Institute for Sustainable Finance

isfcanada.org

1st Annual Canadian Sustainable Finance Network (CSFN) Conference

Conference Report

November 2020

Smith School of Business
Queen's University

EXECUTIVE SUMMARY

The 1st Annual Canadian Sustainable Finance Network (CSFN) Conference was held virtually from October 21-23, 2020, coinciding with the one year anniversary of the official launch of the network. The Institute for Sustainable Finance (ISF), housed at Smith School of Business, Queen's University hosted this conference.

We would like to extend a special thank you to all the participants and organizers of this event. The Conference attracted over 150 registrants from academia, industry and government, and successfully brought together over 30 speakers representing some of Canada's leading thinkers on the topic of sustainable finance across both academia and industry.

Currently, our world faces unprecedented challenges. Through the COVID-19 pandemic much of the world has been in various degrees of lockdown, drastically impacting the global economic environment and financial markets. As a result, the steep decline in economic activity has sent shockwaves through economies, resulting in a pause in global emissions growth. Throughout the conference discussions surrounded the current economic and political environment, and the resulting implications for the world of sustainable finance.

Over the past year, huge momentum has been built around the field of sustainable finance. However, as was reiterated throughout the conference, there remains much work to be done. The world now has less than 10 years to drastically reduce our carbon emissions in order to avoid consequential tipping points of climate change. Moving forward, the role of the financial sector in driving emissions reductions, while minimizing both the physical and transition risks of climate change will be imperative for both current and future economic and social stability.

The recent dramatic growth in sustainable investing, including emphasis on environmental, social and governance (ESG) factors, has seen some of the world's largest investors take charge on driving capital towards low-carbon investments, engaging with the largest corporate emitters on setting emission reductions targets, as well as improving climate related financial disclosures. The notion that business-as-usual is no longer an option, has achieved widespread acceptance throughout global financial markets. Conference discussions highlighted these developments and underscored the importance of sustainable finance via collaborative research ideas, presentations and industry partnerships.

The conference included two keynote presentations, a graduate student session, two academic research paper sessions, two sessions focused on sustainable finance developments in Canada, and an educational session focused on integrating sustainable finance into mainstream finance curriculums, as well as a discussion of required sustainable finance skills for new grads. Key topics highlighted throughout the conference included research and data, disclosures, risk management, and pathways towards a low carbon Canadian economy, among others.

KEYNOTE ADDRESSES

Mark Carney
UN Special Envoy on Climate Change, Vice Chair and Head of ESG and Impact Fund Investing, Brookfield Asset Management

"We want the foundations in place so that every professional financial decision will take climate change into account."
MARK CARNEY

As the world looks toward the next UN Climate Change Conference, the 26th Conference of the Parties, or COP26 for short, we face an important inflection point on our journey towards a net zero global economy.

Mark Carney, who is overseeing the private finance component of the conference, remains optimistic regarding the recent uptick in ambition for climate action.

Carney highlighted the importance of reporting, in particular, that he'd like to see the Task Force for Climate-Related Financial Disclosures (TCFD) reporting framework become mandatory globally. Additionally, risk management will be essential in terms of both physical and transition risks, with a particular emphasis in this area for banks and insurers. With regard to financial returns, on a portfolio level, it is crucial to communicate to investors where a particular portfolio is on a scale with respect to the transition towards net zero. One route to begin this process might be to look at what percentage of your investments, at a firm level, have established firm transition plans. Mobilization, says Carney, will be the final key piece in facilitating the transition.

A consultation by the International Financial Reporting Standards (IFRS) has been launched, seeking to establish a framework for sustainability reporting. This is to commence with climate reporting, based off the TCFD. At present, there is a whopping $150 trillion of global balance sheet pushing for TCFD disclosure. Carney also highlights the important role played thus far by the Climate Action 100+, an institutional investor led initiative targeting the world's largest corporate greenhouse gas emitters through engagement, to take necessary action on climate change.

With respect to the COVID-19 crisis, Carney sees the pandemic as having reinforced the need for net zero strategies. Regarding climate policy, a credible and predictable direction will be essential for the financial sector to accelerate progress and further push in the right direction. As for the US election, regardless of outcome, solutions in a number of key technologies are seen as likely coming out of the US private sector, with some of the largest US institutions taking a leadership role in emission reduction commitments.

In the Canadian context, Carney sees the Canadian financial sector punching above its weight. The element of seeing opportunity for transformation, and a time horizon over which those benefits can be realized, is something our pension funds have expertise in, and a willingness to carry out. Carney also sees Canada as having the capacity for world leading technological opportunities, namely in the space of carbon capture, as well as the hydrogen economy, should the country play its cards right. Overall, He predicts from now to 2030 will be relatively straightforward given the current understanding of what needs to be accomplished. Beyond 2030, the economics based on current technology will be more challenging. One thing that is for certain, however, is that the capital markets will play an integral role in facilitating an economic environment capable of achieving the targets of the Paris Agreement.

Andrew Karolyi
Harold Bierman Jr. Distinguished Professor of Management, Deputy Dean and Dean of Academic Affairs, SC Johnson College of Business, Cornell University

"There is a huge appetite for rigorous, financial science based research on the pressing questions of climate change."
ANDREW KAROLYI

Imagine a time not so long ago, before the Principles for Responsible Investment (PRI), before the TCFD, and before Larry Fink's famous letter to CEOs calling for urgent action on climate change.

Just five years ago, Dr. Karolyi received an unexpected email on behalf of his royal highness, the Prince of Wales, Prince Charles. As the Executive Editor of The Review of Financial Studies (RFS), the Prince had invited Dr. Karolyi to attend a meeting to discuss issues related to climate change and the financial sector. At this meeting, Dr. Karolyi explained to a table of CFOs the many implications for the financial sector stemming from climate change. Their response: the financial science does not exist.

As of 2018, through a keyword search of the top three finance journals, not a single record of papers with the words "climate change" would be found. This void in research could be largely attributable to the fact that there were few known commercially available data sources, no support from school research budgets, an uncertain appetite on the part of journal editors, in combination with an absent pool of able reviewers to judge the research. While seeking a solution, Dr. Karolyi came across a neuroscience journal taking a unique approach to steering their direction of research. The approach, referred to as "registered reports," emphasizes the importance of the research question and the quality of methodology by conducting peer review prior to data collection. High quality protocols are then provisionally accepted for publication, if the authors follow through with the registered methodology.

Through 2016-17, Dr. Karolyi helped launch the RFS Climate Finance Initiative, leveraging the registered report system. By July 30, 2017, the Initiative had received over 100 proposals from 281 authors representing 183 universities across 21 countries. In March of this year, the inaugural Climate Finance volume of RFS published nine papers focused on various elements of sustainable finance. Today, the field is moving forward on an impressive trajectory.

When asked what the next big "wave" in sustainable finance research may be, Dr. Karolyi hinted at the emerging concept of biodiversity finance. As we continue to witness the degradation of arctic ice sheets, rainforests, coral reefs, and biodiversity loss more generally, the financial sector can play a crucial role in preserving our natural capital. One example is the launch of innovative financial products such as the Seychelles' sovereign blue bond, focused on ocean and marine life preservation. Another is the expected issuance of the first "rhino bond," which will be the world's first financial instrument dedicated to protecting a species.

GRADUATE STUDENT SESSION

MODERATORS: ***Sean Cleary***, Executive Director of Research, Institute for Sustainable Finance, BMO Professor of Finance, Smith School of Business, Queen's University

Kai Li, Professor, Finance Division, Senior Associate Dean, Equity and Diversity, Sauder School of Business, University of British Columbia

Yrjo Koskinen, Associate Dean of Research and Business Impact, Professor of Finance, Haskayne School of Business, University of Calgary

PRESENTATIONS: ***Pedro Alguindigue***, University of Waterloo, *"Macroprudential Implications of Sustainable Regulations in the Banking Sector"*

Majid Mirza, University of Waterloo, *"Private Equity and the Sustainable Development Goals (SDGs)"*

Neal Willcott, Queen's University, *"Literature Review on Sustainable Finance"*

Sep Pashang, University of Waterloo, *"An Empirical Analysis of ESG Ratings, Public Sentiment, and Financial Performance of Canadian Firms during the COVID-19 Pandemic"*

Truzaar Dordi, University of Waterloo, *"Network Analysis of Equity Ownership in Canada's Fossil Fuel Industry"*

"Climate change touches everything and everyone, and is of great importance to the economic and financial development of Canada"
KAI LI

"If finance can contribute to the transition towards a low carbon economy, it will be a huge achievement for our field."
YRJO KOSKINEN

"Sustainable finance is becoming less of a fringe notion, and you are starting to see this throughout government policy, industry and academia. With more attention to this topic comes more competition, which is all for the better."
SEAN CLEARY

The graduate student panel discussed current topics within ESG and sustainable finance, presenting some preliminary results of their own research.

Pedro Alguindigue's research "Macroprudential Implications of Sustainable Regulations in the Banking Sector" focused on the influence of sustainable finance regulations on the financial stability of banks in Latin America. After analyzing institutional and macroeconomic data from 149 banks across 17 countries from 2005 to 2018, Alguindigue finds that sustainable finance regulations have a significant effect on the financial stability of banks in Latin America.

Majid Mirza's study "Private Equity and the Sustainable Development Goals (SDGs)" examines whether private equity (PE) firms are integrating the SDGs into their ESG approach through analysis of 45 ESG reports published by the top 100 PE funds. Preliminary findings suggest that only 4-5 PE firms are formally integrating the SDGs, however broad SDG themes are highly prevalent.

Neal Wilcott's "Literature Review on Sustainable Finance" discusses shifting priorities within ESG, such as the rise of the "S" in ESG, and the increasing importance of carbon risk. Sustainable finance has come to the forefront of the investment field this year, with significant growth of assets in sustainable funds and green bond issuance. Additionally, investor engagement and ESG disclosures have seen important developments of late. Wilcott highlights the need for enhanced synergies and comparability between ESG disclosure frameworks.

Sep Pashang's research attempts to determine the interaction between environment and social (ES) performance and public sentiment on financial returns during COVID-19 in Canada. ES performance was analyzed through the MSCI KLD 400 Social Index, and public sentiment was measured via Truvalue Lab's COVID-19 public sentiment data. Preliminary findings suggest that investors are paying an insurance premium for high performing ES firms, with the expectation that during a market downturn, they will be rewarded.

Truuzar Dordi's "Network Analysis of Equity Ownership in Canada's Fossil Fuel Industry" highlights that five corporations control 80% of Canada's bitumen production, and the importance of investor pressure on fossil fuel corporations. Dordi suggests that major shareholders, or "blockholders," can influence industries directly associated with climate instability, and that the "Big Five" are highly leveraged and sensitive to blockholders.

The session concluded with a discussion of the challenges facing future sustainable finance research. Data limitations, issues in getting research published, and a lack of prior work for reference purposes were seen as key impediments.

ACADEMIC RESEARCH PAPER SESSION #1:
ESG and CSR Related Issues

MODERATOR: ***Ryan Riordan***, Director of Research, Institute for Sustainable Finance, Associate Professor and Distinguished Professor of Finance, Smith School of Business, Queen's University

PRESENTATIONS: ***Greg Hebb***, Professor of Finance, Rowe School of Business, Dalhousie University, *"Does Responsible Investing Pay? The Case of the Jantzi Social Index"*

Guangli Lu, Assistant Professor, Chinese University of Hong Kong, *"National Culture and the Value Implications of Corporate Social Responsibility: A Channel Analysis"*

Adeboye Oyegunle, University of Waterloo, *"Beyond ESG: Banks Evolving Focus on Climate Risk Disclosure and Scenario Analysis"*

Jurian Hendrikse, Tillburg University, *"ESG Didn't Immunize Stocks Against the COVID-19 Market Crash"*

"By 2025, it is now expected that ESG funds in Europe will outnumber conventional funds"
GREG HEBB

"We can conjecture that CSR can improve firm reputation, which improves cash flow and in turn leads to higher firm value"
GUANGLI LU

"Climate risk has a long-term impact, and one of the challenges this brings is a potential blind spot for banks looking at their books on a quarterly basis"
ADEBOYE OYEGUNLE

"It might be that in the long term, ESG matters much more…but overall, our study refutes the widespread claim that ESG is a significant share price resilience factor during the COVID-19 crisis"
JURIAN HENRIKSE

This panel discussed the performance of ESG considerations and responsible investing, cultural influences on corporate social responsibility (CSR), as well as climate risk disclosure and scenario analysis within the Canadian banking sector.

Greg Hebb's study "Does Responsible Investing Pay? The Case of the Jantzi Social Index" compares the Jantzi Social Index (JSI) and the TSX 60, using performance data from March 2003 to December 2018. Overall, the results indicate no difference in risk-adjusted returns between the indices, despite the JSI having a higher value weighted ESG score than the TSX 60. One potential driver of the weak impact of ESG factors on portfolio return is the lack of market recognition of the benefits of high performing ESG firms. Overall, the study finds no evidence to support a negative impact from investing in ESG firms.

Guangli Lu's research "National Culture and the Value Implications of Corporate Social Responsibility: A Channel Analysis" finds CSR practices vary across countries and firms. The main cultural themes compared in the study were "individualism" versus "collectivism." Characteristics of individualism included lower income inequality, higher protection of equal rights, and a higher freedom of press. The results indicate that individualism is positively associated with firm level CSR practices, and that both between and within countries there is a positive association between firm level CSR practices and firm value.

Adeboye Oyegunle's paper "Beyond ESG: Banks Evolving Focus on Climate Risk Disclosure and Scenario Analysis" examines the effects of physical and transition climate risks on Canadian financial institutions and the potential knock-on impact on the overall Canadian economic system. Given their high exposure to carbon intensive industries, Canadian banks face unique risks as the world transitions towards a low carbon economy. Preliminary results indicate that climate change has had an impact on Canadian banks' profits and revenues, and that international transition policies may have a larger influence on our domestic financial industry than domestic policy, given Canada's dependency on fossil fuels and mining resources.

Jurian Hendrikse's study "ESG Didn't Immunize Stocks Against the COVID-19 Market Crash" examines whether ESG scores contribute to crisis period stock price resilience. Through analysis of data from the 2008-09 global financial crisis, as well as returns during COVID-19, the study finds robust evidence that contrary to widespread claims, ESG is not an important determinant of crisis period stock returns, nor does it offer meaningful out-of-sample predictive power to help discriminate between crisis period winners and losers.

SUSTAINABLE FINANCE DEVELOPMENTS IN CANADA #1

MODERATOR: ***Andrea Moffat***, Vice President, Ivey Foundation

PANELISTS: ***Ryan Riordan***, Director of Research, Institute for Sustainable Finance, Associate Professor and Distinguished Professor of Finance, Smith School of Business, Queen's University, *"Capital Mobilization Plan for Canada (CMP)"*

Richard Florizone, President and CEO, International Institute for Sustainable Development (IISD), *"Resilient Recovery Task Force Recommendations"*

Ralph Torrie, Founder and President, Torrie Smith Associates, *"Building Back with a Bold Green Recovery"*

"There are crossovers - if we're going to have electric vehicles, we need access to that electricity, and we want efficient buildings to then have access to that through our grid"
ANDREA MOFFAT

"Capital is already flowing – and will continue in this direction, not only despite, but as a result of the pandemic's economic challenges"
RYAN RIORDAN

"Investments in energy efficient buildings have been summarized as a no brainer, because of the positive impacts for the environment and economy, and for getting people back to work quickly"
RICHARD FLORIZONE

"An emergency response to climate change must include a much greater efficiency of fuel and electricity use, the electrification of vehicles and buildings currently heated with fossil fuel, utilizing heat pump technology, and the decarbonisation of the electricity system"
RALPH TORRIE

The panel discussed a variety of research encompassing pathways to approaching a green economic recovery.

Richard Florizone's presentation recognized a need to address the pandemic and its impact on people by employing an imperative to consider sustainability from a Canadian perspective that focuses both on a top-down (global) and, a bottom-up (domestic) approach. He further acknowledged that we have seen the pandemic disproportionately impact women and youth. Concurrently, we have also seen significant investments in a green recovery. Such investments include $1,135 billion committed by the EU over ten years, $25 billion by the UK over seven years, $10 billion in Canada directed towards sustainable infrastructure, and a potential of $2,712 billion over four-years by the US if the Biden proposal is implemented.

Ralph Torrie shared research on "Building Back Better," proposing a $790B investment until 2030, with the Federal government financing $110B across the 10-year period, and the private sector financing the remaining $680B. His proposal spans home retrofits ($200B), commercial buildings ($100B), vehicles ($150B), decarbonizing the electricity grid ($125B), and expanding the bio-energy sector, among other initiatives. Furthermore, he shared the proposals made by the Task Force for Resilient Recovery Report which presents a total investment of $55.4 billion across buildings ($27.25B), vehicles ($7.0B), clean energy ($11.5B), nature ($4.65B), and green jobs ($5.0B).

Ryan Riordan presented the ISF's Capital Mobilization Plan, which highlights the need to address climate change as an economic opportunity in addition to being an environmental necessity. The required investment to achieve Canada's current Paris Agreement target (a 30% carbon emission reduction below 2005 levels by 2030), was estimated to fall within a range of $90-166 billion over 10 years, with a best estimate of $128 billion. The report breaks down required investment by sector as follows: transportation ($52.7B); buildings ($10.9B); electricity ($16.3B); oil & gas ($26.3B); heavy industry ($9.3B); agriculture ($6.4 B); waste ($5.7 B); and, LULUCF ($0.4B). Moreover, in order for the private sector to fund 50% of the proposed investment, it would need to redirect only 5% of its traditional capital expenditures towards these initiatives.

EDUCATION SESSION: Integrating Sustainable Finance (SF) Into Mainstream Finance Curriculum and SF Skills for Grads

MODERATOR: ***Basma Majerbi***, Associate Professor of Finance, Gustavson School of Business, University of Victoria

PANELISTS: ***Amr Addas***, Director, Van Berkom Investment Management Program John Molson School of Business, Concordia University

Caroline Laberge, Senior Advisor, Stewardship Investing, Caisse de dépôt et placement du Québec

Christie Stephenson, Executive Director, Peter P. Dhillon Centre for Business Ethics, Sauder School of Business, University of British Columbia

Vikas Mehrotra, A. F. (Chip) Collins Professor of Finance and Jarislowsky Fellow, School of Business, University of Alberta

"It [sustainable finance] is highly integrative, and I think that opens the students' minds to all the complexities that are involved in analyzing environmental, social, and governance factors"
BASMA MAJERBI

"ESG is something that needs to be introduced earlier on when you begin your journey in a business school program"
CAROLINE LABERGE

"There is a need for students to understand the issues that are driving responsible investors, and also the strategies required to tackle those issues"
CHRISTIE STEPHENSON

"As shareholder preferences change, we in MBA business school programs have to include in our education that firms can benefit by looking at shareholders, not just as return maximizers, but maximizers of a complex function of both returns and ESG"
VIKAS MEHROTRA

The panel discussed the current state of sustainable finance within Canadian academia.

At present, sustainable finance is generally taught as an elective or a subsection within a more broadly focused business course, with the exception of a handful of courses across the country. This comes despite a vastly growing interest in the space among the student body. However, this is changing.

According to Amr Addas, a frequent initial misconception among students tends to be the notion that sustainable finance is about placing values over value. However, as most practitioners are aware, this is not the case. Panelists discussed that there is an enormous amount of content that can fall within the umbrella of sustainable finance. This breadth of topics could likely warrant separate courses in and of themselves, such as impact investing, ESG disclosures and integration, indigenous issues, and the environmental science behind the sustainable finance movement. Covering the full spectrum of topics within sustainable finance becomes virtually impossible if only included as a portion of a course.

"There is a perception out there that [sustainable investing] is somehow about giving up value for values, and I try to make the point right off the bat, that this is absolutely not what sustainable investing is about"
AMR ADDAS

Panelists went on to discuss the fact that academic material is sparse, leaving instructors to be more reliant on industry produced material than on traditional academic sources of curriculum materials. A related barrier is the rapidly changing nature of the field, which forces professors to constantly update curriculum and testing material, or risk providing students with inaccurate or outdated information.

Panelists discussed that given the multidisciplinary nature of sustainable finance, it is important to incorporate and collaborate across several disciplines. Additionally, introducing the topic earlier within the academic journey would provide advantages, since exposure to the field remains relatively limited within current undergraduate programs.

ACADEMIC RESEARCH PAPER SESSION #2:
Sustainable Finance Issues

MODERATOR: ***Greg Hebb***, Professor of Finance, Rowe School of Business, Dalhousie University

PRESENTATIONS: ***Najah Attig***, Professor of Finance, Canada Research Chair in Finance, Saint Mary's University, *"When Silence is Golden: Greenwashing and the Cost of Private Debt"*

Xing Liu, Sauder School of Business, University of British Columbia, *"The Role of Corporate Culture in Bad Times: Evidence from the COVID Pandemic"*

Shuai (Kevin) Yang, Haskayne School of Business, University of Calgary, *"If You Want to Maximize Profits, Manage for the Long-term"*

Jim Whitestone, Chief Environmental Officer and Chief Economist, Convergence.tech, *"The Role of Digital Technologies in Unlocking the Potential of Green and Transition Bonds to Finance Canada's Low Carbon Transition and Green Recovery"*

This session discussed topics including greenwashing, long-termism, corporate culture, and the role digital technologies in the low carbon transition.

Najah Attig's research "When Silence is Golden: Greenwashing and the Cost of Private Debt" examines the nexus between firm greenwashing and private debt financing. Greenwashing was measured as the difference between a firm's absolute disclosure ratio (ADR), a proxy for symbolic environmental disclosure, and a firm's weighted disclosure ratio (WDR), a proxy for more substantive disclosure. Results indicated that elevated greenwashing is associated with lower loan costs. However, when considering the overall design of a loan contract, the authors found that creditors demand significantly more collateral from greenwashing firms and impose tougher covenant restrictions on those firms compared to others.

Xing Liu's study "The Role of Corporate Culture in Bad Times: Evidence from the COVID Pandemic" examines the relationship between corporate culture and firm performance during the pandemic, and how culture influences a firm's resilience to the COVID-19 pandemic. Corporate culture is measured using a machine learning method that identifies how often culture-related phrases were mentioned during earnings calls. After analyzing over 11,183 conference call transcripts from January to April 2020, the authors found that firms with a strong culture experienced returns that exceeded those with a weak culture by 3.4%.

Kevin Yang's paper "If You Want to Maximize Profits, Manage for the Long-term" looked at the staggered enactment of constituency statutes (CS) in 35 US states, which were intended to permit the consideration of stakeholder interests in corporate decision-making. Upon analyzing 104,383 firm-year observations from 1981 to 2016, the authors conclude that CS encourage firms to manage for the long-term. Importantly, this longer-term orientation improves firm performance, which suggests that stakeholder capitalism is ultimately aligned with shareholder primacy.

Jim Whitestone's research examining "The Role of Digital Technologies in Unlocking the Potential of Green and Transition Bonds to Finance Canada's Low Carbon Transition and Green Recovery" sees the green bond market in Canada growing, but with substantial barriers affecting scalability remaining. He sees the use of digital technologies (such as blockchain) reduces issuance costs, increases standardization, improves credibility, as well as leading to increased supply and market maturity.

"One of the reasons there are incentives for companies to engage in greenwashing is the fact that we don't have standards in terms of disclosure"
NAJAH ATTIG

"When your [corporate] culture is strong, your employees are more motivated and more productive"
XING LIU

"A longer term orientation can be the mechanism for improving firm profits, as profits may take time to materialize"
SHUAI (KEVIN) YANG

"Blockchain based platforms can facilitate cost reductions of up to 10 times, when compared to a non blockchain based green bond issuance process"
JIM WHITESTONE

SUSTAINABLE FINANCE DEVELOPMENTS IN CANADA #2

MODERATOR: ***Amy West***, Managing Director, Global Head of Sustainable Finance and Corporate Transitions, TD Securities

PANELISTS: ***Peter Johnson***, Director, Environmental and Social Risk and Opportunity, Bank of Nova Scotia, and Chair of the CSA Technical Committee for a Green Taxonomy for Canada, *"Update from the CSA Technical Committee for Transition and Sustainable Finance"*

Carol Hansell, Senior Partner at Hansell LLP, *"Putting Climate Change Risk on the Boardroom Table"*

Rachel Samson, Clean Growth Research Director, Canadian Institute for Climate Choices, *"11 Ways to Measure Clean Growth"*

"I think all too often around the conversation of transition, we almost exclusively focus on oil and gas or on mining, and I think that this is going to be sector agnostic, it is going to be economy wide…everyone is going to have to play their part."
AMY WEST

"Every company is going to be unique and different, and what we're trying to do is to create a set of standardized parameters so that there is a good level of expectation regarding what you can expect to see in a company's pathway to transition"
PETER JOHNSON

"Canada has really benefited from having institutional investors who are very engaged in governance…governance change in Canada for the last 20 years at least, has really come at the insistence of institutional investors"
CAROL HANSELL

The panel discussed some of the most recent work in the sustainable finance space within Canada, and how this work positions our country moving forward.

Peter Johnson, Chair of the CSA Technical Committee for a Green Taxonomy for Canada, provided updates regarding ongoing efforts to defining transition finance within a Canadian context. In early 2019, the Canadian financial community came together with the concept of developing a Canadian-based transition taxonomy, with the intention of taking an active leadership role both nationally and globally in transition discussions and standards setting. Given Canada's natural resource and heavy industry based economy, it is paramount that Canada be part of, and a leader in, developing global taxonomies, frameworks and guidelines. Thus far, seven sector groups have been involved, working for over 18 months. If all goes to plan, a first draft of the taxonomy is expected to be released in February of 2021.

Carol Hansell of Hansell LLP recently published a legal opinion indicating that Canadian directors are obligated to consider climate change risks and opportunities relevant to the companies of which they sit on the board. Her analysis iterates the need for directors to ensure that, where material, management must develop strategies to address both climate change risks and opportunities. A failure to do so could facilitate legal liability, not dissimilar to any other kind of risk. Hansell further discussed similar risks and liabilities associated with the appropriate disclosure of climate change risks and opportunities.

Rachel Samson discussed the Canadian Institute for Climate Choices' recent report "11 Ways to Measure Clean Growth." The report identifies key areas of intersection between economic growth, well-being, and climate change. One key indicator is low carbon growth. Between 2005 and 2018, Canada's emissions remained relatively flat, despite a 25% increase in GDP, ultimately signalling a decoupling of GDP growth and carbon emissions. Moving forward, Samson sees technology development and adoption, as well as the exporting of low-carbon technologies, as integral to realizing sustainable economic growth, while maximizing the benefits of the low-carbon transition. Notably, this will require new approaches to policy development and resilient infrastructure investment.

"There are two areas where I'd really like to see governments working with the financial sector more closely – one is in terms of riskier investments, because some of the biggest growth opportunities that we see are where markets aren't well established, and there is a fair amount of risk…and the other side is policy certainty. The financial sector can play a large role in communicating to governments how important it is to establish clear policy signals that hopefully last for a long period of time, and don't fluctuate and change constantly."
RACHEL SAMSON

Institute for Sustainable Finance

Maya Saryyeva
Associate Director
Institute for Sustainable Finance
613.533.3067

maya.saryyeva@queensu.ca

Smith
SCHOOL OF BUSINESS
Queen's University