

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

Date: October 4, 2024

ESG Advisory Council Members:

Janet Annesley, Chief Sustainability Officer, Kiwetinohk Energy Corp.

Karen Clarke-Whistler, Senior executive, business strategist, and environmental scientist

Dave Collyer, Former President, Canadian Association of Petroleum Producers

Judy Cotte, Head of ESG, Onex

Fred Di Blasio, CEO and Managing Partner, Longhouse Capital Partners

From Export Development Canada (EDC):

Mairead Lavery, President and Chief Executive Officer, and Council Chair

Carl Burlock, Senior Vice-President, Chief Risk and Sustainability Officer

Miguel Simard, Senior Vice-President and Chief Legal Officer

Rachel Guthrie, Vice-President, ESG Integration

Mohit Bhatla, Vice-President, Corporate Lending

Owen Bourns, Vice-President and General Counsel

Participant Guest Speakers:

- **Manpreet Dhillon**, Manager, ESG Legal Risk and Disclosure, KPMG
- **Katie Dunphy**, Partner, National ESG Reporting Transformation Leader, KPMG

SESSION OVERVIEW

The October meeting of the ESG Advisory Council focused on three pertinent areas: EDC's updated ESG strategy, challenges of navigating the environmental and social nexus of complex projects, and the potential impacts of recent changes to the Competition Act on Canadian companies.

EDC's President and CEO Mairead Lavery and Chief Operating Officer Carl Burlock opened the session with updates on key engagements and priorities this fall:

- In September, EDC took part in the Net Zero ECA (NZECA) Steering Group Principals' Meeting, which took place on the sidelines of the Institute for Trade and Innovation (IfTI Global Symposium) in Switzerland. Both events brought together policy makers, financiers, exporters to strengthen cooperation between key players. EDC became a [founding member](#)

[of NZECA at COP28](#) as a means to help address sector-wide challenges associated with the net zero transition.

- EDC continues to participate in relevant international events such as TXF Global, which brings together the export credit and export finance community. EDC's objective is to engage and showcase expertise, learn from partners and fellow export credit agencies, and highlight EDC's ongoing commitment and efforts in delivering a net zero economy.
- EDC opened its ninth representation in the Indo-Pacific region this fall. The Tokyo office will serve as a vital sub-regional hub, offering on-the-ground support, market insights, and tailored financial services to Canadian companies. Tokyo complements EDC's existing representations in Delhi, Mumbai, Shanghai, Beijing, Sydney, Jakarta, Seoul, and our branch office in Singapore.
- At EDC's last Board of Directors meeting in September, board members and the executive team took the opportunity to delve deeper into biodiversity, covering key concepts like nature-based solutions and opportunities for positive impact. EDC plans to participate at the COP 16 biodiversity conference in October, which will focus on advancing the Global Biodiversity Framework signed at COP15 in 2022.
- EDC's annual [Cleantech Export Summit](#) takes place in October, bringing together clean technology experts, entrepreneurs and ecosystem partners from across Canada. This year's theme, "Towards Net Zero" features insights on industry trends and innovations in the rapidly evolving sector.

Following the opening remarks, EDC's Vice-President of ESG Integration Rachel Guthrie presented the organization's ESG strategy, which was followed by a constructive discussion amongst Council members. Of note:

- The ESG strategy is focused on EDC's core capabilities and aligns with its mandate.
- It compliments EDC's broader 2030 business strategy, which is focused on closing Canada's trade gap. It seeks to balance economic growth with environmental and social considerations.
- The strategy focuses on three areas of impact: maintaining EDC's social license to operate, enabling responsible business, and enhancing customer resilience and competitiveness.
- Key areas of focus include climate, human rights and financial crimes.
- A core component of the strategy is EDC's commitment to net zero by 2050.
 - In the past five years, EDC has made efforts to reduce the carbon intensity of its lending portfolio and has implemented the Glasgow rule, no longer providing new direct financing to international fossil fuel companies and international projects as of 2023.
- Council members acknowledged EDC's commitment to responsible business and encouraged the organization to promote responsible business with companies through the lens of risk and opportunity. They noted that given its position as an export credit agency, EDC can:



- simplify ESG for companies by helping them understand how responsible business practices will enable their business, enable them to make/save money and ensure they remain competitive;
- consider how Canadian companies can inform the internal ESG strategy, scaling responsible business growth;
- publicly share the challenges of the net zero journey with customers and peers and to be transparent about lessons learned and potential shifts in strategies;
- consider its own commitments, and couple them with practical and reasonable pragmatic plans in the context of a changing and competitive external environment;
- consider the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) not only as a framework for reconciliation, but an important instrument for changing how business is done, empowering communities and advancing business practices; and
- continue to educate EDC's employees on the value of responsible business not only from a risk perspective, but an opportunity lens as well.

Another area of discussion at the meeting was the complexity of decisions around major projects such as Cedar LNG, a project supported by EDC and powered by electricity mainly from renewable sources that will see the export of liquefied natural gas to Asia where it is expected to displace coal. The project is located on the traditional territory of the Haisla Nation – a majority owner of Cedar LNG.

Council members shared observations from past experiences and industry best practices in community and stakeholder engagement. Key points raised, include:

- Equity participation is a critical element of economic reconciliation. Indigenous communities should be seen as partners, providing important knowledge and capacity to projects across Canada.
- EDC can play an important role in helping Indigenous communities achieve their goals; there is a generational opportunity to lift communities through access to capital and economic development.
- Constructive engagement is centred on sharing knowledge and listening to all views. The outcome is not necessarily around unanimous views, but rather a healthy debate, the opportunity for all sides to share their views, ahead of an informed decision.
- EDC should consider external experts to help navigate stakeholder engagement – people who know the stakeholders/communities to better understand diverse perspectives.
- While EDC's mandate and focus may challenge the views of some stakeholders, it's important to continue to engage to listen, learn and to communicate to increase understanding from all sides.

The final segment of the session included a presentation from representatives of KPMG on the recent Changes to the Competition Act. Bill C-59 received Royal Assent on June 20, 2024, and represents a significant shift to the regulatory landscape and will impact how organizations externally promote their efforts to reduce their environmental footprint and demonstrate progress on climate change.



Key takeaways from the discussion include:

- Businesses are increasingly concerned about their exposure to ESG legal risks. They have been disclosing ESG-related information for years, mostly against voluntary frameworks and standards. This has created challenges for markets given the absence of mandatory standardized disclosures.
- Incomparable information may be problematic, creating challenges for users of data.
- Common types of greenwashing include exaggerated claims, selective disclosure, data omissions, misleading visuals, and vague wording.
- Since its adoption, Bill C-59 has seen a strong reaction from the market.
- From a business perspective, there are concerns about the balance of transparency and the level of risk associated with exposure given the significant penalties associated with the Act. For smaller companies and start-ups, the challenge is around the development and marketing of new technologies, where there are still uncertainties and lack of funding.
- Many companies are conducting substantiation exercises to ensure claims made have been properly substantiated. Some are publishing statements with respect to the Competition Act, advising of information they are removing in the absence of additional guidance. There is an expectation of increasing re-statements and re-baselining of information.
- While companies do not have control over the policies being imposed on them, they do control the information they share publicly. There is an opportunity for organizations to enhance their reporting and strengthen their governance.
- Further guidance from the Competition Bureau is expected later this year.

