



PUTTING THE “I” IN ESG

June 6, 2022

Agenda

- Who are Canada's Indigenous People
- Why economic reconciliation is needed
- Why ESG must include Indigenous principles of sustainability – Putting the I in ESG
- Case Studies and Examples
- Indigenous Investing
- Indigenous Impact Finance





WHO ARE CANADA'S INDIGENOUS PEOPLES?

Canada's Indigenous Peoples

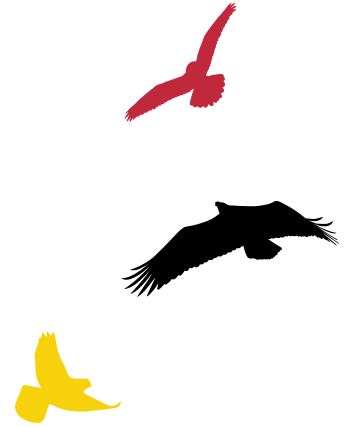
Canadian Constitution recognises **three distinct groups**:

- **Inuit**, formerly known as Eskimo, pan-Arctic Indigenous peoples above the tree line and in the Arctic archipelago
- **First Nations**, formerly known as Indians; around 630 "bands" but originally around 60-70 Nations from 12 language families all across Canada except Inuit area
- **Métis**, of mixed European fur trader and Indigenous ancestry, forming a Nation across the Great Plains, centred in Red River, MB



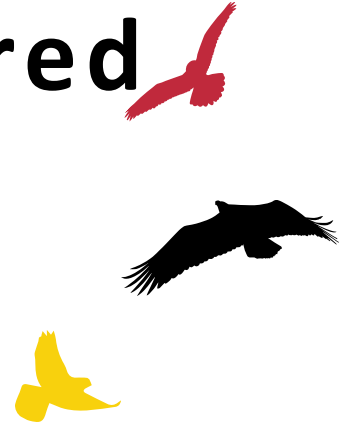
Canada's Constitutional-Legislative Framework & Indigenous Peoples

- The Crown deals with Indigenous peoples and their title
- Constitution Act **recognizes and protects** Indigenous treaty rights
- Canada has adopted **UNDRIP into legislation**





Why Economic Reconciliation is Required

- To overcome **systemic barriers** that exist such as the *Indian Act*
- To breath life into **UNDRIP**
- To respond to **TRC Call to Action #92**
- To close the **\$25 billion to \$30 billion infrastructure deficit** across First Nations
- To allow Indigenous communities to shift from managing poverty to **managing wealth**
- To create visible pathways for the **inclusion and representation** of Indigenous peoples in corporate Canada





Indian Act – Systemic Barriers and Racism

- The *Indian Act*, 1864 has prevented Indigenous peoples from participating in Canada's economy by various means:
 - Forcing people onto reserves of land – often far away from resources and in flood plains (Peguis First Nation) 

 - Banning language, cultural and spiritual practices (Potlatch, Sun Dance)
 - Prohibiting agricultural commerce and trading
 - Prohibiting the creation of political or economic organizations
 - Prohibiting traditional Indigenous governance systems
 - Creating residential boarding schools and forcing children to attend (where thousands died)

Economic Reconciliation

- Truth and Reconciliation Commission **Call to Action #92** applies to businesses
 - **FPIC** before economic development
 - Equitable **access** to jobs, training & education
 - Education for management and staff on history of Indigenous peoples and legacy of treaty rights and residential schools
- **Economic reconciliation** will help create the conditions that allow for FPIC
 - However: access to capital remains a **huge barrier**



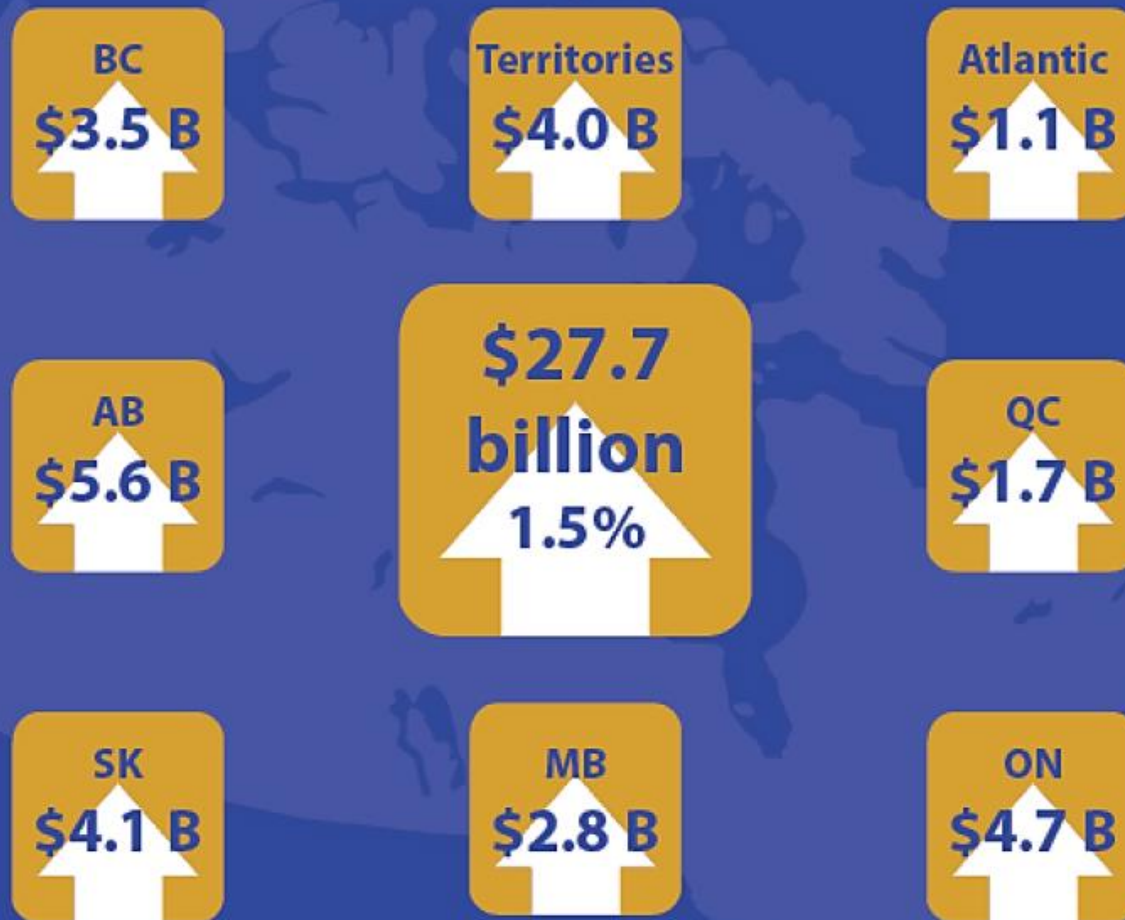
How a Strong Indigenous Economy can Benefit Canada

- Faster transition to a **net zero economy** by respecting Indigenous and Treaty rights, FPIC
- **Improved** socio-economic outcomes
- Access to a **fast growing, young workforce**
- More inclusive partnerships will help facilitate the growth of the Indigenous economy from its current value of \$32 billion to **\$100 billion** in five years



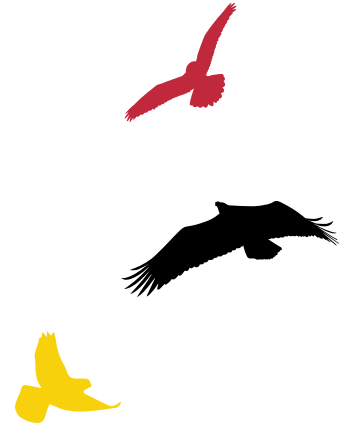
Closing the Productivity Gap

Closing the gap would mean an estimated increase in GDP of **\$27.7 billion** annually, or about a **1.5%** boost to the nation's economy.



Indigenous Sustainability Principles can make Canada a leader

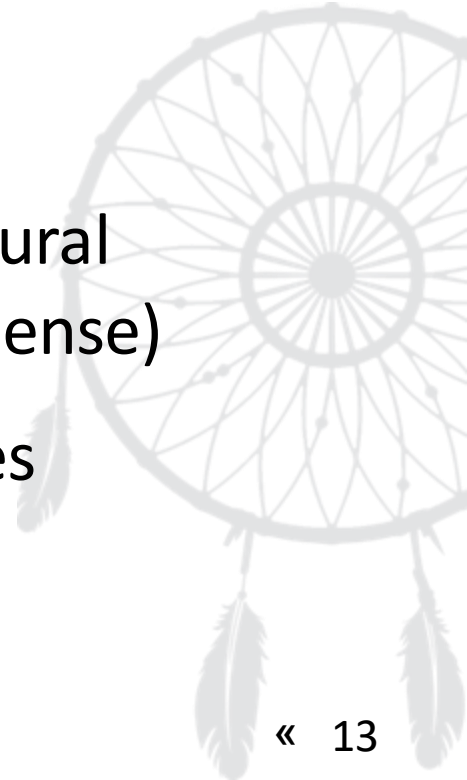
- Canada can be a **world leader** by choosing to include Indigenous reporting and disclosure
- ESG investing guided by recognition of Indigenous rights will reduce risk and **attract capital**
 - First Nations bonds issued by the First Nations Finance Authority are over subscribed by ESG investors
- Reconciliation reporting and **inclusion** of Indigenous peoples can create conditions needed for FPIC



Indigenous Risk Factors



- Failure to consider Indigenous rights creates **material risks**
 - Dakota Access Pipeline failure cost USD \$12B
 - Northern Gateway project in British Columbia
- FPIC creates certainty for natural resource extraction (social license)
- Indigenous Inclusion mitigates investor risk



Case Study:

Social Cost and Material Loss: The Dakota Access Pipeline

The True Costs of DAPL

\$12B

TOTAL ESTIMATED COSTS

Nearly \$12 billion in costs incurred by key stakeholders involved in DAPL.

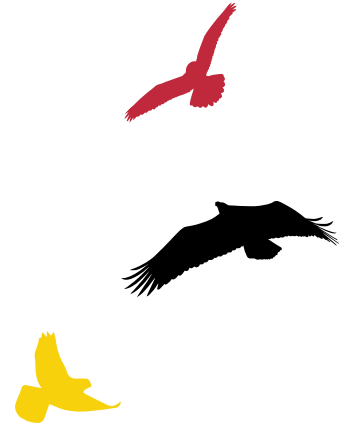


\$7.5B **TOTAL COST TO ETP**

Estimated costs incurred by Energy Transfer Partners as a result of protests, increased public scrutiny and additional operating costs.¹

\$4.4B **TOTAL COST TO BANKS**

Estimated costs incurred by the banks that financed DAPL due to public pressure from the "Defund DAPL" campaign.²



Indigenous Risk Factors

A continued failure to include Indigenous nations and their goals in ESG standards and net zero investments in Canada and the United States includes risks such as:

- **Infringements of Indigenous rights** and probable rejection of net zero projects
- Adverse effects on Indigenous interests, contributing to a **non-favourable investment for new investments/projects on Indigenous lands**
- **Legal risks**, including potential protracted litigation
- **Reputational** risk
- **Financial** risk, including investment uncertainty
- Project delays, **intervention, disruptions, and cancellations**; and/or regulatory permitting delays

Investment Opportunities & Indigenous Inclusion

- Indigenous reporting **creates** investment opportunities. Key factors include:
 - Indigenous procurement
 - Indigenous Peoples in the workforce, including **DEI** in leadership and directorship
 - Partnerships on environmental standards
- Major Canadian companies are increasingly recognizing the **importance of Indigenous Peoples** both in their corporate plans and reporting
- Indigenous equity participation in natural resource and net zero projects can facilitate a **“Just Transition”**



Successful Indigenous Business Ventures



Clearwater Seafoods



- \$1.0 billion dollar transaction
- Seven Mi'kmaq First Nations acquired a 50% interest in Canada's largest, vertically integrated seafood producer
- A pivotal commercial transaction that will grow the size of the Indigenous economy in Atlantic Canada for many generations to come



Successful Indigenous Business Ventures

Woodfibre Liquefied Natural Gas & FortisBC/Eagle Mountain Pipeline

- Consists of an LNG facility and a 50 km natural gas pipeline
- The two projects are subject to the Sk̓wx̓wú7mesh Úxwumixw (Squamish Nation)'s environmental assessment process, **the Indigenous-led environmental assessment of a project in Canada**
- The Squamish Nation's approval of Environmental Certificates for the Woodfibre LNG and Fortis BC projects triggered the creation of an Environmental Working Group for each project



Successful Indigenous Business Ventures

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Indigenous groups sign historic equity option agreements with TC Energy on Coastal GasLink

Posted by Coastal GasLink

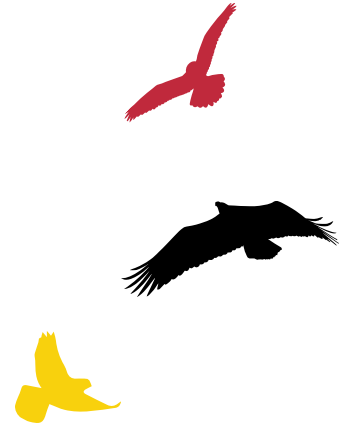


TC Energy Coastal GasLink

- 10 % equity interest in the Coastal GasLink Pipeline to Indigenous communities across the project corridor

Investors are Demanding More Indigenous Disclosure

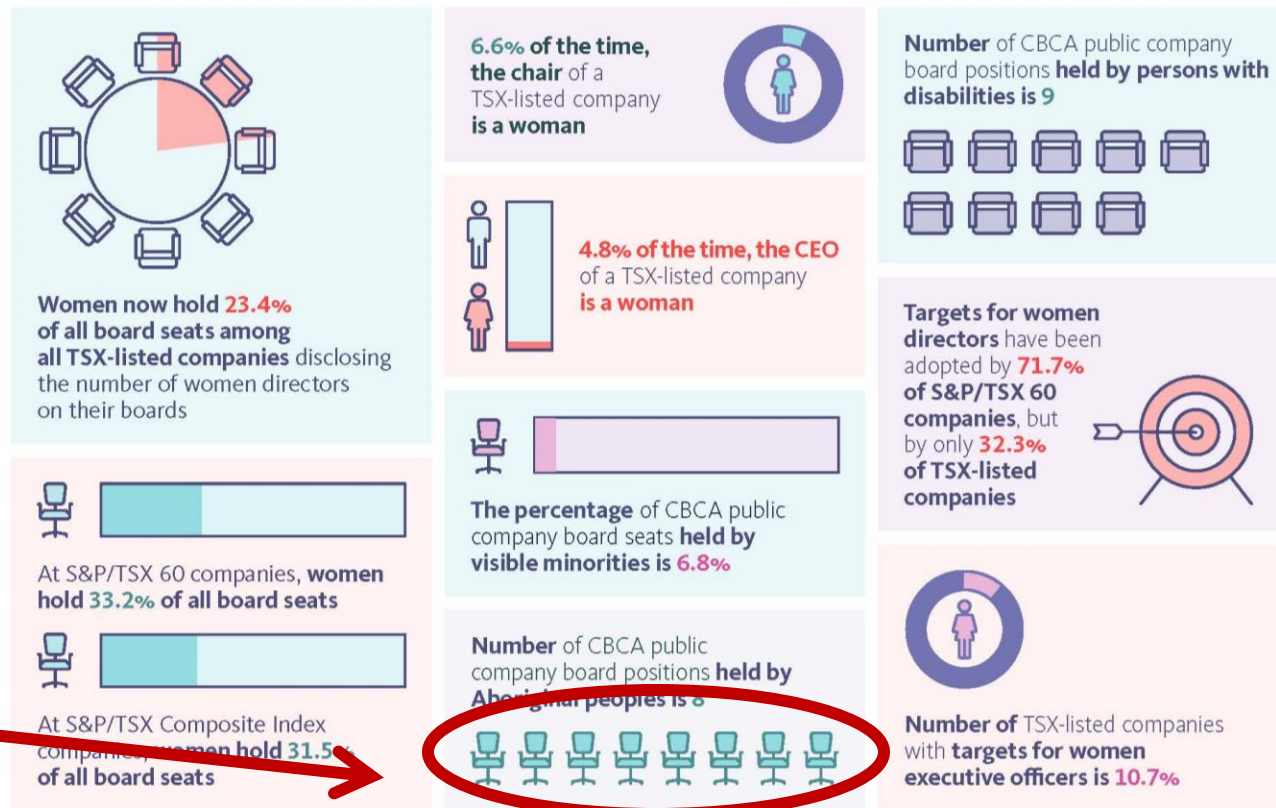
- Over **\$30 billion** of assets invested in Canada are under Indigenous control
- Institutional and individual investors are **seeking** Indigenous reporting information



0.36% of Board Positions Held by Indigenous Peoples



Highlights



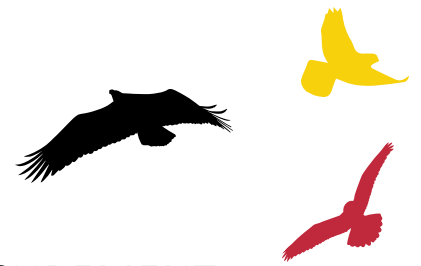
8 out of over 2,200 board positions held by Indigenous peoples



A photograph of a whale's tail fluke emerging from the blue ocean. The tail is dark and has a white patch near the tip. Water is splashing around the base of the tail. In the background, there are layered, light-colored rock formations. A bird is flying in the upper right corner. A semi-transparent watermark with a circular logo and stylized lines is visible in the bottom right corner.

INDIGENOUS INVESTING

Indigenous Reporting Criteria



DIVERSITY POLICIES

- Does the issuer's board diversity policy, or discussion in lieu of an official policy, address Indigenous heritage and identity on the board of directors?
- Does the issuer identify any board members of Indigenous heritage and identity?
- Does the issuer's senior management and executive officer diversity policy, or discussion in lieu of an official policy, address Indigenous heritage and identity of senior management or executive officers?
- Does the issuer discuss Indigenous heritage and identity in regard to general employee diversity policies and programs?

CONTRACTING AND PROCUREMENT

- Does the issuer provide quantitative information about contracting and/or supplier procurement opportunities for Indigenous people?
- Does the issuer provide quantitative information about contracting and/or supplier procurement opportunities for Indigenous people?



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Responsible Investment
Initiative



Indigenous Reporting Criteria (Cont'd)



EMPLOYMENT AND ADVANCEMENT

- Does the issuer state that they prioritize the employment of Indigenous people?
- Has the issuer established targets for Indigenous employment?
- Has the issuer worked with Indigenous agencies, organizations or communities for the recruitment of Indigenous employees?
- Does the issuer provide qualitative information about Indigenous employment?
- Does the issuer provide quantitative information about Indigenous employment?
- Does the issuer provide quantitative information by role or level?

TRAINING AND EDUCATION

- Does the issuer provide qualitative information about provision or support for training and education for Indigenous people relevant to its area of work?
- Does the issuer provide quantitative information about provision or support for training and education for Indigenous people relevant to its area of work?



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Indigenous Reporting Criteria (Cont'd)



INDIGENOUS RIGHTS

- Does the issuer explicitly acknowledge the need to seek the free, prior, and informed consent (FPIC) of Indigenous peoples?
- Does the issuer explicitly acknowledge the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP)?

COMMUNITY INVESTMENT

- Does the issuer provide any information about other relevant Indigenous community funding or initiatives?



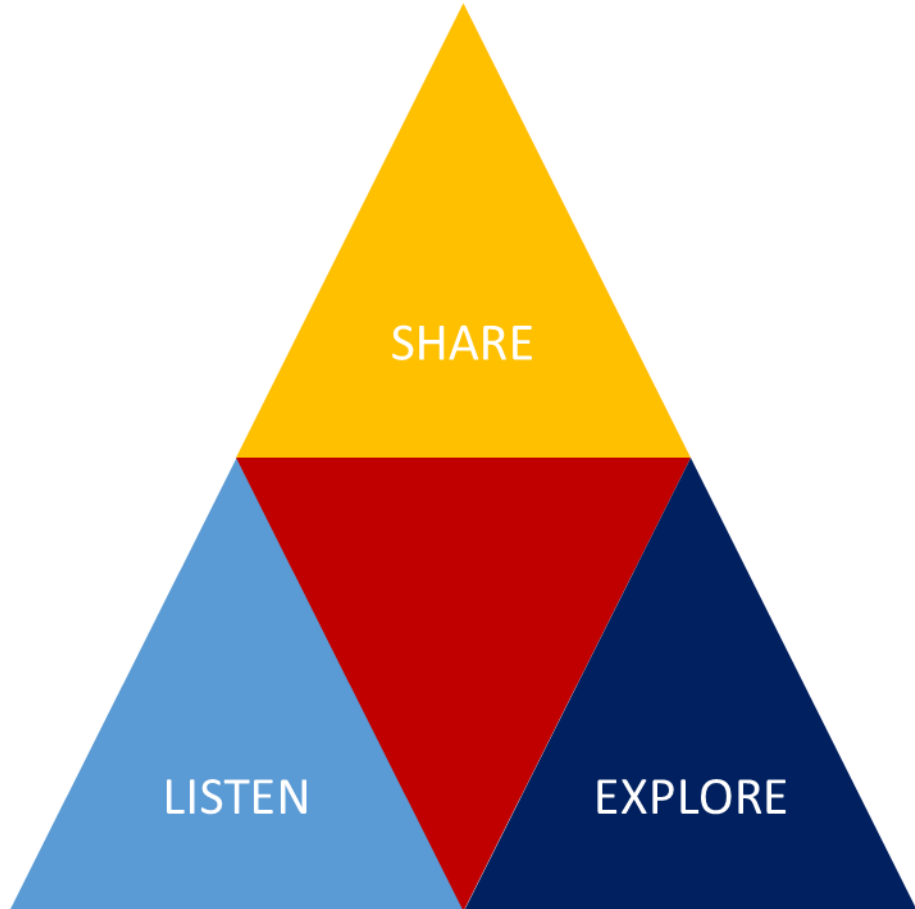
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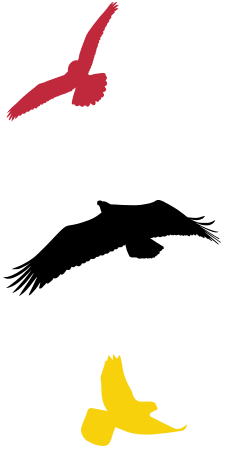
About Share



Approach

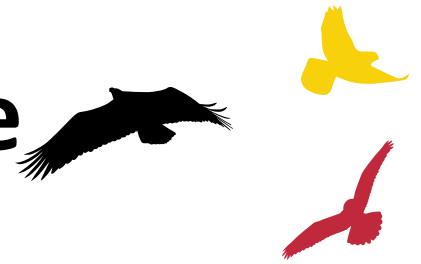


The Reconciliation and Responsible Investment Initiative will explore the synergies between institutional investors' broad application of responsible investment, Indigenous communities' and Canadian society's commitment to reconciliation and Indigenous Trusts' interest in the intersection of responsible and prudent trust management with traditional values and broader community aspirations



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Reconciliation and Responsible Investment Initiative



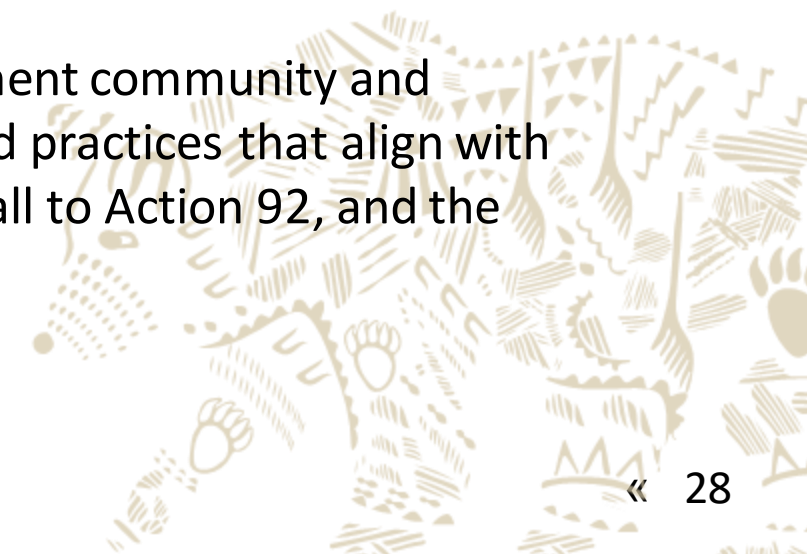
The key priorities of the Reconciliation and Responsible Investment Initiative are as follows:

- 1. AWARENESS AND LEADERSHIP:** To continue to raise awareness, and deepen leadership, among Indigenous investors in responsible investment implementation;
- 2. ALLYSHIP:** To mobilize non-Indigenous investors and other capital market players to be allies with Indigenous communities by aligning policies and practices with the broader goals and principles of reconciliation as articulated in the Truth and Reconciliation Commission's Call to Action 92; and
- 3. ACCOUNTABILITY:** To support greater accountability from the investment community and corporate Canada on reconciliation including the adoption of policies and practices that align with Indigenous rights and title, the Truth and Reconciliation Commission's Call to Action 92, and the United Nations Declaration on the Rights of Indigenous Peoples.



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TMX Group Shareholder Proposal



Shareholder proposal on Indigenous inclusion and reconciliation at TMX Group passes with **98% approval**

- ✓ Programs and policies on Indigenous employment and community relations
- ✓ Objectives and disclosure on procurement from Indigenous-owned businesses
- ✓ Engagement with Indigenous organizations



In collaboration with



Indigenous Reporting Criteria (Cont'd)



RESOLVED: The board of directors report to shareholders on the extent to which our company's policies and practices regarding Indigenous community relations, recruitment and advancement of Indigenous employees, internal education on Indigenous reconciliation, and procurement from Indigenous-owned businesses compare to or are certified by external Indigenous-led standards of practice.

Supporting Statement

To be **responsive** to the regulatory and reputational pressure related to Indigenous inclusion, many companies have developed internal programs or policies on Indigenous relations, recruitment of Indigenous employees, and procurement from Indigenous-owned businesses.

For investors, however, the breadth, depth, and content of these programs is impossible to determine. **Facing inconsistent disclosure**, the extent to which a company has effectively incorporated steps to address Indigenous inclusion and reconciliation is impossible to measure.

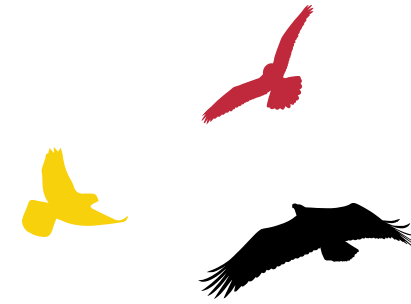
There are, however, **externally-verified options for corporations** to demonstrate that their programs meet standards developed by qualified Indigenous organizations, such as the **Progressive Aboriginal Relations (PAR) program of the Canadian Council for Aboriginal Business**, which provides independent certification to corporations in Canada.





**Indigenous People Impact Finance
Building a Stronger Bridge for Access to Capital**





Indigenous Impact Finance as an ESG Opportunity for Investors



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Main Barriers for First Nations Access to Capital



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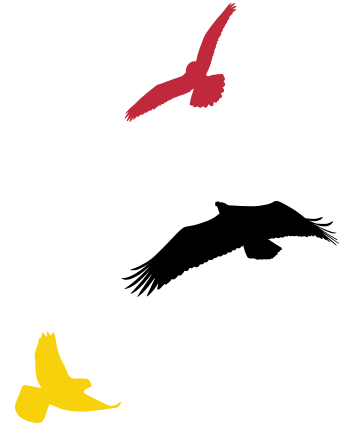
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Barriers

- *Indian Act* of 1876, sec. 89
- Remoteness of First Nations
- Low rates of internet connectivity
- Cultural differences
- Lack of control over lands and resources
- Under investment in housing and infrastructures



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Overall Capital Needs

- \$ 200B Most likely
- \$ 60B According to Assembly of First Nations
 - \$ 30B housing
 - \$ 30B infrastructure
- \$ 83,3B According to NIEDB for indigenous businesses
(National Indigenous Economic Development Board)
- **The question is more how to access than how much**



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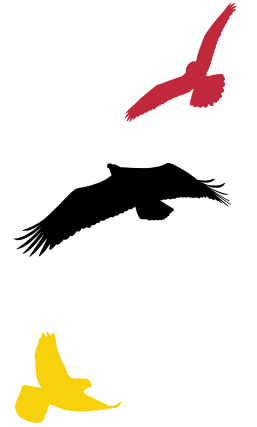


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Access to Capital

Some Examples of Solutions



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Société de Crédit Commercial Autochtone

- 100 % aboriginal solution
- Since 1992
- Since inception : 800 projects – \$100M
- Loans and grants
- Member of NACCA (59 members)
- Loan losses < 0.25%

National Aboriginal Capital Corporations Association

- NACCA as a network : 50,000 loans – \$3B
- NACCA Indigenous Growth Fund (\$150M)
 - Canada
 - Business Development Bank of Canada
 - Export Development Canada
 - Farm Credit Corporation
- First Nations Venture Capital of Quebec (venture capital fund) \$ 80M



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Aboriginal Savings Corporation of Canada



- 100% aboriginal solution
- Since 2005
- Bond issuer (fiscal and legal context related to First Nations)
- Since inception: 32 bonds issued since 2005. \$ 51,4M subscribed by individuals and institutions
- Interest revenue is tax-exempt for First Nations members
- Compliant to Autorité des marchés financiers du Québec
- Loans for community projects, housing and infrastructure
- Total loans : \$ 56M
- No arrears / no losses



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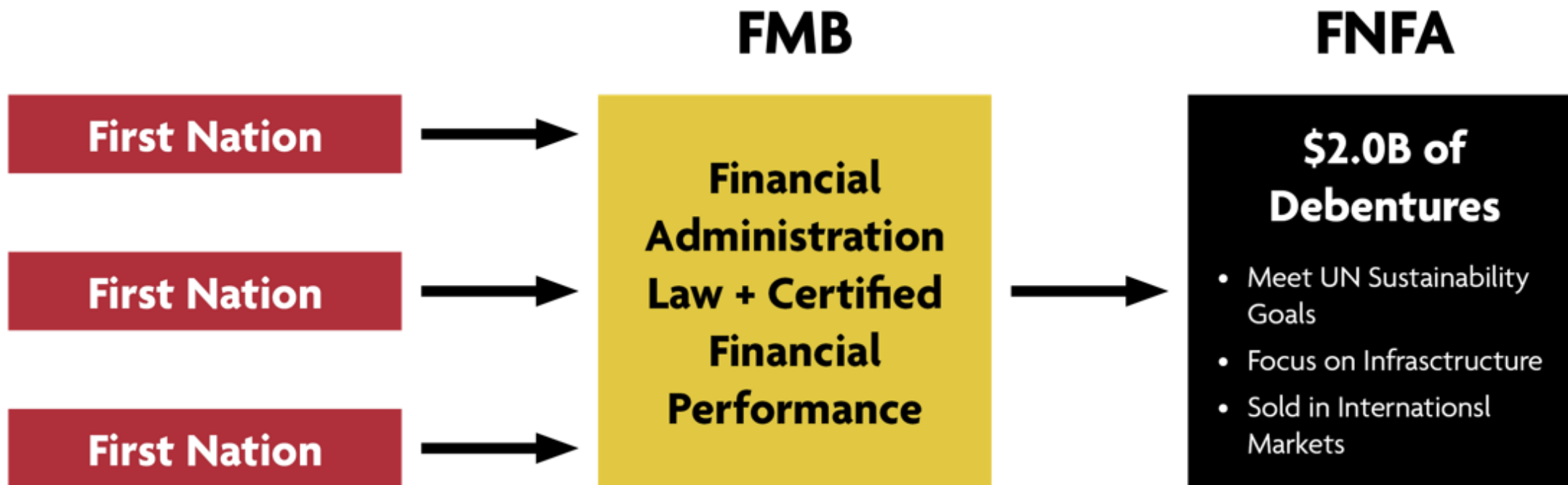
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Access to Capital: The Future

- Consolidate the bridge between First Nations needs and the capital market
- Trust
- Partnership
- Government as a leverage (e.g., loan absorption of first loss, interest rate buy down)
- Think outside of the box
- Internet connectivity



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CLOSING REMARKS





QUESTIONS?