

**POLICY**

## Human Rights Policy



## Authority Signatures



**Approved by:** Martine Irman, Chair - Board of Directors

Date 28/02/2019



**Endorsed by:** Lorraine Audsley, Chair – EDC Risk Management Committee

Date 12/02/2019



**Recommended by:** Catherine Decarie, Senior Vice-President (SVP), Corporate Affairs

Date 12/02/2019

## Control Sheet

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## **1. PURPOSE AND SCOPE**

Businesses, including export credit agencies, have a responsibility to respect human rights across their operations. To meet this responsibility, the United Nations Guiding Principles on Business and Human Rights (UNGPs) state that all businesses should have in place policies and processes to identify, prevent, mitigate and account for how they address their impacts on human rights. In line with the UNGPs, businesses should have in place a policy statement on human rights.

EDC recognizes that in most cases, the most severe human rights impacts to which we are likely to be connected will occur through our customer relationships. This Policy provides the principles and commitments that will guide EDC's approach to respecting human rights and our internal decision making in connection with the transactions we support. It is also one of the avenues that EDC uses to communicate our approach to respecting human rights to external stakeholders.

### **1.1 APPLICATION**

Unless otherwise stated, this policy will apply to all of EDC's business. Further details of policy implementation will be elaborated in the Policy's Procedures and Guidelines.

EDC's commitments to the rights of our employees are addressed in EDC's [Code of Conduct](#), our human resource policies and our compliance with applicable laws and regulations.

## **2. POLICY GUIDING PRINCIPLES AND COMMITMENTS**

### **2.1 EDC RESPONSIBILITY TO RESPECT HUMAN RIGHTS**

At EDC, we recognize our responsibility to respect the internationally recognized human rights covered within the International Bill of Human Rights in the undertaking of our role as Canada's export credit agency. We operate in a manner consistent with Canadian law which embeds the international commitments made by Canada. We align our practices with the corporate responsibility expectations of the UNGPs.

EDC makes every effort to identify, prevent and mitigate potential human rights impacts through our customers relationships. To do so, we prioritize our due diligence to assess the business that we support for actual and/or potential severe human rights impacts. EDC also expects our customers meet their responsibility to respect human rights, in a manner that is appropriate to their size and risk profile, to identify and address their impacts.

### **2.2 IMPLEMENTATION OF EDC HUMAN RIGHTS COMMITMENTS THROUGH OUR CUSTOMER RELATIONSHIPS: OUR HUMAN RIGHTS DUE DILIGENCE PROCESS FOR TRANSACTIONS**

To identify and assess the human rights impacts associated with our customers, EDC conducts due diligence in accordance with our [Environmental and Social Risk Management Policy](#) and the [Environmental and Social Review Directive](#) which are informed by the OECD Common Approaches on Environmental and Social Due Diligence, the Equator Principles, the OECD Guidelines on Multinational Enterprises and the UNGPs. The elements below are part of our transaction due diligence process.

#### **2.2.1 PRIORITIZATION:**

Considering our large and diverse portfolio of customers, EDC takes a risk-based approach by prioritizing certain transactions for further due diligence based on higher risks factors we have identified, such as the country context, the track record of the business partners, the business activities associated with a transaction and the presence of Vulnerable Peoples. EDC also prioritizes certain risks or impacts within each transaction based on the severity of the actual and/or potential impacts on people. EDC determines the severity of an impact based on its scale, scope and irremediability. We commit to review our prioritization approach on an ongoing basis.

#### **2.2.2 CUSTOMER ASSESSMENT:**

Commensurate with the severity and likelihood of the human rights impacts, EDC assesses our customers' capacity to manage human rights impacts. For transactions with higher risks to people, we place further emphasis on assessing our customers' management systems for ensuring effective stakeholder engagement processes and operational level grievance mechanisms, in line with best practices, so that affected stakeholders can voice their concerns.

#### **2.2.3 LEVERAGE:**

Through our business relationships with our customers, our practice is to use any available leverage to influence our customers' actions to prevent and mitigate their human rights impacts. We recognize that

the extent of our leverage is variable and impacts our ability to influence the actions of our customers. Where we have insufficient leverage, EDC will seek ways to increase our leverage so that those impacts are effectively prevented and mitigated. When deciding to invest in or disinvest from a customer relationship, EDC will consider the severity of the impacts on people, our customers' capacity to address the impacts and our ability to build and increase leverage successfully so that the impacts are managed.

#### **2.2.4 MONITORING:**

When higher risks to people are identified in a transaction, EDC will track and monitor the human rights performance of our customers. This will allow us to act when actual severe human rights impacts are identified, should they arise.

### **2.3 ENABLING REMEDIATION**

When severe human rights impacts occur, our approach to remedy is based on our determination of how EDC may be connected to the impact through our business relationships. EDC will play an appropriate role in enabling remedy for those rights-holders that have been harmed. We recognize that in most cases this will mean using our leverage to encourage responsible parties to provide appropriate forms of remedy.

When an issue involving one of our customers is brought forward to Canada's National Contact Point (NCP) or the Canadian Ombudsperson for Responsible Business (CORE), EDC will take reasonable steps to cooperate in these processes and will also encourage our customers to do so.

### **2.4 COMMUNICATING WITH STAKEHOLDERS**

EDC recognizes the importance of communicating with our stakeholders in good faith through constructive dialogue. We approach this collaboration as an opportunity to hear, understand and respond to their interests and concerns. We also look to our network of expert stakeholders to assist in strengthening our process to identify and address human rights challenges and, in some instances, to better understand the concerns of stakeholders potentially affected by our customers' activities.

### **2.5 TRACKING AND REPORTING ON OUR HUMAN RIGHTS PERFORMANCE**

EDC will disclose information on our processes that demonstrate, in practical terms, our commitment to respect human rights. In addition, we will track our performance related to our human rights due diligence process in order to evaluate how we are doing and report externally on our findings.

### **2.6 TAKING AN ACTIVE ROLE IN THE LEVEL PLAYING FIELD**

EDC recognizes the evolutionary nature of human rights practices, and actively monitors the international and national human rights discourse to track emerging best practices and human rights issues to improve upon our own approach. We will bring to the attention of our customers, particularly those who may be exposed to higher risks circumstances, best practices in the field of human rights when appropriate. We will play an active role in industry and standard-setting bodies as part of our commitment to ongoing strengthening of best practice and a level playing field, including through the OECD Environmental and Social Practitioners and the Equator Principles fora. EDC will use its leverage to continue to promote alignment of these frameworks with leading practices and the expectations of the UNGPs.

### **3. ROLES AND RESPONSIBILITIES**

This Human Rights Policy is a Board Policy and, as such, is approved by the Board of Directors.

The SVP, Corporate Affairs shall be the Policy Owner of this Human Rights Policy and, as such, shall be responsible for its development, implementation and maintenance. He/she shall also be accountable for its execution and effectiveness.

The Director, Environmental and Social Risk Management shall be the Policy Monitor. The Policy Monitor may delegate his or her responsibilities as Policy Monitor to an alternative and credible person.

Internal Audit, as the Third Line of Defence, shall be responsible for providing Independent Assurance to the Board of Directors and Executive in accordance with EDC's Internal Audit Charter.



## 4. REPORTING REQUIREMENTS

The table below sets out the minimum reporting requirements for the Human Rights Policy.

Table 1: Reporting Requirements

Report	Frequency	Description	Distribution
Report on EDC's performance related to EDC's human rights due diligence process	Annually	In EDC's Integrated Annual Report, provide an overview of EDC's performance related to its human rights due diligence process	<b>Distributed by:</b> <ul style="list-style-type: none"><li>SVP, Corporate Affairs</li></ul> <b>Distributed to:</b> <ul style="list-style-type: none"><li>Disclosed externally in EDC's Annual Report</li></ul>

## 5. REVIEWS AND REVISIONS

The Human Rights Policy shall be reviewed and approved every three years, or more frequently should circumstances require.

Any revisions to, or rescinding of, this Human Rights Policy shall be accompanied by supporting detail on the material changes and associated rationale.

Role and responsibilities with regard to approval, revision and/or rescinding of the Human Rights Policy shall be as described in the table below.

Any minor off-cycle adjustments to this Human Rights Policy may be made in adherence with and as set out in the Policy of Policies.

Table 2: Reviews and Revisions

Document	Review & Recommend for Approval, Revision (or Rescinding)	Approval	Approval Cycle
Human Rights Policy	SVP, Corporate Affairs and endorsed by an Executive-level committee	Board of Directors	At least every three years, unless deemed otherwise by the Board of Directors

## 6. ESCALATION AND EXCEPTIONS

All exceptions or instances of non-compliance to this Human Rights Policy shall be assessed by the Policy Monitor and escalated to the Policy Owner for resolution or approval.

Requests for Policy exceptions or instances of non-compliance must:

- Identify the applicable section(s) of the Policy to which the exception applies;
- Assess the risk(s) that arises from the proposed exception(s);
- If applicable, outline the appropriate controls to mitigate these risks; and,
- Specify the review or effective period of the Policy exception.

A process shall be established by the Policy Owner to identify, record and report on exceptions or instances of non-compliance with this Policy. Policy exceptions will be disclosed.

## 7. OTHER RELATED DOCUMENTS

The following documents relate to the Human Rights Policy:

- Environmental and Social Risk Management Policy
- Environmental and Social Review Directive
- Climate Change Policy
- Disclosure Policy – under review
- Environmental and Social Risk Management Framework – under development
- Policy of Policies
- Internal Audit Charter
- Operational Risk Framework
- Operational Risk Policy

## **8. EFFECTIVE DATE**

The Human Rights Policy shall take effect on May 1st, 2019.

## 9. DEFINITIONS

In this Policy, the names of EDC teams and groups are capitalized, and refer to the teams/groups as set out in EDC's corporate directory.

Capitalized terms other than name of EDC teams or groups are defined terms, as set out below.

Table 3: Definitions

Terminology	Definition
Board of Directors	EDC's Board of Directors.
Board Risk Management Committee (BRMC)	Board-level Risk Management Committee, as set out in the ORMF.
Executive	The cadre of managers that provides the most senior level of review, guidance and decision-making.
First Line of Defence	Teams or individuals who assume, own, and manage risk.
Guideline	A document which sets out the parameters within which EDC employees should act and the standards which should be defined to achieve expected outcomes and Policy requirements. This includes mandatory controls, or alternatively guidance, recommendations or best practices.
Independent Assurance	The process for assuring the Board and Senior Management that the Policy and its related Guidelines (or Standards), Procedures and Frameworks are effectively designed and functioning as intended.
International Bill of Human Rights	The International Bill of Human Rights consists of the Universal Declaration of Human Rights and the main instruments through which it has been codified: the International Covenant on Civil and Political Rights and the International Covenant on Economic, Social and Cultural Rights.
Operational Risk Management Framework (ORMF)	The overarching Governance Structure for establishing effective operational risk management in respect of the entire organization.
Policy	A document which sets out the principles or protocols to guide decisions and achieve expected outcomes. Policies are derived from EDC's mandate, missions, strategic objectives and Risk Appetite.
Policy Monitor	The authority responsible for monitoring, ensuring and attesting to compliance with the Policy, and also responsible for reporting instances of non-compliance to the Policy Owner (if Policy Monitor is different from the Policy Owner).
Policy Owner	The senior Executive responsible for the matters addressed by the Policy. This includes responsibility for ensuring the Policy's development, implementation and maintenance.
Procedures	Step-by-step instructions (including process maps where available, and job aids) to complete a task to implement Policies and Guidelines (or

	Standards). These documents should describe a series of actions on how to perform an activity to achieve expected outcomes.
Second Line of Defence	Individuals and teams oversee risk-taking.
Standards	Requirements that are mandatory, prescriptive and intended to be binding on EDC's employees.
Third Line of Defence	EDC's Internal Audit, which is responsible for providing Independent Assurance to the Board of Directors in accordance with EDC's Internal Audit Charter.
Three Lines of Defence Model	A governance model that distinguishes organizational roles and responsibilities via three lines of management: First Line of Defence, Second Line of Defence and Third Line of Defence.
United Nations Guiding Principles on Business and Human Rights (UNGPs)	A set of 31 principles that set out the respective roles of States and companies in ensuring that companies respect human rights in their business activities and through their business relationships. The UNGPs were endorsed by the UN Human Rights Council in 2011.
Vulnerable Peoples	At EDC, we define Vulnerable Peoples as those peoples who are entitled to specific protection under international laws including for example woman, children, religious or ethnic minorities and indigenous peoples as well as those peoples we have recognized in practice as being more likely to suffer severe impacts in certain contexts such as human rights defenders, LGBTQ, migrant workers or artisanal miners.