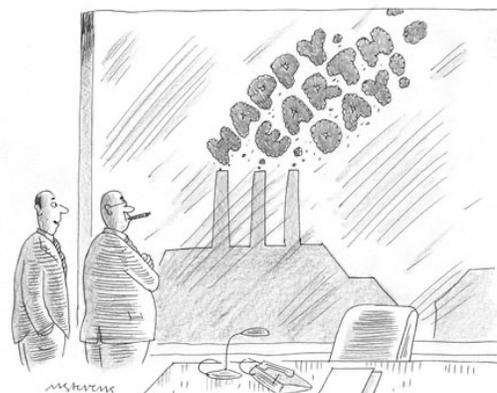


Telecommunications giant Telus won investor support for its ambitious environmental goals by selling \$750 million of bonds on Monday that pay a low interest rate if the company cuts greenhouse gas emissions, but a much higher rate if it misses its goals. This marks a first in Canada, and has ushered in the era of sustainability-linked bonds or SLBs. Unsurprisingly demand for this kind of debt far exceeded supply and Canada is expected to see a wave of SLBs hit the market, following in Europe's footsteps where \$44 billion of SLBs have been issued over the past ten years.



"It was the P.R. department's idea."

The new Telus debt pays 2.85% in annual interest over the next 10 years, significantly lower than the rate the company would pay on a traditional bond. Telus estimates it cut borrowing costs by six basis points through its SLB, translating into a \$4.5 million savings over the next ten years. However, if Telus fails to hit its goal of reducing greenhouse gas (GHG) emissions by 46 per cent by 2030, the interest rate on its bonds risks a full percentage point to 3.85% after that date. Missing its target would increase Telus's borrowing cost by \$7.5 million.

Telus's GHG emissions will be independently audited, answering critics' concerns that the company would simply declare its objective to have been reached, without actually having done so. This independent oversight has received an endorsement from Sustainalytics, an Amsterdam-based ESG firm, which confirmed the company's approach aligned with international standards for sustainability-linked debt.

The key word here is *aligned*, and this is capitalism at its best. As has been written here many times previously, harnessing the power of the capital markets to align interest of bond/share holders (those who own the securities) and stakeholders (those that don't), create a win-win where two principle objectives are met at once: an attractive return for those who choose to invest in SLBs and a greener planet. What was seen as two conflicting interests are now understood as compatible.

Other Canadian companies are expected to follow Telus's lead by issuing SLBs, and earlier this month Calgary-based Enbridge Inc. filed for what's expected to be the first SLB offering from a North American pipeline company. In addition to targeting a 35% reduction in GHG emissions by 2030, Enbridge has set targets to have a board of directors that is 40 per cent female by 2025. After a year of due diligence, I made the decision to add Mackenzie Investments Global Environmental Energy fund <[here](#)> into our investment portfolio. This green energy position seeks to both steer us towards a more sustainable future, but also provide great investment opportunities. I will be reporting back to you on whether Telus's SLB is a holding in this fund in a later **Around the World** blog posting. Stay tuned!

Be safe, be well!

Martin

1-519-546-5088