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TOP TEN LIST

for *Roadmap for Investing in Canada:
Indigenous Investment in ESG*



**FIRST NATIONS
MAJOR PROJECTS
COALITION**

The First Nations Major Projects Coalition Indigenous Sustainable Investment Conference, challenged participants to imagine a better future for Canada, the economy, Indigenous peoples, and our non-human relations. As we move away from what was previously business-as-usual in Indigenous lands, we are starting to challenge how globally-defined ESG standards need to consider the Canadian reality of Indigenous expectations, realities, and requirements on the long term success of major project investments. The conference contributed to the growing collective understanding of the two trends of Indigenous equity investing and the rise of global ESG standards. The focal point of this conference was at the confluence of these two trends: putting the “I” (Indigenous) into ESG. The conference successfully addressed both the opportunities and challenges for Indigenous nations and investors alike in Indigenizing approaches to ESG implementation.

Emerging from the conference was a roadmap for investing in Canada, and, in particular, Indigenous investment in ESG.

“Investors are increasingly basing their investment decisions on the strength of a company’s ESG strategy. And many stakeholders, in addition to rights-holders, are demanding a sharp focus on ESG. As a result, companies have to think long term, and build resilience and sustainable business models. That’s why ESG should be approached in a holistic way, it needs to be embedded in an organization’s culture, dealt with as a priority at the leadership level, be cross-functional, and be seen as an opportunity for stakeholder engagement, right-holders participation, as opposed to just shareholder’s engagement.”

- Radha Curpen (Managing Partner, Bennett Jones)

THE ROADMAP FOR INVESTING IN CANADA DISTILLED INTO 10 KEY POINTS:

1 There is a need for Indigenous investment capital.

The Indian Act prevents Indigenous use of their assets as collateral, causing lenders tend to assess Indigenous governments and businesses as higher-risk borrowers. This in turn creates a difficulty for Indigenous nations raising capital because of the high interest rates then applied by lenders. Given this barrier to market entry, Brian Baarda (CEO, Peak Renewables) stated that it is important to now identify “opportunities where First Nations can get some equity into a project... because typically they’re not sitting on a lot of money [to help] bring an idea like this to fruition.” Going forward in Canada, additional support could potentially include (1) an Indigenous Infrastructure Bank that provides debt to projects and is led [by] First Nations, and (2) a Canada loan guarantee for an Indigenous equity purchase into a major project that is happening within their territories.

“We know that across the country there’s not a consistent ability to access equity for First Nations, Métis, and Inuit communities.”

- Hillary Thatcher (Métis, Senior Director Indigenous Infrastructure, Canada Infrastructure Bank)

2 It is important that projects fit with Indigenous Nations' existing goals and values.

Concurrent with the ESG movement, Indigenous nations and peoples in Canada and around the world are accessing and deploying an increasing amount of capital to projects in a way that reflects each Indigenous nation's community values and goals. There is a fundamental and vital importance of project proponents to engage with Indigenous nations/communities early on or even before project formulation. This measure affords projects a higher probability of success by aligning potential projects with where an Indigenous nation/community is already headed. The rationale for this early, meaningful engagement is two-fold. For one, companies, project proponents, and/or investors may simply not be able to operate in Indigenous lands if they do not take the necessary steps to get it right.

"There is a growing appreciation of the breadth of sustainability disclosure that is required. Businesses need to retain the consent of society - a social license - to be allowed to operate, to innovate, and to grow. When ESG factors are mismanaged, that social license can be suddenly withdrawn, damaging relationships with communities, customers, employees and suppliers, destroying reputation and financial value, potentially terminally."

- Mark Carney (Vice Chair, Brookfield Asset Management)

3 There is a need for Indigenous capacity support.

There is perseverance and sophistication among Indigenous communities in regard to business, striking deals that advance community goals, and centring Indigenous leadership and communities in how project deals are structured. Beyond securing the capital for Indigenous nations to become equity partners in projects and infrastructure, many Indigenous nations benefit from additional capacity support. While each Indigenous nation and community will define their own degree to which they seek outside capacity input and support, ESG-conscious investors and proponents should at least expect to put financial supports in place to bolster Indigenous planning, capacity, financing, and legal advising.

"It starts with relationships, and where there is a good sense of trust. Any community that works hard, but also understands that the game of business that you need to have people that are qualified and have the background, the educational background and the business background of being able to make these deals....Don't be afraid to hire the help that you need... to work for you. In order to get in the game you have to get in it... You play to win. The hardest part is to sustain that win."

- Chief Terry Paul's (Mik'maq, Membertou First Nation)

4 The very nature of this FNMP conference, and in particular the unprecedented participation from private sector, public sector, and Indigenous nations, is a testament of the degree to which Indigenous nations and Indigenous thought-leaders are, in real time, influencing both public and corporate policy.

This influence is a positive one and is one that moves the dial on Indigenous values within ESG and public policy that enables Indigenous economies, and in turn, the entire Canadian economy. It is clear that Indigenous advocacy, rights, reconciliation, and business acuity is influencing the forefront of ESG investing is well underway. The development of corresponding corporate policy is dually being influenced by Indigenous nations and thought leaders

"Every dollar we invest in infrastructure has to grow our economy, create jobs, and make us more competitive. It needs to fight climate change and build more resilient communities, and it needs to reduce social inequality and ensure a better life for all Canadians including First Nations peoples."

- Hon. Catherine McKenna (Minister of Infrastructure and Communities, Government of Canada)

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Indigenous investment capital is required early on in the development of major projects.

While we are seeing investment vehicles for projects completed or near completion, Indigenous investment capital is required pre-environmental assessment. First Nations want to be involved in the design and construction of a project, and Indigenous involvement should take place much earlier in the regulatory process. The rationale for this early, meaningful engagement is two-fold. For one, companies, project proponents, and/or investors may simply not be able to operate in Indigenous lands if they do not take the necessary steps to get it right.

“We want to be part of our economy, we want to be a part of that sustainable growth within our traditional territory.... We have come a very, very long way in terms of our share and our say in our community and how the development of how our resources are utilized....as partners, not as stakeholders...economies existed between First Nations communities prior to contact. These components of this make up of this ESG is essentially our cultural knowledge and our ties to our traditional territory.”

-Chief Crystal Smith (Haisla, Chief Councillor; Chair, First Nations LNG Alliance)

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Both investors and Indigenous thought-leaders are observing a sea-change in the investment landscape when it comes to Indigenous-led equity investment.

Concurrent with the ESG movement, Indigenous nations and peoples in Canada and around the world are accessing and deploying an increasing amount of capital and equity investment in major infrastructural and other projects.

“Indigenous peoples are taking the seat of the economic table of this country that has been denied to us for so many years. It is time to design the role of Indigenous peoples into the economy of this country.”

- Carol Anne Hilton (Hesquiaht; CEO & Founder, Indigenomics Institute),

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Globally, the “E” in ESG is arguably garnering the most focus and attention as the climate crisis threatens the planet, living things, and people.

In the context of ESG investment standards, environment (E) refers to a company’s environmental impact such as resource depletion, climate change, waste, pollution, and water use. However, the most cited environmental matter at the FNMPC conference was climate change. Honing in on climate change from an Indigenous perspective begins with recognizing that “First Nations are uniquely effected by climate change” (Councillor Joey Wesley, Lax Kw’alaams). Further, the worldview of thinking about ecosystems, and how they will support life and future generations far into the future, are already fundamental to the multi-generational mindset of Indigenous nations around the world.

“What kind of legacy are we leaving behind in these communities – not just training and job opportunities and revenue streams, but what kind of legacy will the environment be in when your mine is done or your logging is done? That’s what we care about as First Nations people and that’s what I care about as a leader of my community.”

- Chief Willie Sellars (T’exelc; Indigenous Business and Investment Council)

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The very formation of ESG standards was done in the absence of Indigenous input, and therefore this standard as a whole has much to do to catch up in this regard.

Many factors that contribute to meeting this new bar/standard for Indigenous equity ownership investments, which dovetails with the foundation of ESG investing. The overall growth of ESG adoption globally is catalyzing a growth of new opportunities for Indigenous nations as investors, proponents, or partners in projects.

“The problem is that Indigenous peoples rights and interests, particularly in Canada, have not been included in [ESG] standards. So the question then comes: how does an institutional investor evaluate whether the ESG compliance includes Indigenous rights, perspectives and concerns? How can they make an approval of that investment, either yes, or no? That’s the crux [of this issue].”

– Mark Podlasly (Nlaka'pamux; Director of Economic Policy and Initiatives, FNMPIC)

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The obvious place for Indigenizing the “G” in ESG is significant Indigenous representation at corporate levels, including in particular, Indigenous women.

The rationale for Indigenous representation at the board level is to make sure Indigenous values are respected, that Indigenous principles are respected, and in particular Indigenous protocols. “Protocols are our institutions...[and are] how we do things, prior to European contact.” Donald Deranger (Dene, Board Member, Cameco).

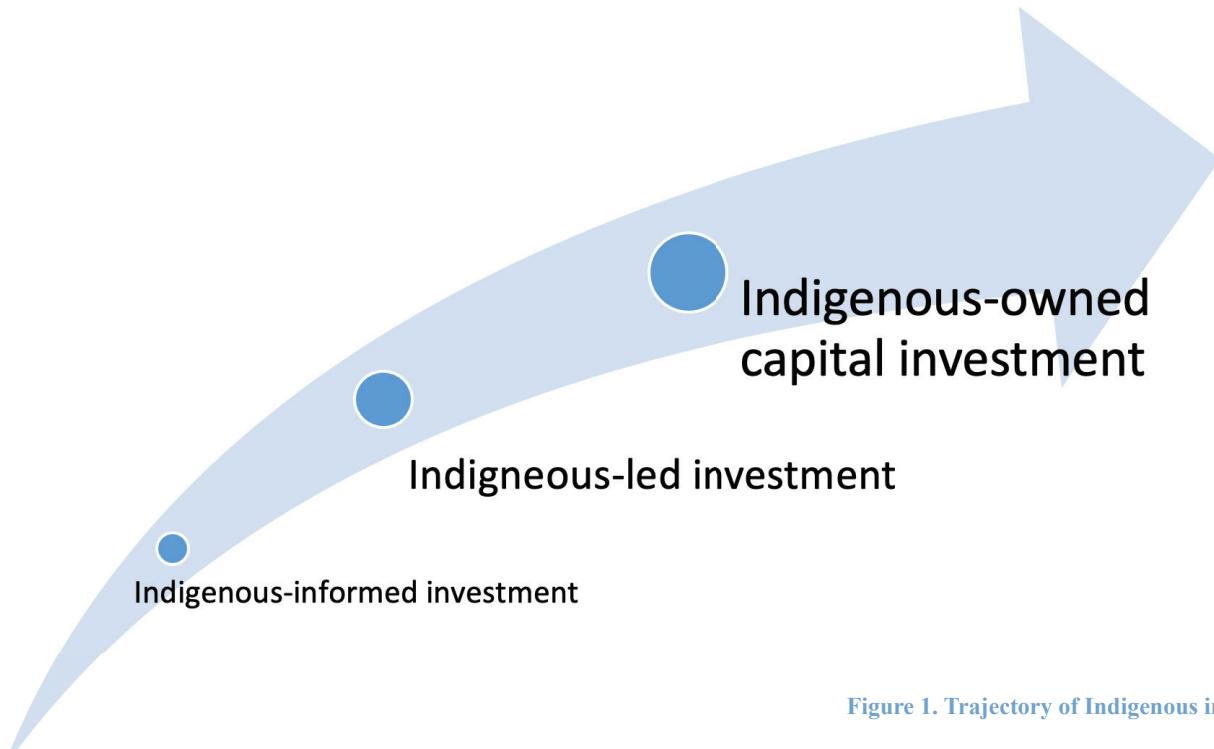
“It’s clear that there’s an underrepresentation of Indigenous peoples on boards in Canada. There are more and more Indigenous people who, I believe, have all the skills, talents and experiences to be on boards... More and more corporations need that talent... Getting Indigenous people onto boards of directors is not the endgame for Indigenous engagement. I think it’s just the start.”

- Keith Martell (Cree, Board Member, Nutrien)

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Perhaps the most notable emergent topic at this FNMP conference was that of a new Indigenous investment paradigm.

Tabled by Jeff Cyr (Métis; Managing Partner, Raven Indigenous Capital Partners), a new investment paradigm puts into question traditional investment methodologies, typically guided by an economic bottom line. This new paradigm can be viewed as part of an evolution in Indigenous investing (Figure 1). This new paradigm of Indigenous investment is complimentary to ESG investing, but not dependent upon it. As with so many of the challenges faced by Indigenous peoples in the past, Indigenous innovation and ingenuity, regardless of outside support, or lack thereof, has been key to survival



“Indigenous integrity, of how and where does our Indigenous integrity show up in negotiating and closing a deal. In particular, it’s making sure that our values define how we approach the construction of the equity in the deal, what impacts our liquidation measures, our exits, our board structures, the ownership and control provisions that we negotiate with the Indigenous founders for the investment into their companies.”

-Jeff Cyr (Métis; Managing Partner, Raven Indigenous Capital Partners)