



**ESRM POLICY FRAMEWORK
STAKEHOLDER FEEDBACK
SUMMARY**

2022

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT (ESRM) POLICY

BROADENING POLICY SCOPE BEYOND RISK MANAGEMENT



CUSTOMERS AND INDUSTRY



CIVIL SOCIETY



INTERNAL

A majority of stakeholders are aligned with broadening the scope of the ESRM Policy to reflect the entirety of EDC's approach to ESG.

- **Adopt a broader policy scope:** Customers and industry associations are generally supportive of broadening the scope of the ESRM Policy beyond risk management.
- **Shift from “reactive” to “proactive”:** Stakeholders note that a broader scope enables a shift away from reactive risk management towards proactive ESG performance.
- **Move beyond intention to articulate action:** Some stakeholders shared that the policy should clearly convey actions behind EDC's policies and ESRM practices.
- **Ensure internal expertise and capacity is available prior to broadening policy scope:** Industry groups have recommended that EDC ensure there is an appropriate level of internal expertise and capacity before broadening the policy scope
- **Remain customer focused:** Stakeholders feel that EDC's primary duty is to support Canadian business and that EDC should not play the role of a regulator.
- **Clarify ESRM framework composition:** Stakeholders are seeking clarity regarding how the policies fit together.

- **Supportive of broadening the scope:** Civil society organizations (CSOs) are aligned with broadening the policy scope to reflect EDC's commitment and potential for leadership on ESG.
- **Clearly state linkage between EDC's policies and ESG commitments:** CSOs would like to see a clear linkage between EDC's policies (i.e., ESRM, Human Rights, or Climate Change) and EDC's ESG commitments laid out in the ESRM Policy.
- **Move beyond “risk management” to capture EDC's role in providing an enabling environment:** Some CSOs indicated that an expansion of scope could enable EDC to emphasize its commitment to playing an enabling role in advancing customer ESG practices.
- **Adopt a focus on positive impact:** Stakeholders feel that EDC should target and measure the net positive impact resulting from investment decisions and customer support.

- **Adopt cautious specificity:** Internal stakeholders discussed the merits of maintaining a narrow scope and specific goals and targets to avoid covering too many subjects.
- **Approach with cautious ambition:** Internal stakeholders noted the opportunity to support customers as they improve their ESG performance and environmental and social (E&S) risk management processes. However, there is also concern regarding too much ambition as there must be enough capacity and expertise internally to support with broadening the scope.

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT (ESRM) POLICY

ADDRESS EMERGING THEMES, NAMELY BIODIVERSITY



CUSTOMERS AND INDUSTRY



CIVIL SOCIETY



INTERNAL

Customers, industry, and civil society organizations collectively agree that including biodiversity in the scope will establish EDC as a leader.

- **Set a leading example:** Customers feel that biodiversity is growing in recognition and importance. Customers have noted that it is helpful to see EDC play a leadership role on emerging E&S issues, such as biodiversity, as it helps chart a path for them to advance their own sustainability practices.
- **Recognize complexity:** Industry groups advise that biodiversity is a complex subject. Before expanding this scope, EDC must ensure it has biodiversity expertise in-house.
- **Ensure terminology consistency:** Stakeholders would like EDC to use consistent language in reference to biodiversity and nature-related risks.

- **Leverage existing frameworks:** CSOs suggest that EDC leverage emerging frameworks, such as the Task Force for Nature-Related Financial Disclosures (TNFD) and the Global Biodiversity Framework, as it looks to build biodiversity into environmental and social risk management practices.
- **Be clear about nature-based solutions:** For complex topics, such as nature-based solutions, stakeholders recommend EDC clearly disclose any relevant definitions, methods, proposed solutions and intended impact.

- **Establish biodiversity roadmap:** Employees requested a clear roadmap be developed to help build out its approach to biodiversity.
- **Act within market standards:** Employees recommend beginning by aligning with the International Financial Corporation (IFC) Standards, and then pursuing additional standards in line with the financial sector.
- **Define nature-based capital:** Internal stakeholders asked for a clear definition of nature-based capital.

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT (ESRM) POLICY

SECTOR AND ACTIVITY-LEVEL POSITIONS AND EXCLUSIONS



CUSTOMERS AND INDUSTRY



CIVIL SOCIETY



INTERNAL

Stakeholders across all groups suggest EDC take a considered approach to adopting and disclosing sector-level positions to avoid unintended impacts and loss of leverage.

- **Approach sector exclusions with caution:** Generally, customers expressed caution in announcing sector positions and exclusions citing rigidity. Should EDC adopt exclusions, it should align with industry norms to ensure the competitive advantage of Canadian companies.
- **Maintain support to influence change:** Stakeholders feel that exclusions are less impactful than targeted engagement. As exclusions are introduced, leverage and ability to encourage performance improvement are lost.
- **Focus on achievement, not exclusion:** Stakeholders have suggested to adopt clear positions detailing EDC's goals (e.g., cleantech targets and goals, strategic efforts, etc.).
- **Adopt a balanced approach:** Though some industry groups have expressed support for positions/exclusions, stakeholders have cautioned against certain exclusions (e.g., geographic), which could have significant social impacts for local communities.
- **Ensure awareness amongst customers:** Stakeholders emphasized the importance of making sure customers are explicitly aware of new exclusions and restrictions, so they are not caught off guard when they are not eligible for EDC support.

- **Adopt a balanced approach to exclusions:** CSOs have advised caution for exclusions, and have recommended avoiding country-level exclusions entirely. A sudden phase-out could cause drive unintended negative impacts, affecting both livelihoods and wellbeing of local communities. Some groups have recommended proposing alternatives instead of activity/sector exclusions.
- **Adopt a science-backed approach:** Where possible, EDC should match its sector-level positions to science and industry initiatives (e.g., carbon targets for the oil sector).
- **Pursue positions for certain sectors:** Groups would like to see further clarity regarding EDC's support for high-emitting sectors and activities, such as fossil fuels.

- **Avoid the pursuit of excessive restrictions:** Internal stakeholders support disclosing sector positions. However, they advise against excessive restrictions when establishing these positions given our mandate to support Canadian companies. Internal stakeholders recommend that EDC provide more clarity, without making positions too restrictive.
- **Exercise caution around sensitive positions:** Internal stakeholders stress that internal positions be reworked for public disclosure (i.e., in a case study format).

ENVIRONMENTAL AND SOCIAL REVIEW DIRECTIVE (ESRD)

STREAMLINE CUSTOMER EXPERIENCE AND EFFICIENCY OF ESRD APPLICATION



CUSTOMERS AND INDUSTRY



INTERNAL

Customers and internal stakeholders have identified pain points regarding the present application of the ESRD.

- **Enhance upfront client requirements:** Customers and industry groups are seeking more clarity regarding which documents, resources, and disclosures will be required. As some disclosures take more time, customers indicated this would help streamline the process.
- **Align with other lenders and standardized frameworks:** Customers have indicated that each financial institution has different due diligence requirements, which is complicated and onerous for the borrower. To streamline the due diligence process, customers recommend leveraging common disclosure frameworks as much as possible.
- **Adopt customer-level due diligence:** Customers recommend EDC leverage existing customer information from previous due diligence to expedite the project review process.
- Customers also encourage EDC to consider leveraging industry certifications as a means of meeting due diligence requirements.
- **Ensure a sector-specific approach:** Customers note that project-related due diligence criteria should be specific to sector and jurisdiction to ensure the most relevant risks are screened and the due diligence is streamlined for the customer.
- **Reconsider threshold:** Customers and industry groups note that the \$10 million threshold is lower than industry norm to trigger a project review. Industry groups advised to ensure the due diligence process doesn't limit access to funding for small- and medium-sized enterprises (SMEs).
- **Ensure EDC is aligned with peers:** Internal stakeholders have shared that an ESRD can be triggered for general corporate facilities (if related to a project). In these instances, EDC can be the only financial institution (FI) requesting a project review.
- **Remove procurement promotion trigger:** Employees recommend removing the procurement promotion as a potential trigger, due to its uncertainty and minimal application. The requirement triggers an ESRD review if there is an estimation of procurement in the next five years. The requirement is based on a high degree of uncertainty and poses a challenge for both EDC and the customer.
- **Optimize timelines:** Peers typically complete their project reviews on a tighter timeline than EDC. Account managers have stressed the importance of providing clarity on timelines to the customer during the due diligence process.
- **Streamline process for multi-project facilities:** Some internal stakeholders recommend developing eligibility criteria that reconcile EDC's ESG due diligence with operational efficiency to facilitate multi-project facilities, especially in the cleantech and renewable energy space.

ENVIRONMENTAL AND SOCIAL REVIEW DIRECTIVE (ESRD)

STRIVE TO INFLUENCE AND UPHOLD BEST PRACTICE



CUSTOMERS AND INDUSTRY



INTERNAL

Customers and internal stakeholders have identified several additional opportunities to enhance clarity and align with best practice.

- **Clearly define “adverse environmental and social impact”:** Some stakeholders expressed that the definition is too broad and would like a more specific definition.
- **Clarify environmental and social review:** There was a request for greater clarity on the ESRD’s environmental and social review, more specifically of oil and gas related projects.
- **Strive to reduce funding hurdles:** Industry groups noted that SMEs hold the solution to many new emerging technologies and solutions, and they want to ensure that there is no significant hurdle in these companies receiving funding.
- **Drive positive change:** Though onerous, customers generally appreciate EDC’s project-related due diligence processes, citing that it encourages them to improve their practices and disclosures.

- **Benchmark to align with industry practice:** Internal stakeholders advise benchmarking to understand alignment with market and leading international standards.
- **Provide clarity on host country standards:** Internal stakeholders recommend clearly stating host country requirements and the associated due diligence requirements.
- **Careful alignment with international standards:** As the ESRD is aligned to both the Organisation for Economic Co-operation and Development (OECD) Common Approaches and the Equator Principles, internal stakeholders encourage the balanced application of these standards in line with industry norms. The policy should also reflect updates to these international standards, such as Equator Principles 4 (EP4).
- **Illustrate how international standards align with risk management:** Certain CSOs recommend including a visual decision tree illustrating EDC’s risk analysis process, in addition to outlining how and why the Equator Principles are applied.

CLIMATE CHANGE POLICY

SECTOR AND ISSUE-LEVEL POSITIONS / EXCLUSIONS



CUSTOMERS AND INDUSTRY



CIVIL SOCIETY



INTERNAL

Stakeholders are aligned with enhancing clarity on EDC's approach to carbon-intensive sectors but suggest that the policy also reflect the "big picture" of energy transition.

• **Maintain a view of the 'big picture':**

- Customers outline that energy transition is nuanced and natural gas will have a significant role to play during the transition to a low-carbon future.
- Stakeholders have also noted the importance of maintaining energy security.
- Stakeholders suggest it may be counterproductive to impose strict exclusions without supporting a pathway for transition.

- **Catalyze CCUS and other transition technologies:** Industry groups suggest leveraging EDC's influence to help grow the carbon capture, utilization and storage (CCUS) market and support Canadian companies to export innovative and clean technologies abroad.

- **Maintain leverage:** Stakeholders have expressed that strict exclusions limit EDC's ability to influence and finance the energy transition.

- **Provide clarity on approach to climate change:** CSOs recommend communicating a clear approach on climate change, to serve as a guidepost for stakeholders.

- **Extend clarity beyond thermal coal policy:** CSOs have indicated support for establishing further commitments beyond the thermal coal policy exclusions, to enhance clarity and leadership.

- **Include extractive industry:** CSOs suggested that the Climate Change Policy acknowledge the role that extractive industries will play in enabling net zero by 2050, recommending that nuanced risk identification and mitigation for the extractive industry be clearly defined.

- **Limit support for fossil fuels:** Certain groups advocate that EDC should no longer provide business support for the fossil fuel sector. Instead, these stakeholders would like to see this support be reallocated to cleantech SMEs.

- **Reflect new developments:** Employees would like to see EDC outline the frameworks and initiatives it follows since the policy was last updated.

- **Provide clarity on fossil fuels and carbon-intensive sectors:** Internal stakeholders would like clarity on EDC's support for fossil fuels and carbon-intensive sectors as soon as possible. Stakeholders note that it will be important to differentiate between sectors and recognize the requirement to invest in certain sectors to help them decarbonize (rather than divest).

- **Communicate strategic support:** Stakeholders would like to see the policy reflect what EDC is pursuing, rather than focusing on an exclusionary stance.

- **Establish and disclose EDC's view on nuclear energy:** Internal stakeholders expressed that EDC could enhance clarity by publishing a clear position on nuclear energy.

CLIMATE CHANGE POLICY

CLARIFYING APPROACH AND KEY DEFINITIONS



CUSTOMERS AND INDUSTRY



CIVIL SOCIETY



INTERNAL

Stakeholders indicated that the Climate Change Policy could be improved by including detailed definitions, notably in relation to cleantech and sustainable finance.

- **Clarify net zero commitment:** Customers recommend including language regarding EDC’s net zero emissions by 2050 commitment.
- **Provide clarity on alignment with the Government of Canada:** Customers would like the policy to communicate how EDC works with its shareholder, the Government of Canada, to develop an approach for climate change.
- **Clarify clean tech approach:** Stakeholders have advocated for clarity regarding EDC’s cleantech strategy and specificity as to what is considered cleantech. Customers advocated that transition technologies be included within the definition.
- **Clarify sustainable finance opportunities:** Customers would like to see greater clarity regarding sustainable finance. Customers also expressed interest in ESG-linked pricing. Industry groups encourage partnerships with financial sector peers to develop common frameworks and definitions.

- **Define approach to government commitments:** CSOs would like to see EDC clearly communicate its interpretation and alignment with shareholder commitments, including the COP26 Glasgow Statement and other government commitments for the fossil fuel sector.
- **Enhanced cleantech transaction reporting:** Stakeholders would like to see greater clarity regarding EDC’s climate commitments, including a clearer definition for cleantech and reporting for individual cleantech transactions.
- **Establish and include transition pathways:** Stakeholders recommend shifting focus from “growth” to that of “transition pathways”, acknowledging that absolute economic growth may not be compatible with net zero commitment.

- **Update to reflect efforts to date:** Internal stakeholders recommend updating the policy to reflect the initiatives and frameworks that EDC has adopted to date. Communicate our net zero commitment, science-based targets, and our alignment with the Equator Principles.
- **Clear definition of sustainable finance:** Employees recommended that the Climate Change Policy provides clear definitions for sustainable finance, transition finance and cleantech, and outlines EDC’s aspirations in the space.
- **Clarify interpretation and implementation of COP26 Glasgow Statement commitments.**

CLIMATE CHANGE POLICY

OTHER NOTABLE THEMES



CUSTOMERS AND INDUSTRY



CIVIL SOCIETY



INTERNAL

Stakeholders have outlined further areas of improvement and opportunities to drive further impact in the Climate Change Policy.

- **Align with existing frameworks:** Customers encourage EDC to align customer requirements with international frameworks, such as TCFD and Sustainability Accounting Standards Board (SASB), as much as possible. Customers also expressed that they would like to better understand how EDC uses this information.
- **Opportunity to influence customers:** Some stakeholders expressed that EDC should encourage customers to advance their climate performance (e.g., net zero, emissions reporting).
- **Work collaboratively:** Stakeholders suggest using EDC's position and relationship with international organizations (e.g., International Finance Corporation) to drive impact across industries, which will ultimately drive impact for customers.
- **Clarify approach to risk management:** Namely, communicate approach to physical and transition risk.

- **Maintain interconnectivity of climate change:** Stakeholders have communicated that they would like to see greater connectivity and alignment with other policies in the ESRM Policy Framework (e.g., Human Rights Policy).
- **Approach CCUS with caution:** Certain civil society organizations advocated that EDC limit support for technologies such as carbon capture, utilization and storage (CCUS), and prioritize support for technologies that will drive the adoption of new energy sources.
- **Align with leading international bodies and initiatives:** CSOs recommend alignment with initiatives such as the Glasgow Financial Alliance for Net Zero, Transitions Pathways International, and the International Energy Agency.

- **Strengthen climate risk assessments:** Some internal stakeholders advocated to strengthen environmental due diligence, particularly with respect to transactions in the infrastructure and agricultural sectors.
- **Point to credible ESG expertise:** Given that ESG guidance and standards evolve and require specialized expertise, some internal stakeholders expressed that EDC should direct customers to the authoritative and credible sources for ESG guidance and standards when providing ESG advice.
- **Increase shareholder engagement:** Internal stakeholders have suggested that a formal mechanism to facilitate alignment with the shareholder would be helpful, particularly in relation to the energy sector, to foster strategic alignment.
- **Participate in industry initiatives:** Internal stakeholders identified an opportunity to participate in industry initiatives, such as those advancing renewable energy supply chains via the CUSMA.

HUMAN RIGHTS POLICY

VULNERABLE GROUPS AND HUMAN RIGHTS ISSUES



CUSTOMERS AND INDUSTRY



CIVIL SOCIETY

Stakeholders have expressed support for explicitly acknowledging a commitment to uphold human rights for specific groups and human rights issues.

- **Inclusive Scope:** Industry groups advocate for the policy to address a wide range of human rights issues, beyond those outlined by the discussion paper, to ensure other under-represented groups (e.g., BIPOC communities, persons with disabilities, 2SLGBTQ+), are not overlooked.
- **Solidify commitment to Indigenous Peoples:** Customers and industry groups agree that the rights of Indigenous Peoples should be explicitly acknowledged in the policy. Stakeholders also note that EDC should look to clarify United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) implementation and any relevant details regarding requirements for “Free, Prior and Informed Consent” (FPIC) in transaction due diligence.
- **Acknowledge vulnerable workers and modern slavery:** Customers would like to see the policy clearly outline EDC’s approach and commitment to vulnerable workers (including child labour) and supply chain risk. Stakeholders note that financial institutions with a presence in the UK publish an annual Modern Slavery Statement, as required by the UK Modern Slavery Act.
- **Acknowledge the health and safety of communities:** Customers highlight that health and safety are also important human rights issues, particularly at the community level (e.g., access to potable water).
- **Attention to vocabulary:** Stakeholders expressed that the policy should include commitments to both gender and Indigenous Peoples, however, some caution against labeling groups as “vulnerable”, but rather “under-represented.”

- **Recognize UNDRIP:** Civil society stakeholders agree that EDC should explicitly address alignment to UNDRIP and commit to upholding the rights of Indigenous Peoples.
- **Require FPIC from Indigenous Peoples:** CSOs would like EDC to communicate to customers that they must respect the rights of Indigenous Peoples, including the right to free, prior and informed consent.
- **Communicate alignment with EDC’s shareholder:** CSOs are looking for clarity on how EDC’s approach is aligned to Global Affairs Canada’s Feminist International Assistance Policy.
- **Avoid prioritizing some rights and issues over others:** Some stakeholders cautioned that expressing commitment for certain groups and issues might inadvertently overlook other groups (e.g., 2SLGBTQ+). EDC should maintain that human rights are very broad, with many different rights to be upheld and respected.
- **Avoid the term “vulnerable”:** Civil society prefers to use the terminology “marginalized” instead of vulnerable groups.
- **Anticipate emerging requirements:** Stakeholders referenced proposed Canadian child labour legislation and emerging modern slavery reporting requirements that EDC should consider in the update of its policy.
- **Adopt a gender-based approach:** Some CSOs recommend incorporating IFC Performance Standards, particularly with respect to the adoption of gender-based analysis and gender-specific measures. Recommend incorporating Gender-Based Analysis Plus (GBA+) into due diligence activities and applying 2SLGBTQ+ lens.

HUMAN RIGHTS POLICY

ALIGNING WITH STAKEHOLDER EXPECTATIONS



CUSTOMERS AND INDUSTRY

Customers and industry have expressed conflicting views on policy scope.

- **Continue developing customer focus:** Some stakeholders expressed that a customer focus is appropriate and indicated that EDC should focus on advancing customer-related human rights practices. Others would like to see the policy's scope expanded to reflect EDC's role as an employer and procurer of goods. Nonetheless, stakeholders generally agree that EDC can have the most impact via its customer relationships.
- **Provide support in duty to notify:** In reference to the expectation that clients notify affected communities when an impact has occurred, stakeholders have expressed that EDC should provide further guidance in this area. Additionally, EDC has a role to encourage cooperation with the National Contact Point (NCP) and Canadian Ombudsperson for Responsible Enterprise (CORE) when impacts occur.
- **Set an example for customers:** Stakeholders believe that EDC should maintain the same standards that are expected of clients, such as adhering to strong diversity and inclusion practices.
- **Mixed opinion on granularity of detail:** Some customers indicated that the policy strongly articulates EDC's intentions to uphold human rights but encourage EDC to share more detail regarding practices and processes. Particularly, there is desire for enhanced clarity on the human rights impact assessment. Customers are also seeking clarity on the process for conducting ongoing human rights-related due diligence, beyond due diligence undertaken at initial interaction with EDC. In contrast, some industry groups believe this level of detail should be reserved for internal procedural documents rather than the policy.

Customers and industry have expressed that there is an opportunity for EDC to leverage existing grievance mechanisms instead of establishing its own.

- **Leverage existing grievance mechanisms:** Stakeholders agree that establishing a stand-alone grievance mechanism for EDC would be onerous. Acknowledging the importance of having a grievance mechanism in place, stakeholders encourage EDC to explore means of leveraging existing grievance mechanisms, such as:
 - The federal government's initiatives (e.g., CORE); and
 - Grievance mechanisms established by companies for their projects in which EDC invests.
- **Adopt a grievance mechanism of some form:** Some customers expressed that a grievance mechanism is critical, citing that EDC needs to maintain the same standards that are expected of clients. They recommend formalizing existing processes to form a cohesive grievance mechanism and working with clients to enhance preparedness for remedy.

HUMAN RIGHTS POLICY

OTHER NOTABLE THEMES



CUSTOMERS AND INDUSTRY



CIVIL SOCIETY



INTERNAL

Stakeholders have outlined further areas of improvement and opportunities to drive further impact.

- **Disclose progress:** Customers recommend regular reporting against the implementation of human rights-related policy commitments and related performance.
- **Ensure a balanced approach:** Customers caution that industries should not be defined by their challenges. EDC has an important role to play in uplifting Canadian companies and driving progress. Customers advise against focusing exclusively on the negative. Customers also support EDC's linkage to the Sustainable Development Goals (SDGs), highlighting that their application should be balanced. In some cases, progress for one pillar (e.g., environment) may drive consequences for another (e.g., social).

- **Communicate approach to leverage and remedy:** Stakeholders would like greater clarity on EDC's approach to leverage and remedy. One group voiced that linking to certain legislation would be best practice in the space.
- **Leverage international forums and standards:** CSOs encourage EDC to work with international organizations, such as the World Economic Forum, to advance global practice and align policies with leading international standards. Groups suggested that initiatives, such as Voluntary Principles on Business and Human Rights, provide a good reference point for EDC.
- **Incorporate rights of migrant workers:** Certain CSOs suggest integrating the rights of migrant workers in alignment with frameworks, such as the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families.
- **Define Impact:** CSOs have indicated that the policy should feature further detail as to how impact is measured and defined. They also support commitment to reporting on human rights impacts.

- **Align with other ECAs:** Stakeholders recommend considering efforts undertaken by other ECAs to define best practice and ensure alignment on human rights.
- **Work within capacity constraints:** Internal stakeholders emphasize that adopting new initiatives could strain capacity. As the policy suite is revised every few years, internal stakeholders advise to keep changes and workload manageable, noting the opportunity to expand programming and ambition in years to come.
- **Maintain interconnectivity of human rights:** Stakeholders have communicated that they would like to see greater connectivity and alignment with the ESRM Policy Framework (e.g., climate change).
- **Clarity on risk tolerance:** Internal stakeholders are seeking clarity on a risk threshold for which EDC would decline a transaction vs pursue leverage and remedy.
- **Address key issues:** Internal stakeholders would like to see the policy reflect 2SLGBTQ+ rights, risks associated with military-related transactions, and supply chain.

TRANSPARENCY & DISCLOSURE POLICY

ADDRESSING EMERGING REPORTING SUBJECTS



CUSTOMERS AND INDUSTRY



CIVIL SOCIETY

Stakeholders are aligned with expanding the priorities addressed by the Transparency & Disclosure Policy, recommending to align with leading frameworks

- **Align with existing standards:** Stakeholders have recommended exploring new disclosures in alignment existing disclosure frameworks or identify in the policy which ones EDC currently follows (e.g., TCFD, Sustainability Accounting Standards Board (SASB), Global Reporting Initiative (GRI), etc.).
- **Support for ESG-aligned disclosures:** Customers have outlined support for further integrating ESG-related disclosures within the policy. Areas of interest include environmental indicators, supply chain management metrics, diversity & inclusion data, barriers to employment, and active whistleblower claims.
- **Adopt an aspirational focus:** When exploring new metrics and ESG-related reporting requirements, EDC should maintain an aspirational focus.

- **Caution against ‘open-washing’¹:** Civil society has recommended that EDC refrain from referencing a non-standardized mix of metrics and recommends being consistent in how it reports its performance in percentages and numbers. Stakeholders recommend to build an honest and balanced narrative by identifying both strengths and areas for improvement. If pursuing expanded metrics, EDC should also ensure that it is reporting the most material information.
- **Communicate prioritization process :** Civil society groups emphasized the importance of including details on the manner in which EDC is selecting and prioritizing new disclosure requirements. The groups recommend that these details should be embedded in EDC’s Transparency & Disclosure Policy.

¹ Open washing is defined as having an appearance of open-source and open-licensing for marketing purposes, while continuing proprietary practices (<http://openwashing.org/>)

TRANSPARENCY & DISCLOSURE POLICY

ENHANCING TRANSPARENCY



CUSTOMERS AND INDUSTRY



CIVIL SOCIETY



INTERNAL

Across the all groups, stakeholders advise that EDC adopt an approach to enhancing transparency while respecting customer confidentiality.

- **Enhance transparency to a certain degree:** Customers recommend a certain level of transparency that would create a competitive advantage in terms of being a transparent business; however, confidentiality and commercial sensitivity considerations must be taken into account.
- **Build and maintain customer trust:** Maintaining strong trust with customers is important to maintain comfort with disclosure of information.

- **Enhance transparency on approach to oil and gas and cleantech, in line with climate commitments:** Stakeholders would like to see greater clarity regarding EDC's climate commitments, including a clearer definition for cleantech and reporting for individual cleantech transactions.
- **Maintain approach to transaction reporting:** Stakeholders seemed satisfied with EDC's present approach to D2/D3 reporting and stakeholders did not express a strong desire to see the disclosure of bonding transactions.
- **Transparency on government spending:** CSOs recommend enhancing transparency on government spending.
- **Broaden scope of transparency:** CSOs suggest further publishing data on category B and C projects.

- **Continue to disclose ESG turndowns on an aggregate level:** Employees advise that information (particularly pertaining to transactions) can pose customer sensitivity risk and recommend this data continue to be disclosed on an aggregate level.
- **Concerns on disclosing bonding transactions:** Internal stakeholders indicated that bonding is too sensitive to disclose, and that the Canadian banks would likely have concerns with this level of disclosure.
- **Advise on sector guidelines prior to disclosure:** Internal stakeholders encouraged that any sector positions or guidelines be shared both internally and externally prior to public disclosure for the opportunity to provide input and to facilitate awareness and understanding.

TRANSPARENCY & DISCLOSURE POLICY

PRIORITIZE ACCESSIBILITY



CUSTOMERS AND INDUSTRY



CIVIL SOCIETY



INTERNAL

Stakeholders have outlined areas of improvement in terms of ensuring accessibility and ease of navigation.

- **Help stakeholders navigate disclosures:** Stakeholders are seeking greater clarity in the policy regarding where EDC's disclosures and reporting frameworks can be found.
- **Improve accessibility of individual transaction reporting:** Stakeholders suggest enhancing the reporting functionality on EDC's website to allow for easier filtering and searching.

- **Support ease of navigation:** Civil society stakeholders suggested that key documents and disclosures be clearly laid out in the policy via links to enhance accessibility.
- **Stop removing transaction data after three years:** EDC presently discloses individual transactions on the website for three years, before removing them due to the website capacity restraints. Stakeholders feel strongly that EDC should not remove transactions from the public domain after they are disclosed.
- **Ensure machine-readable downloads:** Stakeholders strongly encourage EDC to ensure their disclosures are available in a machine-readable format. PDF downloads should be avoided, if possible.
- **Improve webpage functionality:** Stakeholders expressed concern regarding transaction disclosures, citing that the webpage crashes frequently.

- **Improve accessibility of transaction information:** Account managers note difficulties in finding transaction data on the website. Noted EDC.ca redesign and opportunity for improved navigability. Some note that a sorting function for transactions could be helpful.
- **Work in line with emerging Accessible Canada Act:** Internal stakeholders noted that EDC will be enhancing disclosure requirements in line with the Accessible Canada Act, which will require organizations to establish an accessible workplace by 2040. Legislation requires a range of improvements to accessibility, including machine-readable documents.
- **Clarify Canada Account disclosure requirements:** Internal stakeholders requested greater clarity on whether the policy applies to Canada Account transactions.
- **Prioritize customer confidentiality:** Some internal stakeholders suggest focusing on client confidentiality.

SHAREHOLDER FEEDBACK ON THE ESRM POLICY FRAMEWORK



ESRM POLICY



ESRD



HUMAN RIGHTS POLICY

The Government of Canada provided feedback on EDC's ESRM Policy Framework.

- **Support for broadening policy scope:** The shareholder has indicated support for broadening the scope of the ESRM Policy to address EDC's overarching approach to ESG.
- **Strong support for including biodiversity and nature-related risk:** The shareholder has expressed strong support for incorporating biodiversity and nature-related risk disclosure. Notes that EDC should consider joining the Taskforce on Nature-related Financial Disclosures (TNFD) as nature and biodiversity are key priorities of the federal government. The shareholder should also like to see EDC adopt consistent language when referencing biodiversity and nature-related risk.
- **Cautioned support for sector-level positions:** The shareholder supports the adoption of clear sectoral and issue-level positions but cautions against blanket exclusions. EDC could consider outlining activities similar to those outlined by the EU Taxonomy for Sustainable Activities.

- **Enhance clarity on subject-matter:** The shareholder has suggested refining several key definitions and processes, including the:
 - Environmental and social review process for oil and gas projects;
 - Inclusion of cumulative environmental impacts;
 - Definition for "large-scale" logging; and
 - Expansion of "forests with high biodiversity value" to "high biodiversity and/or climate value"
- **Align with Canada's Climate Goals:** The shareholder has suggested that EDC consider evolving its position from justifying funding on the basis of improving a host country's baseline environmental condition, to instead supporting projects aligned with Canada's climate goals and IPCC scenarios.

- **Align with federal initiatives:** The shareholder suggests aligning the Human Rights Policy with federal programs and initiatives such as Equity, Diversity and Inclusion (EDI) initiatives, Canada's Feminist International Assistance Policy (FIAP), and Canada's climate finance commitment.
- **Require free, prior and informed consent (FPIC):** The shareholder suggests explicitly including the notion of FPIC in the context of development activities and projects involving Indigenous Peoples.

SHAREHOLDER FEEDBACK ON THE ESRM POLICY FRAMEWORK



CLIMATE CHANGE POLICY



TRANSPARENCY & DISCLOSURE POLICY

The Government of Canada provided feedback on EDC's ESRM Policy Framework.

- **Outline a clear sector-level position on financing to the oil & gas industry, if any.**
 - **Reflect commitment to net zero by 2050:** The shareholder would like EDC to explicitly outline its commitment to align its lending portfolio with net zero.
 - **Clarify customer expectations:** The shareholder would like to see EDC explicitly state emissions reporting expectations (e.g., Scope 1, 2, 3) for customers in carbon-intensive sectors.
 - **Reflect international initiatives:** The shareholder would like to see EDC's policy reference language from international initiatives and agreements. For example, outline a commitment to Paris Agreement Article 2.1c "making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development".
 - **Align with the Government of Canada on outstanding commitments:** The shareholder suggests that EDC continue to ensure its approach remains aligned with the government's commitment and framework on phasing out inefficient fossil fuel subsidies (under development).
 - **Consider other key themes:** The shareholder has suggested that EDC also consider additional points, including, outlining emerging cleantech opportunities for carbon-intensive sectors, integrating the Powering Past Coal Alliance's (PPCA) Finance Principles in Annex A of the Policy, developing science-based targets across all sectors, integrating elements of energy security and geopolitical uncertainty into the policy, explicitly committing to finance climate solutions in line with Reducing Emissions from Deforestation and Forest Degradation (REDD+), and shifting policy language away from "carbon intensity" towards reducing total greenhouse gas emissions.
- **Expand climate disclosures:** The shareholder recommends increasing disclosure pertaining to the emission intensity of EDC's lending and investment portfolios.
 - **Enhance accessibility:** The shareholder recommends that EDC publish data in a machine-readable format, outlining EDC's support by industry, company and product type.