

EXECUTIVE SUMMARY
EDC/INDUSTRY STAKEHOLDER PANEL
Tuesday, May 18, 2011

1. Opening remarks: Stephen Poloz

Stephen Poloz, EDC's President and CEO, welcomed the panel members and noted that the economy will not return to its previous state – a 'new normal' is emerging with underlying economic and political risks. Under these conditions it is important to focus on creating resilience and EDC will help its clients strive for financial sustainability.

Diversification, by establishing a presence in emerging markets, is increasing for Canadian exporters, driven by necessity and opportunity. EDC will be helping companies make the investments to establish operations and supply chains in those markets. EDC is expanding its presence outside of Canada with offices opening in Panama City, Istanbul, and Dusseldorf. Recognizing the growing importance of transparency, environmental considerations, and other CSR factors in international trade, EDC continues to integrate CSR into its financing and insurance activities and is influencing the practices of other international insurers in this regard.

Mr. Poloz presented EDC's new vision - *the most knowledgeable, most connected, and most committed partner for trade in Canada* – and emphasized EDC's commitment to partnership as operating principle.

2. Tour de table: Association Leaders

Panel Members applauded EDC's efforts and stated that many of their members had benefited from the Corporation's support in the past year including EDC's special domestic powers, pull strategy, special buyer program, and trade show support. Most Panel Members confirmed the importance of emerging markets as a growing opportunity for their members and as a necessary strategy to offset their declining U.S. exports.

Panel members highlighted the need for support in several areas: at the commercialization stage, in regulatory processes, and in indentifying trade associations or other networks to provide on-the-ground support in new markets. The need for this support is more acute for SMEs. It was recommended that EDC and the Canadian trade service provide more sector-focused support to match similar efforts and approaches taken by other major economies. Several panel members also commented on the increasingly complex and integrated nature of the globalized market, which challenges traditional export categories and definitions (e.g. definition of exporter) and creates the need for new forms of assistance, such as support in accessing global value chains, and financing support for indirect exports.

3. Presentation by Peter Hall – Chief Economist at EDC

Peter Hall, Vice-President and Chief Economist, introduced EDC's Spring 2011 Global Export Forecast by stating that the world remains in economic 'hard times' but that signs of healing are emerging. The economy is now in a flat period which presents a challenge to forecasters and is prone to uncertainty and volatility. Mr. Hall identified a number of risks and conditions, some more recent and others longstanding, which contribute to this situation:

- Political turmoil in the middle east and North Africa and implications for oil prices;
- Natural disasters, including floods in Australia and the earthquake in Japan;
- Ongoing sovereign debt crises of peripheral European countries;
- Low levels of lending by financial institutions; and
- Policy limitations of governments, in terms of borrowing and in lowering interest rates.

Despite these risks, he expects global economic growth of 4% in 2011. He also highlighted a number of positive indicators coming out of the U.S., which support this outlook:

- The intentions of purchase managers are positive;
- Savings are increasing, which will enable sustainable growth in spending;

- Debt to income ratios are going down; and
- Exports are increasing, helped by stimulus and the weak American Dollar.

In terms of Canada, Mr. Hall expects economic growth of 2-3% in 2011, export growth of 7%, and a Canadian Dollar falling to USD\$1.01 and below as commodity prices decrease.

4. Presentation by Mike Neals – Vice President, Marketing

Mr. Neals presented an overview of the results of EDC's most recent exporter research:

- Since the fall, the trade confidence index has increased, with 53% of Canadian exporters now expecting trade conditions to improve.
- While the number of exporters continues to decline, trade engagement has not gone down and Canadian direct investment abroad (CDIA) remains stable at 12%.

The rapid growth of the digital media industry and the global clean tech sector are two significant innovation-intensive trends, identified by EDC's environmental scan, that will affect Canada's role in global trade.

Mr. Neals also shared results from EDC's Industry Stakeholder Panel Survey:

- Respondents identified lack of time and personnel as the number one challenge to their companies' ability to diversify their exports, especially for smaller companies.
- Integrative trade (imported products in exports) is an increasing trend.
- The importance of emerging market opportunities is growing, and companies are shifting from low cost production to innovation to drive their success in these markets.

5. Round table discussions on CSR

Over lunch, Signi Schneider, Chief CSR Advisor provided a short talk on "Developments in Corporate Social Responsibility and Why CSR Matters More Than Ever in International Work". EDC is acting more preemptively on CSR issues to establish itself as a leader in this space. Ms. Schneider highlighted some key trends and emerging concepts related to CSR of which Canadian firms should be aware:

- Michael Porter's concept of 'shared value': creating economic value in a way that also creates value for society by addressing its needs and challenges;
- Increased support in the Canadian population for regulations that support CSR objectives;
- Multi-stakeholder initiatives that bring corporations, governments, and other third parties together to tackle problems and to acknowledge shared responsibility; and
- Ethics and transparency as a predominant CSR theme, and the UK's new bribery act setting a new standard for counter-bribery policies and practices.

Panel members discussed their CSR priorities and observations at their respective tables and shared the following points:

- In the forestry sector, certification of sustainable forest management practices has become the norm. Increased engagement of NGOs is common practice.
- Practices are changing rapidly in countries with a previously bad reputation. Younger populations and social media are accelerating this change.
- In the medical equipment sector, ethics and transparency are paramount and having codes of conduct and practices for these issues is an expectation for foreign buyers.
- The Canadian mining sector is very aware of CSR issues and takes them seriously. Community dynamics, especially in small remote communities are complex, and remain a CSR challenge for the industry.

6. Closing comments

Mr. Poloz thanked the participants for their valuable input and candid remarks. He underlined that the Stakeholder Panel helps EDC understand what companies are experiencing and improve its services.