

# CANADA'S EXPERT PANEL ON SUSTAINABLE FINANCE



Haskayne School of Business  
Barbara Zvan, Member of Government of  
Canada's Expert Panel on Sustainable Finance

# EXPERT PANEL ON SUSTAINABLE FINANCE (EPSF)

## TIMELINE

**APRIL 2018** - Launched by Ministers McKenna and Morneau to provide recommendations to the federal government in the areas of sustainable finance and climate-related risk disclosure.

**OCTOBER 2018** - [Interim Report](#) published as a discussion paper, outlining what the Panel heard and observed during consultations. Targeted follow-up questions were posed to prime deeper dialogue on key themes, challenges and opportunities.

**JUNE 2019** - [Final Report](#) released with 15 core recommendations (and sub-recommendations) collectively aiming to 'connect the dots' between Canada's climate objectives, economic ambitions and investment imperatives.

## APPOINTEES



### TIFF MACKLEM

Dean of Rotman School of Management; Former Senior Deputy Governor of the Bank of Canada; Director, Scotiabank



### ANDY CHISHOLM

Former Goldman Sachs partner; Co-Head, Global Financial Institutions Group and Senior Strategy Officer; Director, RBC



### BARBARA ZVAN

Chief Risk & Strategy Officer, Ontario Teachers' Pension Plan; Former Director, Cadillac Fairview; Director, Essbio and Esva (Chilean water utilities)



### KIM THOMASSIN

Executive Vice-President of Legal Affairs and Secretariat, Caisse de dépôt et placement du Québec

# WHAT IS SUSTAINABLE FINANCE?

## NO UNIVERSAL DEFINITION YET - EXPERT PANEL DEFINES IT AS:

*“Capital flows (as reflected in lending and investment), risk management (such as insurance and risk assessment) and financial processes (including disclosure, valuation and oversight) that assimilate environmental and social factors as a means of promoting economic growth and the long-term stability of the financial system.”*

Particularly focused on engaging mainstream capital markets in sustainable finance.

## PRACTICAL EXAMPLES:

- **A rental car company** issuing a green bond to finance a fleet of hybrid vehicles
- **An oil and gas company** issuing equity or debt to invest in measures to reduce energy consumption or GHG emissions
- **A venture capital firm** investing in a new cleantech startup
- **An insurance company** offering preferred rates for flood resiliency measures

THE GOAL: To channel capital and financial expertise to the innovators who will help build a lower emissions, climate savvy economy.

# SUSTAINABLE FINANCE IN CANADA: WHAT WE HEARD

- Important **pockets of growth** but **diffused and uncoordinated**
- **Insufficient view** of the **market scale and horizon**
- Climate risks often seen as **uncertain or distant** relative to other financial risks or disruptors
- General **difficulty accessing and assessing** carbon and climate **information**
- Perception among some that **fiduciary duty may conflict with ESG issues**
- **Low climate-related expertise and capacity** in financial services **support ecosystem** (accountants, lawyers, consultants...)
- Benchmark **indices and ETFs reinforce status quo** investment strategies
- **Regulators** generally at an **early stage in navigating implications** of climate risk
- **Need for accelerated, more strategic dialogue** between industry, innovators, governments, academia and financial sector and consistent carbon/climate information

# CANADA'S IMPERATIVES

1

Canada's environmental and economic aspirations need to be one in the same, because ultimately they are indivisible.



Need to address climate change and live up to our international commitments while staying competitive in a climate-conscious world.

2

We have catching up to do, but also the potential to be a leader in sustainable finance and a trusted source of solutions and expertise.



Our carbon intensity is unique but so is our strong economy, innovative capacity and world-class financial sector.

3

For Canada to realize its environmental and economic goals, climate consciousness needs to go mainstream.



'Sustainable Finance' must become, simply, finance and climate consciousness business-as-usual.

## FINAL REPORT of the EXPERT PANEL on SUSTAINABLE FINANCE

Mobilizing Finance for  
Sustainable Growth



# RECOMMENDATIONS

15 core recommendations and related sub-recommendations are grouped under three interconnected and mutually reinforcing themes:



### **Pillar 1: The Opportunity**

Shifting the climate conversation from burden to opportunity.



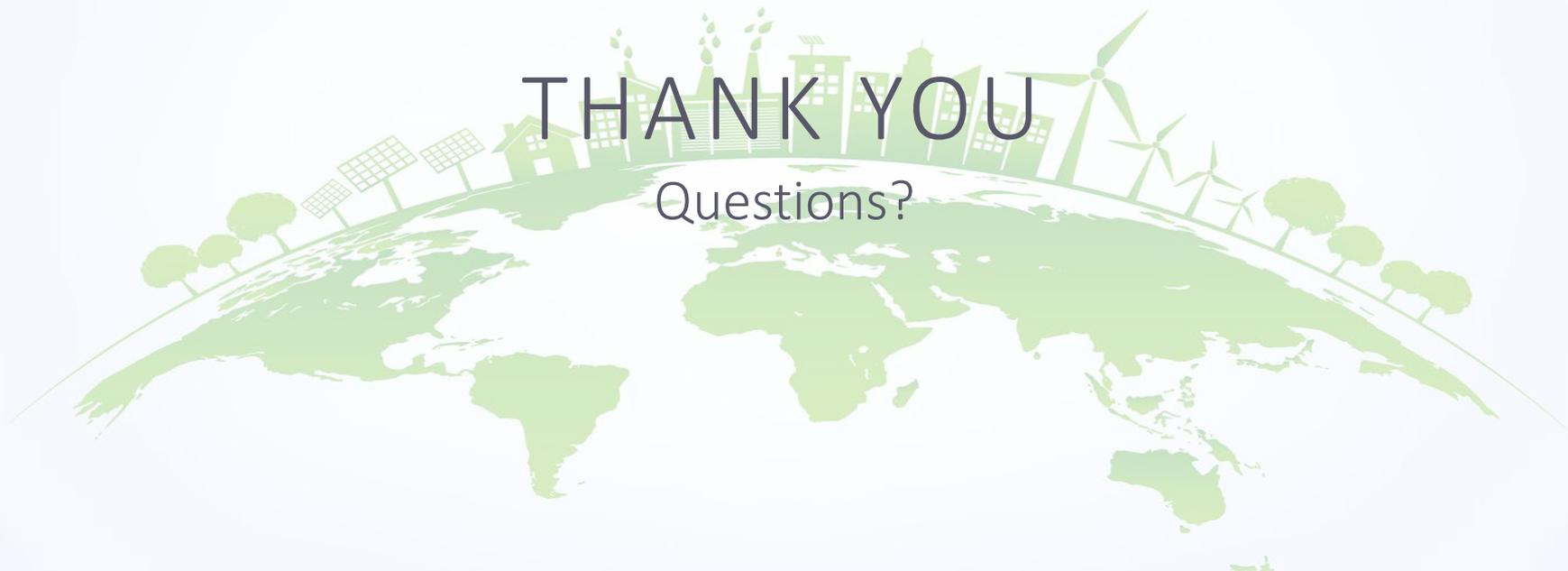
### **Pillar 2: Foundations For Market Scale**

Establishing the building blocks to bring sustainable finance and investment mainstream.



### **Pillar 3: Financial Products And Markets For Sustainable Growth**

Advancing the market structures and financial products with transformative economic potential in Canada's low-emissions, climate-smart future.



THANK YOU

Questions?

# THE OPPORTUNITY

Shifting the climate conversation from burden to opportunity and engaging Canadians in the transition to a competitive low-carbon economy.

1	Map Canada's long-term path to a low-emissions, climate-smart economy, sector by sector, with an associated capital plan.
2	Provide Canadians the opportunity and incentive to connect their savings to climate objectives.
3	Establish a standing Canadian Sustainable Finance Action Council (SFAC) with a cross-departmental secretariat, to advise and assist the federal government in implementing recommendations.

# FOUNDATIONS FOR MARKET SCALE

Without these elements, market developments and investments will continue to lag and sustainable finance will remain on the fringes of mainstream capital markets.

4	Establish the Canadian Centre for Climate Information and Analytics (C3IA) as an authoritative source of climate information and decision analysis.
5	Establish Canada's approach for implementing the TCFD recommendations.
6	Clarify the scope of fiduciary duty in the context of climate change.
7	Promote a knowledgeable financial support ecosystem.
8	Systematically address climate risk in financial regulatory assessment, guidance and supervision in Canada.

## FINANCIAL PRODUCTS & MARKETS FOR SUSTAINABLE GROWTH

These opportunities align closely with Canada's PCF and support the financing needs of critical segments of the Canadian economy.

9	Expand Canada's green fixed income market and set a global standard for transition-oriented financing.
10	Promote sustainable investment as 'business as usual' within Canada's asset management community.
11	Define Canada's clean technology market advantage and financing strategy.
12	Support Canada's oil and natural gas industry in building a low-emissions, globally competitive future.
13	Support the development of a vibrant private building retrofit market.
14	Align Canada's infrastructure strategy with long-term sustainable growth objectives and leverage private capital in its delivery.
15	Leverage Canada's Institutional investors to finance Canada's electricity grid of the future.

# HASKAYNE

SCHOOL OF BUSINESS

## Sustainable Finance in a Post-Pandemic World

Yrjo Koskinen, Haskayne School of Business

July 7<sup>th</sup>, 2020



**UNIVERSITY OF CALGARY**  
HASKAYNE SCHOOL OF BUSINESS

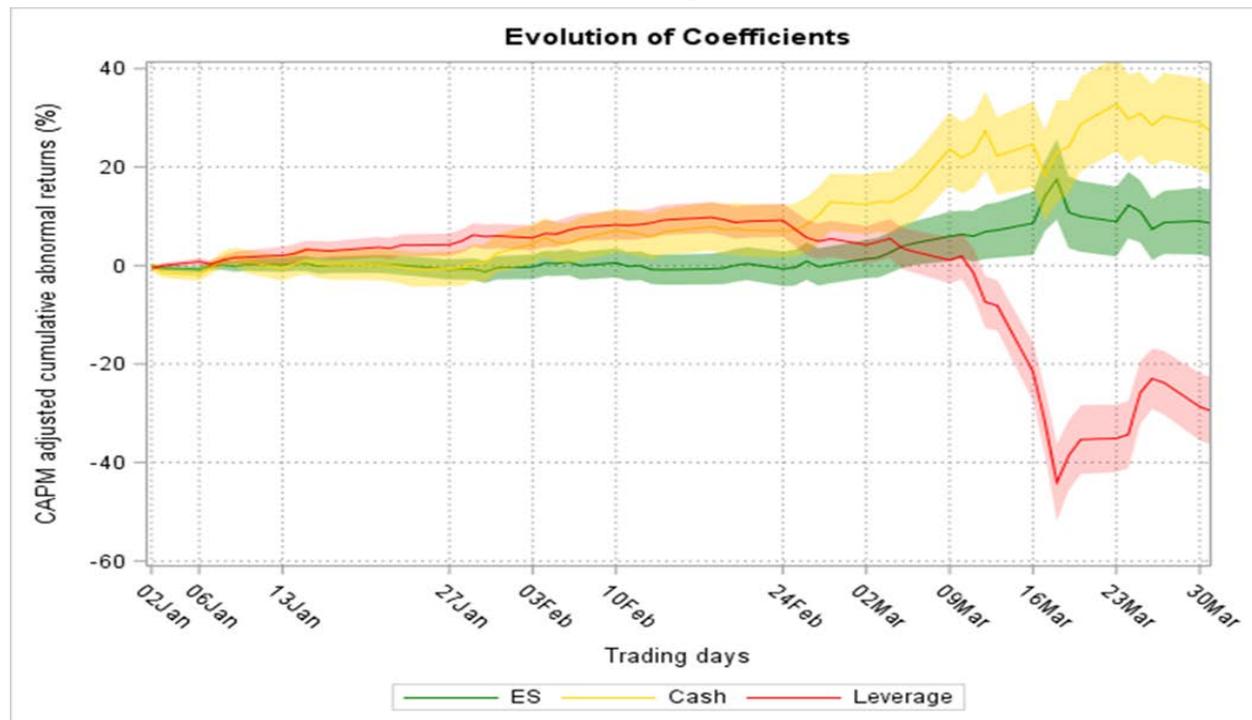
## ESG Is Not Charity

- ESG activities are a differentiation strategy that increases long-term profits and benefits shareholders
- Why should non-financial corporations engage in ESG?
  - Lower cost of equity and debt
  - Better access to capital
  - Less volatile profits
  - Retain and motivate employees
  - Reduce regulatory risks

## ESG Is Not Charity

- Why should banks and asset managers use ESG criteria in investment decisions?
  - Investors and clients demand it
  - Has been a great investment strategy, earning excess returns
    - Not sustainable, won't last – markets have underestimated ESG
    - More ESG conscious investors there are, the lower will be the returns
  - Opportunity for active management – higher fees

## ESG Stocks During COVID-19 Crash



Albuquerque, Koskinen, Yang, and Zhang (2020)

## ESG Fund Flows and Assets During Covid-19

**Exhibit 1** Global Sustainable Funds Statistics

Region	Q1 2020 Flows		Total Assets		Funds	
	USD billion	% Total	USD billion	% Total	#	% Total
Europe	33.14	72.4	683.87	81.7	2,528	76.7
United States	10.45	22.8	119.33	14.3	307	9.3
Japan	0.17	0.4	13.52	1.6	164	5.0
Australia/New Zealand	0.32	0.7	7.94	0.9	86	2.6
Canada	0.77	1.7	5.26	0.6	87	2.6
Asia ex-Japan	0.90	2.0	7.46	0.9	125	3.8
<b>Total</b>	<b>45.76</b>		<b>837.37</b>		<b>3,297</b>	

Source: Morningstar Direct. Morningstar Research. Data as of March 2020.