

Summary of Proceedings:

Export Development Canada's ESG Advisory Council Meeting

Date: October 3, 2022

ESG Advisory Council Members:

Janet Annesley, Chief Sustainability Officer, Kiwetinohk Energy Corp.

Dave Collyer, Former President, Canadian Association of Petroleum Producers

Judy Cotte, Head of ESG, Onex

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

Mario Thomas, President and Board Chair, Precision Biomonitoring

Absent:

Lawrence Lewis, Founder, One Feather

Rosemary McCarney, Diplomat in Residence at Massey College and the James Coutts Scholar in International Relations at Trinity College, University of Toronto

Marie-Lucie Morin, Former Executive Director, World Bank

From Export Development Canada (EDC):

Martine Irman, Chairperson of the Board of Directors, EDC

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

Lorraine Audsley, Senior Vice-President, Global Risk Management and Chief Risk Officer

Carl Burlock, Executive Vice-President and Chief Business Officer

Guillermo Freire, Senior Vice-President, Mid-Market Group

Justine Hendricks, Chief Corporate Sustainability Officer

Sven List, Senior Vice-President, Corporate and International Group

Julie Pottier, Senior Vice-President, Small Business and Partnerships

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

Rahul Chandran, Vice-President, ESG Policy

Rachel Guthrie, Vice-President, ESG Strategy, Outreach and Reporting

Sophie Roy, Vice-President, ESG Customer Success Group

Participant Guest Speaker:

Peter Lacy, Global Sustainability Services Lead and Chief Responsibility Officer, Accenture

SESSION OVERVIEW

The focus of the October meeting of the ESG Advisory Council was on the “E” of ESG, specifically on EDC’s role in supporting the climate transition. The objective was to provide the Council with an overview of EDC’s progress made over the past year, and to solicit feedback on the direction of its Environmental Social and Risk Management (ESRM) policies and climate commitments.

The session began with an update from EDC’s President and CEO Mairead Lavery and Chief Corporate Sustainability Officer Justine Hendricks on key EDC climate-related milestones, including:

- A public commitment to [net zero by 2050](#), accompanied by science-based targets for two sectors: upstream oil and gas and airlines.
- An ongoing review of five policies under the [Environmental Social Risk Management Framework \(ESRM\)](#), which involved extensive internal and external consultations with stakeholders, including customers, trade associations, civil society and employees. EDC’s updated policies will be published early next year.
- The release of an innovative [Sustainable Bond Framework](#), which will enable greater support for initiatives that create a more equitable and sustainable world.
- The launch of a [collaborative agreement with BMO Financial Group](#), which will bring sustainable finance solutions to medium- and large-sized Canadian exporters, helping them transition from carbon-intensive operations to those that can eliminate or reduce emissions.

Following the opening remarks, the Council was presented with an overview of EDC’s ESRM policy review, which generated a thoughtful discussion on the review process as well as the future direction of the policies. Some observations include:

- EDC has the opportunity to demonstrate leadership on biodiversity, specifically advancing the adoption of nature-related risk assessments and disclosures. While frameworks are still nascent and the market has yet to mature in this area, there is a strong business case and a moral imperative to take action. The net zero transition is at risk if biodiversity is not considered with the same authority. There is an inextricable link between climate and biodiversity; we cannot separate the biosphere from climate.
- “Divestment won’t move Canada forward.” EDC should use its leverage as Canada’s export credit agency to guide companies to strengthen their ESG practices and to navigate the path towards a low-carbon economy. Companies should have the opportunity demonstrate action along clear timelines before EDC decides to divest.



- EDC’s customers, as well as its stakeholders, will benefit from clarity and transparency with respect to ESG policies and practices, helping them navigate a rapidly changing regulatory environment.

The Council also had the opportunity to discuss EDC’s commitment to net zero emissions by 2050, including the three levers it will use to achieve its target:

1. Identify high-emitting sectors and customers to understand where to focus decarbonization efforts.
2. Align reduction of financed emissions with net zero emissions, particularly for high-emitting sectors.
3. Increase support for sectors and activities that are critical to achieving new zero (e.g. renewable/alternative fuels, clean tech) and facilitate innovation and sustainable development across all sectors.

Council reflections included:

- The transition to a low-carbon economy is complex; having a holistic view is critical considering potential human rights and biodiversity impacts in the renewable sector.
- EDC should focus on identifying where Canada has an advantage, where it can make the most impact, and focus its strategy.
- EDC should consider the temporal dimension to the transition over the next three decades: where to make short-term investments to aggressively reduce emissions intensity, how to diversify in the medium term, and how can the Canadian economy transform in the long term.
- EDC should consider the low-carbon solutions within reach for Canada and explore its role in supporting the growth of carbon capture utilization and storage solutions

During the meeting, the Executive and Council also benefited from hearing from guest speaker Peter Lacy, Global Sustainability Services Lead and Chief Responsibility Officer, Accenture, who provided a global outlook on climate. He cited findings from the [2021 UN Global Compact Accenture CEO study on climate leadership](#), and spoke of the need to transition to a circular economy as a means of solving the world’s greatest challenges. Some key highlights included:

- Investor influence has risen sharply over the past five years.
- CEOs are already experiencing supply chain disruption from the physical impacts of climate change.
- CEOs in the Global South say they need capital, knowledge and technology to accelerate climate action, or else we risk the entire climate agenda.
- The technology and business models CEOs need to address the climate crisis are available, and the capital is waiting on the sidelines.
- CEOs understand the risks to their workforce but need to implement measures to mitigate disruption and ensure a just transition.



- There is a shift underway to harmonize global corporate reporting standards, which will strengthen sustainability disclosure.
- A traditional linear economic system will not support solutions to our greatest global challenges.
- \$4.5 trillion value is at stake to be unlocked by the circular economy globally by 2030.

Following a thoughtful discussion about the challenges and opportunities for Canada - and EDC - in navigating the climate transition, the Council shared final reflections on the day. Of note, the following themes emerged:

- EDC has a role to play in helping Canadian companies navigate the complexity of the ESG landscape, including regulatory uncertainty, emerging frameworks, and to help companies better understand the imperative for change.
- EDC should continue to help companies understand and manage their risks, but should also focus on ensuring they understand the opportunities presented by ESG.
- ESG is a change function. Regulations shouldn't be obstacles to driving innovation. ESG can facilitate adaptability, resiliency and sustainability.
- ESG is an integral part of a company's risk assessment strategy and should not be managed differently from other risks.
- Purpose and values are critical to understanding corporate philosophy and decision making. For EDC and its customers, understanding this will help deliver confidence in the assessment of ESG-related risks and opportunities.

