



Environmental Review at Export Development Canada

June 2009



Office of the Auditor General of Canada
Bureau du vérificateur général du Canada

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Auditor General of Canada
Vérificatrice générale du Canada

To the Honourable Speaker of the House of Commons
To the Honourable Speaker of the Senate

I have the honour to transmit herewith my Report on the audit of the Environmental Review Directive and other environmental review processes established by Export Development Canada. The audit was conducted under subsection 21(2) of the *Export Development Act*. I have submitted this report to the Minister of International Trade and to the Board of Directors of Export Development Canada.

A handwritten signature in cursive script that reads "Sheila Fraser".

Sheila Fraser, FCA

Ottawa, 9 June 2009

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Environmental Review at Export Development Canada

Main Points

What we examined

Export Development Canada (EDC) is a Crown corporation with a mandate to support and develop Canada's export trade and respond to international business opportunities by providing trade finance and risk mitigation services. As required by the *Export Development Act*, EDC has issued an Environmental Review Directive under which it must determine, before supporting a project above a specified dollar threshold, whether the project is likely to have adverse environmental effects despite mitigation measures and, if so, whether its support of the project is justified. EDC has also implemented other environmental review processes for projects that fall outside the scope of the Directive, in order to manage environmental risks and take environmental implications into account in deciding which transactions to support.

The *Export Development Act* requires the Office of the Auditor General to audit the design and implementation of the Corporation's Environmental Review Directive at least once every five years. We have carried out two such audits, in 2001 and 2004. We reported in 2004 that the Environmental Review Directive and other environmental review processes used by EDC included most elements of a suitably designed environmental review procedure and, overall, were operating as designed. We also made some recommendations for improvement.

In this report, we looked at whether EDC had implemented the recommendations made in 2004 and whether it has ensured that its environmental review processes continue to be appropriately designed and implemented.

Why it's important

EDC and other export credit agencies do business in a climate of escalating expectations for transparency, public trust, and accountability. Their role in international trade, particularly in developing countries, has brought increased pressure from stakeholders to adhere to stringent standards for environmental reviews of projects they finance. In its corporate reports, EDC states that, as a member of OECD's export credit group, Canada has adopted the OECD's Common Approaches. These are common procedures and processes that OECD member countries follow in environmental reviews of officially supported projects.

EDC has committed to apply these OECD Common Approaches. In 2007, EDC also announced its adoption of the Equator Principles, a set of voluntary guidelines developed by the banking industry to address environmental and social risks in financing large-scale projects.

What we found

- EDC's Environmental Review Directive and other environmental review processes reflect the requirements of the OECD Common Approaches. They also reflect most of the requirements of the Equator Principles adopted in October 2007.
- The elements of EDC's environmental review policies and procedures reflect all but one of the standard elements found in the environmental review policies of G7 export credit agencies—the explicit consideration of the cumulative effects of a project on the environment. In addition, tracking of greenhouse gas emissions from financed projects is an emerging practice among G7 export credit agencies that EDC has not yet adopted.
- EDC monitors international developments in order to ensure that the design of its environmental review processes continue to reflect international standards. For project evaluations it requires that benchmarks be selected from international standards or the host country's environmental requirements. However, it does not require documentation of which benchmark was selected and why it was considered the most appropriate. Such documentation would ensure a consistent understanding of the criteria for selecting international benchmarks.
- EDC has implemented its Environmental Review Directive and other environmental review processes as designed. In addition, EDC reports on its obligations as required in its environmental and disclosure policies.

The Corporation has responded. *The Corporation agrees with our recommendations. Its detailed responses follow each recommendation throughout the chapter.*

Introduction

1. Since 2001, the *Export Development Act* requires Export Development Canada (EDC) to carry out environmental reviews of project-related transactions. To respond to this obligation, EDC adopted its first Environmental Review Directive that same year. Before EDC enters into a project-related transaction, the Directive requires the Corporation to determine

- whether the project is likely to have adverse environmental effects despite the implementation of mitigation measures, and
- whether the Corporation is justified in entering into the transaction.

EDC has also established other environmental review processes for transactions not covered by the Directive.

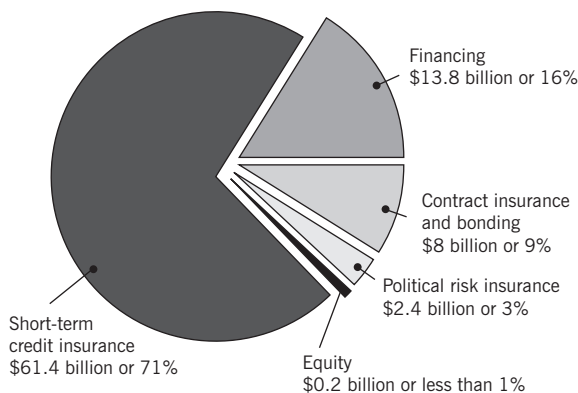
2. The *Export Development Act* mandates the Auditor General of Canada to audit the design and implementation of EDC's Environmental Review Directive at least once every five years and to submit a report to EDC's Board of Directors, the Minister of International Trade, and Parliament. This is our third report on EDC's environmental review framework. Our first report in May 2001 found that EDC had most elements of a suitably designed environmental review framework, but we concluded that the procedures were not operating effectively. In our second report, in October 2004, we found that EDC's environmental review processes had most elements of a suitably designed environmental review framework. In addition, we concluded that the Directive and other environmental review processes were operating as designed.

Overview of Export Development Canada

3. EDC is Canada's official export credit agency. As a Crown corporation, its mandate is to support and develop Canada's export trade and Canadian capacity to engage in that trade, and to respond to international business opportunities. In its 2009 budget, the Government of Canada announced a two-year temporary expansion of EDC's mandate to help increase access to credit for Canadian companies. This expansion was intended to allow EDC to support domestic trade by participating in domestic financing and insurance with private sector financial institutions, private insurance providers, and the surety industry. The Budget bill was passed and became effective on 12 March 2009.

4. The Corporation operates as a commercial financial institution that provides trade finance and risk-mitigation services to Canadian exporters and investors. A summary of EDC’s business volume by type of product is provided in Exhibit 1.
5. Export credit agencies like EDC play a key role in international trade and finance in developing countries. For example, they are a significant source of international public financing for large-scale infrastructure and resource extraction projects in the developing world. The potentially significant environmental and social impacts of these investments have led to the development of international standards for carrying out environmental and social reviews of such projects.
6. Environmental risk is one of several types of risk that the Corporation has to manage. In deciding which transactions to support, EDC also assesses credit, political, economic, technical, and reputational risks. Since 2001, EDC has developed policies and implemented environmental review processes to meet its obligation under its legislation, to manage environmental risk, and to ensure that the transactions it supports take environmental issues into account.
7. Since 2003, EDC has had in place a corporate social responsibility (CSR) statement. This statement commits the Corporation to carry out its mandate in a socially responsible manner consistent with its corporate values. The statement incorporates five operating principles that define how the Corporation executes its commitment to CSR: business ethics, environment, transparency, community investment, and organizational climate.

Exhibit 1 Dollar amount and percentage of EDC’s business volume by type of product in 2008



Source: EDC 2008 Annual Report

EDC's Environmental Review Directive and other environmental review processes

8. EDC's environmental risk management framework has the following components:

- the corporate Environmental Policy, which sets out EDC's overall environmental commitments,
- the Environmental Review Directive to fulfill EDC's obligation to carry out environmental reviews of transactions in accordance with the *Export Development Act*, and
- other environmental review processes that apply to transactions that do not fall within the Directive's scope.

9. The Directive establishes the scope of EDC's legal obligation to carry out environmental reviews of project-related transactions. It requires EDC to categorize projects based on their potential to adversely affect the environment. It also requires EDC to determine whether a project is likely to have adverse environmental effects despite mitigation measures and then whether EDC is justified in entering into the transaction.

10. The Directive only applies to project-related transactions that have a payment term of two years or more. It excludes EDC's short-term credit insurance, and medium- and long-term financing that is non-project related. These exclusions are a common business practice in G7 export credit agencies.

11. The Directive is publicly available on EDC's website at www.edc.ca. Exhibit 2 sets out the steps EDC follows in applying its Directive.

12. As previously mentioned, EDC has established other environmental review processes for certain transactions not covered by the Directive. They are described in Exhibit 3.

13. Exhibit 4 outlines how EDC determines to which environmental review process a transaction is subject.

Exhibit 2 Steps EDC follows in applying the Environmental Review Directive

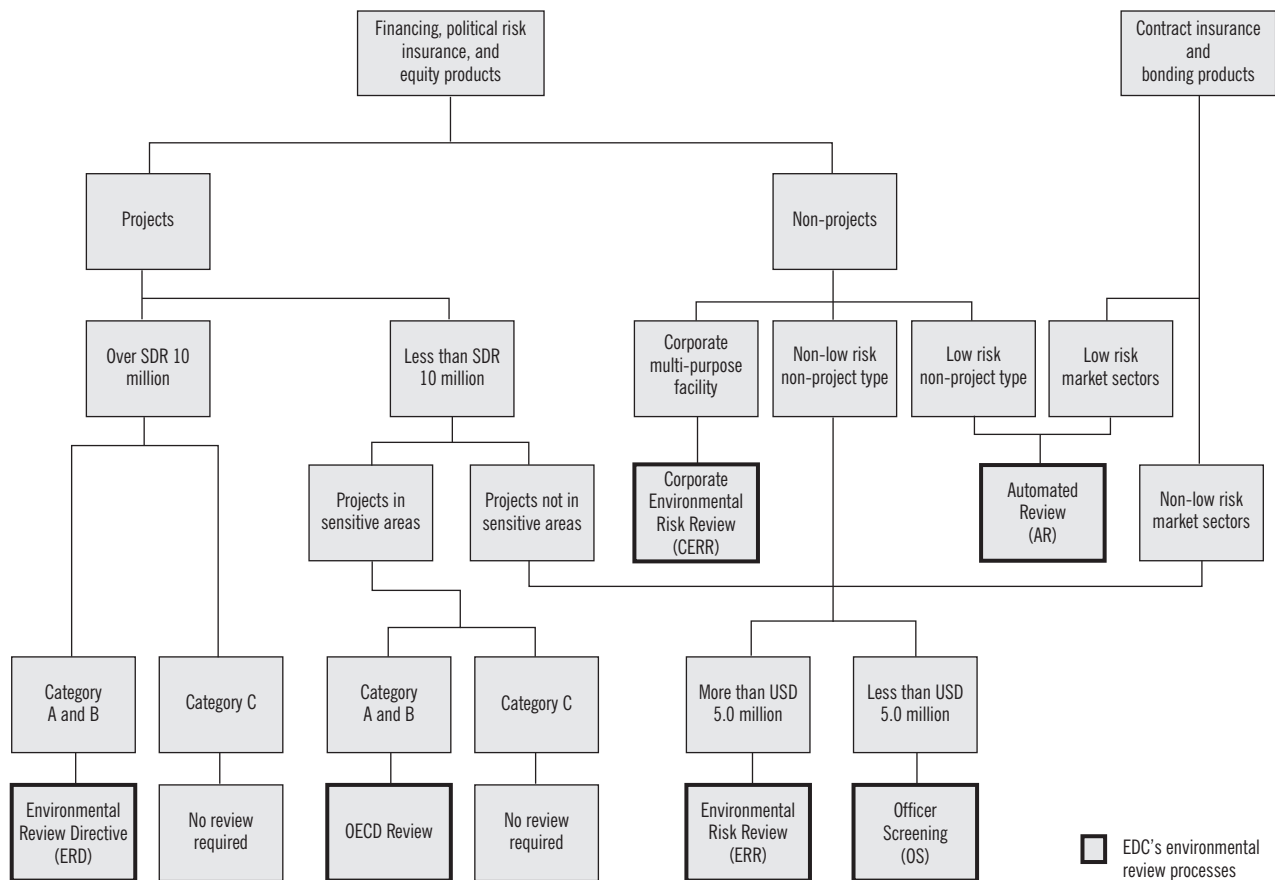
Screening	The Directive applies to financing, political risk insurance, and equity transactions. Transactions must be related to a project, have a value of over SDR*10 million, and have a repayment term of two years or more. Export Development Canada (EDC) defines a project as a physical development that is greenfield (undeveloped) or undergoing major extension or conversion, and is industrial, commercial, or infrastructure-related in nature.
Categorization	<p>Projects are categorized according to their potential adverse impacts:</p> <p>Category A. Projects with potential significant adverse environmental effects that are sensitive, diverse, or unprecedented. Effects may impact a broader area than the project site and be irreversible.</p> <p>Category B. Projects with less adverse environmental effects than Category A projects; effects are usually site-specific. Few, if any, of the effects are irreversible and, in most cases, mitigation measures can be designed.</p> <p>Category C. Projects that are likely to have minimal or no adverse environmental effects.</p>
Information requirements	<p>EDC reviews environmental information provided by the project sponsors. The required documentation varies according to the project's category.</p> <p>Category A. The project normally requires an Environmental Impact Assessment (EIA); and/or other environmental assessment instruments.</p> <p>Category B. The project requires less information than a Category A project (the amount varies according to the project).</p> <p>Category C. The project generally does not require an environmental assessment.</p>
Evaluation	At a minimum, the project must comply with the host country's environmental standards. For Category A or B projects, EDC uses international environmental review standards it deems most appropriate to evaluate the project.
Determination	<p>EDC must determine whether</p> <ul style="list-style-type: none"> • a project is likely to have adverse environmental effects despite the implementation of mitigation measures; and • it is justified in entering into the transaction, despite these effects. <p>Category A and B projects located in Canada, France, Germany, Italy, Japan, the United Kingdom or the United States of America that meet host country environmental requirements, and Category C projects do not require determination.</p> <p>EDC will decline a project if it cannot</p> <ul style="list-style-type: none"> • obtain sufficient information to conduct an environmental review of the project; • justify supporting a project with adverse environmental effects, despite mitigation measures; and • obtain the necessary covenants or monitoring rights.
Covenants and monitoring	EDC negotiates financial agreements to include appropriate covenants, warranties, and monitoring provisions.

***Special Drawing Rights (SDR)**—An artificial currency unit established by the International Monetary Fund and defined as a basket of national currencies. On 31 March 2009, SDR1 was equal to CAN\$1.88.

Source: Based on EDC's Environmental Review Directive (2005)

Exhibit 3 EDC's other environmental review processes

Process	Description
Corporate Environmental Risk Review (CERR)	This review process is for general and multi-purpose corporate credit facilities not related to a project. It assesses the environmental risks associated with the relevant operations of the client and determines whether the client is positioned to effectively manage these risks. This process also requires a review of the client's corporate environmental documentation.
Environmental Risk Review (ERR)	This review process applies to medium and long-term insurance transactions, certain project related transactions, and non-project transactions not covered by the CERR process. It assesses the environmental risk associated with a particular transaction.
Officer Screening (OS)	This review process is conducted by financing officers and underwriters. They evaluate whether a transaction should proceed to the next level of environmental risk review.
Automated Review (AR)	This process applies to transactions that have been identified by EDC as having lower environmental risk.

Exhibit 4 How EDC determines to which environmental review process a transaction is subject

Source: Based on EDC's environmental review processes (2007)

OECD's Recommendation on Common Approaches to the Environment and Officially Supported Export Credits (Common Approaches)—A set of common procedures and processes that OECD member countries follow when conducting environmental reviews of projects where member countries have supplied officially designated exports as defined by the OECD.

Equator Principles—A set of voluntary guidelines developed by the banking industry to address environmental and social risks in financing large-scale projects.

Changes since our 2004 report

14. In 2005, the Corporation issued both an environmental policy and a revised Environmental Review Directive. The Environmental policy governs the Corporation's overall environmental commitments and establishes the principles that it follows when assessing the environmental risks of transactions it is asked to support. The Corporation revised its disclosure policy in response to changes to the Organisation for Economic Cooperation and Development's (OECD) *Recommendation on Common Approaches to the Environment and Officially Supported Export Credits* (Common Approaches).

15. In 2007, the Corporation made changes to both its environmental and disclosure policies following its announced adoption of the *Equator Principles* and the 2007 revisions to the OECD's Common Approaches. These revisions to the Common Approaches clarified and strengthened export credit agencies' commitment to reviewing the environmental impacts of projects and supported increased alignment with other similar initiatives (such as the **Equator Principles**).

16. In 2008, EDC created the position of Chief Corporate Social Responsibility (CSR) Advisor to replace the Chief Environmental Advisor. The Chief CSR Advisor's role is to lead EDC's CSR program and to act as EDC's lead environmental expert. This position also has responsibility for the implementation of EDC's environmental requirements. The Advisor is expected to provide EDC and its clients with up-to-date information and advice on environmental and social practices both nationally and internationally.

Focus of the audit

17. Consistent with the requirements of the *Export Development Act*, our audit focused on

- the suitability of the design of the Corporation's Environmental Review Directive and other environmental review processes (through assessment of the documented policies, processes, and procedures against stated criteria); and
- the implementation of the Corporation's Environmental Review Directive and other environmental review processes, to determine the extent to which the requirements of these processes were being complied with.

18. We also reviewed how EDC had responded to the recommendations we made in our 2004 Report.

19. Further details on the audit objective, scope, criteria and approach are in **About the Audit** at the end of the report.

Observations and Recommendations

Design of environmental review processes

The Corporation's environmental review processes meet the requirements of the OECD Common Approaches

20. In December 2003, Canada and other Organisation for Economic Cooperation and Development (OECD) member countries adopted the *OECD Recommendation on Common Approaches to the Environment and Officially Supported Export Credits*, which establishes common procedures and processes for environmental reviews of projects. The OECD Common Approaches aim to promote good environmental practices with a view to achieving a high level of environmental protection. They summarize the recommended procedures and processes under the following categories: screening and classification of projects; environmental review; evaluation, decision, and monitoring; exchange and disclosure of information; and reporting and monitoring. Under each of these categories, member countries are expected to adopt specific procedures and practices in their environmental review processes.

21. The OECD Common Approaches recommend that members seek to foster transparency, predictability, and responsibility in decision-making by encouraging disclosure of relevant environmental information while also considering business confidentiality and other competitive concerns. Although OECD Common Approaches are not legally binding, there is an expectation that OECD member countries will act in good faith to fully implement them.

22. We expected the Corporation's Environmental Review Directive and other environmental review processes to meet, as stated in its corporate reports, the requirements of the OECD Common Approaches.

23. We compared the elements of Export Development Canada's (EDC's) Directive and other environmental review processes with each of the OECD Common Approaches' specific activities and practices. We found that all OECD requirements had been met. EDC's processes require the screening of applications for their potential impacts, to determine if those applications relate to projects or non-projects, and to categorize them in accordance with their potential environmental impacts. Its procedures define the type of information required to perform the environmental review of the

potential environmental impacts of projects. EDC's procedures also include requirements to evaluate the information resulting from the environmental review and to proceed to the decision to decline or provide official support. EDC also has procedures to include covenants to monitor the implementation of projects that include EDC conditions. EDC makes its policies public and has a disclosure policy addressing disclosure requirements of project information. A detailed list of the OECD Common Approaches activities and practices, including our evaluation of whether EDC has met the requirements, is included in Appendix B.

The Corporation has reflected most elements of the Equator Principles in its environmental review processes or procedures

24. Banks, like export credit agencies, are an important source of project financing. In 2003, the private banking sector developed the Equator Principles. Over 60 financial institutions from more than 24 countries, including 6 large Canadian banks, have adopted the Equator Principles. Three export credit agencies—Eksport Kredit Fonden (Denmark), Export Finance and Insurance Corporation (Australia), and Export Development Canada (EDC)—have also adopted them. EDC announced its commitment to adopt the Equator Principles in 2007.

25. The Equator Principles are a set of voluntary guidelines developed to help the private sector banking industry address environmental and social risks in large-scale project financing. The principles are categorized into subject areas: review and categorization; social and environmental assessment; action plan and management system; consultation and disclosure; grievance mechanism; independent review; covenants; and independent monitoring and reporting. Under each subject area, specific activities or elements are supposed to be undertaken.

26. The International Finance Corporation (IFC), a subsidiary of the World Bank Group, has also developed a set of performance standards. These are intended to manage social and environmental risks and impacts, and to enhance development opportunities in its private sector financing in the member countries eligible for financing. The Equator Principles specifically refer to the need to comply with requirements of the IFC Performance Standards.

27. We expected the Corporation's Environmental Review Directive, other environmental review processes, and related procedures to meet, as stated in its corporate reports, the requirements of the Equator

Principles. Where appropriate, these procedures would also reflect the IFC Performance Standards' requirements.

28. EDC describes its environmental review processes and related procedures—including its Environmental Review Directive—in a Manual of Procedures and Guidelines. This manual also sets out, among other things, EDC's obligations under the Equator Principles. The manual is focused largely on the "how to" of conducting various types of environmental reviews at EDC.

29. We compared the various environmental review processes EDC has in place and the procedures set out in this Manual to the activities expected under the various components and elements of the Equator Principles (including the requirements of the IFC Performance Standards where appropriate). A summary of the Equator Principles' components and our evaluation of these components against the requirements detailed in EDC's processes and procedures are presented in Appendix C.

30. In our evaluation of EDC's processes compared with the elements of Equator Principles, we found that all but two components of the Equator Principles were reflected in EDC's processes. EDC has environmental review processes and procedures to categorize projects in accordance with their environmental impacts and requirements for performing the social and environmental assessment for projects. There are also requirements related to the independent review of the sponsor assessments and procedures to include covenants to monitor the implementation of projects that include EDC conditions.

31. The missing components were related to the scope of application and the independent monitoring over the life of a project:

- The Equator Principles applies to both new projects and projects involving significant expansion or upgrades with total projected capital costs of US\$10 million (CDN\$12.6 million at 31 March 2009) or more. A full environmental assessment is only required for projects under EDC's Environmental Review Directive when a project has an estimated cost of SDR10 million (approximately CDN\$18.8 million at 31 March 2009) and a repayment term of two years or more.
- The Equator Principles require that an independent environmental and/or social expert be appointed, or that the project sponsor retain qualified and experienced external experts to verify its monitoring and reporting information over the life of the loan for all Category A projects and, where appropriate,

Special Drawing Rights (SDR)—An artificial currency unit established by the International Monetary Fund and defined as a basket of national currencies. On 31 March 2009, SDR1 was equal to CAN\$1.88.

for Category B projects. This is not a requirement in EDC's environmental review processes or procedures.

32. Equator Principles' requirements related to the provision of an action plan and to consultation and disclosure are reflected in IFC Performance Standards. In practice, when reviewing a project subject to the Equator Principles, EDC staff are expected to ensure compliance with IFC Performance Standards. However, specific requirements of the Equator Principles that are reflected in IFC Performance Standards are not documented in EDC's environmental review processes or procedures. There is no requirement that staff document the work done to demonstrate that all components of the Equator Principles have been addressed in the project review. There is also no requirement for staff to explicitly conclude that the project under review was found to be in compliance with Equator Principles.

33. Recommendation. In order to demonstrate that its environmental review processes are designed to reflect the Corporation's commitment to adopt the Equator Principles, Export Development Canada (EDC) should document in its processes all specific requirements of the Equator Principles, including requirements under the International Finance Corporation (IFC) performance standards, where applicable to the Equator Principles.

The Corporation's response. The Corporation agrees with the recommendation to enhance our documented procedures to reflect what we do in practice to implement all the specific requirements of the Equator Principles. EDC adopted the Equator Principles in 2007 and is fully committed to their implementation, including application of the IFC Performance Standards for project financing transactions. The Equator Principles align very closely with other commitments made by EDC under the Environmental Review Directive and the Organisation for Economic Cooperation and Development's Common Approaches and the procedures that we have in place to fulfill those commitments. We report on our Equator Principles projects via our website and our annual Corporate Social Responsibility report, including the standards that are applied.

EDC's Environmental Review Directive and environmental review processes reflect all but one standard element found in other G7 export credit agencies

34. Over the past five years, both the OECD Common Approaches and the Equator Principles have contributed to the development of environmental review policies and practices at export credit agencies and other financial institutions. Through regular policy and practitioner meetings at the OECD, member countries have been

discussing their experiences and sharing best practices, as well as jointly developing sectoral guidelines that will further promote the adoption of consistent review processes among export credit agencies.

35. As a result of this maturing context among export credit agencies, in this year's review we evaluated the design of EDC's Environmental Review Directive and environmental review processes against its export credit agency counterparts in the G7. We expected the Corporation to monitor developments in environmental review processes in these other export credit agencies and to implement improvements in its own procedures, where appropriate, to reflect current practices among its international counterparts.

36. We reviewed the policies and documented procedures of the export credit agencies in the G7 countries: Canada, United States, United Kingdom, Japan, France, Germany, and Italy. We also identified the common elements included in the policies in place in the majority of these agencies. These are referred to as standard elements.

37. Overall, we found that EDC's current environmental review processes reflect all but one standard element found in the environmental review policies of the G7 export credit agencies.

38. EDC's Environmental Review Directive and other environmental review processes do not require the explicit consideration of the cumulative environmental effects of a project and affiliated facilities. There may be an expectation to consider these effects when conducting an assessment. However, in the other G7 export credit agencies we noted that it is standard practice to require the documentation of this factor.

39. We found that it has become an emerging practice for export credit agencies to track greenhouse gas emissions from financed projects. Three of the other G7 countries' export credit agencies have adopted this practice. EDC has not yet amended its policies or procedures to track greenhouse gas emissions from projects financed. This is a new initiative reflecting multilateral environmental agreements such as the Kyoto Protocol and the United Nations Framework Convention on Climate Change, which promoted transparency in national communications on greenhouse gas emissions.

40. Recommendation. Export Development Canada (EDC) should determine whether its processes or procedures need to be revised to include elements that are standard practice in other G7 export credit agencies.

The Corporation's response. *The Corporation agrees with the recommendation to consider ongoing developments among G7 export credit agencies for inclusion in our own processes and procedures. EDC keeps abreast of such developments as an active member of the Environmental Practitioners of the Organisation for Economic Cooperation and Development's Working Party on Export Credits and Credit Guarantees.*

EDC considers the evaluation of cumulative environmental effects an essential element of sound environmental and social impact assessment of a project as referenced in our international benchmarking standards. For example, International Finance Corporation Performance Standards require that an environmental and social impact assessment evaluate cumulative impacts commensurate with the source, extent, and severity of cumulative impacts anticipated. The evaluation of cumulative effects is included as part of EDC's review of project environmental and social impact assessments.

EDC notes that reporting on indirect greenhouse gas emissions is an emerging trend, and EDC will be considering this issue as part of its environmental policy review. EDC has committed to developing a reporting methodology in 2009, as noted in our 2008 Corporate Social Responsibility report.

The Corporation reviews the design of its environmental review processes for consistency with international practices

41. In light of the continuous evolution of standards and benchmarks in the area of environmental assessment, we expected that EDC would monitor developments on an ongoing basis and identify when and how its processes need to be revised in order to ensure they remain consistent with international standards and practices.

42. In 2005, EDC undertook a review of its existing policies. The Corporation made public drafts of its revised Directive, disclosure policy, and its new environmental policy. Before finalizing these documents, it held public consultations via its corporate website; it also held meetings with key stakeholders to solicit feedback.

43. In revising its policies, EDC added commitments to assess environmental risk in the transaction decision-making process, to advocate environmental best practices with its counterparts, and to strive for high standards of environmental mitigation and monitoring of projects it supports (while safeguarding Canadian companies' ability to compete in global markets). These revisions addressed our 2004 recommendation that EDC should amend its Directive and other policies to establish general principles to guide its interpretation and

application with a view to supporting projects that are environmentally sound and sustainable.

44. In our 2004 report, we had observed EDC's evolving disclosure practices and recommended that EDC reflect the disclosure requirements in the OECD Common Approaches. This would involve listing all signed projects with their environmental categorization and indicating whether mitigation measures or monitoring requirements were imposed. In our current review, we noted that EDC has revised its disclosure policy to address our 2004 recommendations.

45. In 2004, we also recommended that EDC's environmental review policies take into account Canada's international environmental commitments during the process of considering support for projects. EDC's revised environmental policy states that it will take into account multilateral environmental agreements signed by Canada. EDC has also developed practical guidance on fulfilling this policy commitment in order to demonstrate due regard for the objectives of Canada's multilateral environmental agreements.

46. EDC revised its environmental and disclosure policies and guidance again in 2007 to reflect some new requirements in the 2007 revised OECD Common Approaches. The Corporation also amended its environmental policy and guidance to reflect its 2007 adoption of the Equator Principles and to provide an overview of the Principles.

47. EDC has set a three-year term to its environmental policy. During our examination, EDC was in the process of updating this policy. It had identified trends and issues through an environmental scan, discussed key issues for revision with senior management and external advisors, identified the objectives of the policy review as well as the key issues to be addressed, and developed a plan for engaging key stakeholders in consultation. We recognize EDC's efforts in reviewing its environmental policy.

48. The Environmental Review Directive and other environmental review processes state that EDC should select the appropriate international standard to be used as a benchmark for its project evaluation. In practice, EDC selects from IFC Performance Standards, World Bank Safeguard Policies, or the host country's environmental requirements, if the project is located in a G7 country. There is no requirement to document which benchmark was selected and why it was chosen as the most appropriate in the circumstances.

49. Recommendation. Export Development Canada (EDC) should provide more formalized guidance on how it determines the appropriateness of an international benchmark for specific project reviews. This guidance should be documented to ensure consistent understanding of the selection criteria for international benchmarks.

The Corporation's response. The Corporation agrees with the recommendation that our documented procedures should provide more formalized guidance on selecting benchmarking standards for environmental review of projects. EDC is committed to using the International Finance Corporation Performance Standards for Project Finance as per our commitment under the Equator Principles. The World Bank Safeguard Policies are applied to all other types of projects reviewed under the EDC's Environmental Review Directive. Standards that are considered equivalent or higher, such as those of the European Community, or Canadian regulations, can be used when projects are situated in those jurisdictions. EDC further notes that the standards applied to our projects are publicly disclosed on our website.

The Corporation monitors and reports on its environmental obligations

50. Monitoring and reporting on policy obligations and implementation are important ways to hold management accountable and communicate to stakeholders how well the Corporation is meeting its commitments. Accordingly, we expected the Corporation to monitor and report on its obligations, as well as its commitments under the OECD Common Approaches and the Equator Principles.

51. Senior management is responsible for reporting on the implementation of EDC's environmental policy. Adherence to corporate commitments related to the environment is overseen by the Environmental Review Advisory Committee (ERAC) made up of EDC's senior executives. ERAC establishes performance measures and benchmarks and provides strategic direction and advice.

52. The Risk Management Committee of the Board of Directors receives from EDC management quarterly reports on environmental advisory services activities. The reports include a summary of activities undertaken in the previous quarter and details of signed transactions reviewed under the Environmental Review Directive and the OECD Common Approaches.

53. Information on signed transactions, changes in environmental review policies and processes, and outreach activities such as meetings with key stakeholders, are reported in EDC's Corporate Social Responsibility report and on its corporate website.

54. Since 2007, EDC has disclosed environmental information of both signed Category A and Category B projects. Previously, information was only disclosed on Category A projects. For both Category A and B projects, EDC discloses the type of environmental information that was used to review the project. It also discloses the standards applied to those reviews. This expanded disclosure is consistent with the 2007 revisions to the OECD Common Approaches.

55. As required by the OECD Common Approaches, EDC provides the OECD Secretariat with the information required on both Category A and Category B projects. EDC also provides information to OECD when it surveys its members about implementation of the Common Approaches.

56. EDC announced its adoption of the Equator Principles in October 2007. Its first opportunity to include information on its implementation processes and experience for the Equator Principles will occur when it publishes its 2008 Corporate Social Responsibility Report. This report was not completed at the time of our review.

The Corporation has analyzed the risks of excluding short-term credit insurance products from environmental review

57. EDC's short-term credit insurance continues to represent a significant portion of corporate business volume. In 2008, 71 percent of its business volume was in short-term credit insurance (see Exhibit 1).

58. In our 2004 review, we noted that the Environmental Review Directive and other environmental review processes did not apply to short-term insurance. Because this was a common practice in many export credit agencies, we recommended that EDC conduct an environmental risk analysis to determine whether such an exclusion was justified and what risks, if any, it faced by excluding short-term credit insurance from environmental review.

59. In 2006, EDC analyzed this matter and concluded that, given the type of business insured under short-term credit insurance, there is low risk that EDC will support a transaction that is environmentally sensitive. Based on this conclusion, senior management decided to continue to exclude these transactions from environmental review.

Implementation of environmental review processes

60. In order to assess Export Development Canada's (EDC's) implementation of its environmental review processes, including the Environmental Review Directive, we first reviewed how the Corporation screens and classifies its transactions so it can determine which environmental review process should be applied.

61. As stated previously, the Directive only applies to financing, political risk insurance, and equity transactions. Transactions must pertain to a project that has a value of over SDR10 million and a repayment term of two years or more. Transactions not subject to the Directive are covered by the other environmental review processes.

62. We reviewed EDC's screening of transactions and found that the process was operating appropriately. The transactions identified underwent the environmental review process depicted in Exhibit 4—How EDC determines to which environmental review process a transaction is subject.

63. Concurrent with our review, internal audit at EDC undertook an audit of EDC's Corporate Social Responsibility (CSR) program. The objective of this audit was to provide assurance with respect to compliance with the Corporation's CSR policies, practices, and processes. This included compliance with the environmental components of the CSR program.

64. We reviewed the scope of this internal audit as it related to our work on the implementation of various environmental review processes. We also reviewed the design of the audit and provided feedback on the sample selection of transactions in order to be able to rely on the results of their detailed review for this report. We reviewed the evidence supporting the observations and recommendations included in the final audit report. We were able to rely on this work in formulating the following observations about implementation of EDC's environmental review processes.

65. The internal audit covered transactions from 27 March 2007 to 31 March 2008. To supplement this work, we reviewed a sample of transactions subject to various environmental review processes for the period 1 April 2008 to 31 July 2008.

The Corporation has implemented its Environmental Review Directive as designed

66. The review procedures that must be completed based on the Directive include categorization, information requirements, benchmarking standards for project evaluation, covenants, and monitoring, as well as the decision for approval.

67. Under the Directive, projects are categorized based on the extent of their potential adverse effects. This categorization process follows common international practices that identify projects as falling into A, B, or C categories. We found that the Corporation categorized projects appropriately and adequately documented the evaluation and justification on which the decision was made.

68. Overall, project files completed in the period from 27 March 2007 to 31 July 2008 indicated which documents had been reviewed and included EDC's assessment of the independence and comprehensiveness of the environmental assessment documentation provided. EDC's assessments also included a summary and conclusion describing the project's potential adverse effects and any proposed mitigation and environmental management.

69. The Directive states that EDC select among a range of potentially relevant international standards to be used as a benchmark for its project evaluation. In practice, EDC selects from International Finance Corporation (IFC) Performance Standards or World Bank Safeguard Policies. Where the project is located in a G7 country, the host country environmental requirements are to be applied.

70. In our review of the transactions subject to the Environmental Review Directive, we noted improvements in documenting information gaps and identifying additional information requirements. In 2004, we recommended that EDC be diligent in confirming that public consultations on a proposed project are, at a minimum, held according to the requirements of the host country. We noted that EDC is now documenting its evaluation of public consultations undertaken.

71. In our 2004 review, we also noted room for improvement in monitoring covenants and reporting requirements for transactions subject to the Directive. We reviewed the current system to evaluate if improvements had been implemented. We found that EDC now has a system to track the environmental covenants and reporting requirements of project-related transactions. This system identifies late or incomplete reports or incidences of non-compliance.

72. We found that EDC is using the information from this system to monitor compliance with the covenants on projects subject to the Environmental Review Directive. We also found that most project information from project sponsors was provided on time, and that EDC staff had reviewed the information required. When information was late, EDC staff had initiated follow-up actions. We did not find any examples of non-compliance with negotiated environmental covenants.

The Corporation has implemented its other environmental review processes as designed

73. In addition to the Directive, EDC uses four other environmental review processes in its review of transactions. These processes are the Corporate Environmental Risk Review (CERR), the Environmental Risk Review (ERR), Officer Screening (OS), and Automated Review (AR). A description of these processes is provided in Exhibit 3.

74. We reviewed a sample of transactions to evaluate the implementation of these environmental review processes. The files associated with the selected transactions were reviewed (by internal audit or Office of the Auditor General staff as mentioned previously) to ensure that there was evidence of compliance with the key elements of the particular review process each transaction was required to undergo. As part of this review, interviews with EDC staff including financial officers involved in the selected transactions were completed to discuss actions they had taken and judgments they made.

75. Based on the results of this review, we concluded that EDC's other environmental review processes were implemented as designed for the period from 27 March 2007 to 31 July 2008. The following Internal Audit report recommendations were accepted by management and a commitment was made to address them by 31 March 2009:

- Additional clarification or procedures are needed to ensure EDC employees are consistently applying the processes (particularly in the area of risk rating assumptions and results); and
- Documentation of decisions made on specific transactions should be improved.

The Corporation is ensuring that its workforce has the training and skills required to implement its environmental review processes

76. EDC relies on the competence of its people to identify environmental risks when offering financial services. Financial officers review the information the exporter provides and then, based on this information, incorporate environmental risk into their evaluation of the transaction.

77. We expected the Corporation to have practices in place to ensure its employees have the training and skills required to implement its environmental review processes. We focused our review on the training provided to financial officers.

78. The Corporation offers general corporate orientation courses to all new employees. Descriptions of EDC's CSR policy, including an overview of EDC's environmental policies and the role and responsibility of the Environment Advisory Services group, are part of the orientation program. The Environment Advisory Services group provides environmental expertise and oversight in support of EDC's environmental policies and processes. As part of their training, financial officers learn to recognize potential environmental risks in medium- and long-term financing, political risk insurance, and equity transactions.

79. EDC's Environmental Advisory Services group and the Learning and Development Department are jointly responsible for identifying training needs. We found that these training needs are identified mainly through annual learning assessments conducted by the Learning and Development Department and employees' annual performance appraisals. We also noted that the Environmental Advisory Services group had developed courses and provided training to respond to specific requests. For example, after an environmental module within the automated system supporting medium- and long-term transactions was developed in 2006, financial officers were trained to use it in 2007.

Conclusion

80. We found that the Export Development Corporation (EDC) Environmental Review Directive and other environmental review processes met the requirements of the Organisation for Economic Cooperation and Development's *Common Approaches on Environment and Officially Supported Export Credits*. The Corporation's documented procedures reflect most of the requirements of the Equator Principles adopted in October 2007 and should be updated.

81. We also found that EDC has incorporated all but one element of environmental review processes in place in the G7 export credit agencies. The consideration of the cumulative environmental effects of a project and its affiliated facilities is not required in EDC's environmental review processes or related procedures. In addition, we noted that tracking of greenhouse gas emissions in projects supported has become an emerging practice in G7 countries export credit agencies that EDC has not yet adopted.

82. We found that the Corporation has reviewed the suitability of its environmental review processes and is monitoring and reporting on its

environmental policies and review processes. The basis for selecting international benchmarks should be clarified in the various processes to ensure a consistent understanding of the criteria for selecting these benchmarks.

83. Overall, we concluded that the Environmental Review Directive and other environmental review processes were implemented as designed for the period from 27 March 2007 to 31 July 2008. For the training of staff, procedures are in place to monitor needs and to ensure the training is delivered.

About the Audit

All of the audit work in this report was conducted in accordance with the standards for assurance engagements set by The Canadian Institute of Chartered Accountants. While the Office adopts these standards as the minimum requirement for our audits, we also draw upon the standards and practices of other disciplines.

Objectives

This audit covered Export Development Canada's Environmental Review Directive and environmental review processes. We reviewed the design of these processes and related procedures to determine if they included, as stated in EDC's corporate reports, the components of the Equator Principles and the Organisation for Economic Cooperation and Development's *Common Approaches to the Environment and Officially Supported Export Credits* (Common Approaches).

We benchmarked the elements of EDC's environmental review processes and procedures against the standard practices found in other G7 export credit agencies. We reviewed how EDC is monitoring international developments in the design of environmental review frameworks and ensuring its own processes remain consistent with international best practices.

We reviewed the extent to which EDC had implemented its environmental review processes for the period from 27 March 2007 to 31 July 2008 and whether this implementation was consistent with the design of these processes. We also reviewed the extent to which the Corporation had implemented the recommendations set out in our October 2004 report.

Consistent with the requirements under section 21(2) of the *Export Development Act*, our findings address

- the suitability of the design of the Corporation's Environmental Review Directive and environmental review processes (through assessment of its documented policies, processes, and procedures against stated criteria); and
- the implementation of the environmental review processes, to determine the extent to which the requirements of these processes were being complied with.

Scope and approach

This is our third report on EDC's environmental review framework. Our first report in May 2001 found that EDC had most elements of a suitably designed environmental review framework, but we concluded that the procedures were not operating effectively. In our second report, in October 2004, we found that EDC's environmental review processes had most elements of a suitably designed environmental review framework. In addition, we concluded that the Directive and other environmental review processes were operating as designed.

In this report, we looked at whether EDC had implemented the recommendations made in 2004 and whether it had ensured that the design and implementation of its environmental review processes continue to be appropriately designed and implemented.

We conducted interviews with EDC's management and reviewed documents including policies, procedures, committees' term of reference and minutes, and reports. We compared the elements of EDC's Directive and other environmental review processes and procedures with each of the OECD Common Approaches' specific activities and practices and with the components and elements of the Equator Principles (including the requirements of the International Finance Corporation (IFC) Performance Standards where appropriate).

We reviewed the policies and documented procedures of the export credit agencies in the G7 countries: Canada, United States, United Kingdom, Japan, France, Germany, and Italy. We also identified the common elements included in the policies in place in the majority of these agencies. These are referred to as standard elements. We also met with representatives from a number of export credit agencies to better understand practices and with representatives of OECD and IFC to obtain their perspectives. We did not evaluate the extent to which the various export credit agencies had implemented these procedures.

We reviewed EDC's implementation of its environmental review processes, including the Environmental Review Directive. An internal audit project undertaken concurrently provided assurance with respect to compliance with the Corporation's CSR policies, practices, and processes (including its environmental review processes). The internal audit covered transactions from 27 March 2007 to 31 March 2008. To supplement this work, we reviewed a sample of transactions subject to various environmental review processes for the period 1 April 2008 to 31 July 2008.

We first reviewed how the Corporation screens and classifies its transactions so it can determine which environmental review process should be applied. The files associated with the selected transactions were reviewed (by internal audit or OAG staff as mentioned previously) to ensure that there was evidence of compliance with the key elements of the particular review process required for each transaction. As part of this review, interviews with EDC staff, including financial officers involved in the selected transactions, were completed to discuss actions they had taken and judgments they made.

We also reviewed the training provided to financial officers as it related to the implementation of the environmental review processes. We reviewed documents including courses, assessments, and reports and conducted interviews with EDC management.

Criteria

Listed below are the criteria that were used to conduct this audit and their sources.

Criteria	Sources
We expected the Corporation's environmental review directive and other environmental review processes to meet, as stated in its corporate reports, the requirements of the Equator Principles and the OECD Common Approaches.	EDC—Environmental Policy (2007)
We expected the Corporation to take into account other environmental review practices that are standard among other G7 export credit agencies.	2004 OAG Environmental Review
We expected the Corporation to review the suitability of its environmental review processes, to ensure that they remain consistent with international standards and practices.	<i>Export Development Act</i> EDC—Environmental Policy (2007)
We expected the Corporation to monitor and report on its environmental policies and review processes, including the Equator Principles and the OECD Common Approaches.	EDC—Environmental Policy (2007)
We expected the Corporation to have complied with the requirements of its environmental review processes.	<i>Export Development Act</i> EDC—Environmental Policy (2007)
We expected the Corporation to have practices in place to ensure that its workforce has the training and skills required to implement its environmental review processes.	Human Resources Professionals Association of Ontario "Ultimate HR Manual" (2008) EDC—Environmental Policy

Audit work completed

Audit work for this report was substantially completed on 6 March 2009.

Audit team

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Appendix A List of recommendations

The following is a list of recommendations found in the Environmental Review at Export Development Canada. The number in front of the recommendation indicates the paragraph where it appears in the chapter. The numbers in parentheses indicate the paragraphs where the topic is discussed.

Recommendation	Response
Design of environmental review processes	
<p>33. In order to demonstrate that its environmental review processes are designed to reflect the Corporation’s commitment to adopt the Equator Principles, Export Development Canada (EDC) should document in its processes all specific requirements of the Equator Principles, including requirements under the International Finance Corporation (IFC) performance standards, where applicable to the Equator Principles. (20–32)</p>	<p>The Corporation agrees with the recommendation to enhance our documented procedures to reflect what we do in practice to implement all the specific requirements of the Equator Principles. EDC adopted the Equator Principles in 2007 and is fully committed to their implementation, including application of the IFC Performance Standards for project financing transactions. The Equator Principles align very closely with other commitments made by EDC under the Environmental Review Directive and the Organisation for Economic Cooperation and Development’s Common Approaches and the procedures that we have in place to fulfill those commitments. We report on our Equator Principles projects via our website and our annual Corporate Social Responsibility report, including the standards that are applied.</p>

Recommendation	Response
<p>40. Export Development Canada (EDC) should determine whether its processes or procedures need to be revised to include elements that are standard practice in other G7 export credit agencies. (34–39)</p>	<p>The Corporation's response. The Corporation agrees with the recommendation to consider ongoing developments among G7 export credit agencies for inclusion in our own processes and procedures. EDC keeps abreast of such developments as an active member of the Environmental Practitioners of the Organisation for Economic Cooperation and Development's Working Party on Export Credits and Credit Guarantees.</p> <p>EDC considers the evaluation of cumulative environmental effects an essential element of sound environmental and social impact assessment of a project as referenced in our international benchmarking standards. For example, International Finance Corporation Performance Standards require that an environmental and social impact assessment evaluate cumulative impacts commensurate with the source, extent, and severity of cumulative impacts anticipated. The evaluation of cumulative effects is included as part of EDC's review of project environmental and social impact assessments.</p> <p>EDC notes that reporting on indirect greenhouse gas emissions is an emerging trend, and EDC will be considering this issue as part of its environmental policy review. EDC has committed to developing a reporting methodology in 2009, as noted in our 2008 Corporate Social Responsibility report.</p>
<p>49. Export Development Canada (EDC) should provide more formalized guidance on how it determines the appropriateness of an international benchmark for specific project reviews. This guidance should be documented to ensure consistent understanding of the selection criteria for international benchmarks. (41–48)</p>	<p>The Corporation agrees with the recommendation that our documented procedures should provide more formalized guidance on selecting benchmarking standards for environmental review of projects. EDC is committed to using the International Finance Corporation Performance Standards for Project Finance as per our commitment under the Equator Principles. The World Bank Safeguard Policies are applied to all other types of projects reviewed under the EDC's Environmental Review Directive. Standards that are considered equivalent or higher, such as those of the European Community, or Canadian regulations, can be used when projects are situated in those jurisdictions. EDC further notes that the standards applied to our projects are publicly disclosed on our website.</p>

Appendix B Activities and practices of the OECD Common Approaches and our evaluation of whether EDC meets requirements in its environmental review processes and procedures

OECD Common Approaches activities and practices	OAG evaluation of whether requirements are met
Screening and classification	
Screen all applications for their potential environmental impacts.	Yes
Determine which applications are related to projects and which ones are non-project-related transactions.	Yes
Categorize project-related applications that have a repayment term of two years or more and a value above SDR10 million [equivalent to approximately CAN\$18.8 million] in accordance with their potential environmental impacts as A, B, or C.	Yes
Categorize project-related applications that have a repayment term of two years or more and a value below SDR10 million that are located in or near a sensitive location.	Yes
Environmental review	
Define the type of information required in relation to the potential environmental impacts of projects, including, where appropriate, an Environmental Impact Assessment (EIA).	Yes
Require an EIA to be undertaken for Category A projects.	Yes
For Category A projects, the same party does not prepare and review the EIA.	Yes
Review Category B projects as appropriate (the review should examine the project's potential negative and positive environmental impacts).	Yes
Benchmark projects against host country standards and against the relevant international standards.	Yes
Evaluation, decision, and monitoring	
Evaluate the information resulting from screenings and reviews; decide whether to request further information before making a decision on support.	Yes
Decide to decline or provide official support.	Yes
Decide whether this should involve conditions to fulfill prior to, or after, the final commitment for support.	Yes
Put appropriate procedures in place to monitor the implementation of the project to ensure compliance with the conditions of EDC support.	Yes
Encourage project sponsors to make <i>ex post</i> monitoring reports and related information publicly available.	Yes

OECD Common Approaches activities and practices	OAG evaluation of whether requirements are met
Exchange and disclosure	
Publish corporate environmental policy statements/principles and procedural guidance.	Yes
Share information with other OECD countries with a view to seeking common positions on the review of projects and reply in a timely manner to requests from other OECD countries.	Yes
Publicly disclose Category A project information, including project name, location, description of project, and details of where additional information may be obtained, at least 30 calendar days before a final commitment to grant support.	Yes
Require clients to make environmental impact information publicly available, at least 30 calendar days before a final commitment to grant official support.	Yes
When a project's environmental impact information has not been made public, for exceptional reasons, explain the circumstances and report these cases, at minimum, semi-annually to the OECD.	Yes
Make available to the public information on signed Category A and Category B projects, including environmental information.	Yes
Reporting and monitoring	
Ensure compliance with its environmental review policies and procedures through appropriate measures and mechanisms.	Yes
Monitor and evaluate experience with the OECD Recommendation on Common Approaches and share experiences with other OECD countries.	Yes
Enhance and improve environmental review procedures, and allocate appropriate resources to address the environmental impacts of projects.	Yes
Report all projects classified Category A and Category B to the OECD <i>ex post</i> on an ongoing basis.	Yes

Note 1: Category A and B projects are defined in Exhibit 2-Steps EDC follows in applying the Environmental Review Directive.

Appendix C Equator Principles and our evaluation of whether EDC meets the requirements in its environmental review processes and procedures

Equator Principles	OAG evaluation of whether requirements are met
Scope of application	
Apply the Equator Principles to all new projects or projects involving significant expansion or upgrades globally with total projected capital costs of US\$10 million or more and across all industry sectors.	No
Review and categorization	
Categorize projects in accordance with their potential environmental impacts as A, B, or C.	Yes
Social and environmental assessment	
Request the project sponsor to conduct a social and environmental assessment for projects categorized as A or B.	Yes
Environmental assessments for Category A and B projects should include mitigation and management measures.	Yes
Require the social and environmental assessments to refer to the then-applicable International Finance Corporation (IFC) Performance Standards and the then-applicable Industry Specific Environmental, Health and Safety (EHS) Guidelines for projects located in non-OECD countries, and for those located in OECD countries not designated as high-income.	Yes-note 1
Request a justification from the project sponsor when the social and environmental assessment of a given project does not comply with the respective performance standards and EHS guidelines.	Yes
Require that the social and environmental assessment process address compliance with relevant host country laws, regulations, and permits.	Yes
Action plan and management system	
Require the project sponsor to provide an action plan and to establish and maintain a social and environmental management system for Category A and B projects located in non-OECD countries, and those located in OECD countries not designated as high-income.	Yes-note 1
Require as appropriate an action plan based on relevant permitting and regulatory requirements, and as defined by the host-country law for projects located in high-income OECD countries.	Yes-note 1
Consultation and disclosure	
Require that the government, project sponsor, or third party expert has consulted with project-affected communities in a structured and culturally appropriate manner (this can include a Public Consultation and Disclosure Plan) for all Category A and, where appropriate, Category B projects, located in non-OECD countries, and those located in OECD countries not designated as high-income.	Yes-note 1
Request that the consultation process ensures their free, prior, and informed consultation and facilitates their informed participation.	Yes-note 1
Require that the project sponsor make the social and environmental assessment documentation and the action plan available to the public for a reasonable minimum period in the relevant local language and in a culturally appropriate manner.	Yes-note 1

Equator Principles	OAG evaluation of whether requirements are met
Require that the project sponsor take account of and document the process and results of the consultation, including any actions agreed to resulting from the consultation.	Yes-note 1
Require that the project sponsor tailor the consultation process to the language preferences of the affected communities, their decision-making processes, and the needs of disadvantaged or vulnerable groups.	Yes-note 1
Require that the project sponsor disclose relevant information early in the assessment process and in any event before project construction begins, and on an ongoing basis.	Yes-note 1
Grievance mechanism	
Require that the project sponsor establish a grievance mechanism as part of the social and environmental management system for all Category A projects and, where appropriate, Category B projects located in non-OECD countries and those located in OECD countries not designated as high-income.	Yes-note 1
Require that the project sponsor ensure that the grievance mechanism addresses concerns promptly and transparently, in a culturally appropriate manner, and is readily accessible to all segments of the affected communities for all Category A projects, and where appropriate Category B projects located in non-OECD countries, and those located in OECD countries not designated as high-income.	Yes-note 1
Independent review	
Require that an independent social or environmental expert not directly associated with the project sponsor review the social and environmental assessment, the action plan, and the consultation process documentation for all Category A projects and, as appropriate, for Category B projects.	Yes
Covenants	
Require the project sponsor to covenant in financing documentation: to comply with all relevant host country social and environmental laws, regulations, and permits for Category A and B projects.	Yes
Require the project sponsor to covenant in financing documentation: to comply with the Action Plan (where applicable) during the construction and operation of the project in all material respects for Category A and B projects.	Yes
Require the project sponsor to covenant in financing documentation: to provide at least annually periodic reports, prepared by the sponsor's staff or third-party experts, that document compliance with the action plan (where applicable) and provide representation of compliance with relevant local, state, and host country social and environmental laws, regulation, and permits for Category A and B projects.	Yes
Require the project sponsor to covenant in financing documentation: to decommission the facilities, where applicable and appropriate, in accordance with an agreed decommissioning plan for Category A and B projects.	Yes
Work with the project sponsor to get back into compliance to the extent feasible when a project sponsor is not in compliance with its social and environmental covenants, and reserve the right to exercise remedies, as appropriate.	Yes

Equator Principles	OAG evaluation of whether requirements are met
Independent monitoring and reporting	
Require appointment of an independent environmental and/or social expert, or require that the project sponsor retain qualified and experienced external experts to verify its monitoring and reporting information over the life of the loan for all Category A projects and, where appropriate, for Category B projects.	No
Report publicly at least annually about its Equator Principles implementation processes and experience.	Yes

Note 1: Requirements are reflected in IFC Performance Standards. EDC expects staff to comply with these requirements. However there is no requirement for staff to explicitly conclude that the project under review was found to be in compliance with IFC Performance Standards.