

The logo for CleanBC, with "clean" in green and "BC" in blue.

cleanBC

CLIMATE LEADERSHIP SYMPOSIUM

Public Sector and Local
Government Action

What is the MFA and what does it do?

Why all the buzz about ESG?

MFA's ESG Program

WHAT IS THE MFA AND WHAT DO THEY DO?



Behind the MFA Curtain – Local Gov Borrowing

MFA IS ...

- **A non-profit** - A 50yo municipally-owned member Co-operative
- **A municipal infrastructure bank**

Our Core Mandate

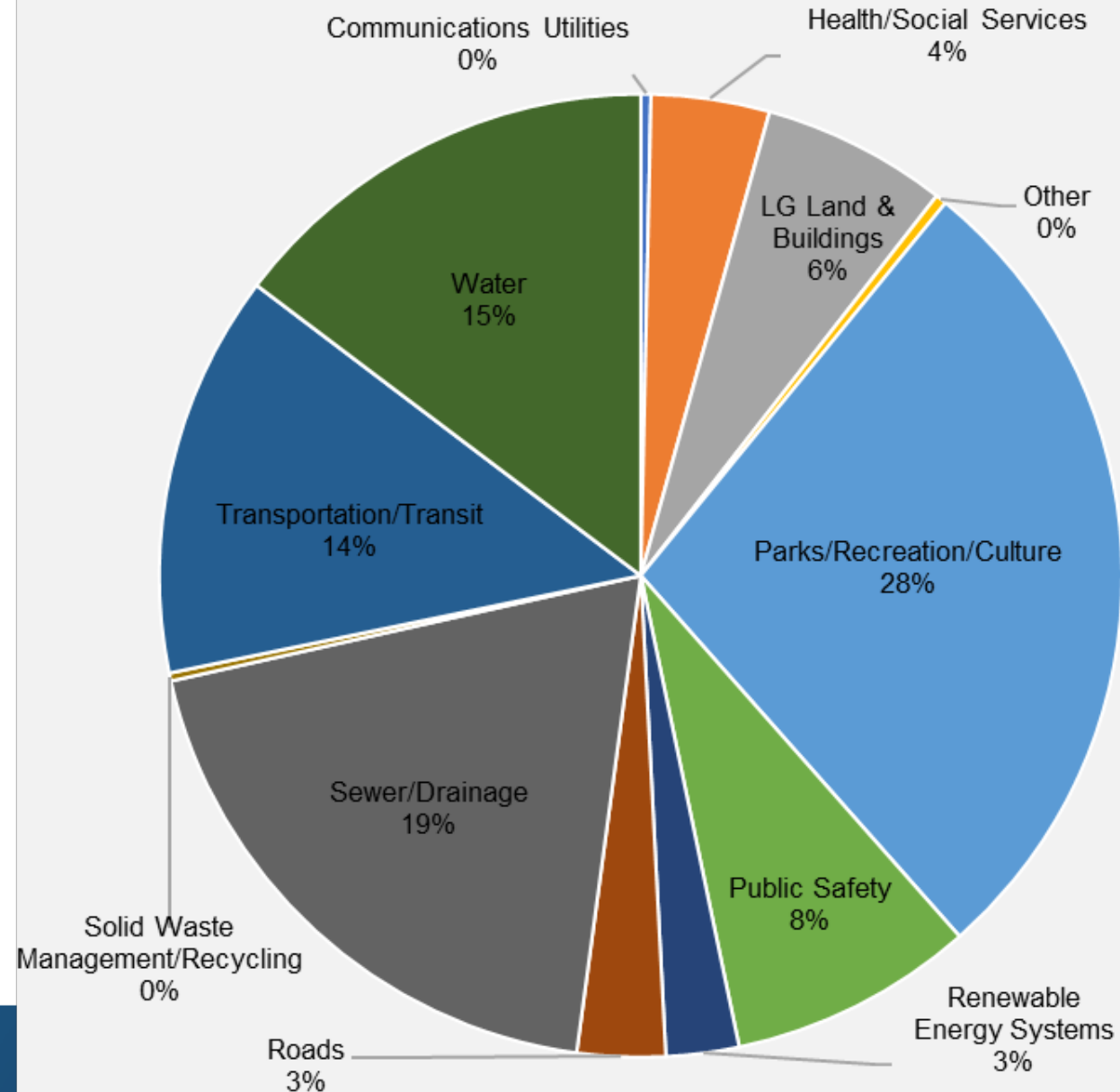
- **The long-term lender in BC** - The legislated LT lender to all municipalities and regional districts in BC (other than City of Vancouver)
- **A AAA-rated bond issuer** - Loan aggregator and bridge to global capital markets

Other Activities/Roles

- **A short-term lender** - equipment financing and revenue anticipation
- **An investor** - for MFA's sinking funds and reserve
- **An investment administrator** - offering pooled fund investment products to local govts, including a new FFF-fund launched in Sept/23



2022 Issuance Split by Purpose (\$1.325bn)



NEW LOANS ARE AGGREGATED INTO A BOND ISSUANCE TWICE A YEAR

The loan purpose (asset class) mix can vary from one bond issue to the next, but in 2022 was:

28% parks/rec

19% sewer/stormwater

15% water

WHY ALL THE BUZZ ABOUT ESG?

Integrated Decision-making + Reporting



E

Environmental

- **Climate change and GHGs**
- **Air & water pollution**
- **Water scarcity**
- **Biodiversity and habitat protection**
- **Site rehabilitation**

S

Social

- **Human rights**
- **Community impact**
- **Health & safety**
- **Child and forced labour**
- **Gender diversity**
- **Human Capital: Employee engagement/productivity**
- **Customer satisfaction**

G

Governance

- **Board independence**
- **Board accountability**
- **Executive compensation**
- **Shareholder rights and voting**
- **Anti-corruption**

Why Is This Time Different?



Investor demand for other information, particularly re climate risk given actual

Consensus on need for consistency and comparability of standards to **maintain stable global capital markets**

Multiple **voluntary frameworks converge and transform into standards** from accounting and assurance boards and regulation of public companies, financial institutions, etc.

Reorientation and relocation of sustainability functions and outputs:

- With isolated staff, non-existent budgets + funding we piloted incrementalism
- Then: isolated impact stories of marketing + comms in adhoc reports
- Now: integrated risk assessments involving asset managers + finance, their inclusion in annual reports



EVOLUTION OF ESG/SUSTAINABILITY DISCLOSURES



NEW DISCLOSURE STANDARDS AND REFINED INVESTOR EXPECTATIONS

Past Reporting


- Impact-based
- Shallow, broad, and voluminous
- Narrative, case-study format
- Stand-alone reports or included in annual reports
- No assurance/verification



Future of ESG Reporting

- Risk-based standard ahead of other impact-based reporting
- Focused and concise:
 - Material financial impacts
 - Climate first
 - Decision-useful for investors
- More quantitative and verifiable data and metrics
- Integration of financial and non-financial information in general purpose financial reporting packages
- Audit requirements are coming (negative/limited assurance)

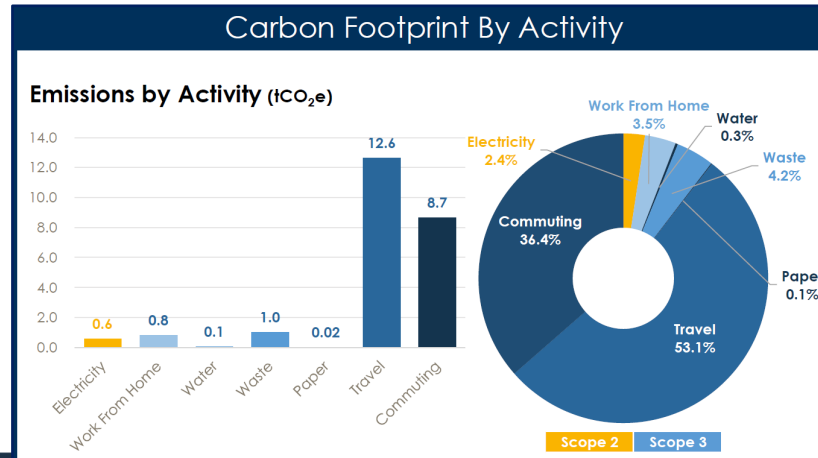
MFA'S ESG EVOLUTION

Municipal Finance Authority of BC

Sustainable Bond Framework

June 2022



SET FOUNDATION + EXPERIMENT

2020

2022

PREPARE + BUILD

2023

COMMIT + COLLABORATE

2023+

IMPLEMENT, SHARE, LEARN + IMPROVE



MFA'S SUSTAINABILITY/ESG OBJECTIVES

Manage our Material Risk to MFA's Core Business

- ➔ To maintain MFA's AAA credit rating which translates into low cost financing for members

Reduce the Impact of our Operations on Environment and Society

- ➔ Small, but within our direct control or greater influence

Pursue Opportunities for Transformative and Material Impact Along Our Value Chain

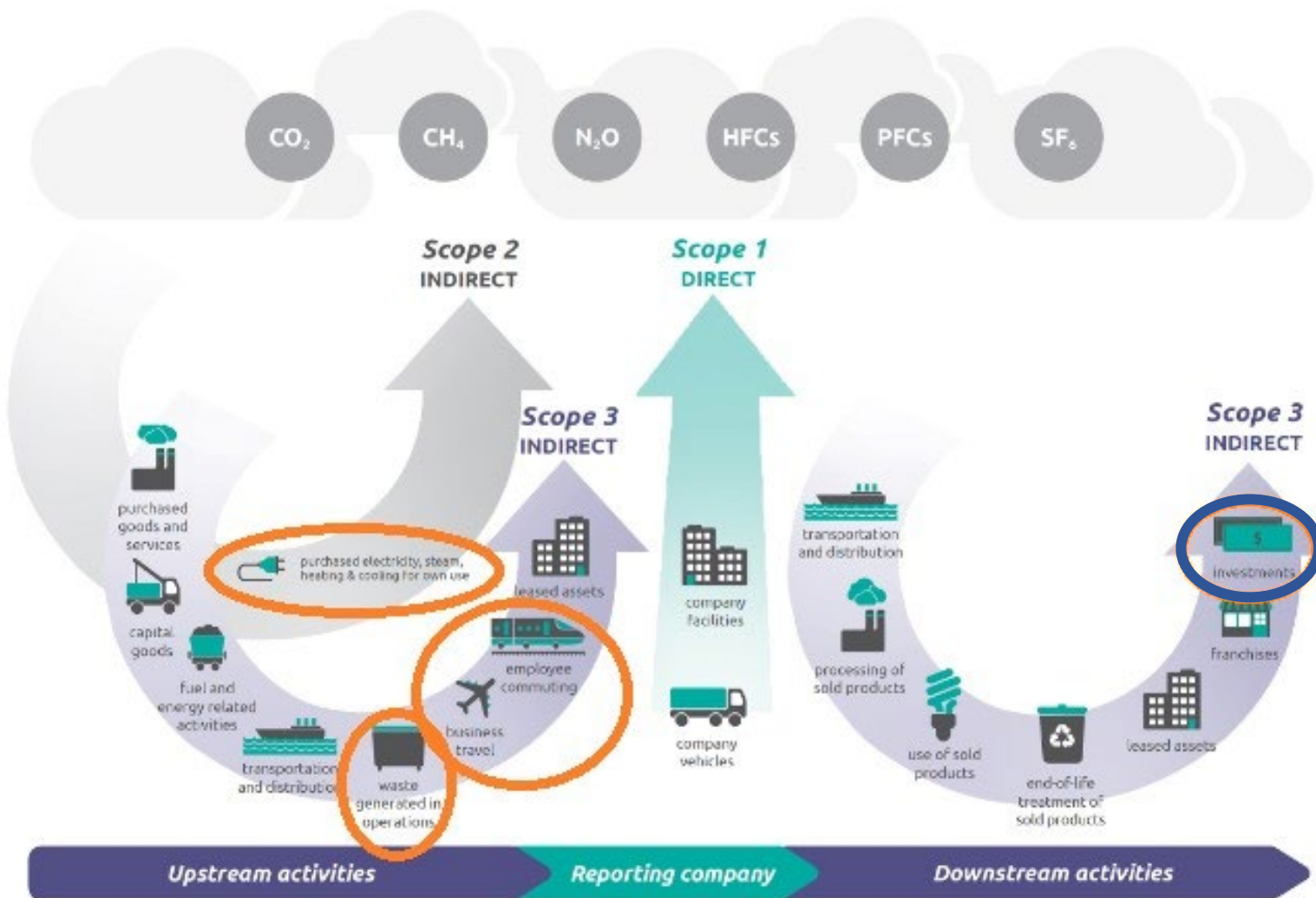
- ➔ By contributing to critical infrastructure resilience, the delivery of essential services, the financial health of local governments, and the health and wellbeing of BC communities.

MFA's Focus on Impact Potential -

Manage material risks while contributing to Members' Climate Action and Resilience Efforts



Overview of GHG Protocol scopes and emissions across the value chain



MFA's **carbon footprint from operations** (including upstream scope 3) is

~ 25tCO₂e/yr

(from business travel of staff and trustees and employee commute 3x/week)

BUT, when looking at MFA's entire 'value chain', our **financed emissions** are very significant.

~ 6000tCO₂e/yr from lending activities alone

These emissions are derived from the assets which also pose physical, financial and service risk to local govts from natural hazards.

Hence the focus on climate and opportunities for transformative impact for our members.

CLIMATE/NATURAL HAZARD RISKS

IDENTIFYING AND ASSESSING RISK AND FINANCIAL IMPACTS TO MFA

Cascading effects of LGs' climate-related physical risks affect MFA's actual or perceived risk related to:

Credit risk – defaults and capacity to collect directly, via joint/several, via direct taxation authority (*investors' main focus/concern is credit risk*)

Liquidity risk – cashflow shortage and refinancing risk

Market risk – change to market conditions impact MFA/LGs access to capital.

Strategic risk – increased uncertainty and changes to business model

Operational risk – business continuity and ability to serve members (in the case of a natural hazard in the Capital Region)

MFA'S TRANSFORMATIVE IMPACT POTENTIAL AS



COLLABORATOR, CAPACITY BUILDER, AGGREGATOR, LENDER

Contributing to LGs' climate-related risk and impact identification, measurement, assessment, and management through greater:

Collaboration between BC LGs, Prov ministries and initiatives, standard-setters, public sector orgs and utilities, academia, and MFA and other LG-adjacent/serving NGOs (i.e. MIABC, AMBC, CEA, ICLEI, FCM)

in order to increase MFA's, LGs' and LG partner orgs':

Competency via skills training, improved clarity in guidance, process, sequence and timing of priorities, and science-based research, data and information

Capacity via access to contextually-relevant resources (disaggregated, common and accessible core datasets and tools – data visualizations guides, measurement tools and templates for assessment and reporting)

Capability via access to implementation funding for resilient infrastructure/communities, and affordable/sustainable service delivery in the face of growth/densification, climate change, and the regulations (and imperative) for sustainable land use and decarbonization.