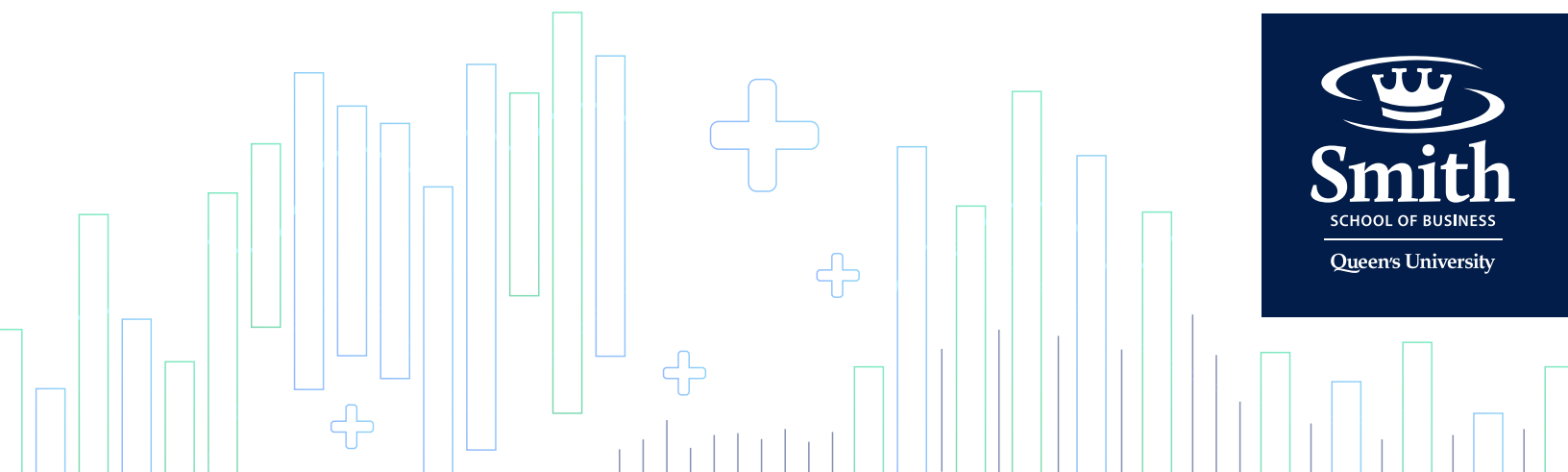




INSTITUTE FOR SUSTAINABLE FINANCE

Progress and Impact Report

2022–23



MESSAGE FROM DEAN COSTEN

At Smith School of Business, we are embarking on an exciting new strategic path, with a renewed commitment to being a safe and inclusive learning community which creates, debates, and implements impactful ideas that lead business and society forward. I can think of few more impactful ideas than aligning Canada's financial markets with the necessary transition to a low-carbon economy.

This big idea has taken hold in Canada in a way that perhaps was only dreamed of when the Institute for Sustainable Finance was launched at SmithToronto in 2019. In that time, "sustainable finance" has gone from a niche interest to a central discussion of any serious investment strategy.

Sustainability expertise has become an organization-wide priority for many firms. Media interest in the topic has exploded. Business schools across the country are following our lead and developing sustainable finance capacity. The Canadian Sustainable Finance Network established by ISF has now garnered over 130 members with over 32 academic institutions represented.

I would like to congratulate the team at the Institute for Sustainable Finance for taking such a strong leadership role in shaping the future of sustainable finance, and for continuing to foster the next generation of sustainable finance scholars and business leaders. It is today's students and new graduates who are going to see us through this necessary transition.

A central part of Smith's mandate is to prepare future graduates to solve big challenges, and climate change is the challenge of our time. With so many Canadian families in our thoughts as they deal with the impact of climate change, unprecedented floods, storms and wildfires, the obligation of business and finance to take climate action is clear. The flow of private capital to sustainable solutions will be crucial to meeting Canada's targets of getting to net zero by the mid-point of the century.

There is plenty of work to do on all sides. With a strong ISF at the intersection of government, academia and industry, I'm confident that we will get there. This is a great time to reflect on ISF's achievements, challenges and the task at hand, which gets more complex as we move forward. I am confident however that ISF's team together with the greater academic community can succeed in their mandate and fulfill the work ahead.

Best wishes for a great 2023–24!



Wanda M. Costen, PhD
Dean, Smith School of Business
Queen's University





BILLIONS IN CAPITAL POISED TO BUILD CLIMATE SOLUTIONS

Sustainable finance has entered the mainstream in 2022–23, with billions in capital poised for investment in Canada’s low-carbon future. Many of the standards, regulations, policies and strategies that will determine the success of this transition are coming into focus and will be implemented in the near future. The Institute for Sustainable Finance has played, and will continue to play, an indispensable role in this process as the hub for academia, government and the private sector. There is still a great deal of work to be done.

This report covers the institute’s key activities and impact over the year from July 1, 2022 to June 30, 2023. It reports on ISF’s contributions to advancing important discussions and informing high-level decision making in three fundamental areas of sustainable finance: Definitions, Disclosures and Data. It also details major activities supporting ISF’s pillars of Research, Education, Collaboration and Outreach and productivity on key metrics “by the numbers”.



ISF'S MISSION

The Institute for Sustainable Finance is the first-ever cross-cutting and collaborative hub in Canada that fuses academia, the private sector, and government with the singular focus of increasing Canada's sustainable finance capacity. The institute's mission is to align mainstream financial markets with Canada's transition to a prosperous sustainable economy.

By investing in education, professional training, research, and partnerships, we will help to create the critical conditions for Canadian leadership on sustainable finance — at home and abroad.

Housed at Smith School of Business at Queen's University, the Institute will fill the gap of relevant data, expertise, and business-oriented solutions for sustainable finance. By aligning financial knowledge and tools with climate change imperatives, we will foster Canada's leadership in the shift to a low-carbon global economy.



SUPPORTERS

Convening Canada's brightest thinkers and players in the field of sustainability and finance, the Institute for Sustainable Finance is supported by several partners, and a diverse Advisory Board and Research Advisory Council of high-profile individuals from academia, finance, insurance, and civil society.

Founding Contributors

- BMO
- CIBC
- RBC
- Scotiabank
- TD Bank Group

Supporters

- Ivey Foundation (inaugural supporter)
- McConnell Foundation
- McCall MacBain Foundation
- Chisholm Thomson Family Foundation

Founding Sponsors



BY THE NUMBERS

Counting the ways the Institute for Sustainable Finance contributed to key national discussions on sustainability in the past year

6

in-depth studies on important sustainable finance topics



2

research grants awarded for work in sustainable agriculture



5

fellowships awarded to future leaders in sustainable finance



9

events and webinars featuring top experts from Canada and around the world



12

primer articles, primer videos and briefing notes



38

round tables, workshops, consultations and education sessions



16

presentations at major conferences in Canada and internationally



1,000

mentions of ISF's work and experts in the media



30,500

LinkedIn Followers and **460,000** LinkedIn impressions



27

percent growth in website sessions in the last year



3D VISION FOR A SUSTAINABLE FUTURE

The foundation for a sustainable finance sector will be built on three “D”s, and ISF has played a significant role in each area:

1

Definitions

A robust Canadian
green and transition
taxonomy



2

Disclosure

Improved reporting by firms
on climate-related risks,
corporate greenhouse
gas emissions and
net-zero planning



3

Data

Accurate information
for investors and lenders
to make decisions





DEFINITIONS

The most important next step in aligning financial markets with a low-carbon future will be the creation of a **sustainable finance taxonomy for Canada**, a set of credible guidelines for investing in climate solutions. In support of this goal, ISF has been closely involved with the development of the Sustainable Finance Action Council's (SFAC) influential Taxonomy Roadmap Report. There is a huge appetite in the market for taxonomies to support financial instruments for investing in green and transition projects. It is estimated that we will need \$115 billion annually to reach Canada's net-zero targets. That capital is poised to be unleashed with the proper taxonomy. ISF is enabling the development of a robust green and transition taxonomy for Canada by:

- Providing the necessary research and expertise in taxonomy development to the SFAC Taxonomy Technical Expert Group (TTEG) to inform the Roadmap Report. This includes in-depth studies on global trends in taxonomy development, a survey of the state of the sustainable debt market, and best practices in taxonomy governance.
- Leveraging strong networks in the finance sector, ISF has taken the lead on educating stakeholders and the general public about the importance of a world-class green and transition taxonomy for Canadian competitiveness and reaching net-zero targets through exclusive briefings with industry leaders and also informative educational webinars for a broad audience featuring key players in taxonomy development in Canada and **around the world**, including the architects of the Roadmap Report.
- ISF participated in developing the rollout strategy and key messages, and advance briefings for members of the media including the Globe and Mail, Canadian Press, Bloomberg and Toronto Star. The result was significant coverage of the release of the Roadmap across major Canadian outlets and broad understanding of its significance and recommendations.
- The suite of educational products developed by ISF includes infographics, interviews with experts, social media posts, primer articles on the taxonomy and transition more broadly, and a briefing note.
- ISF Advisory Board Chair Jim Leech co-authored a supportive op-ed in the Globe timed to the release of the Roadmap Report. As he and Jonathan Arnold of the Canadian Climate Institute concluded, "As the race for global capital accelerates, demonstrating credible and transition-aligned investment pathways in Canada has never been more important."
- ISF has partnered with TMX to share with members of the TMX network potential use cases for the taxonomy and is developing another event in partnership with Canadian banks to explore use cases.
- In June, ISF Advisory Board Member Barb Zvan told the House of Commons Finance Committee: "Canada cannot afford to be left behind; Canada cannot afford to have other regions define transition without us or for us."

"I would like to commend ISF on its many accomplishments in advancing sustainable finance in the last year, particularly its invaluable contribution to the important work of the Sustainable Finance Action Council's taxonomy technical expert group. ISF's research and expertise were vital to the creation of the Taxonomy Roadmap Report. The institute has played a key role in educating the finance sector, media, academia, policy makers and the public about the importance of a green and transition taxonomy for unlocking the capital Canada needs to meet the challenges and leverage the opportunities created as we decarbonize."

Kathy Bardswick, Chair, Sustainable Finance Action Council

CANADA'S CLIMATE INVESTMENT TAXONOMY

Canada is making it easier for investors to align and mobilize private capital for a net-zero future.

The proposed taxonomy framework will define and classify activities under two categories, based on their degree of risk and opportunity in the net-zero transition.

Green-eligible Investments

Financing activities that:

- Generate low-or zero greenhouse gas emissions; or,
- Directly enable low-emitting activities; and,
- Produce goods and services the world needs more of on 1.5°C pathways



Solar & wind power



Hydrogen production from low-carbon electricity



Batteries & storage technologies



Electricity transmission lines



Hydrogen pipelines

Transition-eligible Investments

Investing to help significantly reduce emissions in two types of high-polluting activities:

- Those facing stable or growing global demand on 1.5°C pathways and lacking low-emitting alternatives.



Installing an electric arc furnace at a steel plant



Building a new blue hydrogen facility with a high emissions capture rate

- Existing projects facing declining global demand with emissions profiles and lifespans that align with 1.5°C pathways.



Installing world-leading methane capture on an existing natural gas project.



Installing carbon capture, utilization, and storage on an existing oilsands facility.

Certain activities are ineligible, including

- Any projects related to solid fossil fuels, like coal.
- New oil and gas projects, or significant expansions of existing projects.





DISCLOSURES

A vital step toward cutting Canada's greenhouse gas emissions is going to be ensuring that the corporations responsible for those emissions are accurately disclosing them. From there, credible net-zero plans and profitable investments in climate solutions can follow.

As ISF Chair Sean Cleary stated,

"If Canadian firms want to increase the amount of foreign capital they attract, improving disclosure on these dimensions is critical. Many companies will need to acquire the skills and capacity for effective climate reporting. Before long there will be no excuse for failing to prioritize climate-related disclosures."

There is high demand among capital providers for more robust climate reporting by firms and greater awareness of climate-related risks facing the economy. As ISF's then Executive Director Sara Alvarado told the Globe and Mail,

"As soon as you have targets, the market starts to look at you more seriously."

ISF has been leading the conversation on corporate emissions disclosures standard setting and regulations with:

- In-depth research reports on the state of corporate climate risk reporting (physical and transition) and greenhouse gas emissions disclosures and net-zero planning with recommendations for improvements and primer articles for a broad audience explaining concepts such as Scope 1, 2 and 3 emissions.
- Commentary in the Globe and Mail, Corporate Knights and other media, and in official submissions to support strengthening the Canadian Securities Administrators' proposed climate-related disclosure requirements, and the timely adoption of regulations mandating climate-related disclosures that are in line with evolving global standards. CSA's revised regulations are expected soon.

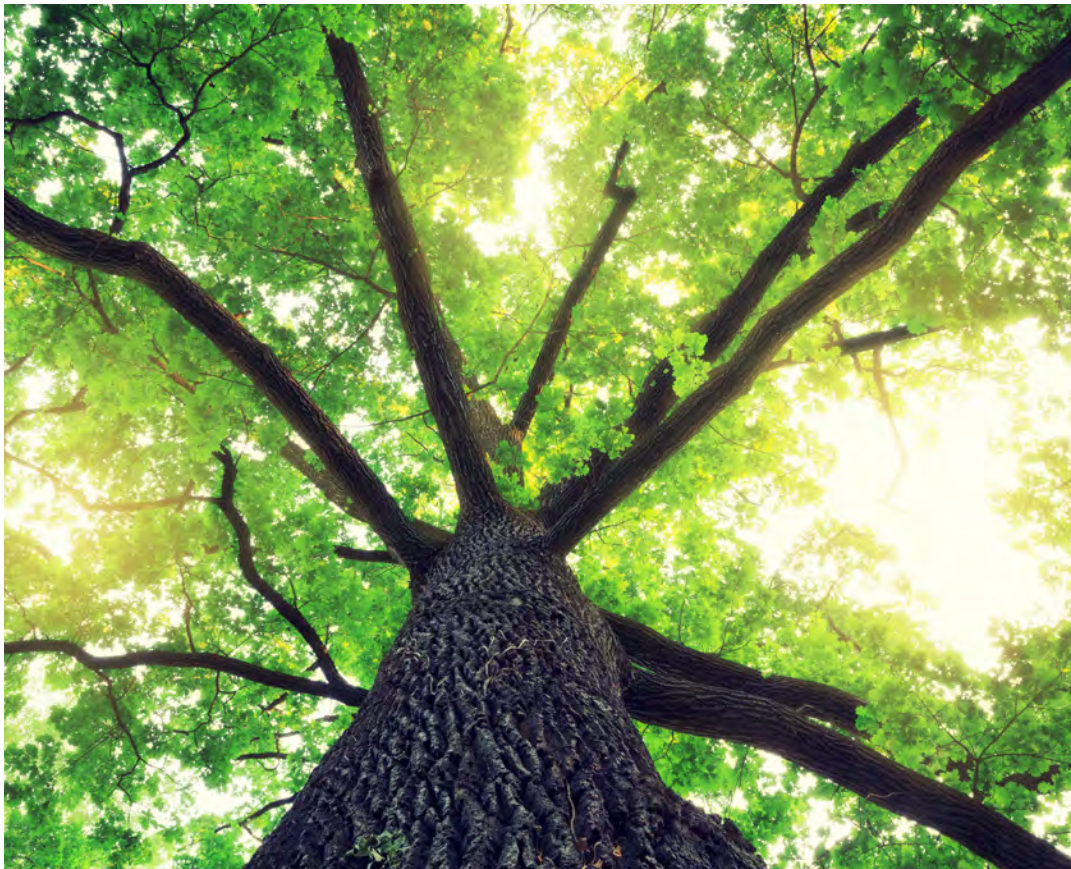
- Consultation with and support for the Bank of Canada in releasing its own, influential climate-risk report. As ISF's Riordan told the Globe and Mail,

“By disclosing this, and by signalling to the market that the central bank thinks this is important enough to release a report on, it also signals to the financial institutions and to the system that this is something they’re going to have to do.”

- Consultation with and support for the Office of the Superintendent of Financial Institutions (OSFI) in its guidelines for mandatory climate-related risk reporting by major financial institutions, released in March 2023. “This is huge,” said ISF's Riordan about OSFI's announcement.

“This is great for the financial markets because the information will be good enough to make long term investing and lending decisions. It also allows for a meaningful comparison over time and across similar firms.”

- Consultation with and support for the recent release of the International Sustainability Standards Board's climate-related reporting standard, a major step forward in creating a single rulebook so that companies can produce quality climate reports that can be compared with other firms. ISF supported the location of an ISSB Centre in Montreal which was launched in June, 2022, with a series of meetings and consultations including ISF experts. ISF has also co-ordinated with FRAS Canada to coordinate feedback on next steps and harmonizing SASB (Sustainability Accounting Standards Board) standards. Canada is a major hub for global sustainability standards which creates a major opportunity for ISF to be even more influential.
- Collaboration with CPA Canada on a thorough review of the widely cited but little understood GHG Protocol for reporting greenhouse gas emissions with recommendations for adapting the Protocol's standard to suit climate-reporting regulations. The GHG Protocol is currently consulting on revising the standard. ISF and CPA Canada experts were invited to present the findings of this study to the ISSB, which was a very important educational opportunity given the ramifications for relying on the GHG Protocol for corporate emissions reporting regulations and standards.





DATA

ISF's research has demonstrated a hunger in the market for quality climate reporting data. The [2022 ISF Data Survey](#) revealed that researchers were often unsatisfied with the amount, quality and comparability of climate data from firms. ISF's Ryan Riordan said:

"Pressure on these firms will be greatly increased with proper data standards in place. Consistent and sound data collection must be developed, standards established, and key statistics or indicators identified in order to properly assess the progress of firms."

ISF's own **Climate Finance Data Lab** is a resource for ISF and researchers at Queen's University. The Data Lab and **CarbonFlux** data tool combine financial and climate data (sources include CDP, formerly the Carbon Disclosure Project, and the World Bank Carbon Pricing Dashboard) into an organized database that has an easy to use interface. Accurate and accessible corporate emissions data is important for progress on credible disclosures and green investment decisions. Thanks to ISF's industry leading work on climate data:

- Researchers can extract analysis ready data from CarbonFlux which can accelerate data projects and encourage more research into corporate GHG emissions.
 - Climate data can be messy, CarbonFlux helps to address this by providing clean and organized data.
 - CarbonFlux also has an API so the data can be accessed, retrieved, and manipulated programmatically, enabling seamless integration with other applications and systems.
- Users can get a quick overview of a sector or firm's emissions and progress towards various GHG reduction goals.
- ISF has been facilitating demonstrations of the Data Tool to develop potential partnerships with CDP and others. The feedback on the Data Tool has been very positive.
 - Developing a partnership with CDP would allow us to share the Data Tool with a wider audience.
- ISF's work on improving sustainability data will have a significant impact in pressing data providers and corporations for more and better data, and providing data users with an easy to use and accessible platform to advance knowledge and understanding of progress towards climate targets and assessing emissions reduction efforts.



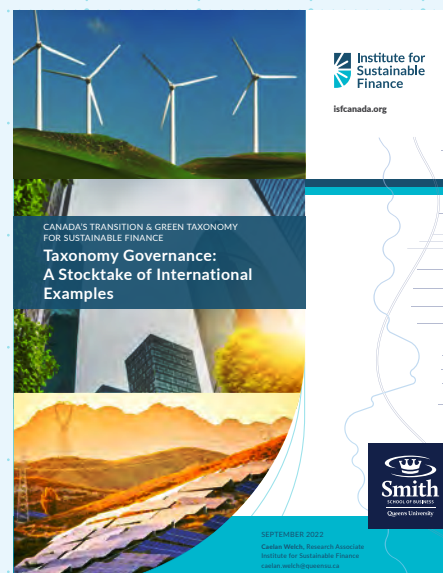
RESEARCH

To produce high-quality, independent, relevant, actionable and timely research that can inform policy makers, industry and the financial sector in decision-making



Canada's Transition & Green Taxonomy for Sustainable Finance: Insights from a Review of Industry Publications

September 2022



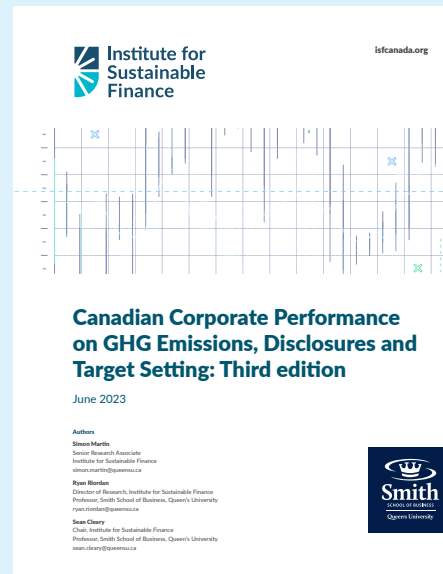
Canada's Transition & Green Taxonomy for Sustainable Finance: Taxonomy Governance, A Stocktake of International Examples

September 2022



Canada's Transition & Green Taxonomy for Sustainable Finance: Sustainable Finance Market Snapshot

September 2022



Canadian Corporate Performance on GHG Emissions, Disclosures and Target Setting

June 2023



A Closer Look at the GHG Protocol: Observations and Implications for Standards Setters and Regulators

September 2022



Partial Disclosure: Assessing the state of physical and transition climate risk disclosure in Canada

October 2022


CANADIAN SUSTAINABLE FINANCE NETWORK

Established by ISF, the Canadian Sustainable Finance Network is an independent formal research and educational network that has grown to more than 130 members at universities across Canada. CFSN has been essential to sharing learnings and opening the door to future research topics, as well as creating partnerships with other entities from across Canada and globally. The 4th annual CSFN Conference was hosted by Dalhousie University in Halifax in June, 2023.




EDUCATION

To provide innovative, informative and practical professional sustainable finance education in the context of the Canadian market.

**Institute for
Sustainable
Finance**

Queen's
Executive Education

 **VIRTUAL CLASSROOM**

Sustainable Investing

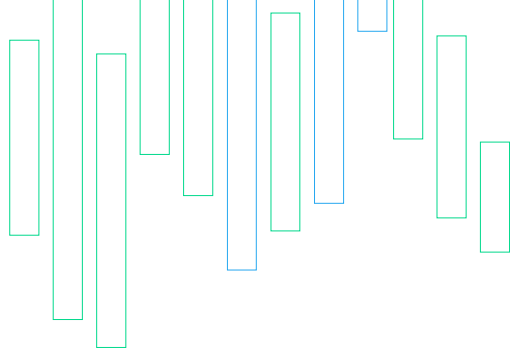
 **16 INSTRUCTIONAL HOURS**



Sustainable Investing Virtual Program, September 2022, February 2023, April 2023: ISF's Virtual Sustainable Investing Program provides a thorough overview of sustainability developments, along with case studies whereby students participate in asset selection and asset reallocation processes to lower portfolios' GHG footprint while maintaining required returns. ISF has a major role to play in developing ESG skills which are in such high demand in the market. To date, 72 participants have gained sustainable investing skills and an impressive credential with the SI Program.



Sean Cleary, Sara Alvarado,
Hillary Thatcher and Jim Leech



Indigenous Sustainable Economic Reconciliation Lunch and Learn, October 2022: ISF organized a special luncheon featuring a talk by ISF Advisory Board member Hillary Thatcher. The invite-only audience of Canadian finance leaders learned how businesses can contribute to Indigenous economic reconciliation. The event was followed up with a webinar co-hosted with Smith Business Insight during National Indigenous History Month in June, 2023, bringing awareness of these issues to a broad audience.

Webinars

ISF's webinars bring together leading experts to discuss the latest sustainable finance issues and educate a broad audience including government policy makers, finance and business leaders, academics and students, members of the media, and the wider public.

Taxonomy Roadmap Webinar Series

A Two-Part Webinar Series

Part 1

What in the world is a sustainable
finance taxonomy?

April 26, 2023



Pamela Steer

President & CEO
CPA Canada
(moderator)

Part 2

Demystifying Canada's Taxonomy
Roadmap Report

April 26, 2023



Patricia Fletcher

CEO, RIA Canada
(moderator)

LinkedIn Live Event

ESG: Business strategy or political football?

April 5, 2023



Dr. Yrjo Koskinen

BMO Professor in
Sustainable Finance,
Haskayne School
of Business



Dr. Ryan Riordan

Research Director
Institute of
Sustainable Finance

Oil and Gas Sector Webinar Series

A Three-Part Webinar Series

The Oil & Gas Sector:
Key Challenges Facing Canada & Potential Solutions



Part 1

Follow the Money:
Understanding Capital
Flows in Canada's Oil
& Sector
Dec. 6, 2022

Part 2

A Deeper Dive into
Royalties, Taxes and
the Government Take
Jan. 10, 2023

Part 3

Potential Solutions
to Reinvestment
Feb. 7, 2023

Peter Tertzakian
Deputy Director
Arc Energy
Research Institute
(moderator)

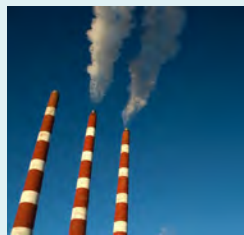
Primer Series of Articles and Videos



Financed Emissions



Transition Finance



GHG Emissions (Scopes)



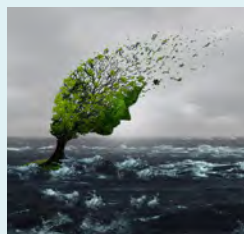
Natural Assets



The GHG Protocol



Sustainable Debt



Climate Risk



Indigenous Reconciliation



Carbon Markets



Sustainable Investing



Corporate Engagement



Impact Investing

Primer Series and Primer Videos: To increase the understanding and acceptance of sustainability and ESG principles by finance professionals, decision makers and the public at large, these issues need to be made accessible to a broad audience. The ISF's Primer Series of articles and videos bring to life the foundational concepts of sustainable finance.



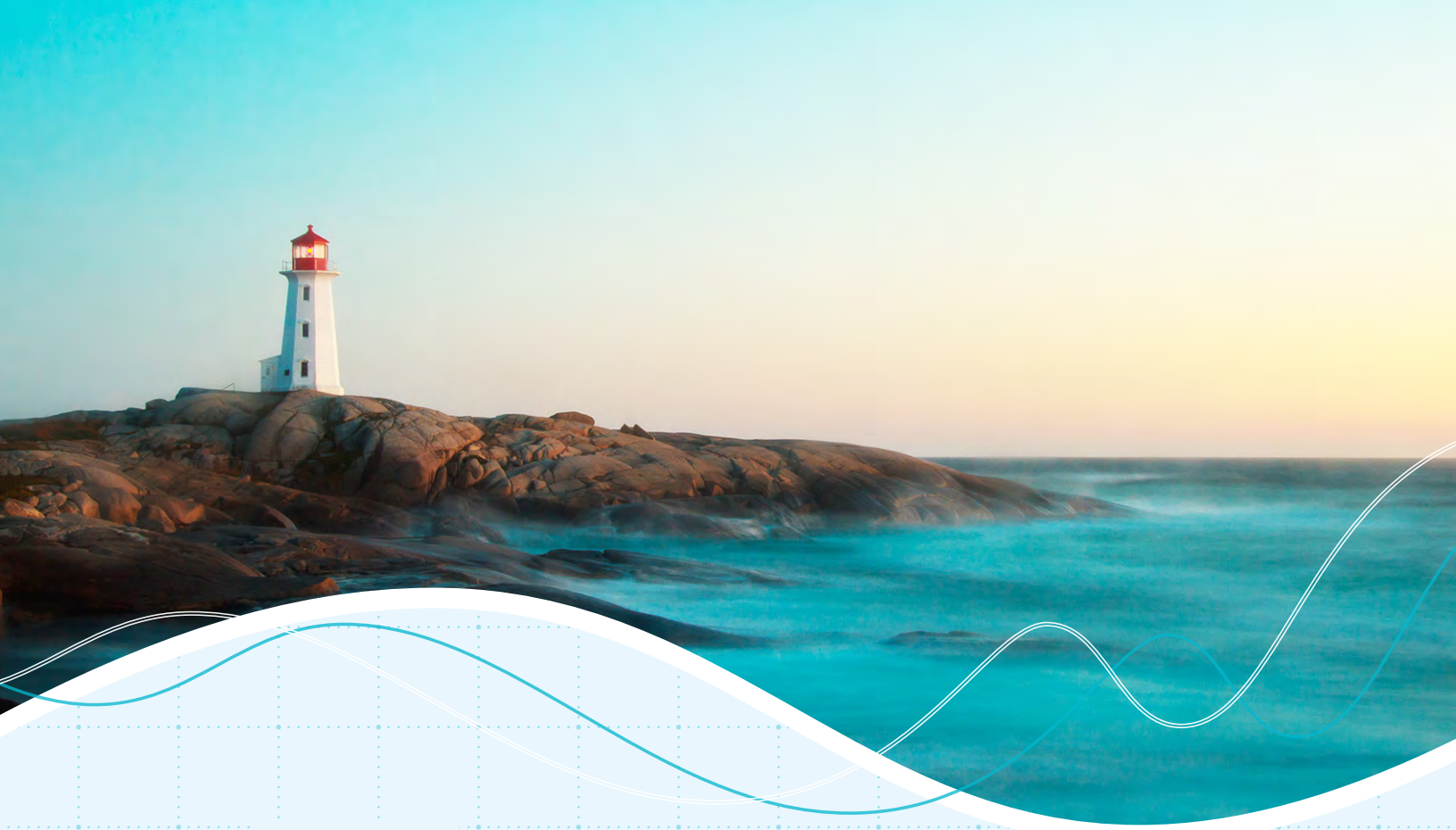
COLLABORATION



To engage with policy makers, academia, the financial sector and industry across Canada to facilitate discussions that will help mobilize capital toward sustainable finance projects.

ISF's strong connections to the finance sector, regulatory bodies, academia, global bodies and industry groups allow it to have an outsized influence with decision makers. In 2022–23 ISF's experts participated in 38 round tables, workshops, consultations and education sessions and presented at 16 major conferences in Canada and internationally.

ISF has worked with diverse organizations to advance discussions on sustainability topics, including FRAS Canada, RIA Canada, CPA Canada, UNPRI, the Global Risk Institute, Canadian Lenders Association, Ivey School of Business, Sustainable Finance Action Council, Responsible Asset Owners, Canada's five major banks, Mackenzie Investments, University Pension Plan Ontario, Addenda Capital, Task Force on Nature Related Financial Disclosures, UNDRR, OSFI, the Bank of Canada, CAiP, CFA Society, Institute of International Finance, Toronto Global Forum, Canadian Climate Institute, Building Decarbonization Alliance, Canada Grid, Council of Ontario Finance Officers, Government of Alberta, Canada's Clean50, Ivey Foundation, McCall MacBain Foundation, Canada Climate Law Initiative and more.



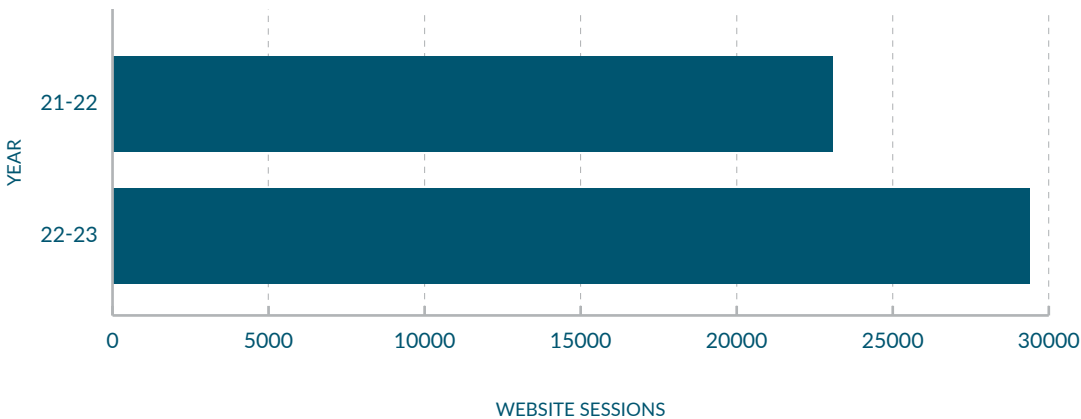
OUTREACH

To be very visible in sustainable finance issues and to clearly and effectively communicate sustainability developments as they pertain to finance and investments.

ISF is an effective platform for the latest research and greatest ideas in sustainable finance. ISF's team works with Argyle Communications to position the work of ISF experts in the media to increase awareness and understanding of fundamental sustainable finance issues to spur investment in climate solutions. ISF's primary platforms are its website and LinkedIn page. ISF's strategy for 2023-24 will see the institute launch a new LinkedIn content strategy with products that profile expertise in ISF's network on the latest news and trends in sustainable finance. ISF's media strategy will accompany the rollout of ISF reports and events, and position ISF's experts to comment on major events in the industry.

In 2022-23, ISF saw continued growth in key communications metrics. Over the last year, ISF has had more than 29,000 website sessions, up 27% from the previous year. The number of LinkedIn followers has grown from 25,000 in 2021-22 to 31,000 2022-23. And ISF and its experts were mentioned 1,000 times in the media in 2022-23.

The institute has been a go-to source of commentary on issues such as corporate GHG disclosures and target setting, taxonomies, ESG investing, natural assets, and more.





Ryan Riordan kicked off the Globe and Mail's Road to Net Zero conference, June 19, 2023 with a discussion of the results of ISF's June report on Canadian Corporate Performance on GHG Emissions Disclosures and Target Setting. According to Dr. Riordan, Investors and lenders are losing their appetite for high-emitting firms that could be regulated away or lack a business model in 10 years.

RECOGNITION

ISF's people are recognized as leaders in business, research and the environment



ISF Chair **Sean Cleary**, Member of the Canada's Clean50 class of 2023



University Pension Plan Ontario CEO and ISF Advisory Board Member **Barb Zvan**, named 2022 CEO of the Year by the Globe and Mail and ROB Magazine



Kikelomo Lawal, Executive Vice President and Chief Legal Officer at CIBC and ISF Advisory Board Member named one of the Top 25 Most Influential Lawyers for 2022 by Canadian Lawyer Magazine



Neal Willcott, Queen's-Smith PhD candidate, received a 2022 Smith Research Excellence Award for a paper assessing the physical risks of climate change, published with ISF's Sean Cleary

ISF TEAM



Sean Cleary, PhD, CFA
Chair



Ryan Riordan, PhD
Director of Research



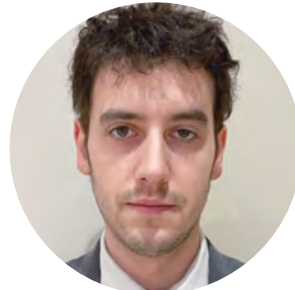
Maya Saryyeva, MA
Associate Director



David Watson
Associate Director,
Communications



Simon Martin
Senior Research Associate



Will Hamilton
Research Associate



Yingzhi Sarah Tang
Research Associate



Andrew Hawling
Research Associate



Miki Tang
Intern

ISF ADVISORY BOARD

The Advisory Board was created to establish and drive the Institute's mission and to identify the potential for collaboration with other engaged parties across the country. It includes a mix of practitioners and academics.

ISF RESEARCH ADVISORY COUNCIL

The Research Advisory Council (RAC) is comprised of leading practitioners and academics in sustainable finance research and innovation. The council will meet twice per year to discuss and provide input on the focus of the Institute's research.