

# Summary of Proceedings - EDC's Advisory Council on Corporate Social Responsibility

**Wednesday, October 29, 2014**  
**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 October 29<sup>th</sup> meeting. The list of participants is at the end of this summary. Terms of reference and members' biographies can be found on [edc.ca/csr](http://edc.ca/csr).

**1. Introductions and Welcome**  
**Maureen O'Neil**, CSR Advisory Council Chair

The Council Chair welcomed members and reviewed an earlier discussion held on EDC's challenge to meet its CSR obligations while expanding into sub-Saharan Africa.

Is Africa different? Council members observed that the market is characterized by 'shades of grey' that weave around questions of power, influence and corruption. EDC's purpose in the market will be to capture the traffic of Canadian companies coming to Africa; and on the CSR front, benefit from that additional level of intelligence that will become available from 'being on the ground'.


**2. President's Update and CSR@EDC – Key Issues Update**  
**Benoit Daignault**, President and CEO – Update from the leadership  
**Signi Schneider**, Vice-President, Corporate Social Responsibility (CSR) – update on CSR

Key issues for EDC since the spring 2014 meeting have been: creating awareness with exporters about EDC and a general understanding that trade is the only lever Canada has available to maintain GDP growth; supporting the Government of Canada's Global Market Access Plan (GMAP) which targets select markets with an objective of greater penetration by small- and medium-sized business; and automating EDC's application procedures with the potential to reduce processing times on simple insurance transactions from 10 days to 10 minutes.

EDC can play a central role in mentoring SMEs to serve a central connector for them to contacts and opportunities. Trade diversification will not only help companies begin exporting, but also enter new markets.

A number of reviews are underway. Firstly, EDC is one of several financial Crown corporations under review by the Office of the Superintendent of Financial Institutions (OSFI). The review examines EDC's risk management and underwriting practices, including money laundering and anti-corruption.

Secondly, at the request of its Board of Directors, EDC has also contracted a separate independent review of its anti-corruption practices.



Finally, the Office of the Auditor General of Canada (OAG) concluded its performance audit on EDC's environmental and social review practices with the tabling of its report in Parliament. The OAG made recommendations for improvement that will be important to implement before the next special examination in five years time.

EDC was re-elected to the Equator Principles Steering Committee.

Discussion:

It is unlikely that EDC will face a situation similar to that of the US Export Import Bank (USExim). Unlike USExim, EDC does not receive government subsidies, a fact that is sometimes little known and understood. Council members recommended proactive briefings on EDC's operations for Members of Parliament to improve understanding of EDC's operations. Trade missions also present an opportunity to provide such briefings to a broader audience.

The Council discussed the anti-corruption practices of various Canadian government departments and their appropriateness for EDC.

**3. Review of Framework for Identifying Council Agenda Topics**  
Council Members

The Council members participated in a 'workshop' to develop a framework for identifying agenda topics for future Council meetings. Based on an initial discussion at the spring 2014 Council meeting, members' suggestions led to four general topic categories: Helping Canadian Exporters Advance their CSR Practices, New EDC Products and Services, Geographic Areas & New Sectors, and EDC's Internal CSR Policies and Strategies.

Discussion:

Council members advised that topics should reflect a balance of what is happening in EDC's world and its current challenges, and not only focus on future trends.

Council members made a number of recommendations: focus on CSR measurement, i.e., how to measure success, how to measure the reach and impact of EDC's CSR efforts; and EDC could consider a CSR-related product/service to help exporters.

In a discussion on whether EDC needed to have a strategic position on any issue, one member noted that EDC can take a position without having a strategy, and just by leading the discussion and sharing its expertise, EDC could emerge as a thought-leader on CSR.

EDC should look for opportunities for more outreach to clients on CSR, particularly small- and medium-sized enterprises. The Council could be of assistance in the development of EDC's CSR strategy and its Corporate Plan.

#### 4. 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. Economic forecasting is always difficult when markets are turbulent. Nevertheless, there is strong evidence that the economic recovery is real as indicated by: pent up demand in the US economy, positive popular sentiment in the US -- and without any prompting, and the end of quantitative easing. There is excess liquidity in the economy and companies are looking for investments that will provide good returns. This has led to a rush into bonds driving bond prices up and yields down. Interest rates are expected to increase, to coincide with commodity price declines.

Does this provide a backdrop of growth for emerging markets? It is a myth that emerging markets are economic leaders. Rather they are 'follower' markets. Large emerging markets have a lot of money to invest in their economies, but in reality, their growth depends to a great extent on what happens elsewhere. Brazil's inability to grow will impact on other Latin American economies. China's GDP growth is expected to be about 8% in 2015.

Details are available in EDC's Global Export Forecast for Fall 2014, [What's Driving Growth?](#)

#### Discussion

The Council briefly discussed the implications of these trends for EDC's business.


#### 5. The Quebec Charbonneau Commission Two Years Later: where are we, what have we learned? Where are we headed?

**Ed Waitzer**, CSR Advisory Council Member

The *Commission of Inquiry on the Awarding and Management of Public Contracts in the Construction Industry* (Charbonneau Commission) was created in October 2011 to examine allegations regarding the management of public construction contracts in the province of Quebec, and alleged impropriety between public officials and construction companies. Many of these companies do business abroad and are also EDC's clients, or prospective clients.

Ed Waitzer led the Council discussion on implications of the Charbonneau Commission experience for EDC. His opening remarks noted that situations of alleged wrongdoing can evoke a corporate reaction to 'circle the wagons', particularly in concentrated situations, e.g. where everyone knows everyone, homogeneity (little diversity). This illustrates the value of diversity among senior executives and on boards. There is a need to move the discussion away from the integrity of individuals to examine the integrity of organizations. Regulation 'dumbs down' behaviour, not by design, but by effect. Research on fiduciary duty and relationships shows that sometimes disclosure has the opposite effect than what was intended, e.g. an accused party may feel absolved of any responsibility for their behaviour simply because they disclosed wrongdoing.

The role of corporate counsel in these situations is critical. Counsel should be not only advise on what a company can do (which can be almost meaningless advice), but what they should do. As today's law is tomorrow's history, counsel should give advice based on the predicted trajectory of the law.



Law merely provides guidance on duties of parties. As social norms have evolved, so too have requirements and expectations of those professions providing advice. Now liability has shifted to these experts who do not have a fiduciary duty. The courts are extending out this duty to those who advise companies.

Discussion:

It was noted by EDC that the Charbonneau Commission hearings emphasized the need to examine carefully those companies considered support and how clients are ‘onboarded’. As allegations emerged, there was much turbulence as EDC undertook discussions with the leadership of companies to explore changes they were making in the face of allegations. Many of the firms implicated are closely held, private companies with relatively homogenous leadership, where management is not much challenged. EDC itself faced a learning curve, e.g. on how best to advise companies on these matters, and how to or whether to provide financial services, or not, in the absence of hard evidence to support or refute allegations.

It was noted that integrity is built into the culture of corporations through various and regular processes, e.g. activities to discuss ethics and ethical and appropriate conduct. If such processes are in place, it becomes easier to make decisions and to seek independent analyses upon which to base decision-making.

Other comments made reference to the potential role of internal audit departments, the need for board members to be willing to ask tough questions, the importance of training and awareness to program/condition employees to not simply act in a certain way, but to think independently.

Perhaps thinking of the trajectory of the law would have helped companies avoid these situations. The foundational aspect to identifying that trajectory is to look at ‘reasonable expectations’; if you can identify ‘reasonable expectations’, you can often predict the trajectory of the law. Finally, it was noted that the Charbonneau Commission was a prolonged process, the examination of which equally has lessons for government and the private sector.

## **6. Special Presentation & Adjournment**

The Council bid farewell to Maureen O’Neil who joined the Council in 2006 and served as its Chair from November 2007. EDC will identify a Chair prior to the spring 2015 meeting. 2015 meeting dates will be established in the coming weeks.

## Participants

### **From the CSR Advisory Council:**

**Maureen O’Neil**, President and CEO, Canadian Foundation for Healthcare Improvement  
– **CSR Advisory Council Chair**

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

**Ed Waitzer**, Partner, Stikeman Elliott LLP

**Deanna Rosenswig**, Partner, Vantage Concepts

**David Zussman**, Jarislowsky Chair in Public Sector Management, University of Ottawa, and part-time Commissioner, Public Service Commission of Canada

### **Absent:**

**David Runnalls**, Senior Fellow, Sustainable Prosperity

**Jean-Louis Roy**, President, Partenariat International

### **From Export Development Canada (EDC):**

**Herbert M. Clarke**, Member, Board of Directors

**Benoit Daignault**, President & CEO

**Pierre Gignac**, Senior Vice-President and Chief Risk Officer, Enterprise Risk Management

**Signi Schneider**, Vice-President, CSR

**Peter Hall**, Chief Economist, Economics and Political Intelligence Centre

**Joseé Gravel**, General Counsel

**Yolanda Banks**, Senior Advisor, Corporate Social Responsibility