

Summary of Proceedings

Meeting of EDC's Advisory Council on Corporate Social Responsibility (CSR)

Tuesday November 08, 2016

EDC Head Office

Ottawa, Ontario

Theme - "CSR as Differentiator"

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 November 08th meeting. The list of participants appears at the end of this summary. Terms of reference and members' biographies can be found on edc.ca/csr.


1. Introductions, Welcome and Members' Roundtable

EDC President and CEO, Benoit Daignault, welcomed new CSR Advisory Council member, Christa Wessel, to her first meeting. Ms. Wessel's biography appears at edc.ca/csr.

Discussion: Council members raised questions and comments on key developments at EDC since their spring meeting, the content of which had been provided in a written summary. The summary highlighted a variety of topics including EDC's upcoming Special Examination by the Office of the Auditor General of Canada (OAG), EDC's new Enterprise Risk Management framework, efforts to refresh EDC's CSR strategy, including a concrete approach to climate change, and stakeholder outreach (events, market visits, NGO engagement).

Council members discussed a potential role for EDC in helping the Government of Canada meet its climate change targets, offering Norway as a possible example. Catherine Decarie outlined the progress being made toward development of a climate change approach at EDC, notably improvements to systematic data collection as a step to measuring the climate impact of EDC's lending portfolio. This effort could identify new opportunities for EDC.

...2/



The Council discussed the issue of corruption scandals and their impacts, particularly in Latin America. EDC's challenge is to determine its course of action as these matters take a number of years to progress through various stages from allegations to legal charges and possibly convictions. Some of the challenges in this area are differentiating between the implications of allegations, charges and convictions against the companies, that undertook the behavior/activities, from individuals in leadership, and whether the behaviours/activities were isolated to a subsidiary or directed by the parent. EDC has taken a conservative approach to corruption matters affecting its customers, preferring to wait until the trajectory of the matter is clear or resolved, before resuming financial support to a company. Council members noted that the reputational damage lingers long after the matter is legally resolved, and that corruption is a reality for any large, multinational company. Council members proposed that there may be a role for EDC to assist companies to improve their anti-corruption compliance performance.

EDC is nimble with a track record of achieving results. As a result, it is often approached to assist with new programs, but Council members recommended that EDC be selective its commitments to assume new mandates.


2. Overview on why CSR is an important differentiator for EDC

Benoit Daignault

Benoit Daignault opened this discussion with an overview of why he has identified CSR as a 'differentiator' for EDC. He noted that today companies operate in a world of multiple stakeholders with converging and diverging interests, and as such, cannot simply prioritize shareholders' interests above all others. It is a CEO's job to convey its approach to business. EDC's target is to grow from approximately 7,400 customers (i.e., 7% of the Canadian companies currently exporting, or considering exporting) to 30% (30,000 customers) by 2020. CSR will become increasingly important and small companies will need to use CSR to be more relevant to their clients.

EDC has created an internal team under the leadership of the VP, CSR, to look at: (a) the changing landscape; (b) the Government of Canada's requests and preferences; and (c) consumer preferences in light of our mandate. EDC's goal is to help meet the needs of its customers, and to help them go beyond meeting minimum standards, and for EDC to be as transparent as possible. EDC recognizes that there are many questions it has yet to answer before finalizing a CSR strategy and advancing the CSR discussion with its customers, e.g. where can EDC add value for its customers, how can EDC be more efficient with the carbon impact of its loan portfolio, and are there CSR knowledge products it can contribute?

...3/



Discussion: Council members provided several perspectives on the topic. EDC should get to a point where it can measure and incentivize CSR behaviours. One Council member advised that for this goal to be valuable, EDC needs to go beyond general statements and provide specific and effective advice. There is significant potential for EDC to add value, e.g. provide advice to its clients on best practice in stakeholder engagement processes.

EDC could define what this CSR knowledge product will look like. Although it would be a challenge to develop something suitable for companies of all sizes and across all EDC products (financing and insurance), EDC could offer a tested toolbox of CSR approaches and guidance; create a repository of best practices; or consider investing in CSR capacity-building in companies. EDC's involvement with a company is a *de facto* seal of approval and this can be leveraged as a tool to help companies succeed.

EDC should define what success looks like, i.e. is it a part of EDC's 'brand', and how closely identified is EDC's brand with the 'Canadian brand'? It is hard work to get CSR integrated as part of the DNA of a company. Leadership in CSR needs to be authentically built throughout the corporation. This is an evolutionary process and companies face huge hurdles before CSR can truly become part of corporate culture from the Board level down.

The challenge is to position CSR as an opportunity, rather than a barrier or a compliance obligation.

3. Workshop moderated by David Wheeler, Council Member and Chris Coulter, President, GlobeScan


Workshop moderated by David Wheeler, Council Member and Chris Coulter, CEO, GlobeScan

Council member, David Wheeler, assisted by Chris Coulter, CEO of GlobeScan, led the Council through a workshop to help EDC better define what CSR as a differentiator would look like.

Using GlobeScan's public opinion and expert stakeholder research, Chris Coulter presented an overview of trends in expectations for business, leadership in sustainability and key issues of most concern to the public and stakeholder. Highlighting a leadership framework that emphasizes trust in organizations, the data shows a low level of trust in financial institutions.

The successful integration of new concepts such as sustainability requires the full buy-in at all levels in an organization. Support from middle management is particularly critical because it is at this point where new ideas can grind to a halt or lead to a breakthrough.

...4/



Discussion: Council members provided a range of suggestions for EDC to consider. For example, successful companies identify and evaluate their ‘social value’, and communicate that proposition, and engage stakeholders around it. Branding your commitment uniquely, helps to simplify a highly complex concept so it is better understood by employees and stakeholders, which is the first step to having broader buy-in and support for sustainability. Describe-engage-create a strategy, then work to implement it.


High performing corporate leaders use sustainability to drive innovation. Those who understand their most material sustainability issues help move their companies to new markets and are those for whom the *status quo* is never good enough. The transformation of General Electric (GE) from a manufacturer of equipment to a service-provider is a good example.

A focus on sustainability will require EDC to think differently about risk, e.g. autonomous cars will impact EDC’s customers’ significantly, notably auto manufacturers and oil and gas companies. To adjust, EDC is well advised to develop long-term aspirational goals and then more specific performance goals. EDC could learn from reviewing selective counter-intuitive, relevant corporate success stories, and looking at how financing and a long-term strategy worked for the company. Another approach is to identify what is adding holistic social, economic and environmental value to the organization and eliminating what is not.

All too often, the question of why an organization exists and its role in society is not satisfactorily answered. For example, the answer to ‘why’ underlying the need for pipelines could be defined as: to extract value from oil, make money, create jobs, pay taxes, invest to meet social needs. Answering the ‘why’ might help EDC better conceptualize its societal value.

A Council member observed that all these issues will need more discussion over the next 1-2 years with the EDC Board if EDC’s CSR strategy to become a differentiator is to work. In addition, all EDC executives will need to be involved, from Human Resources to Marketing, ensuring an enterprise-wide approach. To effectively differentiate itself through sustainability, EDC will need to listen deeply to its external stakeholders, understand the most material impacts it can have economically, socially and environmentally, and define a strategy that optimizes its impacts on sustainability and financial performance. ‘Differentiation’ is essentially the proverbial ‘Big Idea’. EDC will need to brainstorm to identify what that is. It is important that these concepts come from executive management along with the vision.

...5/



A Council member reiterated that this is an evolutionary, not a revolutionary, process. EDC will need to bring the frontline staff along, and in fact, this group might be instrumental in conceptualizing the 'Big Idea', i.e., what EDC might best stand for in the area of sustainability. EDC is a global leader in creating social capital and sustainable growth for Canadian companies. Sustainable trade will deliver similarly sustainable environmental and social results, but EDC will need to define what sustainable growth looks like and to think differently (and more profoundly) about its business. If EDC focuses on becoming a leader in social capital, it will lead EDC to then determine what it needs to offer.

4. Close of meeting

In conformity with management practice at EDC, members were asked to offer feedback on the quality of the meeting. Perspectives were favourable with members expressing a preference for such in-depth discussions on a single topic. Areas for improvement noted the need to conclude discussions with a path forward, and encouragement to bring more critical voices to the discussion to contribute to 'creative conflict'.

The next meeting will be held May 02, 2017.



Participants

From the CSR Advisory Council:

Pablo de la Flor, Vice-President, Corporate Affairs, Banco Crédito del Perú

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

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

Christa Wessel, Senior Advisor, The Change Alliance

David Wheeler, President and Vice-Chancellor, Cape Breton University

Absent

Marie-Lucie Morin, Corporate Director

Deanna Rosenswig, Partner, Vantage Concepts

Jean-Louis Roy, President, Partenariat International

From Export Development Canada (EDC):

Herbert M. Clarke, Member, Board of Directors

Benoit Daignault, President & CEO, and Council Chair

Catherine Decarie, Senior Vice-President, Corporate Affairs & Secretary

Stuart Bergman, Vice-President (interim), Corporate Social Responsibility (CSR)

Albert van Eeden, Director, Corporate Responsibility

Yolanda Banks, Senior Advisor, CSR

Louise Millette, Project Co-ordinator, CSR

Guest Speaker

Chris Coulter, CEO, Globescan