

# Summary of Proceedings: Export Development Canada's ESG Advisory Council Meeting

**Date:** May 27, 2024

## **ESG Advisory Council Members:**

**Janet Annesley**, Chief Sustainability Officer, Kiwetinohk Energy Corp.

**Karen Clarke-Whistler**, Senior executive, business strategist, and environmental scientist

**Fred Di Blasio**, CEO and Managing Partner, Longhouse Capital Partners

**Tomislav Ivancic**, Global Advisor, Responsible Sourcing and Agricultural Supply Chains Food and Agriculture Organization of the United Nations

**Anita Ramasastry**, Dean, Roland Hjorth Professor of Law and Director of the Sustainable International Development Program, Washington School of Law

## **From Export Development Canada (EDC):**

**Mairead Lavery**, President and Chief Executive Officer, and Council Chair

**Lorraine Audsley**, Senior Vice-President, Chief Risk and Sustainability Officer

**Todd Winterhalt**, Senior Vice-President, Communications, Marketing and Corporate Strategy

**Miguel Simard**, Senior Vice-President and Chief Legal Officer

**Rachel Guthrie**, Vice-President, ESG Integration

**Sophie Roy**, Vice-President, ESG Advisory

**Owen Bourns**, Vice-President and General Counsel

## **SESSION OVERVIEW**

The May meeting of the ESG Advisory Council focused on emerging ESG trends in the global regulatory landscape.

The session opened with updates from EDC's President and CEO Mairead Lavery and Chief Risk and Sustainability Officer Lorraine Audsley on key developments since the last meeting:

- In April, the leaders of official [export credit agencies from the G7 nations](#) met in Tokyo to discuss recent business trends and challenges. Key topics of discussion included the importance of protecting and promoting international trade and investment, the need to enhance ECAs' resilience to the impacts of climate change, and the agencies' continued commitment to supporting Ukraine.
- As EDC continues its focus on the Indo-Pacific region, we continue to seek opportunities to share knowledge, facilitate connections and strengthen ties with industry associations to accelerate the entry of Canadian businesses into the region. EDC's President and CEO recently traveled to South Korea to meet with Canadian companies and stakeholders as part of a Team Canada Trade Mission; she also participated in the Asia Business Leaders Advisory Council in Vancouver & the Canadian Chamber of Commerce's Gateway to the Indo-Pacific Summit in Montreal.

- EDC's CRSO shared reflections from her participation in the Montreal Forum on the Future of Energy and the Sustainable Finance Summit, including the need for policy and regulatory frameworks in driving disclosures focused on outcomes.
- In May, EDC published its [2023 Integrated Annual Report](#), along with a suite of supplemental ESG reports: the [Climate-related Disclosure](#), [Human Rights Report](#), [Sustainable Bond Impact Report](#) and its first [Forced Labour in Canadian Supply Chains Report](#), which outlines the steps taken in 2023 to prevent and reduce the risk of forced labour or child labour within EDC's supply chain.
- EDC's Board of Directors recently endorsed the organization's ESG strategy, which focuses on embedding ESG principles throughout EDC and supporting responsible business growth for Canadian companies.

Following the opening remarks, retiring Council member Anita Ramasastry, Dean of the Roland Hjorth Professor of Law and Director of the Sustainable International Development Program at the Washington School of Law, set the scene for the discussion by presenting on the latest regulatory trends and implications for Canadian companies. Highlights include:

- The last few years have seen an increase in disclosure mandates and reporting obligations around the world.
- In the U.S., the focus continues to be on forced labour and responsible supply chains.
- In May, the Corporate Sustainability Due Diligence Directive (CSDDD) was approved by the European Union, mandating human rights and environmental due diligence obligations for certain EU and non-EU companies.
  - It is the first regional law on mandatory corporate due diligence.
  - The financial sector is excluded from the directive.
  - The CSDDD will be enforced nationally by the authorities of the EU member states. Companies that do not comply with the CSDDD may face sanctions from national administrative authorities – including fines of up to 5% of their global turnover.
  - The CSDDD introduces a civil liability regime whereby companies could be liable for damages where they 'intentionally or negligently' failed to prevent, mitigate, bring to an end or minimize an adverse human rights impact which led to damage.
  - According to the Centre for Research on Multinational Corporations, approximately 5,400 companies are in scope of the directive.
- The Corporate Sustainability Reporting Directive (CSRD), which came into effect in January 2023, may have even wider implications on how companies are addressing human rights and environmental impacts.
  - A key element of CSRD is double materiality, which takes into consideration sustainability factors that may impact financial materiality, as well as impact materiality (company's impact on people and planet).
  - Double materiality analysis includes elements such as scope of impact, its scale, the feasibility of remediation and the likelihood of impact occurrence.
- The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, updated in June 2023, reflect important environmental and social developments and have implications on corporate disclosure and due diligence.
- This year, the EU approved new forced labour regulation that will prohibit the sale, import and export of goods made using forced labour.
- In Canada, the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* came into effect, requiring government agencies and companies to disclose the steps taken to prevent and reduce the risk of forced and child labour.



- More specific due diligence obligations have also been introduced in Europe, under the [EU's Conflict Minerals Regulation](#), the [EU's Batteries Regulation](#), the [EU's Deforestation Regulation](#) and the new procedures companies will have to adopt to ensure compliance with the [EU's ban on products made with forced labour](#), which also was approved by the European Parliament this year.

Following the presentation, the Council engaged in a discussion on key areas of importance for EDC and Canadian companies. Reflections include:

- The fast-paced and changing regulatory environment is challenging for companies to navigate, especially SMEs who may not understand their obligations. EDC may have a role to play in demystifying regulations and reporting standards.
- Strong due diligence will inform good corporate reporting.
- Double materiality will become increasingly important, but it is still confusing to many companies. It requires engagement with stakeholders, looking at the possible harms that may arise to people and communities.
- Costs to effective due diligence, increasing ESG reporting obligations, as well as assurance expectations will be challenging for many companies. However, short-term costs will lead to long-term value creation.
- EDC should consider how it can help Canadian companies take advantage of legislation to create a competitive advantage for exporters.
- With respect to legislation implementation, the period of gradual compliance must be taken into account to ensure we are limiting adverse impacts, specifically in the Global South.
- While ESG may be increasingly politicized, the notion of responsible business conduct is not. It is about responsible supply chains and long-term competitiveness.
- The transition to a low-carbon economy will have impact on many sectors, but there is incentive for companies to shift to an economy that is more inclusive and benefits everyone. Thirty-one of thirty-two critical minerals in Canada are on Indigenous lands. Indigenous communities must be included in the transition – environmental approvals can be streamlined with Indigenous participation, while protecting the Earth.
- EDC has demonstrated leadership on human rights through its due diligence and reporting. Going forward, Canada's export credit agency has the opportunity to leverage its global reach to facilitate regional conversations, gather intelligence and share learnings with companies to drive responsible business conduct.

