Summary of Proceedings:
Export Development Canada's Advisory Council on
Corporate Sustainability and Responsibility

Date: May 20, 2021

Participant Guest Speaker:

Jonathan Hackett, Managing Director and Head, Sustainable Finance Group, Bank of Montreal

CSR Advisory Council Members:

Martine Irman, EDC Board Member, Senior Vice-President at TD Bank Group, Vice Chair at TD Securities
Gordon Lambert, Suncor Sustainability Executive in Residence, Ivey School of Business, Western University
Rosemary McCarney, Former Canadian Ambassador and Permanent Representative to the United Nations in Geneva
Marie-Lucie Morin, Corporate Director and member of the Security and Intelligence Review committee
Anita Ramasastry, Henry M. Jackson Professor of Law and Director of the Sustainable International Development Graduate Program at the University of Washington School of Law
Christa Wessel, Chief Operating Officer and General Counsel at ClearView Strategic Partners Inc.
David Wheeler, Co-Founder of the Academy for Sustainable Innovation

Absent:
Eduardo Bohorquez, Executive Director of Transparencia Mexicana

From Export Development Canada (EDC):

Mairead Lavery, President and Chief Executive Officer, and Council Chair
Carl Burlock, Executive Vice-President and Chief Business Officer
Justine Hendricks, Chief Corporate Sustainability Officer
Todd Winterhalt, Senior Vice-President of Communications and Corporate Strategy
Sophie Roy, Vice-President, Corporate Sustainability and Responsibility
Chris Pullen, Director of Environmental, Social and Governance Strategy Implementation

SESSION OVERVIEW

The objective of the spring session of the Advisory Council on Corporate Sustainability and Responsibility was to equip the President and Executive Team with insights and advice on EDC's approach to developing a sustainable finance framework.

The Council heard from guest speaker Jonathan Hackett, Managing Director and Head of the Sustainable Finance Group at the Bank of Montreal, who provided an overview of sustainable finance and the impact on access to capital. The Council engaged in a thoughtful discussion on the intersection of ESG and sustainable finance, the challenges of a rapidly evolving external environment, as well as key opportunities for EDC. The following key themes and observations emerged from the presentation and discussion:

1. **While often used interchangeably, it is important to make a clear distinction between ESG and Sustainable Finance.**
    - ESG refers to environmental, social and governance information and analysis that is material to investments; it's integrated into strategy and decision-making. It is not exclusionary; it is rather about understanding risk and incorporating it into considerations. "ESG is a proxy for a well-run company that is on top of risks and opportunities."
    - Sustainable finance refers to tools for attracting capital to advance global goals; it addresses the need to bring solutions to market. Companies that create these solutions have the right to command funds from market; investing in these companies should drive solutions.

2. **The energy transition presents opportunities as we move towards a more sustainable future.**
    - The COVID-19 pandemic brought into question the planet's ability to respond to a crisis (speed and efficiency) and highlighted social and economic inequalities. It also reinforced that climate change is a global crisis that requires an urgent and united response.
    - Despite the magnitude of the challenge, we have an opportunity to drive solutions. The recent International Energy Agency report on Net Zero by 2050 presents pathways for opportunities.

- Some solutions include:
    - Transition finance/ “just” transition. There is a growing need to help companies being driven out of business to pivot and to invest in long-term solutions. This includes massive opportunities for made-in-Canada solutions as we have an abundance of energy sector expertise (carbon capture and sequestration for example).
    - Integrating ESG into supply chains to respond to consumer and company demands looking at environmental footprints. “If you want companies to relocate, make the energy green.”
- There is a need to act with urgency. Setting ambitious and transparent targets will help us be more accountable, ambitious and impactful.

3. **Intersection of the E & S of ESG.**
    - There are significant social concerns that can’t be ignored in the energy transition. Therefore, we need an integrated approach to environmental and human rights performance.
    - Companies need to incorporate pandemic preparedness as part of ESG portfolio. Disaster preparedness, response and mitigation should be driving increased investment.
    - Market forces recognize good social practices. Opportunity for Canadian companies/supply chains to be best in class. “It’s important to introduce competition into the supply chain.”
    - Bar for social bonds is high, verging on philanthropic. High scrutiny of social outcomes. Opportunity to learn from mining companies who work closely with Indigenous communities.

Two overarching challenges were identified during the discussion:

1. Market confidence has been a major barrier to progress. Need for leadership in paving path and driving change. “Gap between where we are and where we want to be.”
2. It is difficult to navigate the velocity of information, changes in external environment and public pressure. It takes time to make changes in accordance with science and technology.

The discussion rendered a range of options for the President and Executive Team to consider as they pursue a sustainable finance agenda for EDC:

1. **Opportunity for leadership.**
   - EDC support of Canadian companies to bring new products and services to help the world get to net zero is a major growth opportunity.
   - Opportunities for EDC lie in energy grid, value chain (where it's decarbonized) and demonstrating leadership in being a catalyst for sustainable products.
   - Build on leadership demonstrated in cleantech, green bonds and actively explore sustainable finance products such as sustainability-linked loans and collaborative partnership opportunities with financial institutions.
   - Apply learnings from energy sector to aerospace (and other industries) to drive transition.
   - Leverage mandate to ensure a just transition.

2. **Educational and advisory services.**
   - As businesses look to reduce their carbon footprint or better understand their ESG obligations, there is an opportunity for EDC to support our customers' journeys through financing or other innovative solutions (e.g., knowledge products).
   - EDC can provide much value as an educator and facilitator of ESG expectations and practices to enable better risk management and decision-making, making Canadian companies more competitive.
   - EDC can support customers' ESG journeys while meeting our own climate objectives. One example is providing advisory services on how companies can improve their tracking and disclosure of their emissions footprint while identifying opportunities to reduce it.
   - Where possible, look to leverage partnerships to help companies improve their ESG performance.
   - Promote tools at the right level (right-sized solutions) depending on company needs.