

Summary of Proceedings – EDC’s Advisory Council on Corporate Social Responsibility

Friday May 22, 2015

**EDC Head Office, Canada Room
Ottawa, Ontario**

Twice per year, Export Development Canada (EDC) brings together its Advisory Council on Corporate Social Responsibility (CSR). The Council is comprised of leaders from business, civil society and academia to share insights with EDC’s executive management, and to serve as a sounding board for EDC’s own CSR journey. The following is a summary of the proceedings of the May 22nd meeting. The list of participants is at the end of this summary, including three new members who joined the Council. Terms of reference and members’ biographies can be found on edc.ca/csr.

1. Introductions and President’s Update Benoit Daignault, President and CEO

EDC President Benoit Daignault welcomed all, including three new members, of the CSR Advisory Council and provided an update on business developments at EDC.

Since the Council last met in October 2014, EDC released its 2014 business results. Overall, results were very positive, and the business model of working with Canadian banking partners is working well. EDC is also undertaking a major program to transform, modernize and automate our credit insurance systems to reduce processing times. The first new product, *Trade Protect*, targets small- and medium-sized enterprises and allows customers to obtain online simple trade insurance policies within 10 minutes.

A second priority for EDC is to continually adapt the organizational culture to meet the tremendous changes in the financial services industry, and to simulate the pressure faced by clients.

In early 2015, EDC received excellent recognition. EDC was awarded Best Trade Finance Multilateral Institution or Export Credit Agency by *Global Finance* magazine.

EDC was also recognized for its CSR performance as it was ranked first among 187 organizations considered for *Corporate Knights* magazine’s Future 40 list of Responsible Corporate Leaders in Canada. The index recognizes organizations with revenues of less than \$2 billion, or less than 2,000 employees. Sustainability rankings are determined based on publicly available data on various performance indicators, such as greenhouse gas emissions, health and safety, pay equity, leadership, diversity and innovation. The EDC President also updated the Council on the recent announcement to create a Canadian Development Finance Initiative (DFI) within EDC. The DFI is still at the very early stages of definition. EDC, along with various Canadian government departments, are currently working to define the structure, governance and strategic direction of this new initiative.

Discussion:

In a low growth scenario, EDC's challenge will be to identify where opportunities lie and pursue them. Many of those opportunities lie in emerging markets, but time is required to develop these.

The new DFI is a potentially powerful model in that it will be market-based with the private sector playing an important role. Although not an explicit part of the stated goals, EDC may face criticism if the DFI does not create development, or reduce poverty.

Recently, Canadian labour unions have emerged as an important stakeholder and have questioned the impact of such loans on Canadian labour. EDC has work to do to establish the benefits of corporate loans made to certain foreign borrowers in that these loans provide opportunities for Canadian small- and medium-sized enterprises to sell to foreign companies to which EDC has extended corporate loans.

2. Human Rights

Caroline Rees, President, Shift

Tam Nguyen, Global Head of Sustainability, Bechtel

The UN Guiding Principles on Business and Human Rights (UNGP) developed by John Ruggie lay out a set of expectations on businesses' obligations to respect human rights.

Caroline Rees outlined the role of government versus business in addressing human rights noting that EDC straddles both sectors. Companies need to identify human rights impacts, prioritize them according to those at risk of the most severe impacts, and develop solutions.


Tam Nguyen provided his experience in applying the UNGP methodology at Bechtel and other companies. He gave examples of how Bechtel as a construction and engineering company has used the UNGPs as a methodology to conduct due diligence and address human rights risks in areas such as labour management, security planning, and engaging with communities. The UNGPs ensure that when projects are handed over to communities, they are built on trust between the community and the project, that the latter will deliver the benefits expected and an enabling environment has been left behind.

Discussion:

While the UNGPs have a growing foothold as the dominant global standard on protection of human rights in a business context, the Council discussed the state of play in terms of practical application by exporters. A Council member noted that EDC's role should be to look at whether its clients have clear human rights policies in place and evaluate how its clients implement these policies. This could extend to questions about the client's suppliers.

The Council discussed the relevance and importance of the UNGPs in helping companies learn about implementation. Today, stakeholders are ready very quickly to point out the linkages between corporate behavior and human rights impacts.

The Council noted that EDC is one step removed. It is difficult for banks to go beyond legal requirements which look at 'reasonable expectations', a principle increasingly being decided by the courts through adjudication of a number of cases largely on 'soft law'. Past cases would likely play out differently if today's



standards were to be applied. The Thun Group of Banks has done some good work in the area of financial institutions and human rights, and a useful paper with specific recommendations is forthcoming.

The invited speakers discussed how banks should engage with clients and help them think about leverage and their supply chain. Banks can look at the influence curve, put effort into due diligence, integrate human rights risks into other processes, and sharpen existing tools.

The Council advised that further discussion was needed on how the UNGP's impact what EDC should do. Financial institutions can promote human rights, for example, by offering microfinance programs.

3. Economic Forecast

Peter Hall, Chief Economist, Economics and Political Intelligence Centre (EPIC)

A presentation was made on EDC's semi-annual economic outlook with a focus on emerging markets, markets where EDC is increasingly doing more business. The image of a high wire walker reflects where the world economy has been: we trek along the wire and wobbles continue to occur. There is fundamental strength in the world economy with the US economy continuing to play a lead role exhibited in the US by pent up demand for housing; employment gains; advances in business investment and construction; and significant auto sector investment.

Forecasts for Europe are being revised upward to reasonably strong rates of growth. In Greece, the economic situation is characterized by brinkmanship as a critical deadline approaches. Until Europe is on firmer footing, it does not make sense for other countries to walk away from the Greece's dilemma.

A drop in oil prices has created important savings creating an automatic stimulus to economies.

In other areas, Brazil has a gridlock problem where the Petrobras issue is hobbling growth. Russia has a sanctions issue and no conclusive signs of change. In Colombia and Mexico, there is strong infrastructure investment to facilitate future growth.

In China, trade will be invigorated by growth elsewhere, e.g. US and Europe. EDC's 2015 forecast for China's growth is 7.5%. There is an emerging labour issue in China; China's outbound manufacturing investment is destined to highly populated countries in Asia; this serves to address China's labour shortage by accessing local labour.

Canadian companies will turn towards greater exports at a time when the world economy is picking up 5% to 13% trade in emerging markets in the past 5 years. Therefore Canada is well positioned to take advantage of world economic trends.

Discussion:

The Council briefly discussed the implications of these trends for EDC's business. Details are available in, [Conquering the Chasm](#), EDC's [Global Export Forecast](#) for Spring 2015.

4. Update on CSR at EDC

Signi Schneider, Vice-President, CSR

EDC will release shortly its 10th CSR Report. The report is assured by an external body and content is developed according to Global Reporting Initiatives G4 guidelines. The report makes use of multi-media to tell our story for this anniversary report looking back over the past ten years.

Corruption has been a key focus since the Council's last meeting. EDC has received an NGO inquiry questioning EDC support to certain transactions where counterparties are facing legal action related to corruption allegations. Separately, EDC received the final report of an independent, third party commissioned to review of its anti-corruption procedures. The findings were generally positive regarding EDC's governance of its bribery and corruption risks. Implementation of the review's recommendations will position EDC as a leader on this topic among financial institutions. Likewise, recommendations from a recent review undertaken by Canada's Office of the Superintendent of Financial Institutions will result in improved *Know-Your-Customer* procedures.

Discussions were initiated at the Organisation for Economic Co-operation and Development (OECD) to develop a position among export credit agencies on support for coal-related transactions, in particular coal-fired power plants. The outcome is likely to lead to a move away from support for such transactions.

Finally, the Government of Canada revised its CSR Strategy. Revisions include important changes relevant to EDC: establishment of a link between EDC and the Government of Canada's two dispute resolution mechanisms, the CSR Counsellor and the OECD National Contact Point. This change requires that in making decisions on financial support, EDC will take into consideration any complaints submitted to these bodies.

5. Council Business

With a view to continuous improvement, EDC's President sought feedback from members on the format and content of Council meetings. Council members complimented EDC on meeting content and organization, but expressed an interest in longer meetings with discussions focused on seeking that is directly applicable to EDC. Members favourably noted participation by a member of EDC's Board of Directors and consistent commitment of the CEO as very positive. They also noted that the size of the Council is optimal for meaningful discussion, but encouraged EDC to recruit female members.

In the absence of objections from Council members, the EDC President will give consideration to continuing his role as Council Chair.



Participants

From the CSR Advisory Council:

Pablo de la Flor, Vice-President, Corporate Affairs, Banco Credito del Peru

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

Jean-Louis Roy, President, Partenariat International

David Runnalls, Senior Fellow, Sustainable Prosperity

Jean-Claude Villiard, Associate Professor, École nationale d'administration publique (Université du Québec)

Ed Waitzer, Partner, Stikeman Elliott LLP

David Wheeler, President and Vice Chancellor, Cape Breton University

David Zussman, Jarislowsky Chair in Public Sector Management, University of Ottawa

Absent: Deanna Rosenswig, Partner, Vantage Concepts

From Export Development Canada (EDC):

Herbert M. Clarke, Member, Board of Directors

Benoit Daignault, President & CEO

Signi Schneider, Vice-President, CSR

Peter Hall, Vice President and Chief Economist, Economics and Political Intelligence Centre

Deborah Berger, Director Environmental Advisory Services

Yolanda Banks, Senior Advisor, Corporate Social Responsibility

Guests:

Caroline Rees, President, Shift

Tam Nguyen, Global Head of Sustainability, Bechtel