



MARCH 2020

EDC'S TRANSPARENCY AND DISCLOSURE POLICY PUBLIC RESPONSE PAPER

Summary of Stakeholder Feedback and EDC Response

INTRODUCTION

The focus of this paper is the newly re-named Transparency and Disclosure Policy, which was approved by EDC's Board of Directors and takes effect on April 6, 2020. The Policy was updated as part of the recent review of the Environmental and Social Risk Management (ESRM) framework and related policies.

EDC conducts reviews of its policies to ensure their relevance and rigour as well as to ensure they continue to reflect industry best practice. These reviews are conducted in response to stakeholder expectations, to continuously improve our policies, to ensure consistency with our current practices, as well as to reflect changes to EDC's international obligations such as those under the [Organisation for Economic Co-operation and Development's \(OECD\) Common Approaches](#) and the [Equator Principles](#).

The policies considered in our latest review, include:

1. Environmental and Social Risk Management Policy
2. Climate Change Policy
3. Environmental and Social Review Directive
4. Human Rights Policy
5. Disclosure Policy¹

The first four policies were approved by the Board of Directors and came into effect in 2019. More information about these policies, as well as the public response papers are available on [edc.ca](#).

POLICY REVIEW PROCESS AND STAKEHOLDER PARTICIPATION

The stakeholder engagement process began on May 14, 2018, with an invitation to stakeholders from across the Canadian trade and business ecosystems, including government, industry and civil society, to offer input on all areas of the policies under review. All stakeholders wishing to provide feedback were encouraged to do so via EDC's website or through ESRMPolicyReview@edc.ca. The deadline for submissions was September 7, 2018.

During this time, EDC also consulted with representatives from the Government of Canada, EDC's Board of Directors, EDC's CSR Advisory Council – comprised of prominent experts who advise on and guide our CSR practices – as well as our customers. Consultations with employees and subject matter experts throughout the organization were central to the process, as were the engagements and discussions with EDC's Executive Team. Targeted meetings with employees, customers and civil society representatives were held in EDC's regional offices in Halifax, Toronto, Calgary, Montreal and Ottawa.

To foster transparency, all submissions received from stakeholders who provided consent for publication were posted on [edc.ca](#). Also available is a [holistic summary](#), including anonymous feedback, highlighting key themes noted throughout the consultation process.

We thank all of our stakeholders who participated in the policy review process. Your feedback was extremely valuable in helping to shape EDC's new policies. The next review of our EDC's Transparency and Disclosure Policy will take place in 2022.

We look forward to our continued collaboration together.

¹ While not part of the Environmental and Social Risk Management (ESRM) Framework, elements of the policies under this framework relate to EDC's Transparency and Disclosure Policy. As such, the Policy was included as part of the ESRM review.

Key Themes and EDC Response

Below is a summary of the key themes that emerged during the review process pertaining specifically to EDC's disclosure of information related to our business.

STAKEHOLDER COMMENTS:

A primary theme in the feedback we received from stakeholders is the importance of clarity and transparency in EDC's disclosure of information. While some stakeholders were cautious about the need for balance between transparency and customer or commercial confidentiality in a way that meets our requirements as a financial institution, others underlined the need for increased disclosure and transparency to build public awareness and increase confidence.

EDC RESPONSE:

As Canada's export credit agency, we understand that transparency and disclosure are integral to EDC's business, facilitating accountability and oversight, while building trust and promoting meaningful dialogue with stakeholders. Furthermore, as a Crown corporation wholly owned by the Government of Canada, we recognize our obligation to Canadians and we are committed to upholding the highest standards of transparency and accountability.

The recent review of our disclosure policy provided an opportunity to listen to our stakeholders and to better understand and integrate their views. As a result, EDC is making important changes to the information we make public. The new Transparency and Disclosure Policy articulates our commitment to transparency and openness about who we are and what we do and sets out a framework for the disclosure of information pertaining to our business and our customers. Please see Section 2: Principles and Commitments for further clarity on EDC's approach.

Our revised policy seeks to make transparency central to our organization's culture through the proactive disclosure of our book of business in a manner that balances the confidentiality required by our customers with the information sought by interested Canadians. Additionally, we hope the updated structure and language of the policy provides clarity for all audiences, whether they be our employees, customers, members of government, civil society or media.

STAKEHOLDER COMMENTS:

Stakeholders across the spectrum told us they want EDC to be clear, consistent and detailed when disclosing information on signed transactions, and when considering support for projects, to be more proactive in providing adequate time for public input.

EDC RESPONSE:

We heard your feedback and have taken important steps to increase transparency of our business activities, which fall into two main categories – insurance and financing. Please see Section 2.5 of the policy for further clarity on which products and services fall under each category and how this impacts disclosure.

EDC discloses information on all of its signed insurance and financing activities in a manner that protects the competitive position of EDC's customers and the confidential information that they entrust with us.

For insurance services, EDC provides aggregate public reporting of its signed transactions. Our obligation as an insurance provider is to protect the confidentiality and competitiveness of our policy holders. As such, we do not disclose insurance policy-related information or report individual insurance transactions (with exception of political risk insurance transactions for lenders). This is because the implications of insurance disclosure are significant. For example, disclosing insurance coverage greatly increases the risk of non-payment by buyers.

For individual signed transactions in the financing space, EDC will improve its reporting practices based on the feedback we heard from stakeholders. For example, we have narrowed the dollar ranges of financial support for added specificity. This tightening was done to the degree possible to not impact business competitiveness. For companies that bid on projects or contracts, identifying specific financing amounts would reveal what the company bid was, thereby weakening its competitive position against its peers. Other improvements include procedural changes to ensure that reporting is more precise and tailored to the transaction. This includes consistently specifying the country in which EDC's financing will be used versus the country where the primary counterparty is based. We will also use more relevant transaction descriptions to describe what EDC's support is for, identify additional primary counterparties where applicable, and be more specific in relation to the EDC financing product (e.g. renewals, refinancing, project financing, etc.).

For Category A project financing transactions, where the risk of environmental and social effects is highest, EDC has extended its public review period from 30 days to 60 days prior to signing. Following the signing, EDC will publish its assessment of the risks considered and a justification for its support.

All transactions that fall under the Canada Account – those that EDC is unable to support, but which are determined by the Government of Canada to be of national interest – will be posted separately on the [Canada Account webpage](#) on edc.ca to avoid duplication.

As always, EDC will provide aggregate information on a quarterly basis for all of our insurance and financing transactions. We will also continue to share our aggregate and transaction-level information in accordance with our international obligations with organizations such as the Organisation for Economic Co-operation and Development (OECD), World Trade Organisation (WTO), International Monetary Fund (IMF), World Bank, the Paris Club and the Berne Union.

STAKEHOLDER COMMENTS:

Our stakeholders, particularly those representing civil society organizations, told us they wanted EDC to provide greater transparency in instances when EDC's support for a company involved increased environmental and social implications. Others, including our customers and peers in the financial sector, recommended focusing on transparency around EDC's due diligence process, versus transaction-specific information.

EDC RESPONSE:

EDC is committed to increasing the transparency of our signed business activities and the non-credit due diligence process undertaken to inform our decision making. However, as a financial institution, our disclosure practices must also reflect our legal obligations and concerns for protecting the confidential information of our customers.

While EDC may not always be able to provide as much clarity as our stakeholders would like, we are taking significant steps to increase transparency with respect to how we assess non-credit risks and conduct due diligence. As a first step, EDC has published a high-level [infographic of our due diligence process](#), which highlights the factors that influence our decision-making process and the steps we take to identify and manage risks. With this updated policy, we have committed to bolstering our public-facing information on our due diligence process, including how it integrates our environmental, social, and financial crimes policies. To add further clarity, EDC will also publish high-level summaries of EDC's special sector guidelines where available. These commitments to publish more information, in plain language, reflects what our stakeholders have told us: to be as transparent and clear as possible about our business and our requirements for support.

As a further step, EDC will disclose, on an annual basis, the aggregate number of financing transactions that did not proceed and prospective financing customers that were not onboarded by EDC based in whole or in part to on non-credit considerations (risks related to business ethics, financial crimes, the environment, human rights, and other social factors). We hope this will serve to further demonstrate the rigour of our due diligence process when assessing transactions and customer relationships. Stakeholders can expect to see the first annual posting by the end of 2020.

As an agency of the Government of Canada, we receive queries from media and stakeholders regarding how we are respecting our commitments to corporate sustainability and responsibility in relation to the transactions we support. Given the nature of the content being sought and our obligations as a financial institution to protect the information our customers provide to us, we are sometimes limited in our ability to respond with the level of detail requestors are seeking. At the same time, we understand public interest in what we do and endeavour to provide more detailed responses than our approaches in the past, particularly as they relate to how we are living up to our commitments to responsible and sustainable business. We commit to providing details in relation to the steps EDC took during the non-credit due diligence process and mitigation measures we have required, subject to any confidentiality obligations. Additionally, as part of the changes to the Policy, we will make it our standard practice to seek consent from our financing customers prior to signing of the transaction to allow us to disclose high-level and non-confidential findings from our non-credit due diligence process such as information related to policies, practices and procedures that informed our decision to support the transaction. We will work with our customers to ensure they understand EDC's expectations and processes with respect to disclosure prior to entering into a transaction, and EDC will notify the customer when a disclosure occurs.

Finally, we will post on edc.ca formal enquiries defined as a letter addressed to EDC's President and CEO and/or Chair of the Board of Directors regarding our business and our support for specific transactions, including EDC's response. This will help bring visibility to how EDC engages with our stakeholders, as well as with our customers.

We appreciate the input we received from all of our stakeholders, which helped us advance our transparency and disclosure practices. We look forward to your feedback.



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ABOUT EDC

Export Development Canada (EDC) is a financial Crown corporation dedicated to helping Canadian companies of all sizes succeed on the world stage. As international risk experts, we equip Canadian companies with the tools they need – the trade knowledge, financing solutions, equity, insurance, and connections – to grow their business with confidence. Underlying all our support is a commitment to sustainable and responsible business.

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