A man with long hair tied back, wearing a blue and white plaid shirt, is looking down at a woman. The woman is smiling and wearing a blue and white striped shirt with a high-visibility yellow and orange safety vest. She is holding a yellow hard hat. They are in a factory or industrial setting with machinery and lights in the background.

EDC 2020 ANNUAL REPORT

HUMAN RIGHTS DISCLOSURE

Canada

 EDC



“

Human rights is not a ‘nice to have’ – it’s our responsibility to ensure that we respect human rights, both within EDC and through our business relationships. We know that embedding human rights into our practices will take time and we may make mistakes along the way. However, we are determined to evolve, mature and learn from others in addressing these complex issues.”

Mairead Lavery

President and CEO, Export Development Canada

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5	Governance
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16	Transparency and disclosure



INTRODUCTION

Based on feedback received from external stakeholders, EDC launched a dedicated, Board-approved [Human Rights Policy](#) in 2019 to align its business with the United Nations Guiding Principles on Business and Human Rights (UNGPs) and international best practice. The Policy outlines commitments and principles that guide our internal decision making related to customer relationships and transactions. The development of our Policy was an opportunity to highlight the work we've been doing to bring a human rights lens to the due diligence conducted on our transactions. Since the launch of the Policy, we've been working to implement its commitments, in line with our [2019–2022 Human Rights Policy Implementation Plan](#).

A key accomplishment in 2020 was the development of [Principles on Leverage and Remedy](#), which were approved by our Executive Management team in December. The Principles articulate EDC's high-level approach to building and using its leverage to prevent and manage human rights impacts that EDC might be connected to through its customer relationships, and to enable remedy when impacts nevertheless occur. We plan to operationalize the Principles in 2021.

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 Reporting Framework of the UNGPs. We believe that performance tracking and reporting are essential for demonstrating accountability, evaluating our work and building relationships with external stakeholders, clients and rights holders. This year's disclosure includes:

- Details on how we are embedding respect for human rights into our practices
- Updates on the emerging risks that we have prioritized and for which an approach was developed
- Progress on the development of EDC's approach on leverage and remedy
- Additional key performance metrics

In 2021 and 2022, we will continue to refine how we implement our Human Rights Policy and begin to look at how it needs to be updated, as part of the anticipated review of the Policy in 2022.

Related documents

[Human Rights Policy](#)
[2019–2022 Human Rights Policy Implementation Plan](#)

[Due Diligence Framework: Human Rights Principles on Leverage and Remedy](#)

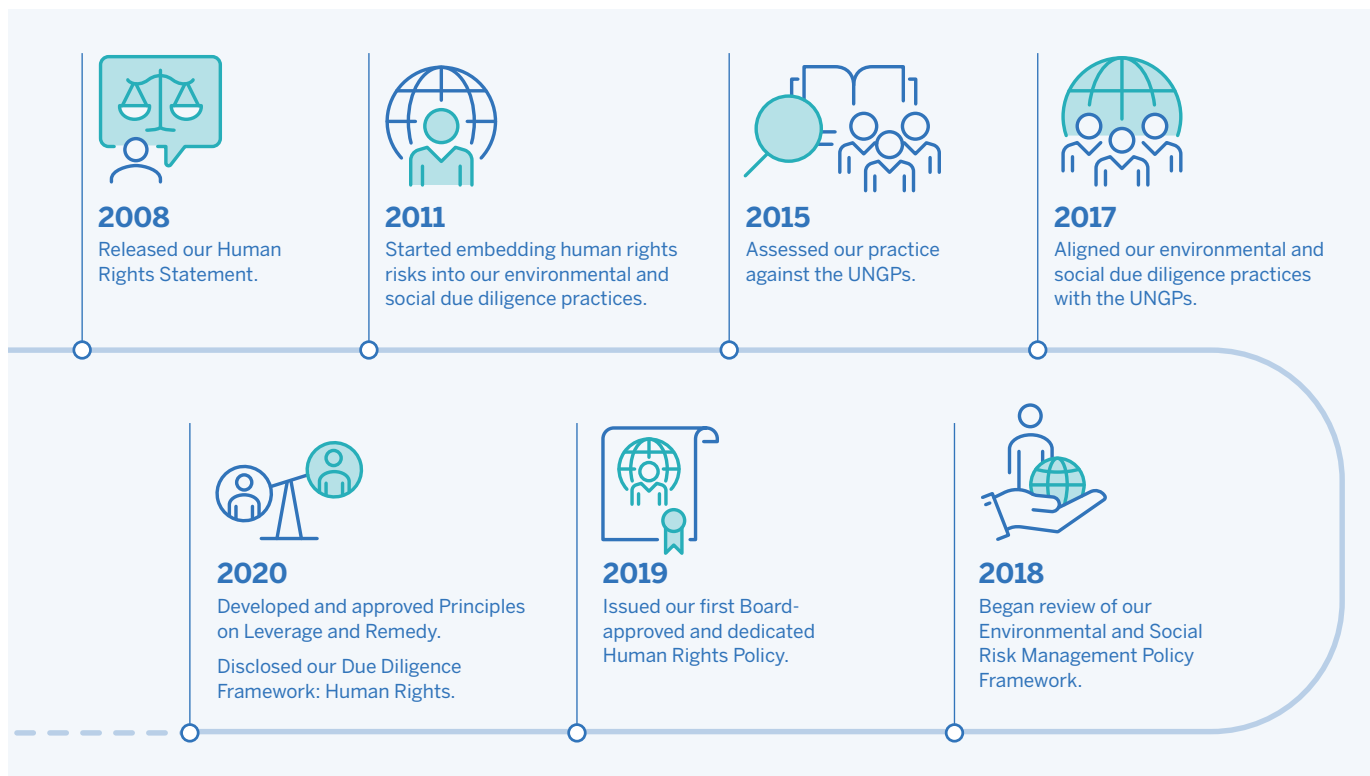


HUMAN RIGHTS POLICY IMPLEMENTATION PLAN UPDATE

Our [2019–2022 Human Rights Policy Implementation Plan](#) is our roadmap for delivering on our Human Rights Policy commitments. The table below highlights our 2020 activities and accomplishments.

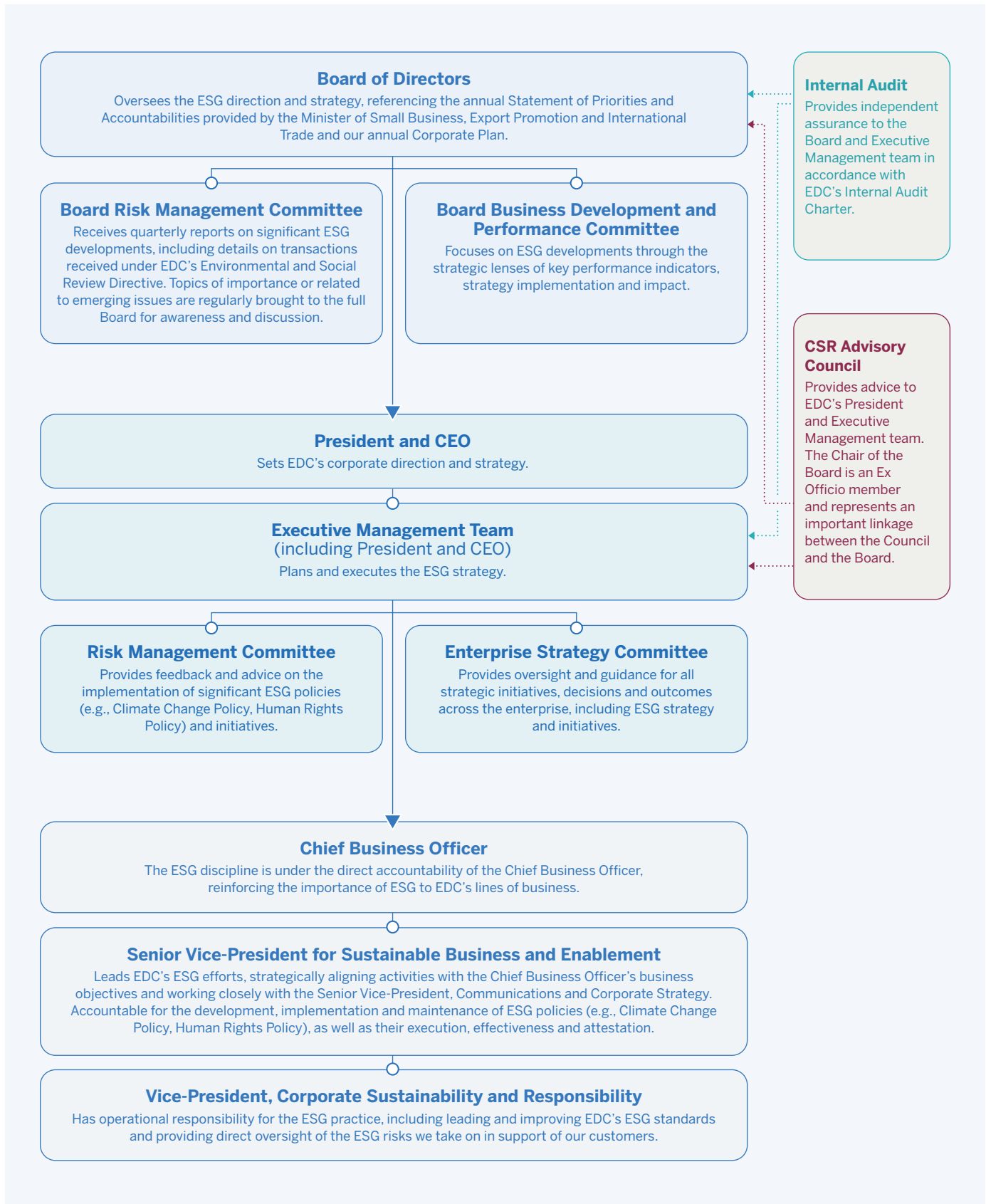
Status	2020 activities
✓ Accomplished	Disclose guidelines on how EDC conducts human rights due diligence for certain higher-risk sectors considered relevant to EDC. <ul style="list-style-type: none"> • See Emerging Issues, page 11.
✓ Accomplished	Disclose guidelines on how EDC uses and seeks to increase its leverage with customers faced with higher human rights risks. <ul style="list-style-type: none"> • See Leverage and Remedy, page 11.
✓ Accomplished	Disclose guidelines on how EDC uses its leverage to enable remediation when a transaction is exposed to actual severe human rights impacts. <ul style="list-style-type: none"> • See Leverage and Remedy, page 11.
✓ Accomplished	Define and implement approach to engage on business and human rights with external stakeholders. <ul style="list-style-type: none"> • See Advocacy and Stakeholder Engagement, page 12.
✓ Accomplished	Disclose more comprehensive information on EDC’s human rights performance. <ul style="list-style-type: none"> • Based on our internal benchmark on best practices, engagement with human rights consultancy firm Shift, and our work to align with the UNGPs, we have expanded our human rights reporting by developing key metrics and enhancing the depth of our reporting on our governance, due diligence practice and client engagement, and stakeholder engagement.
🕒 In development and ahead of schedule	Based on internal assessment, determine what can be offered as risk management tools to our customers, particularly those SMEs exposed to potential and/or actual severe human rights impacts. <ul style="list-style-type: none"> • EDC has started developing risk management tools for its customers. One example is the document we have prepared for companies operating in the apparel, footwear and textile industries. More will come in the context of the work we are doing on leverage and remedy. See Emerging Issues, page 11.

HUMAN RIGHTS AT EDC



GOVERNANCE

This describes EDC's ESG Governance, which covers risk management policies, including the Human Rights Policy.



BOARD ENGAGEMENT ON ESG TOPICS

In 2020, ESG matters featured routinely across the agendas of our Board and its committees. Topics included:

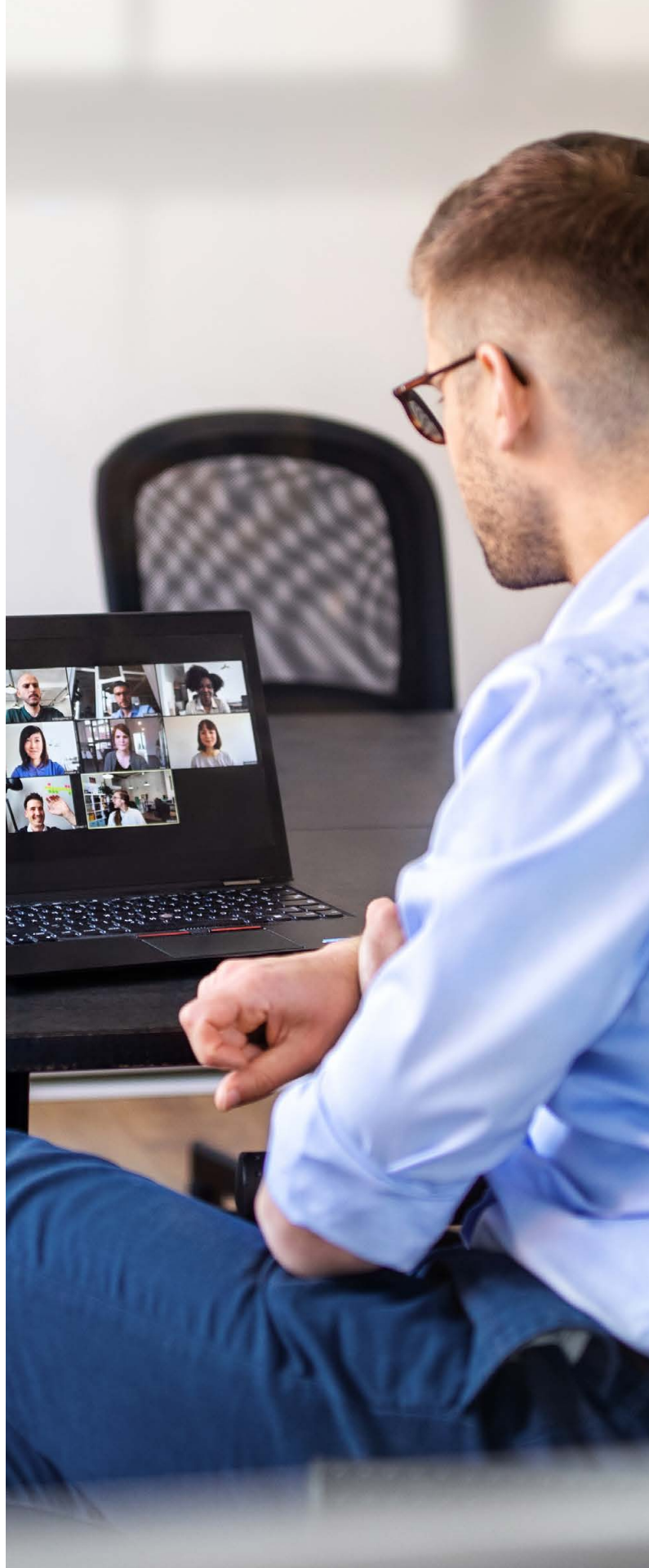
- EDC's new long-term corporate strategy and the evolution of ESG leadership as a strategic priority
- EDC's alignment with the Government of Canada's direction on ESG matters
- Initiatives to support underserved Canadian businesses such as women- and Indigenous-led companies
- Evolution and implementation of EDC's inclusion, diversity and equity strategy
- Oversight of the implementation of EDC's new Transparency and Disclosure Policy

ESG topics have been a standing agenda item for the Board's Risk Management Committee (RMC) for many years. The RMC has oversight of EDC's Enterprise Risk Management Framework, including the Environmental and Social Risk Management (ESRM) Policy Framework. It regularly reviews compliance with the corporation's Environmental and Social Review Directive (ESRD) and receives quarterly updates regarding the implementation of the ESRM Policy Framework, which includes the Climate Change Policy and the Human Rights Policy. In 2020, the RMC reviewed:

- Quarterly reports on the implementation of EDC's ESRD
- ESG assessments of, and updates on, key transactions and existing customers, including concerns that might be raised by civil society organizations
- EDC's initial efforts to explore climate stress testing and portfolio management

Since 2020, ESG matters have also been incorporated as a standing agenda item of the Board's Business Development & Performance Committee (BDPC) meetings. The BDPC focuses on ESG developments through the strategic lenses of key performance indicators, strategy implementation, and impact. In 2020, the BDPC reviewed:

- EDC's progress against its carbon intensity target under the Climate Change Policy
- Development of EDC's ESG key performance indicators and dashboard reporting
- Outcomes and learnings from EDC's CSR Advisory Council
- Stakeholder engagement and outcomes of EDC's civil society organizations panel



EMBEDDING RESPECT FOR HUMAN RIGHTS

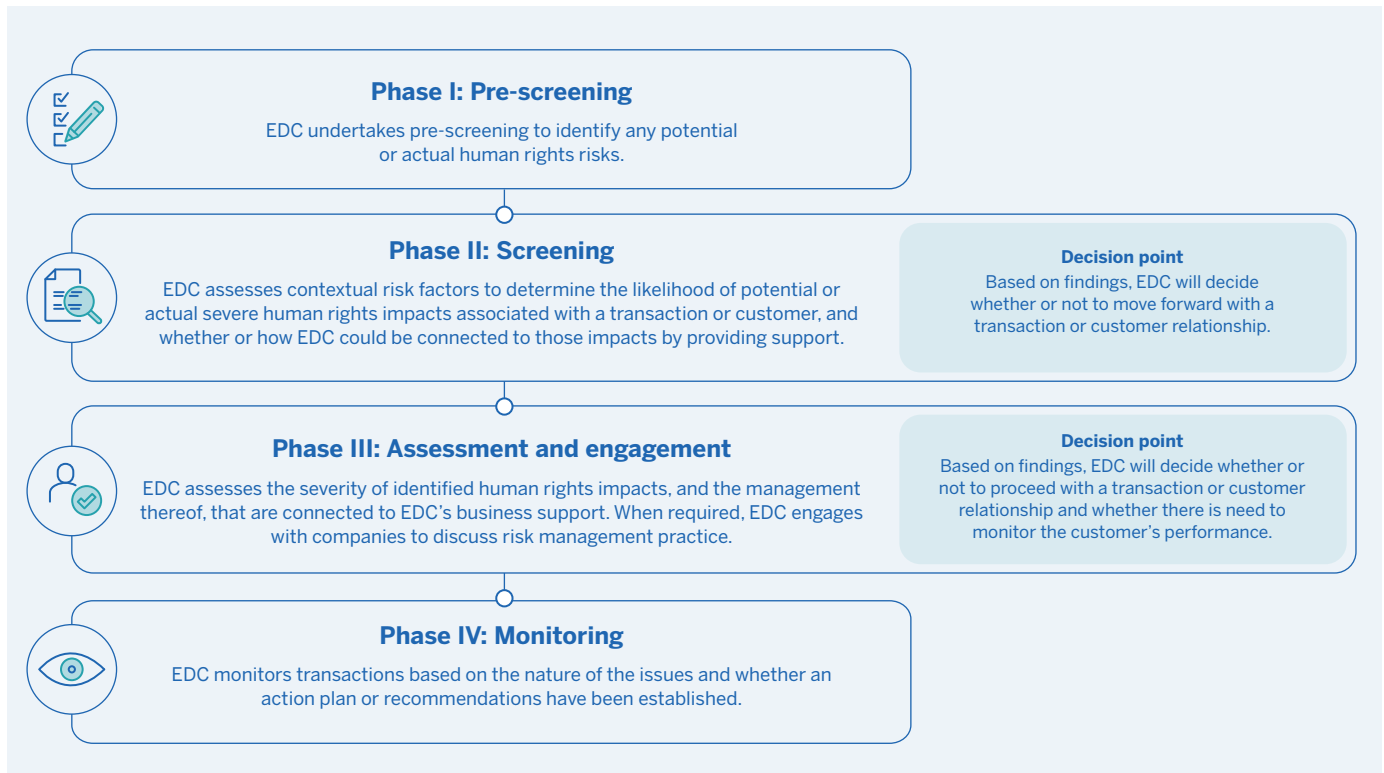
PRIORITIZING AND MANAGING HUMAN RIGHTS RISKS AND IMPACTS

As Canada’s export credit agency, EDC recognizes its responsibility to respect the internationally recognized human rights covered within the International Bill of Human Rights. Our due diligence process has incorporated human rights risks for a number of years, and our practices overall are aligned with the corporate responsibility expectations of the UNGPs.

Our **Due Diligence Framework: Human Rights**, which supports our **Human Rights Policy**, outlines the key steps we take to identify and address human rights–related risks and impacts as part of our environmental and social due diligence process. A summary is provided below.

DUE DILIGENCE APPROACH FOR HUMAN RIGHTS

For customer relationships and non-project and project-related transactions

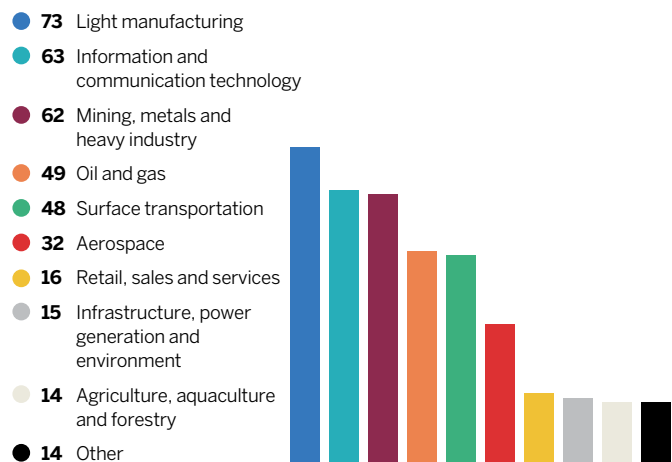


HUMAN RIGHTS RISK SCREENINGS

In 2020, EDC’s Environmental and Social Risk Management (ESRM) team conducted 386⁽¹⁾ screenings to identify human rights–related risks for non-project transactions. Screenings are performed based on risk factors such as the country, sector and company track record. The number of screenings conducted is dependent on various factors, such as changes to the volume of business we conduct, changes across regions and sectors, and emerging sector trends.

⁽¹⁾ Number of transactions (excluding project-related transactions) that underwent human rights risk screenings. **✓ ASSURED**

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. Midway through 2020, we began tracking information about the primary human rights risks identified through our due diligence process, to help us better understand the kinds of risks associated with our portfolio.

We are now tracking the following human rights–related risks, and will continue to do so in 2021:

- 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)

CUSTOMER ENGAGEMENT

EDC's approach to human rights is critical for achieving its broader objective of equipping Canadian companies to participate and compete in a global economy where expectations for responsible business conduct are rising. We expect that our approach on leverage and remedy will contribute to this objective.

Our current practice is to engage with customers as part of our due diligence process. 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. Our engagement with customers can involve asking specific questions about their human rights practice, and giving them risk management information and guidance to improve their policies and procedures. In some cases, we work with them to establish commitments and action plans to mitigate specific risks, which we then monitor.

How we engaged on transactions requiring further human rights due diligence

(July to December 2020)



89%

Percentage of transactions undergoing further human rights due diligence (beyond screening) where we asked human rights–related questions directly to the customer

We do this to gain better understanding of the contextual risks and a company's management capacity.



27%

Percentage of transactions undergoing further human rights due diligence (beyond screening) where we provided risk management information or recommendations

We do this to help customers gain greater awareness and understanding of potential risks, and how to identify and mitigate/manage them.



10%

Percentage of transactions undergoing further human rights due diligence (beyond screening) where we facilitated customer commitments

This is leverage at its finest. We do this to help our clients prioritize and action measures to manage risks and in some instances to provide remedy.

SUCCESS STORY

Tata Communications Ltd. – taking the next values-driven step in addressing human rights principles

Today, information is arguably the world's most valuable commodity, so companies that manage the networks that transfer and give access to information – like Tata Communications Ltd. (Tata Communications), a digital ecosystem enabler with a vast global footprint, operating in the information and communications technology (ICT) sector – have tremendous responsibility.

Headquartered in India, Tata Communications has a history of purchasing goods and services from Canadian exporters. This provided the basis for EDC to establish a **strategic financial relationship** with Tata Communications, and to leverage that relationship to drive more trade from Canada into the company's global supply chain.

But the partnership goes deeper than just being financial. In the 2019 Annual Report, we introduced the environmental, social and governance (ESG) relationship between EDC and Tata Communications, which began in 2018. At the time, EDC had identified human rights risks that Tata Communications faced because of its sector, ICT, and some of the markets where it was operating. EDC and Tata Communications worked together on an action plan to address those risks, and in 2019 Tata Communications made significant progress against that plan.

The company introduced a new privacy policy outlining its commitment to prevent, assess and mitigate any risks related to freedom of expression and privacy. Tata Communications also updated its whistleblower policy to explicitly include human rights and grievance considerations.

In 2020, Tata Communications completed the third and final item of the action plan – employing a global expert consultancy firm to carry out a human rights impact assessment of the company's operations, with a specific focus on privacy and freedom of expression.

Upon completion, the assessment identified a list of recommended items to be further studied and addressed



Identifying human rights risks and then putting the policies and safeguards in place to mitigate against them is an iterative process, and it takes time and resources to get it right. Working with Tata Communications has been a pleasure because they've shown a genuine commitment to aligning with global best practices in their sector. They are bringing in all the right experts and staying engaged with EDC along the way. You can tell from their approach that they understand the inherent value of strengthening their ESG practices.”

– Vibhav Agarwal, EDC's Senior Regional Manager in Asia

by Tata Communications. These findings also informed a new action plan that was agreed upon by EDC and Tata Communications in 2020, essentially a phase two of the 2018 plan. It includes as action items: developing a public-facing human rights policy; undertaking a materiality assessment of the recommended items from the impact assessment, with the purpose of determining requirements to implement those items (resources, funding, timelines, etc.); and lastly, completing the recommended items.

“Identifying human rights risks and then putting the policies and safeguards in place to mitigate against them is an iterative process, and it takes time and resources to get it right,” says Vibhav Agarwal, EDC's Senior Regional Manager in Asia.

“Working with Tata Communications has been a pleasure because they've shown a genuine commitment to aligning with global best practices in their sector. They are bringing in all the right experts and staying engaged with EDC along the way. You can tell from their approach that they understand the inherent value of strengthening their ESG practices.”

Looking ahead, EDC will continue to work with Tata Communications on completing the action items in the company's ESG action plan. These are central to EDC's continued financial relationship with Tata Communications and will be monitored for ongoing compliance. Embedding ESG in this way helps ensure EDC's adherence to global ESG standards on risk management and better outcomes for people, while also helping global players like Tata Communications to strengthen their practices.





SUCCESS STORY

Petro-Techna International

Trade can be a tremendous force for good in the world, but only when it is done responsibly. EDC's environmental, social and governance (ESG) team is dedicated to ensuring that EDC's business is in line with global standards that protect people and the environment; and that dedication extends to the companies we serve, because the responsibility and sustainability of our business is intricately linked to the responsibility and sustainability of theirs.

ESG is a key part of EDC's relationships. One great example of what that looks like in practice is the work we've done with Petro-Techna International – a Toronto-based company that provides engineering, procurement, fabrication and construction services for businesses in the oil and gas industry.

Although the company is Canadian-based, its international footprint is extensive, with ongoing projects in Libya and Egypt, and completed projects in Argentina, Algeria, Nigeria, Romania and Pakistan. Since the company's inception, environmental and social responsibility has always been a part of Petro-Techna's values. Although well versed in the operational aspects of its work, Petro-Techna recognized that, as a growing company, it was important to establish a formal ESG framework.

Upon evaluating Petro-Techna's business ventures, EDC's ESRM team suggested that the company implement a Human Rights Policy to ensure that all activities being done in foreign markets adhere to global responsibility and sustainability standards. One of the international standards available to businesses looking to commit to operating in a socially responsible way is ISO 26000, which was developed to clearly define social responsibility and helps businesses take effective steps toward improved social actions.

Since working with EDC's ESRM team, Petro-Techna has created a comprehensive employee handbook that clearly outlines its Human Rights Policy, as well as other policies that cover anti-discrimination, anti-bribery and sustainable operations. Additionally, the company is on track to establish a framework for adopting ISO 26000 in its operations, with a commitment to completing this framework by the end of 2021. Petro-Techna has also become a member of the UN Global Compact, a voluntary initiative committing companies to adopting universal sustainability principles. Additionally, as part of its commitment to keeping ESG top of mind, Petro-Techna publishes a sustainability newsletter every quarter for both employees and external stakeholders that outlines the steps the company is taking to become more sustainable. As Petro-Techna continues to expand its business, the company understands that clearly outlining a framework for ESG-related policies is strong business practice that can bring in strong returns on investment and increase its competitiveness.

"We have worked extremely hard, as illustrated by the steps we've taken over the past year, and are now well on our way to having an established ESG structure that meets – and ideally exceeds – industry best practice," said Ali Malek, President and CEO of Petro-Techna. "We would like to thank EDC for supporting us in taking the necessary steps in this direction, and we welcome their feedback and guidance in helping us take the next steps in our growth."

Establishing a formal framework for ESG is important to the sustainable growth of a company, and EDC is committed to continuing its collaboration with Petro-Techna to support the responsible and sustainable growth of its business.

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.

LEVERAGE AND REMEDY

We recognize that EDC can be connected to varying kinds of negative impacts on people and the environment through our relationships with our customers – no matter how robust our environmental and social due diligence processes. This is simply a reality of being connected to the global economy. What's more, some of our clients are connected to sectors, geographies or business activities that are at higher risk of social and environmental impacts, and there may be third parties or value chain partners with less commitment or capacity to prevent and manage environmental and social risks and impacts.

EDC's commitment to respect human rights does not mean that we need to avoid all transactions or impacts where environmental, social or human rights risks or impacts exist. Rather, the expectation of international frameworks is that – where such risks or impacts are present – EDC will take meaningful steps to seek to prevent and manage those risks and impacts.

Our Human Rights Policy commits us to build and use our leverage to prevent and manage human rights impacts that EDC might be connected to through customer relationships, and to enable remedy when impacts nevertheless occur.

In 2020, with the help of Shift, an external consultancy and the leading centre of expertise on the UNGPs, a cross-functional team developed principles and guidance to put these commitments into practice across EDC's business – as a way of enabling our business while meeting stakeholder expectations.

The development and approval of the [Principles on Leverage and Remedy](#) by our Executive Management team in December 2020 required substantial education and awareness-raising at all levels of the organization. We also engaged with external stakeholders to inform them of the directions we were exploring and gather their feedback.

EMERGING ISSUES

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

As emerging risks become more salient, we incorporate them into our environmental and social risk assessment tools. In 2020, we disclosed details on the salient human rights risks that we identify with the telecommunications and software industries, and the apparel, footwear and textile sectors, along with how we manage these risks and engage with our clients in our [Due Diligence Framework: Human Rights](#) (see Appendices A and B).

We also disclosed our approach to identifying gender risks for project-related transactions and the different factors that contribute to gender risks, as well as how we engage with our customers to ensure that their Environmental and Social Risk Management system addresses gender risk appropriately. See Appendix C of our [Due Diligence Framework: Human Rights](#).

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.

Key terms

Leverage: Any and all of the actions that EDC might take to influence its 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 is the idea that when adverse impacts occur, affected stakeholders have a right to effective recourse.

In most cases, EDC's responsibility is to use its leverage to encourage customers and other responsible parties to provide appropriate forms of remedy for people severely impacted by their activities.

CAPACITY BUILDING

We continue to develop internal capacity for identifying, managing, engaging, and reporting on human rights across the organization.

Building on our 2019 efforts to introduce the UNGPs and discuss the practical implications of our new Human Rights Policy, we worked to develop capacity and embed ownership over human rights risk management across the organization in 2020.

With guidance from Shift, and the help of EDC's Change Management team, the focus was on building understanding of human rights and the concepts of leverage and remedy in order to start preparing the organization for operationalizing the new [Principles on Leverage and Remedy](#) in 2021.

In 2020, a series of leverage and remedy information sessions were conducted for different lines of business, including underwriting, business development, legal, risk management and other teams across the organization. The sessions covered topics such as EDC's Human Rights Policy and why and how EDC was pursuing a more systematic approach to leverage and remedy.

Shift and EDC's human rights experts also delivered a leverage and remedy workshop for EDC's Executive Management team, which included discussions on how to prioritize EDC's efforts and deliver proactive value to customers.

KEY PERFORMANCE METRICS

In July 2020, we began piloting several new metrics for tracking and reporting on our human rights performance, as part of our commitment to provide stakeholders with a comprehensive picture of the work we do to manage our human rights risks and support our customers in managing theirs.

Selecting metrics that can be efficiently measured, that provide meaningful insight into our performance and that are useful for strategic decision making requires building our capacity as well as piloting and testing. We will continue developing and testing new human rights and environmental and social metrics going forward.

ADVOCACY AND STAKEHOLDER ENGAGEMENT

INFLUENCING OUR PEERS

EDC plays an active and influential role with its peers in exchanging information about and promoting sound risk management principles.

We participate in the OECD environmental and social practitioner group and, in February 2020, delivered a presentation on Indigenous Peoples and the notion of free, prior and informed consent (FPIC) in the Canadian context. In September, along with a peer export credit agency, we presented our human rights-related due diligence approach for customers active in the telecommunications and software industries. This presentation spurred an informal working group with other export credit agencies (ECA) on the issue of human rights in these industries. The objective will be to raise awareness about human rights-related risks specific to the telecommunications and software industries, and discuss and promote consistent practices through the development of tools and resources for ECAs.

EDC was actively involved in the Equator Principles Steering Committee discussions leading up to [Equator Principles 4 \(EP4\)](#), specifically around the language related to the management of impacts on Indigenous Peoples and human rights, and in the development of the associated guidance for the implementation of the EP4. EDC implemented this new EP4 approach, as outlined in our [Due Diligence Framework: Human Rights](#), as of July 1, 2020.



EXTERNAL STAKEHOLDER ENGAGEMENT

EDC's business is informed by, and benefits from, extensive engagement with a broad range of stakeholders. Given the breadth and complexity of issues related to our business, we welcome different perspectives and subject matter expertise to help strengthen our policies and practices.

We continued to increase our openness and transparency in 2020 so that our key stakeholders could learn more about our processes and progress. The table below presents our key 2020 initiatives.

We engaged with numerous stakeholders as part of the development of our Human Rights Policy commitments on leverage and remedy. This included consulting with our shareholder, the Government of Canada, which expects EDC to align with the International Finance Corporation (IFC) [Performance Standards](#), the UNGPs, and the OECD [Guidelines for Multinational Enterprises](#). We also consulted with various civil society organizations and the [Canadian Ombudsperson for Responsible Enterprise](#) (CORE).

In October and November, we held three engagement sessions with representatives of civil society organizations. These meetings were an opportunity for EDC's President and CEO as well as members from our Executive Management team to hear directly from stakeholders and to share EDC's progress in the areas of the environment, human rights and business integrity. Details are provided on page 47 of our 2020 Annual Report.

One of the three sessions focused on a case study of an anonymous transaction with elevated ESG risks. The aim of the session was to give participants an insider's view of the policies, processes and decision making behind complex transaction assessments. It was a valuable exercise that enabled stakeholders to learn more about EDC's business, ask questions and share their views.

Stakeholder group	Primary expectations of EDC	Key initiatives in 2020
<p>Government of Canada</p> <p>The Government of Canada is our shareholder. EDC reports to the Minister of Small Business, Export Promotion and International Trade.</p>	<ul style="list-style-type: none"> Support the Government in its policy priorities by focusing on the tasks outlined in its annual Statement of Priorities and Accountabilities for EDC. Support the Government's economic response to the COVID-19 crisis. Align with the International Finance Corporation's Performance Standards, the United Nations Guiding Principles on Business and Human Rights, the OECD Guidelines for Multinational Enterprises, and Trade Commissioner Service's Integrity Declaration. 	<ul style="list-style-type: none"> In support of the Government's priorities, EDC's near-term priorities included COVID-19 response and recovery efforts, transparent reporting, sector-specific support, and support for small and medium-sized companies and underrepresented groups. EDC was invited to chair the Minister's Business, Economy, Trade and Recovery working group to promote collaboration within Canada's trade portfolio. We began providing quarterly performance reports to the Minister.
<p>CSR Advisory Council</p> <p>This council of prominent experts provides advice and guidance to our President and Executive Management team on our ESG practices.</p>	<ul style="list-style-type: none"> Continually improve our ESG practices in line with evolving international standards and industry best practices. 	<ul style="list-style-type: none"> The Council's June meeting focused on the challenge of balancing EDC's role over the short term in the Government's COVID-19 response with EDC's longer-term climate-related objectives. From these and other discussions, we ultimately required oil and gas companies receiving financing support from us to commit to disclosing their climate-related risks and opportunities through annual TCFD reporting. The Council's November meeting focused on how EDC could provide enhanced ESG support to medium-sized companies going forward, and other ESG measures and actions EDC could take to support Canada in emerging from the pandemic with a robust, resilient and profitable economy that is aligned with domestic and global sustainability objectives. Meeting summaries are posted on our website.

Stakeholder group	Primary expectations of EDC	Key initiatives in 2020
<p>Customers and industry</p> <p>Along with EDC customers, this group includes national and provincial industry associations representing companies of all sizes from a variety of sectors.</p>	<ul style="list-style-type: none"> Consider and prioritize the international competitiveness of Canadian companies. 	<ul style="list-style-type: none"> At the outset of the pandemic, we reached out to more than 60 industry associations to provide economic updates, details on the Government of Canada's pandemic relief efforts, and information on how EDC could support their members. In June, EDC held its annual Industry Stakeholder Panel, with representatives from the Government of Canada and various business and industry associations including, for the first time, the Canadian Council for Aboriginal Business. In light of COVID-19, discussions focused on how Canadian companies were approaching economic recovery and how we could best support them. Meeting minutes are posted on our website.
<p>Civil society</p> <p>Civil society organizations provide us with important perspectives and expertise on EDC's business operations and how they affect human rights, climate change, business integrity and transparency.</p>	<ul style="list-style-type: none"> Demonstrate a clear commitment to sustainable and responsible business. Ensure alignment with the Government of Canada's commitments to mitigating climate change and respecting human rights. Place restrictions on the level of risk accepted in transactions. Demonstrate leadership in the transition to a low-carbon green economy by phasing out support for fossil fuels and increasing support for clean technology and renewables. Play an influential role with peers in the financial sector. Increase transparency and disclosure practices. 	<ul style="list-style-type: none"> In March, EDC published an updated Transparency and Disclosure Policy, which was informed by feedback from civil society. It sets out a framework for the disclosure of information pertaining to our business and strives to make EDC more open, clear and responsive to stakeholders' needs. See page 16. EDC's Board Chair and President and CEO received five formal queries seeking information about our policies and practices, or business we had undertaken. These requests and our responses are posted to the Public Queries section of our website. In October and November, we held three engagement sessions with representatives of civil society organizations. These meetings were an opportunity for our executives to hear directly from stakeholders and share EDC's progress in the areas of the environment, human rights and business integrity. Participants were most interested in learning more about our: <ul style="list-style-type: none"> Collaboration with the Government of Canada to ensure alignment with international commitments Advancement of our climate targets and approach to climate risk with customers Risk threshold and when we decline transactions for non-credit reasons Progress on the implementation of EDC's human rights approach on leverage and remedy Intelligence gathering from communities and civil society as part of transaction due diligence Work on applying a gender lens to our transaction due diligence Benchmarking against peers Internal incentives and motivations for moving the bar on ESG

Stakeholder group	Primary expectations of EDC	Key initiatives in 2020
<p>International organizations</p> <p>By participating in prominent international organizations, we help tackle global issues and shape standards in the areas of climate, biodiversity, human rights and social risks.</p>	<ul style="list-style-type: none"> Share experiences and best practices with other financial institutions and export credit agencies (ECAs), as well as promoting EDC's environmental and social policies and practices. Help advance best practices and level the playing field with respect to the global use of export credits. 	<ul style="list-style-type: none"> We maintained active participation as part of the Canadian Delegation to the OECD Export Credits Group (ECG) and the OECD Participants Group where Members continued to 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. EDC continued active engagement within the Equator Principles (EP) Association, including taking up a position on the Steering Committee to help shape the Association's strategic direction and continuing in its role as co-chair of the EP's Climate Change Working Group. The new version of the EPs (EP4), which took effect on July 1, 2020, strengthens requirements for human rights and climate change reviews and due diligence on impacts related to Indigenous Peoples in project financing. EDC continued to participate in the annual G12 Heads of ECAs and the annual G7 Heads of ECAs meetings whereby leaders discussed a range of strategic topics including the impact of the COVID-19 pandemic and the vital roles ECAs play in stimulating the economic recovery. EDC also maintained its active participation in the International Association of Export Credit and Investment Insurers, more commonly referred to as the Berne Union. EDC participated in various panel discussions throughout the year relating to an industry stock take of business trends, claims, risk and policy during the pandemic.
<p>Employees</p> <p>Our over 1,700 employees are based in 21 offices across Canada and 20 international representations.</p>	<ul style="list-style-type: none"> Provide opportunities to make a meaningful difference for Canada and Canadians. Maintain a commitment to high standards of ethics, integrity and responsible business. Promote and foster a diverse, inclusive and welcoming workplace. Offer learning and development opportunities. 	<ul style="list-style-type: none"> We increased communications to help employees stay connected while working remotely and to promote their health and wellness. See page 42 of our 2020 Annual Report. Quarterly pulse surveys were introduced to stay abreast of employee sentiment, and to gather timely feedback on specific topics such as our internal response to COVID-19. The learnings prompted us to enhance our employee wellness offerings and improve our technological capabilities to remove productivity barriers. See page 42 of our 2020 Annual Report.

GRIEVANCE MECHANISMS FOR STAKEHOLDERS IMPACTED BY EDC CUSTOMERS

Grievance mechanisms are essential for ensuring that a company's stakeholders, including community members, 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.

We believe it's essential for companies to strive to prevent issues by engaging proactively with affected stakeholders. 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 agreements.

EDC also commits to take reasonable steps to co-operate in the [Canada's National Contact Point](#) and [Canadian Ombudsperson for Responsible Enterprise](#) processes when our customers are involved.

We continued to increase our openness and transparency in 2020 so that our key stakeholders could learn more about our processes and progress.



TRANSPARENCY AND DISCLOSURE

As an organization wholly owned by the Government of Canada, EDC's business is in the public interest. By disclosing information about the transactions we support, we demonstrate our commitment to values-based business and our accountability, and seek to build trust about the way we approach our business.

First introduced in 2001, EDC's renamed [Transparency and Disclosure Policy](#) was updated in 2020 to help us be more open, clear and responsive to the needs of our stakeholders. Informed by feedback received during a public consultation, the Policy sets out 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.

Among the changes outlined in the updated policy, EDC commits to:

- Offering more relevant descriptions, with tightened dollar ranges, for the transactions we support and disclose
- Providing more information on our risk management and non-credit due diligence processes
- Accelerating the posting to our website of Category A project financing transactions that are under consideration (these are projects with potentially significant adverse environmental or social impacts), from 30 days to 60 days in advance of providing support
- Posting our responses to formal enquiries about the business we've undertaken, along with a copy of the enquiry itself

EDC's renamed Transparency and Disclosure Policy was updated in 2020 to help us be more open, clear and responsive to the needs of our stakeholders.

We've also committed to making some information available about the business *we don't do*. Beginning in this report, we're disclosing the number of financing transactions reviewed by decision-making committees that did not proceed due, in whole or in part, to ESG-related risks. By doing so, we aim to demonstrate that we take responsible and sustainable business seriously and follow rigorous due diligence practices when reviewing transactions and business relationships for potential support.

Related information

[Transparency and Disclosure Policy](#)

[Public response paper](#)

[Public queries](#)

[Transactions reporting](#)



TRANSACTIONS AND PROSPECTIVE CUSTOMERS TURNED DOWN DUE TO ESG RISKS IN 2020

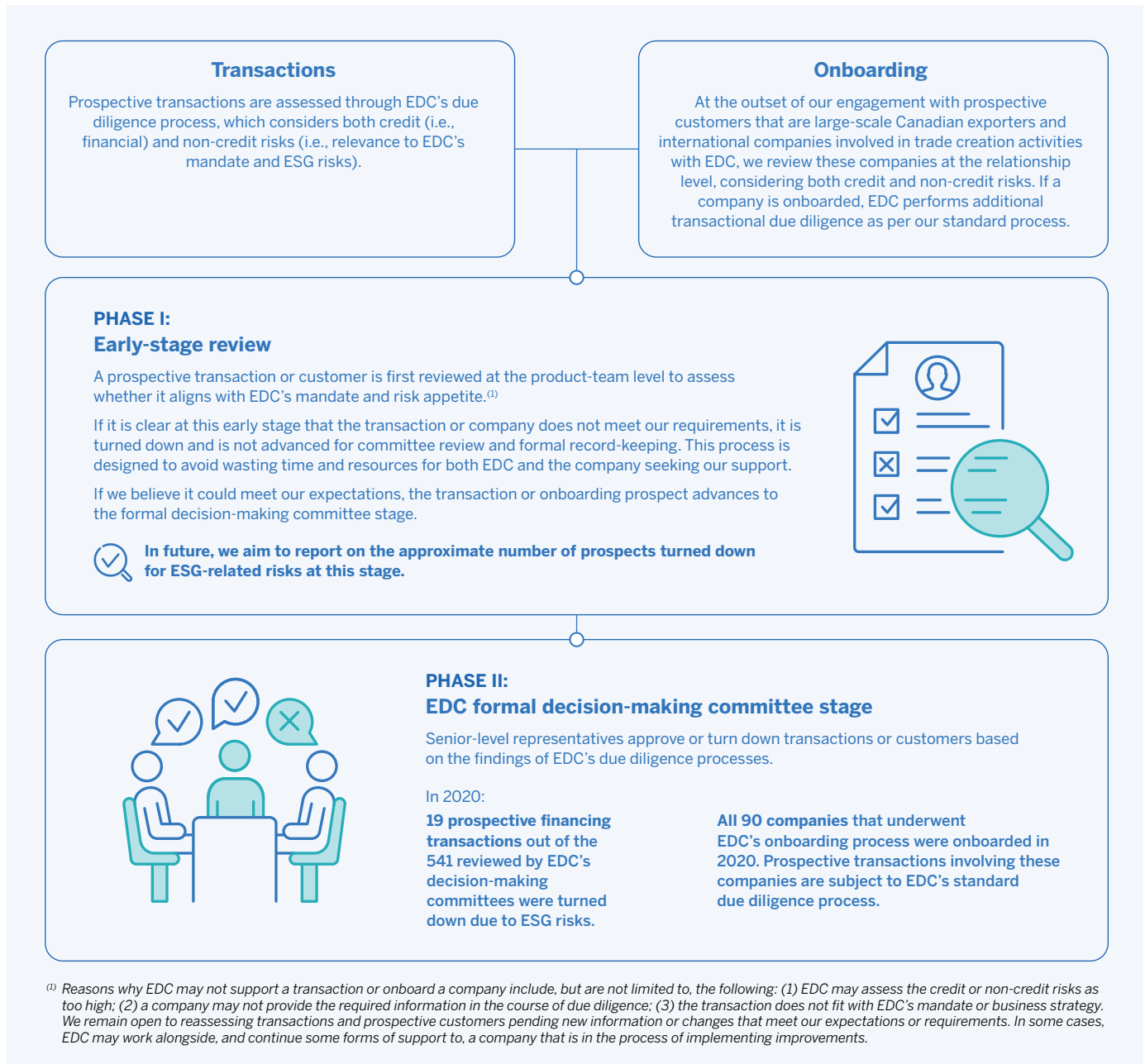
As part of the updated Transparency and Disclosure Policy, EDC committed to disclosing annually the aggregate number of prospective financing transactions that did not proceed and prospective financing customers that were not onboarded due, in whole or in part, to ESG risks.


This is the first year of reporting this information, and we expect it to improve over time as our data-collection and tracking processes improve. From the data we have

gathered, we consider the number of transactions and customers turned down in 2020 to be relatively low, for the reasons outlined below. We are working toward providing more robust data, that is more representative of the totality of the transactions and companies turned down across our organization in the future.

For now, we are only able to report on the number of transactions or companies that were turned down at the formal decision-making committee level.

2020 process and results





Over the past few years, we have put a great deal of effort into making early assessments and advancing only those transactions and companies where there is a reasonable expectation of meeting EDC's requirements.

ANALYSIS OF OUR 2020 RESULTS

In future reporting years, we would like to be able to report on the number of transactions and companies turned down before proceeding to formal committee review. The numbers currently reported are not representative of the totality of turn-downs that are occurring, as many are declined at earlier stages.

Over the past few years, we have put a great deal of effort into making early assessments and advancing only those transactions and companies where there is a reasonable expectation of meeting EDC's requirements. This is a prime example of how EDC's risk appetite is being embedded in our culture, helping us to target, advance and support opportunities that respect the commitments we make, are within our risk appetite and reflect our mandate.

We attribute the relatively low number of committee-level turn-downs primarily to the impacts of the COVID-19 pandemic and our newly introduced climate change actions:

- The pandemic has put a significant pause on international business opportunities that EDC would normally be considering. Companies are prospecting and travelling less, and many international business opportunities have been put on hold.
- Our climate commitments and carbon intensity targets influence the businesses and sectors we proactively target and prioritize. This is a key part of how we are working to steadily reduce our support to carbon-intensive sectors in a measured way, while fulfilling our mandate to support Canadian businesses of all sectors and all sizes.

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