

September 16, 2022

Ms. Kathy Price and Ms. Georgina Alonso,

I am writing in response to your letter dated July 29, 2022, regarding the request for clarification on EDC's Principles on Leverage and Remedy and their application to the Hidroituango dam project in Colombia.

As you are aware, in 2016, EDC provided a CAD \$466-million loan to Empresa Publicas de Medellin (EPM), a portion of which was directed by the company to the Hidroituango dam project. In advance of providing the loan, EDC performed an environmental and social due diligence screening and assessment of EPM, including of the Hidroituango dam. These steps are a standard part of EDC's approach before entering into a transaction and support EDC in identifying, assessing and managing potential and/or actual risks and impacts.

Following the 2018 incident, EDC contacted EPM to understand how it was approaching the situation and what the company was doing to support the affected communities. EPM chose to repay the EDC loan in full in August 2018 and EDC has not undertaken any further business with EPM.

In November of 2019, members of EDC's executive met with several civil society organizations—Rios Vivos, Amnesty International Canada, Above Ground and Peacebuilders International—to hear about the situation in Colombia and listen to their concerns. We were also concerned to hear of fears regarding the safety of Ms. Zuleta of the Rios Vivos Movement. She explained to EDC's leadership some of the complexities of the environment in the communities she represents, as well as her concerns about the Hidroituango project which is still not completed.

Dialogues such as these helped inform the evolution of EDC's approach to human rights issues. Although our initial environmental and social screening and assessment demonstrated sufficient systems in place, our experience with the customer emphasized the importance of due diligence not only at the prospective stage of a transaction, but also throughout the life of the transaction and as part of customer relationship management.

The impact that our business can have on individuals and people has always been important to EDC, and we have undergone some significant changes in our policies and practices as it relates to our due diligence process and the business we undertake. In 2019, we became Canada's first commercial banking institution to release a dedicated human rights policy built on the United Nations Guiding Principles on Business and Human Rights (UNGPs). This policy commits us to building and using available leverage to influence our customers' actions, in order to prevent and mitigate human rights risks and impacts that EDC might be connected to through customer relationships. The policy also recognizes that, in keeping with evolving best practice, in most cases EDC's role and responsibility in enabling remedy will be using our leverage to encourage responsible parties, such as our customers, to provide appropriate forms of remedy when impacts occur.



**Mairead Lavery**  
President and Chief Executive Officer  
Présidente et chef de la direction

In December 2020, EDC's Board of Directors approved our Principles on Leverage and Remedy. Earlier this year, EDC launched a suite of tools which translate these Principles into practice and embeds them into our transactional due diligence, customers relationship management practices, and decision making. With the launch of these tools, we have now begun to execute on our leverage and remedy policy commitments. Currently, these have not been applied retrospectively to past transactions.

As President and CEO, I want to reiterate EDC's commitment and support for the respect of human rights. As best practices continue to emerge and evolve, we continue to strengthen our understanding of how to identify, build and exercise leverage when adverse circumstances occur, as well as our role and responsibility in the enablement of remedy. Finally, we welcome constructive dialogue with stakeholders on how we can continue to improve our practices. I have copied Justine Hendricks, Senior Vice-President and EDC Chief Sustainability Officer, and she and her team would be pleased to organize a follow-up call with you should this be of interest.

Sincerely,

Mairead Lavery  
President and Chief Executive Officer

CC:

Hon. Mary Ng, Minister of International Trade, Export Promotion, Small Business and Economic Development  
Martine Irman, Chair of the Board of Directors, EDC  
Justine Hendricks, Senior Vice President and Chief Sustainability Officer, EDC  
Todd Winterhalt, Senior Vice President, Communications, Marketing & Corporate Strategy Officer, EDC