



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

Date: November 15, 2021

ESG Advisory Council Members:

Eduardo Bohorquez, Executive Director of Transparencia Mexicana

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

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

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

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

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

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

From Export Development Canada (EDC):

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

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

Sophie Roy, Vice-President, ESG Customer Success Group

Absent:

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

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

Guests:

Janis Rod, ESG Central Market Leader, Climate Change and Sustainability Services, EY

Steve Wakeham, Associate Partner, People Advisory Services, EY

Ana Ossers, Manager, Climate Change and Sustainability Services, EY

Tommy Negovanlis, Consultant, Climate Change and Sustainability Services, EY



SESSION OVERVIEW

The November meeting of the ESG Advisory Council focused on EDC's Materiality Assessment, seeking input from members on the ESG-related risks and opportunities critical to developing EDC's strategy and driving long-term value.

The session began with an update from EDC's President and CEO Mairead Lavery on the organization's climate-related initiatives over the past year, as well as a debrief from EDC's participation at COP26.

EDC's climate-related progress:

- EDC reduced its exposure to the six most carbon intensive sectors in its portfolio since establishing the first carbon target in 2019. This reduction of 15% resulted in a \$3.3 billion decrease in EDC's financing portfolio among the sectors identified as the most carbon intensive. Additionally, EDC reduced its exposure to international oil and gas projects and companies, focused on both upstream and downstream activities, by 60% (or \$3.8 billion) since 2018.
- EDC's exposure to high-emitting sectors will continue to decrease in a measured manner – seen, for example, through strengthening EDC's 2023 target from 15% to 40%.
- In July of this year, EDC made a commitment to net zero emissions by 2050. As part of this, EDC will publicly disclose starting July 1, 2022 science-based, sectoral emission intensity targets to further drive emissions reductions.
- The calculation for achieving net zero emissions also includes EDC's operational emissions – that is the greenhouse gas equivalents associated with business travel and energy consumption. The goal is to reduce our operational emissions to zero by 2030.
- Meanwhile, EDC is working to increase exposure to alternative/renewable energy. As one example, EDC has increased its support to the cleantech industry by more than 120% over the past three years.
- EDC is also preparing to set and disclose a sustainable finance target to increase its 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.
- Most recently, EDC was the first export credit agency to join the Powering Past Coal Alliance (PPCA), a coalition of national and sub-national governments, businesses and organizations working to advance the transition from unabated coal power generation to clean energy

COP26 debrief:

- EDC was pleased to be invited to be part of the COP26 Canadian delegation in Glasgow. Five representatives joined from EDC and FinDev Canada:



- Mairead Lavery, President and Chief Executive Officer, EDC
- Justine Hendricks, Chief Corporate Sustainability Officer, EDC
- Leah Gilbert Morris, Director, International Relations, EDC
- Lori Kerr, Chief Executive Officer, FinDev Canada
- Paulo Martelli, VP and Chief Investment Officer, FinDev Canada
- In addition to several bilateral meetings with export credit agencies (ECAs), government and business representatives, EDC participated in a number of key events, including:
 - A roundtable discussing how Canada can mobilize capital towards climate action with His Royal Highness Prince Charles, Deputy Prime Minister and Minister of Finance Chrystia Freeland, Minister of Environment and Climate Change Steven Guilbeault, Minister of Natural Resources Jonathan Wilkinson as well as representatives from Canada's private sector.
 - A Powering Past Coal Alliance event showcasing progress made to date and the need for continued ambition. EDC was the first ECA to restrict support for coal-fired and thermal coal infrastructure, as well as to join the alliance.
 - A panel hosted by UK Export Finance, where representatives from ECAs discussed how governments can channel their support into Paris Agreement compliant projects, promoting clean and green development.
 - A fireside chat highlighting EDC's role in advancing Canada's climate goals.
- Some key takeaways from COP26 include:
 - Time spent with government representatives allowed for constructive discussions around how EDC can support Canada's climate commitments.
 - Governments will not be able to solve the climate challenge on their own; the financial sector will be instrumental; collaboration and partnerships will be key. The sense is there has been a fundamental shift in recent years, with financial institutions coming to the table to participate in solutions.
 - Net-zero commitments are important, but the focus is on action. The timeline has shifted from 2050 to 2030.
 - Canada made ambitious commitments; EDC will be working with federal partners to better understand the terms contained in the declarations to ensure alignment with Canada's commitments and provide clarity to EDC's customers.

Following the President's remarks, the focus of the meeting turned to EDC's Materiality Assessment, which was facilitated by representatives from EY who have been supporting EDC's consultations with stakeholders. The objective was to seek input from Council members on the ESG-related risks and opportunities critical to developing EDC's strategy and driving long-term value.



The following topics - informed by research, peer disclosures and benchmarking - were identified as most relevant to EDC and presented to guide the discussion:

- 1. Environmental Stewardship**
 - Climate risk and opportunity management
 - Operational environmental footprint
 - Environmental impact of the portfolio
 - Sustainable/transition finance

- 2. Social Impact**
 - Human rights
 - Financial access and inclusion
 - Responsible supply chain management
 - Community impact
 - Customer experience and product & service innovation

- 3. Governance and Responsible Business Conduct**
 - Data security and privacy
 - Compliance and ethics
 - Transparency and communication
 - ESG oversight and corporate governance
 - ESG knowledge sharing and capacity building
 - ESG linked to compensation
 - ESG risk due diligence

- 4. Human Capital**
 - Talent
 - Inclusion, diversity, and equity
 - Employee health, safety, and wellbeing

EY facilitated a conversation with the Council members, incorporating their unique perspectives on each of the ESG topics to better understand the risks and opportunities for EDC. Many valuable insights were shared, including the following themes:

- 1. Balance of support for Canadian exporters.** Climate change will continue to be of increasing focus. EDC must balance its climate ambitions with its mandate to support Canadian companies. It will be important for



EDC to support the “green” companies, as well as those that are making efforts to transition to a low-carbon economy.

2. **Intersection of climate and human rights.** There are significant social concerns that can’t be ignored in the energy transition; need for an integrated approach to climate and human rights due diligence.
3. **Inclusion, Diversity & Equity.** Focus on ID&E within EDC is important, but should also include a continued focus on inclusive trade – how is EDC supporting Indigenous, BIPOC, female exporters?
4. **Clarity and transparency.** Given the increasing pressures from a spectrum of stakeholders on EDC, as well as the rapidly changing discourse, it is imperative for EDC to be clear and transparent on definitions (sustainable finance, cleantech are examples) and its level of ambition in these areas. Given the complexity of the topics discussed and the rapidly changing environment, EDC would benefit from transparency in what it will do, won’t do and what it yet does not know.
5. **Leadership.** EDC can play a valuable and influential role in raising awareness of ESG in the trade ecosystem through education opportunities and advisory services to customers and stakeholders. While EDC has demonstrated leadership in some areas already, it must decide how it will invest its resources to continue on this path in the future.

Next steps

The Council members’ views will inform the Materiality Assessment recommendations and will be shared with EDC’s Executive Team and Board in Q1, 2022.

Future of the ESG Advisory Council

The close of the November meeting was dedicated to an update on the future of the ESG Advisory Council following a recent review of its mandate and scope. Updated Terms of Reference are available on edc.ca; recruitment for new members will begin in 2022.