



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

Date: October 25, 2021

Participant Guest Speaker:

Steven Kuhn, Director General, Multilateral Affairs and Climate Change, and Chief Negotiator for Climate Change, Environment and Climate Change Canada

ESG Advisory Council Members:

Eduardo Bohorquez, Executive Director of Transparencia Mexicana

Gordon Lambert, Suncor Sustainability Executive in Residence, Ivey School of Business, Western University

Marie-Lucie Morin, Corporate Director and member of the Security and Intelligence Review committee

Christa Wessel, Chief Operating Officer and General Counsel at ClearView Strategic Partners Inc.

Absent:

Rosemary McCarney, Former Canadian Ambassador and Permanent Representative to the United Nations in Geneva

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

David Wheeler, Co-Founder of the Academy for Sustainable Innovation

From Export Development Canada (EDC):

Martine Irman, EDC's Board Director Chair, Senior Vice-President at TD Bank Group, Vice Chair at TD Securities

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, Communications and Corporate Strategy

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

Sophie Roy, Vice-President, ESG Customer Success Group

Leah Gilbert Morris, Director, International Relations



From FinDev Canada:

Lori Kerr, Chief Executive Officer

SESSION OVERVIEW

The objective of this special session of the ESG Advisory Council was for EDC's President and Chief Executive Officer, Mairead Lavery, to engage with our guest speaker and council members on climate-related priorities ahead of EDC's participation at COP26 meetings in Glasgow.

During the meeting, the council benefited from hearing from guest speaker Steven Kuhn, Director General, Multilateral Affairs and Climate Change, and Chief Negotiator for Climate Change at Environment and Climate Change Canada. The discussion focused on Canada's priorities heading into COP26 meetings as well as EDC's objectives in supporting Canada's climate goals and the energy transition.

The session began with key updates from EDC's President and CEO Mairead Lavery on EDC's progress in the ESG space since the last council meeting in May. Highlights include:

- In July, EDC committed to net zero carbon emissions by 2050 - a plan that includes:
 - **2023 target:** reduce financing support to our six most carbon intensive sectors by 40% below 2018 levels. This will include phasing out new direct support for carbon intensive foreign fossil fuel projects and companies.
 - **2030 targets:** drive further emissions reductions through science-based, sectoral emission intensity targets. These targets will encompass those businesses operating in the most carbon intensive sectors (disclosed by July 1, 2022).
 - **Sustainable finance target:** increase our support for innovative Canadian business aligned with the low-carbon transition through mechanisms such as our cleantech solutions, Green Bonds, sustainability-linked lending and knowledge products (disclosed by July 1, 2022)
 - **Reducing our operational emissions to zero by 2030** and considering, only as a last resort, purchasing carbon offsets – a means of compensating for emissions – as an interim solution or where reasonable alternatives are not found.
- ESG has been the subject of discussion at all Board of Directors meetings, permeating through all of EDC's business. Most recently in October, UN's Special Envoy on Climate Action and



Finance Mark Carney spoke to the Board of Directors on the transition to a low-carbon economy, including the opportunities presented by the Glasgow Financial Alliance for Net Zero.

- EDC continues to make progress on its climate commitments and in supporting its customers' innovation and transition. In 2020, EDC was one of the largest cleantech financiers in Canada, having facilitated \$4.5 billion in business for the sector in 2020. Over the last three years, EDC also made a concerted effort to decrease its support for fossil fuels by 35%, focusing on removing financial support from the international space. EDC's position remains that it will continue to be there for Canadian exporters, but with a steadfast commitment to supporting their transition.

Ms. Lavery also outlined EDC's objectives for COP26, including:

- supporting Team Canada, and bringing the exporter/Canadian business view to discussions;
- participating in the UK Export Credit Panel and Powering Past Coal Alliance events, and
- engaging with stakeholders, export credit agencies, business and financial institutions to demonstrate leadership and make tangible progress on Canada's climate goals.

Following Ms. Lavery's opening remarks, Canada's Chief Negotiator for Climate Change, Steven Kuhn, set the stage for the COP26 agenda in Glasgow:

- UK has four goals for the meetings:
 1. Mitigation – securing global net zero by mid-century and keeping 1.5C within reach
 2. Adaptation – protecting communities and natural habitats
 3. Mobilization of financial resources – both public and private to deliver on goals
 4. Collaboration – working together to deliver on the goals of the Paris Agreement
- Leaders' Summit: 130 leaders have confirmed their participation, including Prime Minister Justin Trudeau and the Minister of Environment and Climate Change Canada
- Canada's approach is to showcase the commitments made over the past 18-24 months and reaffirm new net zero targets
- UK has organized thematic days; Finance and Energy will be of particular relevance to EDC
 - Finance Day: Focus will be on Mark Carney's Glasgow Financial Alliance for Net Zero (GFANZ), increased engagement in the Taskforce on Climate-related Financial Disclosures (TCFD), developed countries' collective international public climate finance goal of \$100 billion, which has not been met, but will be met by



2023. (Canada is committed to \$5.3 billion/five years to international climate finance.)

- Energy Day: Powering Past Coal Alliance – goal is to consign coal to history and to have conversation about managing the global transition to clean energy.
- Remaining days will focus on land use, gender, science and innovation, transport, cities and built environment – all elements important to meeting the Paris Agreement.
- Concurrently, negotiations will focus on outstanding implementation elements under the Paris Agreement, specifically transparency, carbon markets (Article 6), common timeframes, as well as adaptation and resilience and climate finance.
- Success for Canada means that all countries are moving in the same direction, is unified around the same goals, and demonstrating that the Paris Agreement is working. We need to build more momentum toward the goals we've set for the world five years ago.
- Glasgow will be the most significant COP since the Paris Agreement given the pandemic and the world's expectations around the five-year targets: *"Paris was the COP of promises and targets; Glasgow is the COP of delivery and accountability."*

Following Mr. Kuhn's remarks, the council engaged in a thoughtful discussion about the challenges and opportunities for Canada, as well as EDC, in the energy transition. Of note, the following themes emerged:

- **Complexity.** The energy transition will require time and will be challenging to work through. This means recognizing several factors, including geopolitics, the innovative capacity of Canada's oil and gas sector, as well as Canada's increasing energy needs as we navigate to find a balance. It is not a linear or sequential journey; it's a parallel track. Given the complexity of Canada's economy, Canada is a sophisticated player and is well-positioned to take a leading role in these discussions.
- **Transparency.** Conflicts of interest and transparency can become a distraction to progress. In light of recent media with respect to lobbying efforts by countries to play down need for fossil fuel phase out, transparency is key and negotiations have to be on a level playing field. Important to be mindful that this is a war on carbon, not particular industries.
- **Mobilizing financial resources.** Mobilization of private capital and investment will be an important part of the climate finance dialogue. Enhancing private capital flows is top of mind for EDC. The transition presents a huge opportunity for Canadian companies to contribute to emissions



reductions. However, regulatory certainty is needed to help companies get on board and have clarity on Canada's path forward.

- **EDC's governance and capacity.** EDC's Board of Directors appreciates governance is critical to ensuring adequate capacity and oversight and is investing in education for all Board members. Concern is how best to support EDC's clients in helping them evolve to be part of the transition. EDC is also making investments in its ESG expertise through additional hiring and resources.