



The Mining Association of Canada | L'association minière du Canada

November 9<sup>th</sup>, 2018

Patricia Cameron  
Project Coordinator  
International Financial Consulting Ltd.  
World Exchange Plaza, PO Box 81119  
Ottawa, Ontario, K1P 1B1  
[pcameron@i-financialconsulting.com](mailto:pcameron@i-financialconsulting.com)

Re: Consultation on Export Development Canada (EDC) Legislative Review

Dear Ms. Cameron,

Please accept this letter as the Mining Association of Canada's submission regarding the Legislative Review for EDC. This letter is intended to follow on our recent phone discussion.

As stated in our previous submission to EDC regarding their Environmental, Social and Risk Management (ESRM) Policy Review, which we have included to inform this consultation, Canadian mining companies operate in more than 100 countries and own more than \$169 billion in mining assets abroad. It is also the sector that accounts for the largest volume of EDC business. Mining is one of the few sectors that consistently makes a positive contribution to the country's balance of trade. While there continues to be a healthy global demand for Canadian mineral products, our continued global leadership in mining is by no means guaranteed. A strong EDC is an integral part of Canada's global success in mining leadership and MAC looks forward to continuing to work with EDC as both a leader in responsible business conduct and a globally competitive source of finance to support the growth of Canadian mining business abroad.

As the federal government seeks to renew the legislative basis for EDC, it will be critically important to strike the right balance for EDC within both Canada's progressive trade agenda and in ensuring EDC's continued competitive position, not just amongst other global export credit agencies but amongst the global network of providers of capital broadly. If this can be achieved, the potential to help everyone benefit from trade and export opportunities is significant.

To illustrate this potential, MAC has gathered data from a sample of its member mines that

operate internationally to better understand the direct positive economic contribution Canadian mining companies, often supported by EDC, can provide to host countries and communities. In 2017, 38 MAC member producing operations and 12 non-producing operations employed 53,842 employees and contractors in host countries and reported expenditures of US\$14.3 billion, with 91% of that being spent in the host country. This positive contribution is particularly strong in non-OECD countries where eight members operating in 15 non-OECD countries spent \$6.5 billion with in-country businesses, employees, and taxes. When compared with Canada's entire Official Development Assistance budget of \$5 billion in over 100 countries, the economic leverage of Canada's mining sector is striking.

In fact, at one operation in Mauritania, owned by Kinross, the positive impact is clearly visible. Since the mine began operating in 2010, it has paid \$580 million to the Government of Mauritania, \$320 million in wages to 2800 Mauritanian employees and \$1.7 billion on in-country procurement spending. In terms of a development impact, the communities in proximity to the mine have seen a reduction of the number of people living on less than \$1/day, from 28% in 2011, to 6% in 2017. There has also been a drop in the number of people perceiving that they are living in poverty from levels between 50-60% to 20-30%. Among other indicators, this study has found that 96% of people in the study area around the mine have access to improved drinking water sources, compared to 65% in the rest of the country, and adult literacy rates are 89% around the mine compared to 69% in the rest of the country.

As the federal government seeks to chart the course for EDC for the next decade, it should seek to position EDC as both an enabler of growth for Canadian companies exporting internationally and as a partner-in-development for Canadian companies operating in developing jurisdictions. To realize this, EDC must continue to offer globally competitive financial instruments to ensure it remains a partner of choice for Canadian companies seeking to grow their business internationally. MAC also recognizes that for EDC to be a global leader, it must also adopt industry leading responsible business practices. To this end, MAC strongly recommends that EDC align its environmental, social and human rights due diligence practices with the International Financial Corporation's (IFC) Performance Standards.

The IFC's Performance Standards serve as an established benchmark due to their stability and consistency over time and their wide recognition by stakeholders internationally. These standards also serve as an effective tool to demonstrate that the companies and projects that IFC does business with are operated responsibly and provide benefit to affected communities. That the IFC has been able to set this globally respected benchmark while still being a preferred investment partner for so many companies, in both mining and other sectors, speaks to the fact that the IFC has achieved an effective balance between responsible practice and competitiveness, a balance that EDC should seek to replicate. Such alignment will also ensure EDC practices remain consistent with the standards endorsed by Canada's CSR Strategy.

MAC also encourages EDC to consider incorporating our Towards Sustainable Mining (TSM) Standard into their due diligence processes when considering entering into financing arrangements with mining projects. Launched in 2004, the TSM initiative is an internationally

recognized sustainability standard that measures mining facilities' performance related to environmental stewardship, community engagement, and energy efficiency. Participation in TSM is mandatory for MAC members' Canadian operations and is proactively applied by several of our members internationally. As part of TSM, members report on the performance of their mine sites every year, and every three years this performance undergoes third-party verification. TSM is backed by best practice guidance and is overseen by a Community of Interest Advisory Panel that advises and continually shapes the program. Incorporating TSM into due diligence processes would provide EDC with easy to quantify performance data related to key environmental and social issues including tailings management, energy and GHG management, biodiversity conservation, water stewardship, community and indigenous engagement, safety and health, crisis preparedness and the prevention of child and forced labour.

Up until a few years ago, TSM was predominantly Canadian focused, making it difficult for an export focused organization like EDC to consider using it. However, in recent years, global interest in TSM has grown at a rapid pace. Over the past two years, it has spread beyond Canada to five other countries on four continents that have formally adopted the program to improve the performance of their domestic mining sectors including Finland, Argentina, Botswana, the Philippines and, most recently, Spain. Many other countries have also expressed interest in the program and are exploring adoption. TSM has also become a major focus of the movement toward a responsible supply chain for metals and minerals with organizations such as Apple, looking to TSM as one of the standards they recognize for their own due diligence purposes. MAC is also working with other organizations such as the Responsible Jewelry Council and Responsible Steel to ensure that mines using the TSM standard are well positioned to supply the world with accredited responsibly sourced metals and minerals.

In addition to the importance of finding the right balance as articulated above, MAC offers the following additional input:

- **Upholding EDC's mandate** - In order to ensure the continued global competitiveness of the Canadian mining sector, EDC's mandate to continue supporting Canadian mining firms through EDC's corporate credit facility must be maintained.
- **De-politicize EDCs mandate** - EDC could more successfully support Canadian businesses operating abroad if it was free to assess the risk of capital investments independently of political objectives.
- **Project financing** – EDC should increase its capital support for projects in developing jurisdictions. This would greatly increase the potential support EDC can offer to the Canadian mining sector and will help to maximize EDC's potential to contribute to Canada's Feminist International Policy.
- **Engage in risk mitigation** – ECD should be positioned to play a more active role in identifying and managing risk where mitigation requires engagement with and support from the host governments. Often such mitigation is best accomplished on a government-to-government basis and EDC is well positioned to use its leveraging and convening power as a

representative of the Government of Canada. Such a role could help to avoid conflict between Canadian companies, host governments and affected communities.

- **Educate foreign officials on the benefits of partnering with Canadian companies** – EDC should be empowered to take on an increasing role to educate foreign governments about the benefits of doing business with Canadian companies. This will help promote Canadian interests on a government-to-government basis and help to strengthen relationships between Canadian firms and host country governments.
- **Clarify EDC's Climate Change Policy** – As articulated in MAC's submission to the EDC ESRM Policy Review, there is a need for clarity on how EDC plans to evaluate climate change risk for projects and to what extent the emissions signature of a project could be either a help or a hindrance to financing. EDC should also develop a financing facility specifically to invest in clean energy developments associated with Canadian projects abroad, including investments in clean energy made by Canadian mining companies operating internationally.
- **Measure and communicate the benefits associated with projects that the EDC invests in** – EDC's updated mandate should include the ability to engage in studies that measure the benefits brought to people in Canada and around the world through the projects that it supports. As part of this, EDC should develop user-friendly infographics and other visual tools to help stakeholders understand its processes and the outcomes of the projects it supports.

Each of these recommendations is aimed at helping to inform EDC's legislative review to position EDC at the forefront of export development credit agencies and to be a global leader in responsible business practice and, at the same time, enhance its global competitiveness.

Should you have any questions or require additional input on any of the recommendations made in this submission, I would be happy to discuss further.

Sincerely,



Pierre Gratton,  
President and CEO,  
The Mining Association of Canada



September 7, 2018

To: Caroline Elie  
Acting Manager, Stakeholder Relations  
Export Development Canada  
150 Slater St, Ottawa, Ontario, K1A 1K3  
celie@edc.ca

Dear Ms. Elie,

Thank you for the opportunity to provide comments on your ESRM Policy Review.

Canadian mining companies operate in more than 100 countries and own more than \$169 billion in mining assets abroad and as you know, it is the sector that accounts for the largest volume of EDC business. The industry is one of the few sectors that consistently makes a positive contribution to the country's balance of trade. While there continues to be a healthy global demand for Canadian mineral products, our continued global leadership in mining is by no means guaranteed and we look forward to working with you to update your ESRM policies review to ensure that the position EDC to continue to contribute to the competitiveness of Canada's mining sector at home and abroad.

Mining is a powerful economic development tool that brings about growth that works for everyone, a fact reinforced by regular member surveys conducted by MAC that demonstrate the Canadian mining sector's overall contribution to economic development around the world. According to this research, 87% of a mine's expenditures are spent in the host country with the three largest sources of those expenditures going to suppliers and service providers (69%), employee wages (17%) and governments (12%).

To give you an example of what this means in practice, Kinross Gold Corporation conducted a study of the economic impact of their Tasiast Mine in Mauritania. Since the mine began operating in 2010, it has paid \$580 million to the Government of Mauritania, \$320 million in wages to 2800 Mauritanian employees and \$1.7 billion on in-country procurement spending. In terms of a development impact, the communities in proximity to the mine have seen a reduction of the number of people living on less than \$1/day, from 28% in 2011, to 6% in 2017. There has also been a drop in the number of people perceiving that they are living in poverty from levels between 50-60% to 20-30%. Among other indicators, this study has found that 96% of people in the study area around the mine have access to improved drinking water sources, compared to 65% in the rest of the country, and adult literacy rates are 89% around the mine compared to 69% in the rest of the country.

The Canadian responsible mining brand is increasingly recognized around the world and Canadian mining companies are the partner of choice in many jurisdictions. One example of strong Canadian leadership has been the global growth of MAC's Towards Sustainable Mining (TSM) standard. Launched in 2004, TSM requires individual mining and processing facilities to publicly report and independently verify a series of environmental and social indicators. TSM is also overseen by an independent Community of Interest Advisory Panel. Over the last four years, TSM has grown beyond a Canadian standard and has been adopted by mining associations in Finland, Argentina, Botswana, Philippines and Spain, which I understand you heard about on your recent visit to Argentina in your previous role. MAC is also working towards adoption with a number of additional countries.

TSM is also playing an important role in work the mining industry is doing with the downstream manufacturing sector to develop responsibly sourced metals and minerals supply chains. TSM has been recognized by Apple and others as a mining standard able to credibly demonstrate responsible sourcing for metals and minerals and MAC is currently working with the Responsible Business Alliance and other manufacturing groups, including Responsible Steel and the Responsible Jewelry Council, to increase the recognition of TSM within the manufacturing space.

It is with this context in mind that I offer the following comments on behalf of the Mining Association of Canada.

### **Environmental and Social Risk Management (ESRM) Policy (including Human Rights and Climate Change)**

MAC appreciates EDC's commitment to reviewing this policy to reflect updates in the areas of risk management approach, human rights and climate change, clarifying policy from procedure, and ensuring consistency with corporate policy. To this end, we offer the following specific comments on the review of the ESRM Policy:

- 1) The Policy Discussion paper suggests that revisions to this policy could communicate how EDC is committed to building and leveraging collaborative relationships with our customers and working to make Canadian companies internationally recognized as leaders in sustainable and responsible business. Given the rapid and evolving role of the manufacturing sector in driving towards responsibly sourced metals and minerals, it would be beneficial to see EDC recognize this dynamic in a revised policy and consider how it can leverage its work to increase the recognition of its customers as preferred suppliers of responsibly sourced metals and minerals.
- 2) The Policy Discussion Paper suggests highlighting the IFC Performance Standards to inform our approach to managing environmental and social risks and impacts. EDC should consider aligning its recognition of standards with those that are recognized by Global Affairs Canada through the Enhanced Corporate Social Responsibility Strategy. This would provide for greater policy alignment between EDC and GAC.
- 3) As stated in the Policy Discussion paper, EDC is considering ways to build on its commitment to assessing environmental and social risk in the transaction decision-making process across its business, including demonstrating the value that EDC provides as part of managing risk. An example of this commitment includes reference to utilizing the International Finance

Corporation (IFC) Performance Standards, to inform EDC's approach to managing environmental and social risks and impacts. The IFC Performance Standards, including PS6, were revised in 2012 to embed the concept of Net Positive Impact (NPI), by including a requirement for a net gain of biodiversity for projects that impact critical habitat and No Net Loss (NNL) of biodiversity for projects that affect natural habitat, whereas EDC's current policy on biodiversity is that mitigation measures should be designed and implemented to address "adverse environmental effects". As the adoption of the IFC Performance standards would represent a significant shift in EDC's approach to biodiversity, MAC would appreciate the opportunity to discuss the implications with you, including the opportunity to share some of our members' experiences with NPI and NNL.

## **Climate Change Policy**

Acknowledging that EDC and its customers engage in fierce international competition and, in the case of mining companies, have considerable energy requirements there is an opportunity to align Canada's climate change, international development and competitiveness priorities to reduce global GHG emissions.

In MAC's 2019 Pre-Budget Submission, MAC recommended that the government should support Canadian resource companies in the deployment of mutually beneficial "company-community" renewable power solutions to help off-set diesel reliance, lower global GHG emissions, and leave a positive clean energy legacy for local communities in developing countries during and after mining operations conclude. The recommendation states:

**To support the global effort on climate change, and advance international development while augmenting business competitiveness, government should:**

- **Develop or modify existing funding programs (e.g. Export Development Canada) to support the deployment of mutually beneficial "company-community" renewable power solutions to help off-set diesel reliance and lower global GHG emissions.**

MAC encourages EDC to consider incorporating support for mutually beneficial "company-community" renewable power solutions in its Climate Change Policy.

Further, MAC encourages EDC to consider clarification of the updated policy with regards to the following:

- 1) Encouragement of economic investment in meaningful emissions reduction technologies to expedite progress towards lower-carbon society, while protecting emissions-intensive and trade-exposed sectors, like the mining industry;
- 2) Support for industries that contribute to clean technology, e.g. mining;
- 3) Encouragement of transparency on climate change risk assessments and implementation of appropriate adaptation measures;
- 4) Encouragement of partnerships, including community-based, to increase access to, and management of, renewable energy technologies;
- 5) Encouragement of companies to assess and manage their supply chains to support low energy technologies and innovations;
- 6) Encouragement of economic stimulation of demand for low carbon infrastructure;

- 7) With respect to EDC's management of climate-related risks in higher carbon intensity sectors, we would encourage their support for transition of these industries to a lower carbon-footprint through consideration of incentives to encourage incorporation of GHG reduction technologies and approaches.

### **Environmental and Social Review Directive**

MAC agrees with EDC's refinement of approach for due diligence assessments and the application of environmental and social standards, whereby the means are appropriate to the nature and scale of the activity and are proportionate to the level of risks and impacts of the project and the exporter's role and leverage in that project. Beyond this, MAC recommends the following:

- 1) From the Directive, we would recommend adding "...and/or social.." to the following paragraph:

"General 1. For the purposes of section 10.1 of the Export Development Act, this Environmental and Social Review Directive (the "directive") sets out the process by which EDC will, before entering into a transaction that is related to a project, determine whether the project is likely to have adverse environmental and/or social effects despite the implementation of mitigation measures and, if so, whether EDC is justified in entering into the transaction.

- 4) In one section of the Environmental and Social Review Directive (ERD), EDC refers to the following "...EDC will, before entering into a transaction that is related to a project, determine whether the project is likely to have adverse environmental effects despite the implementation of mitigation measures...". However, in the Policy Discussion paper, EDC makes the following statement, "... The ERD sets out the prescriptive process to be undertaken for the review of project-related transactions. Consistent with the approach set out in the IFC Performance Standards, the primary international benchmark standards under the ERD, EDC aims to review projects using right-sized and relevant methods and assessment tools." As previously stated, in 2012, the IFC Performance Standards were revised to reflect the concept of Net Positive Impact (NPI), by including a requirement for a net gain of biodiversity for projects that impact critical habitat and No Net Loss (NNL) of biodiversity for projects that affect natural habitat) (IFC, 2012). As a result, EDC's adoption of the IFC Performance Standards would represent a shift from EDC's current policy on biodiversity is that mitigation measures should be designed and implemented to address "adverse environmental effects". As such, MAC would appreciate the opportunity to discuss the implications with you, including the opportunity to share some of our members' experiences with NPI and NNL.

### **Human Rights Statement**

MAC agrees with the direction EDC is proposing to take with respect to enhancing its Human rights Statement. Practices involving business and human rights has evolved considerably since EDC released its Human Rights Statement in 2008 and considerably experience has been gained with respect to operationalizing the UN Guiding Principles on Business and Human Rights (UNGPs). As such, establishing stronger alignment between an enhanced EDC Human Rights Statement and the UNGPs would be beneficial. However, the discussion paper raises one question focusing on how important it for EDC is to identify salient issues given its diverse portfolio or to have policies on specific issues. MAC's view is that this is the wrong approach to salient human rights issues. Instead, EDC should focus on ensuring its customers have implemented rigorous human rights assessment processes to identify the salient issues



relevant to their projects. EDC's role should be to assure themselves that such assessments have been done effectively and that appropriate mitigation measures have been put into place.

Beyond these specific comments on each of the policies, MAC would also encourage EDC to consider how to incorporate the UN Sustainable Development Goals into their new policies.

Thank you for the opportunity to provide input into this process. Should you wish to discuss any of the contents of this submission, please don't hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ben Chalmers', with a long horizontal flourish extending to the right.

Ben Chalmers  
Vice President, Sustainable Development  
Mining Association of Canada