-bound commitments. In the absence of measures, EDC will consider the transaction to be higher risk and may choose not to engage.</p> <p>Transactions involving other high-risk factors</p> <p>EDC conducts dedicated due diligence.</p>	<ul style="list-style-type: none"> • Policy commitments to respect human rights • Due diligence processes to identify and address human rights risk • Effective grievance mechanism and policy commitment for remedy • Actions to prevent/mitigate risks such as tailoring products to alert and enable exporter to prevent misuse or modification; implementing policies and processes to respond to governments for customer information, to block or filter content or shut down the network; using contractual and procedural safeguards
Applying a gender lens to project reviews			
<ul style="list-style-type: none"> • Women's voices not captured • Women do not have equal rights • Women uniquely impacted by project operations • Women vulnerable to gender-based violence 	Based on country, sector and project-specific factors	<p>EDC will assess IFC Performance Standards 1–8 with a gender lens, where appropriate, as outlined in the Due Diligence Framework: Human Rights.</p> <p>If there are gaps in the customer's Environmental and Social Management System (ESMS) for managing gender risks, EDC will provide tailored recommendations to address these gaps.</p>	<ul style="list-style-type: none"> • Recommended training • Hiring gender experts • Reporting on material incidents, such as gender-based violence • May use leverage to encourage resolution of the situation and ensure that remedy is provided to the people that have been harmed
New in 2021: Supply chain risks			
<ul style="list-style-type: none"> • Child labour • Forced labour • Health and safety • Working time • Wages • Responsible sourcing 	Based on supplier location, sector, company and adverse media	<p>EDC has tailored its human rights risk management approach to consider and appropriately address supply chain risks based on the size and risk profile of the transaction.</p> <p>EDC will assess the management capacity of a company and seek specific risk management practices to prevent and mitigate supply chain-related human rights risks.</p> <p>The absence of, or unwillingness to make, progress makes the transaction higher risk, and EDC may choose not to engage.</p>	<ul style="list-style-type: none"> • Embedding supply chain-related human rights policies into business processes (i.e., Code of Conduct, Responsible Supply Chain Management) • Regularly evaluating and reporting supply chain risks and suppliers • Participation in strategic partnerships to address systemic issues

Human rights risk screenings

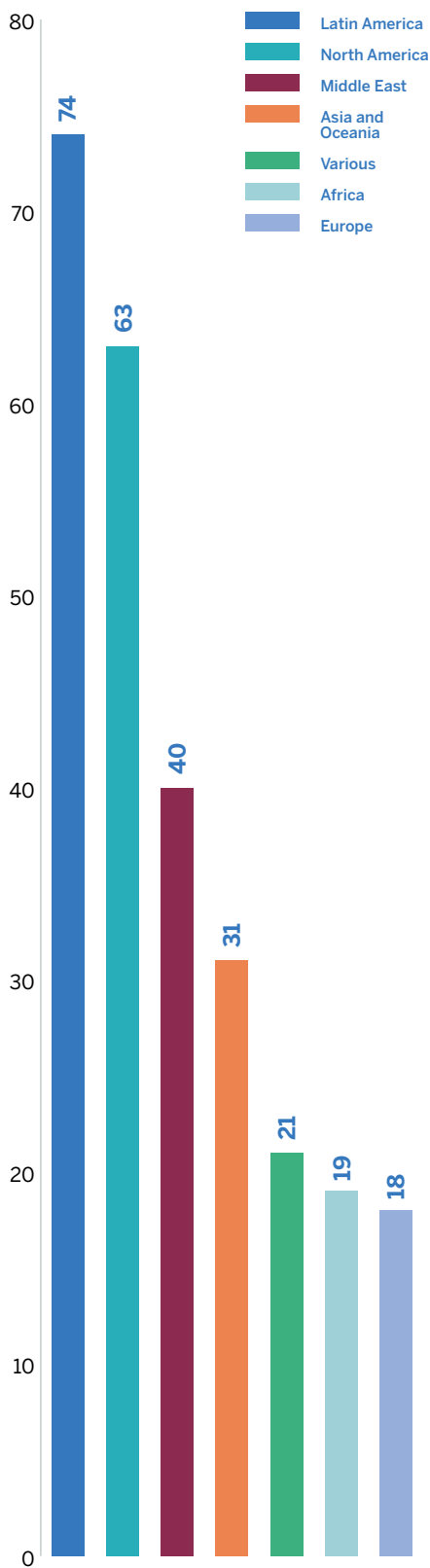
To understand where EDC can use its influence for improved human rights outcomes, we identify and assess environmental and social risks and impacts, which include human rights, in our due diligence process. Over the course of 2021, our ESG Customer Success team conducted 266 screenings to identify human rights-related risks for non-project transactions **✓ ASSURED**. The number of screenings conducted each year is dependent on various factors, including changes to the volume of business conducted, changes across regions and sectors, and emerging sector trends. Screenings are performed based on risk factors such as the country, sector and company track record. The key performance indicator (KPI) includes a breakdown by sector, and this year we included a further breakdown by region.

In 2021, we implemented a new KPI that tracks the percentage of transactions that underwent human rights risk screenings, out of the transactions in which environmental and social screenings were performed.

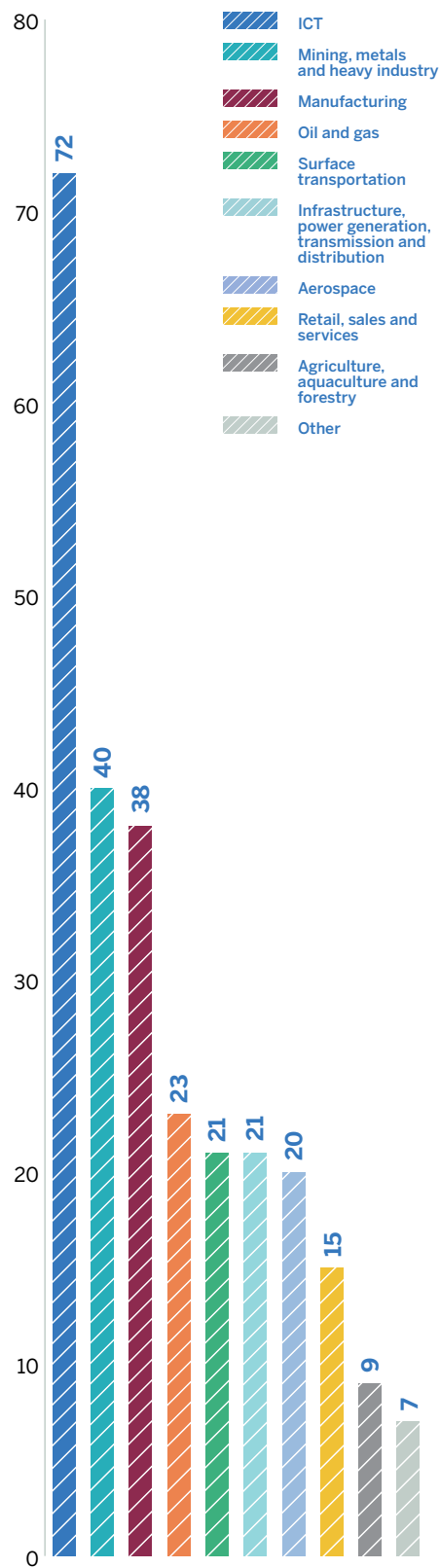
16%

of transactions underwent human rights risk screenings

Number of human rights risk screenings by region



Number of human rights risk screenings by sector



Primary human rights-related risks

Through our customers’ business activities, EDC can be connected to a wide range of environmental and social issues. To help us better understand the kinds of risks associated with our portfolio, we track information about the primary human rights risks identified through our environmental and social risk screenings. The risks we are currently tracking cover:

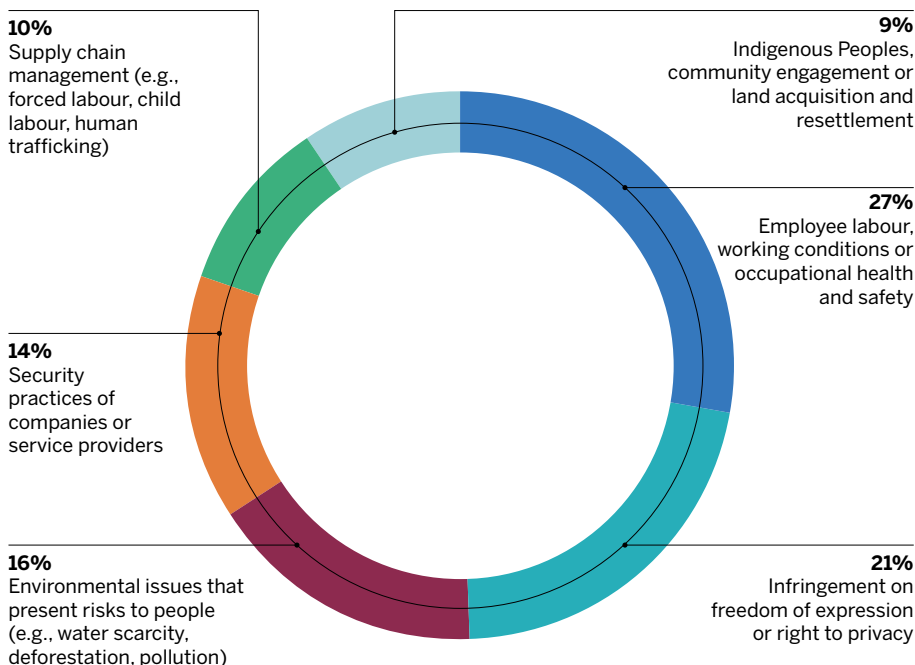
- Infringement on freedom of expression or right to privacy
- Environmental issues that present risks to people (e.g., water scarcity, deforestation, pollution)
- Security practices of companies or service providers
- Employee labour, working conditions or occupational health and safety
- Indigenous Peoples, community engagement or land acquisition and resettlement
- Supply chain management (e.g., forced labour, child labour, human trafficking)

This data allows us to identify trends, or monitor changes in our existing areas of focus, to further improve our due diligence approach and mitigate any newly identified human rights issues.

Engaging with customers

As part of our due diligence process, EDC works closely with customers and supports their efforts to identify and prevent adverse human rights impacts. As described in our Due Diligence Framework, when potential or actual severe human rights risks or impacts are identified, we conduct a full assessment of the human rights risks, assessing the contextual risks as well as the management capacity of the customer. This can involve directly engaging with our customers and asking specific questions about their human rights practices, giving them risk management information, and guiding them to improve their policies and procedures. In some cases, we work with them to establish commitments and action plans that mitigate specific risks over a specified time period.

Human rights-related risks identified in environmental and social screenings



Note: Percentages do not add to 100 due to rounding.

HOW WE ENGAGED ON TRANSACTIONS REQUIRING FURTHER HUMAN RIGHTS DUE DILIGENCE

Of the transactions requiring further human rights due diligence (beyond screening):

71%

of cases:

We asked questions directly to the customer to gain a better understanding of the contextual risks and the company’s management capacity.

23%

of cases:

We provided risk management information or recommendations to help customers gain greater awareness and understanding of potential risks and how to identify and mitigate them.

6%

of cases:

We facilitated customer commitments to help our clients prioritize and action measures to manage risks, which could include providing remedy.

Leverage and Remedy Principles

We have set up a leverage and remedy framework to better manage human rights issues in our global trade connections. Our Human Rights Policy commits us to building and using our leverage to prevent and mitigate human rights impacts that might occur through our customer relationships, and to enabling remedy when impacts nevertheless occur. Our set of 13 principles guides our approach on leverage and remedy and is anchored in our Due Diligence Framework. Our principles can be found below and in our [Principles on Leverage and Remedy](#) document.

Leverage and remedy due diligence tools

In 2021, we developed a suite of tools that translated our Leverage and Remedy Principles into practice and integrated

them into EDC’s due diligence and key decision-making processes. The tools were developed by a cross-functional EDC team supported by Shift, the leading centre of expertise on the UNGPs. The tools will help us promote responsible and sustainable business practices with our customers, positioning them to succeed internationally by meeting society’s expectations of preventing and effectively managing risks in a global economy. The tools will be implemented and operational in 2022.

Leverage and remedy focus areas

In 2019, EDC identified three focus areas for leverage and remedy:

- Extractives/energy sector in Latin America
- Climate transition for Canadian oil and gas companies
- Social issues in solar power

We prioritized these areas due to higher risk and are considering a strategic approach for each, in order to better manage environmental and social risks, including human rights, outside of transactions at the portfolio level.

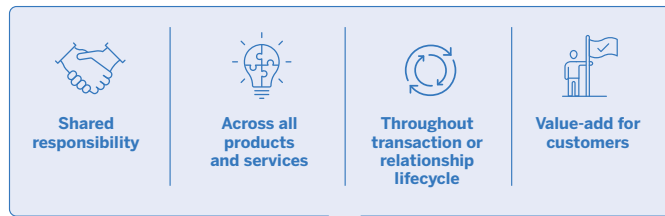
In 2021, we developed a strategy on the management of social issues in solar power. In 2022, we will revisit and validate the relevance of the remaining two focus areas.

As suggested by internal stakeholders, the focus areas were prioritized using the following criteria:

- Strategic alignment
- Severity of impact
- Opportunity for impact/gaps
- Exposure (past, present, future)
- Existing expertise

EDC Leverage and Remedy Principles

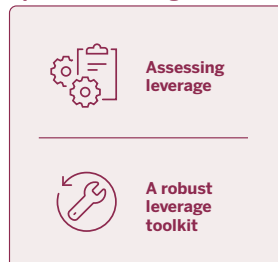
Foundational principles



Operational principles



Specific to leverage



Specific to remedy



LEVERAGE AND REMEDY TOOLKIT

The tools will apply to higher-risk relationships or transactions before and after adverse impacts have occurred. Pre-impact, they are designed to help our customers prevent, mitigate or address possible impacts and be prepared to provide remedy should an impact occur. Post-impact, they are designed to help our customers respond and provide remedy to affected stakeholders. They range from diagnostic tools and resources to worksheets.

The tools will help staff:

- Ask more of the right questions early in a relationship or transaction
- Provide EDC with a more consistent and robust approach to prevent or mitigate environmental, social and human rights risks or impacts
- Better position EDC to ensure that remedy gets provided when impacts occur
- Ensure that our approach to leverage and remedy will guide transaction decision-making

HUMAN RIGHTS FOCUS AREAS



ENERGY/RESOURCES SECTOR IN LATIN AMERICA

Objectives	Criteria	Type of issue	Details
Address legacy book of business	<ul style="list-style-type: none"> • Severity of impact • Past exposure • Opportunity for impact/gap • Existing expertise 	Social/human rights	Bringing a focus to remedy, before and after impacts occur



CLIMATE TRANSITION FOR CANADIAN OIL AND GAS COMPANIES

Objectives	Criteria	Type of issue	Details
Support current Canadian recovery and transition	<ul style="list-style-type: none"> • Severity of impact • Present exposure • Opportunity for impact/gap • Existing expertise 	Environmental	Driving climate-related disclosure and supporting the low-carbon transition

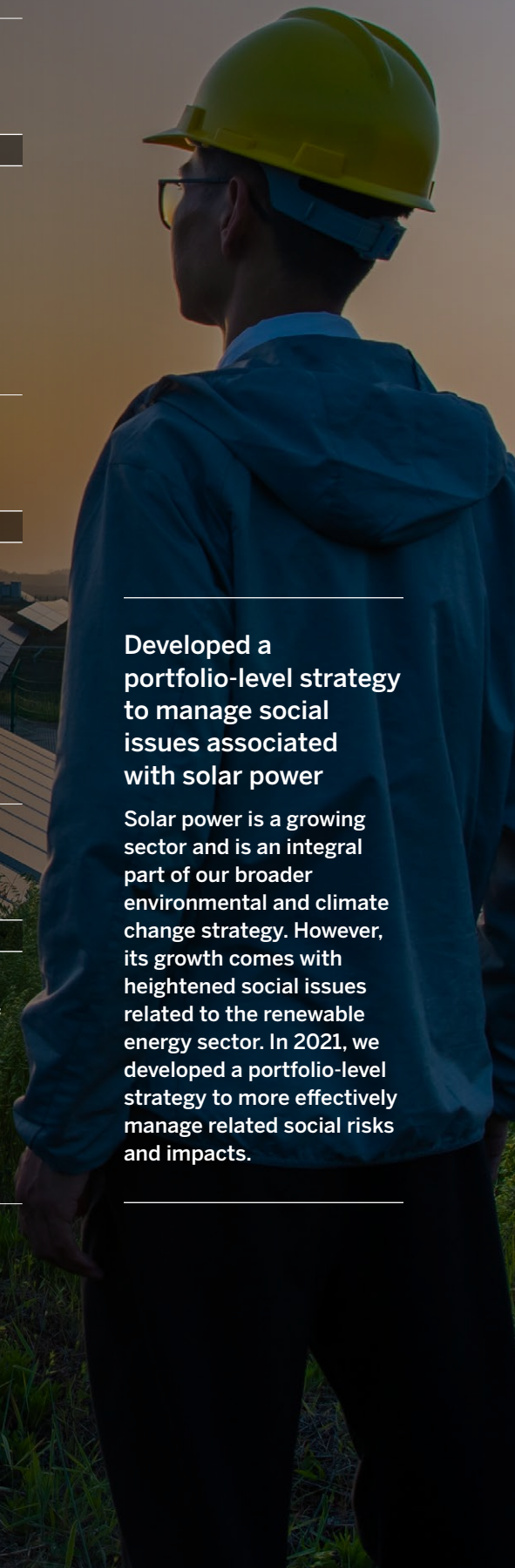


SOCIAL ISSUES IN SOLAR POWER

Objectives	Criteria	Type of issue	Details
Orient work to EDC's future strategic direction	<ul style="list-style-type: none"> • Strategic alignment • Future exposure • Opportunity for impact/gap • Existing expertise 	Social/human rights	In line with the ESG Strategy, bringing a focus to a key sector of the future

Developed a portfolio-level strategy to manage social issues associated with solar power

Solar power is a growing sector and is an integral part of our broader environmental and climate change strategy. However, its growth comes with heightened social issues related to the renewable energy sector. In 2021, we developed a portfolio-level strategy to more effectively manage related social risks and impacts.



Grievance mechanisms

Grievance mechanisms help ensure that a company’s stakeholders have a channel to raise complaints or concerns. As part of our transaction due diligence, we look closely at a company’s grievance mechanisms. When a high likelihood of potential or actual severe human rights impacts is identified, we assess the effectiveness of the company’s stakeholder engagement program and grievance mechanisms, as described in the UNGPs. Shortcomings in a company’s stakeholder engagement program and grievance mechanisms may trigger the need for additional due diligence and dialogue, as well as the inclusion of time-bound commitments in our customer agreement.

EDC commits to take reasonable steps to co-operate in Canada’s National Contact Point and Canadian Ombudsperson for Responsible Enterprise processes when our customers are involved.

Stakeholder engagement and advocacy

As Canada’s export credit agency, EDC engages diverse stakeholders, including the Government of Canada, CSOs, industry and trade associations, bank partners, other ECAs, international partners and customers. We use our breadth and depth of influence to share our approach on human rights risk management and to gather feedback from stakeholders.

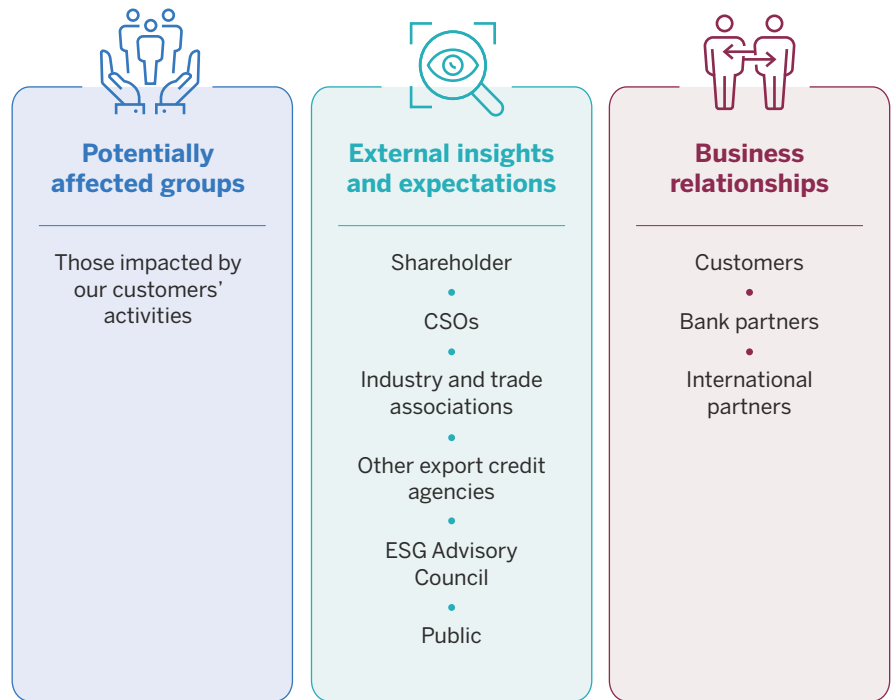
Maximizing value for our stakeholders is central to our ESG Strategy. This approach allows us to continuously evolve with an ever-changing landscape. As each stakeholder has differing needs and impacts, our engagement approach aims to adapt and innovate with changing socio-institutional contexts.

The objectives of our stakeholder engagement include:

- Ensuring stakeholders are heard in our processes
- Receiving feedback on best practices and expectations
- Responding to stakeholders in a timely manner
- Increasing participation to ensure a more diverse and inclusive engagement
- Reporting on the progress EDC has made

In line with these objectives, in 2021 we performed a mapping exercise to develop a comprehensive view of our key stakeholders, their needs, our engagement approach, and internal accountability for the relationship. With our internal re-organization and expansion of ESG resources, the mapping process helped establish a formalized process for stakeholder engagement within the organization as well as externally.

Stakeholder groups EDC engages with on human rights issues



At any time, stakeholders can submit queries and review response letters from our CEO on edc.ca. For detailed ESG stakeholder engagement activities, refer to our [2021 Integrated Annual Report](#).

How we engaged in 2021

Below are examples of how we engaged in 2021 on human rights policy, our Due Diligence Framework and human rights issues.

Potentially affected groups and business relationships

We carried out due diligence engagement with customers, which involved asking specific questions about their human rights practice and providing information and guidance to improve their policies and procedures. In some cases, we worked with them to establish commitments and action plans to mitigate specific risks, which we then consistently monitor.

External insights and expectations

- Human Rights Watch submitted a **public query** about EDC's support for fossil fuel companies and how EDC is working to address potential human rights implications related to this support. We developed and published an in-depth response from our President and CEO, Mairead Lavery, about how we have pursued greater transparency in relation to our policies, processes and decision-making.
- We maintained active participation as part of the Canadian Delegation to the OECD Export Credits Group (ECG) and the OECD Participants Group where members deliberate on ways to enhance the OECD Arrangement on Officially Supported Export Credits. In addition, we continued our involvement in the Environmental and Social Practitioner sub-group of the OECD ECG where we engage with our peers on due diligence practices and gather external insights for consideration. This past year, we presented our Leverage and Remedy Framework as an example of best practice. We also presented on the risks associated with the information, communications and technology (ICT) sector, and we discussed supply chain due diligence. We also co-chaired a working group on ICT and human rights with a sub-group of ECAs throughout the year.
- We continued active engagement within the Equator Principles (EP) Association, including maintaining a position on the steering committee to help shape the association's strategic direction. We also continued our involvement on the EP's Social Working Group, helping shape an approach on remedy.
- As an active member of the Shift's FIs Circle, we engaged with other financial institutions, sharing our experiences and lessons learned as we continued implementing the UNGPs.
- Our CEO and President, Mairead Lavery, appeared at the House Subcommittee on International Human Rights to share EDC's implementation of the UNGPs and our approach to respecting human rights.
- Our CCSO and SVP, Sustainable Business & Enablement, Justine Hendricks, participated as a speaker in Making Global Goals Local Business—Canada conference, organized by UN Global Compact.

Dissemination process

To ensure we are accountable, it is critical that we communicate to stakeholders our human rights policy commitments, risk management practices and performance. Over the years, we have increased our level of transparency and disclosed an increasing amount of information on our website. Each year, when we release our new human rights disclosure, we make it accessible on our website and inform key stakeholders directly, while also publicizing more widely via social media. We include channels to enable stakeholders to ask questions and provide feedback for future improvement.

KEY FUTURE PRIORITIES

In 2022 to 2024, we plan to:

- Operationalize our Leverage and Remedy Framework, including the launch and implementation of our new due diligence tools
- Confirm the relevance of the focus areas previously identified, and make further progress on the development and implementation of risk management strategies at portfolio level
- Determine and report on additional emerging issues identified
- Continue our work to create alignment with industry peers for consistent and relevant approaches to human rights risk management

Appendix

UN Guiding Principles on Business and Human Rights Index

As part of our transparency and disclosure commitment, we aim to transparently share progress on implementing the **UN Guiding Principles on Business and Human Rights**. While we are in the process of implementing all principles, below is a mapping of the UNGP principles and where we have addressed them.

UNGP reference	Criteria	Principle	EDC reference
Part A: Governance of respect for human rights			
A1	Policy commitment	What does the company say publicly about its commitment to respect human rights?	Page 7
A2	Embedding respect for human rights	How does the company demonstrate the importance it attaches to the implementation of its human rights commitment?	Pages 7–11
Part B: Defining the focus of reporting – We will work toward addressing in future reporting			
B1	Statement of salient issues		Pages 13–16
B2	Dissemination of salient issues		
B3	Choice of focal geographies		
B4	Additional severe impacts		
Part C: Management of salient human rights issues			
C1	Specific policies	Does the company have any specific policies that address its salient human rights issues?	Page 13
C2	Stakeholder engagement	What is the company's approach to engagement with stakeholders in relation to each salient human rights issue?	Pages 14, 16, 19, 20
C3	Assessing impacts	How does the company identify any changes in the nature of each salient human rights issue over time?	Pages 13–17
C4	Integrating findings, taking action	How does the company integrate its findings about each salient human rights issue into its decision-making processes and actions?	
C5	Tracking performance	How does the company know if its efforts to address each salient human rights issue are effective in practice?	Pages 15–16
C6	Remediation	How does the company enable effective remedy if people are harmed by its actions or decisions in relation to a salient human rights issue?	Page 17

Contact

We are keen to hear your feedback as we continue to evolve and improve our approach to human rights. If you would like to share any comments or questions on this report or find out more information about our commitment to human rights, please visit our [website](#).

Export Development Canada

150 Slater Street
Ottawa, ON K1A 1K3
Canada

1-800-229-0575

www.edc.ca/en/contact-us

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