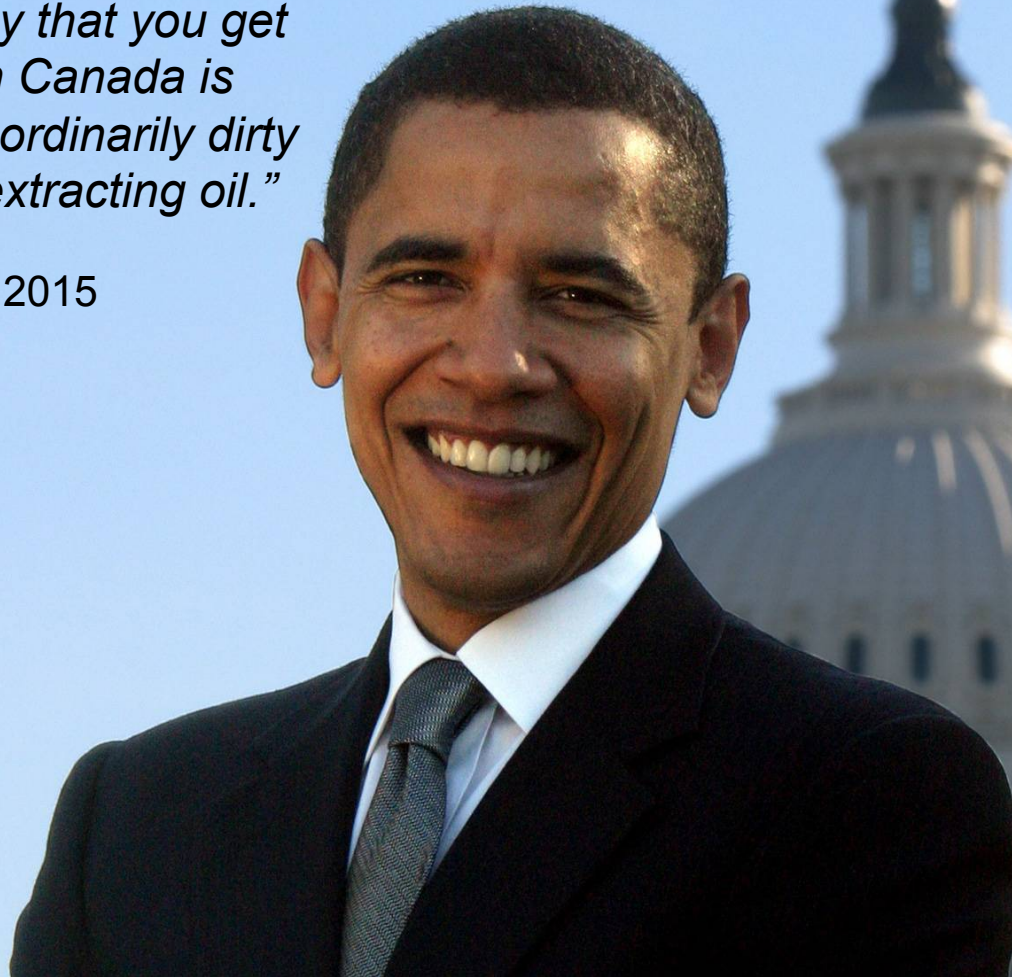



*“The way that you get oil out in Canada is an extraordinarily dirty way of extracting oil.”*

March 6, 2015



A landscape photograph showing a dry, brown field in the foreground, likely a plowed field or a field with dead vegetation. In the background, there are rolling hills with some green grass. The sky is filled with large, white, fluffy clouds, and the overall lighting suggests a bright, sunny day.

... “Obviously, there are always risks in piping a lot of oil through Nebraska farmland and other parts of the country”



# The Canadian Retort:



Unlike Venezuela, Canadian oil comes from a stable political source and an ally.



Photo by: Canadian Geographic

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**“Extraordinarily Dirty Oil”**

**vs.**

**Mountain Top Coal Mining?**

# Mountain Top Mining – West Virginia



Photo by BBC News

# The New York Times – March 2015

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PNC Financial has joined a growing list of financiers in the United States that have “distanced themselves from coal companies involved in mountain top removal.”

The list already includes:



...and others.

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**Harvard University Endowment divesting  
shares in oil companies**

**vs.**

**Coal extraction companies having their  
access to banks restricted**

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**Extraction is capital intensive and  
reducing access to funds can be  
meaningful.**



The slide features a white background with numerous red maple leaves scattered around the central text. The leaves are of various sizes and orientations, some appearing to fall from the top left and bottom right corners towards the center. The text is centered and reads: 

# **What are Canadian Banks Doing?**

# Example – Bank # 1

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## Support our clients in understanding and mitigating their environmental and social risks

- **The bank will:**
- assist clients in understanding and mitigating the environmental and social risks associated with their business operations in a manner that is practical, cost effective, environmentally beneficial, and that helps to reduce risk for both the client and the bank;
- support transactions and business activities of qualified parties intending to reduce emissions of greenhouse gases, improve water quality and availability, improve urban environmental sustainability or facilitate adaptation to climate change;
- not engage in new financing activities with corporations operating unsustainably in tropical rainforests, High Conservation Value Forests or UNESCO World Heritage Sites.

## Example - Bank #2

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**The bank has established policies, procedures and reporting mechanisms to identify environmental and social risks. The bank does not finance transactions relating to the following:**

- Activities within World Heritage sites.
- Activities that would result in the degradation of protected critical natural habitats as designated by the World Conservation Union classification and International Financial Corporation standards.
- Activities that would involve the purchase of timber from illegal logging operations.

## Example - Bank #2 (con't)

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- Mountain top removal coal mining.
- Production or trade in wildlife or products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).
- Deals that directly relate to the trade in or manufacturing of material for nuclear, chemical or biological weapons or for land mines or cluster bombs.
- The bank does not lend money for transactions that are directly related to the mining of “conflict” minerals.



## Example - Bank #2 (con't)

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- As a signatory to the United Nations Principles for Responsible Investment (UNPRI), the bank is committed to integrating environmental, social and governance (ESG) considerations into its investment decision-making process.
- As part of its UNPRI commitment, the bank publishes an annual report summarizing how the principles have been implemented and the progress so far. The bank adopted its Sustainable Investment Policy in 2009 and applies ESG considerations to all of its investments.

# Why are banks moving in this direction?

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- Banks are “customer facing” more than the mining industry and have responded to pressure to demonstrate “social responsibility”.
- It manages business risk.

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# Customer Facing Businesses

# Canadian Oil Sands – Google Earth





# Mountain Top Mining – Google Earth



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# **Managing Business Risk**

## **A Mutual Objective**

## **Davis-Franks Harvard Kennedy School Study, 2014**

**“The most frequent costs [of Company-Community conflict] were those arising from lost productivity due to temporary shutdowns or delay.**

**For example, a major, world-class mining project with capital  
*expenditure of between US \$3-5 billion will suffer  
costs of roughly US \$20 million***

**per week of delayed production in Net Present Value (NPV) terms,  
largely due to lost sales. Direct costs can accrue even at the exploration  
stage (for example), for the standing down of drilling programs.”**



# **Staggering costs of delay caused by matters of the environment and social license**

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The cost of delay resonates through the recent landmark decision from the Supreme Court of Canada in

## ***Tsilhqot'in Nation v. British Columbia***

where the Court effectively revoked a logging license after a decade-long court battle that included a trial spanning over 300 days and two appeals to higher courts.



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## **Bank # 1 wants to focus on:**

**“Business operations . . . [that are] practical, cost effective, environmentally beneficial, and that help to reduce risk for both the client and the bank.”**

- 
- **The banks' Corporate Social Responsibility mandates should NOT be viewed as a list of restrictions (unless you are in the mountain top coal mining business).**
  - **The mandates provide an opportunity to leverage your CSR efforts.**