

## Investing in Change: Tracking Carbon Neutral Transcript

Dan Barclay: Good day, Dan Barclay here, CEO of BMO Capital Markets, and a proud sponsor of Bloomberg Sustainable Finance Week. I'm here today with Michael McCain, CEO of Maple Leaf Foods. And we're here to here today to talk about sustainability. Michael, perhaps first, you can take us through your philosophy, as you've moved forward and thought about sustainability, for Maple Leaf.

Michael McCain: Thank you, Dan it's wonderful to be with you, again. So in short, Maple Leaf has adopted a very purposeful, a commitment to the role of sustainability in our enterprise. It's rooted in the belief system around shared value, combined with some strategic imperatives that are important to the growth of our business and the role that sustainability plays. And we've defined our vision as an organization to be the most sustainable protein company on earth, and as a result of that, we think the essence of sustainability defined broadly, and by the way, into all elements of our business strategies and our day to day activities. So it's fundamental to the organization that we that we serve.

Dan Barclay: And Michael, maybe can bring a little of that to life, when you think about baking it into your entire business, maybe you can give us an example of where you've, you're putting sustainability in.

Michael McCain: Well, first of all, the broad definition is important in the sense that we, we've broken it out into four pillars, we believe that a sustainable enterprise, beyond the obvious of financial sustainability, you know, occurs with, with better food, better care over the animals in our stewardship, a better planet or planetary commitments that we make, and also the role that we play in the community. So we have very specific initiatives to advance all four of those major sustainability pillars, and very concrete actions attached to each, I probably would bring the most focus today on, you know, our environmental sustainability commitments. We started some five years ago with very aggressive goals and objectives to reduce our footprint by 50% by 2025. We're well on the way to accomplishing that, I think we've got somewhere in the vicinity of 24 - 25% reduction, since we made the commitment. But we actually doubled down on that in 2019, by doing two things. The first is we signed up at the time as one of only 290 companies around the world for science based targets, to establish new absolute targets to 2030 that were validated and, and approved by the science based target initiative 290 companies around the world that made such aggressive commitments. And secondly, we became the first large scale food company in the world, and I say food company, not just meat company, but food company to become carbon neutral now, not sometime in the future, but, but now when we felt that that was an important, important commitment, aligned with our overall purposeful journey of becoming the most sustainable protein company in the world. So we've got a broad range of initiatives, those two and environmental commitments certainly stand out right now, but we've got across the full array of what we've done. Finally, I would say it does impact on many of the non obvious things that we do, in Maple Leaf, not the least of which is the project you and I

worked on, to convert our financing package to sustainable finance. And so that, I think, is also an illustration of how it's baked into most everything that we do these days.

Dan Barclay: Let's go back a little bit, Michael, in terms of you achieving carbon neutrality, I presume that was quite a bit of work on behalf of Maple Leaf, what were kind of the key planks that you work through to achieve that.

Michael McCain: Well, first of all, we you know, we follow the model that most environmental stewards would advocate which is, which is a very simple progression from avoid, reduce, recycle, and then finally offset. So, you know, we have a range of, you know, micro projects across the organization to avoid emissions in the first instance, and reduce our emissions where, where we where we possibly can, as I mentioned a moment ago, we've had 24 - 25% in the last five years, we've set ambitious goals for the next 10 in absolute terms, not in, not in intensity terms. So that makes them even more aggressive for an organization that also intends to grow. It's involved capital commitments along the way to improve efficiency and everything from our manufacturing efficiency in emissions from our manufacturing sites. But it also involves progress in, in some really advanced technologies around agriculture, things like regenerative agriculture, and applying our components of regenerative agriculture today and in the future in our operations, and because we go right back to the farm, deploying technologies like anaerobic digestion, to convert methane into actually renewable fuel source. So there's a lot of components to this, there will always be in an organization like ours, a tag end of emissions and against that backdrop, we've also acquired, just to compensate for that in the near term to get us to full neutrality, now, a portfolio of offsets. But you know, you, we both know that the world of offsets is a bit of a wild west, so we set very, very high integrity conditions around what those offsets would look like they had to be local, they had to be new vintage, they had to be inside our industry, they had to be all verified, fully verified, as such, so we've got a very high integrity set of offsets portfolios that deal with the tag in. And the interesting part at the end of it, Dan, is that it creates this virtuous cycle almost like an internal carbon market, the more we reduce our emissions, the more we save in, in our investments in offsets. And that's, that's the cool by-product.

Dan Barclay: I compliment you, because when I think about the robustness of that program, from you know, as we would call it here, end to end, thought process, and then putting that together to arrive at a total package around sustainability, and meeting one of your four pillars, as you highlighted earlier. I wanted to transition to a conversation around the world's first sustainability linked loan in Canada. BMO and Maple Leaf partnered on that, I thought maybe we'd walk through why that was important to you to create that sustainable finance loan, and then the approach you took around the targets and how you're going to meet.

Michael McCain: Well, the, the attractiveness for us is, is the beyond the obvious that it connects directly to our to our vision statement, our purposeful journey as an organization around sustainability is that it is that you made it very clear to us, Dan, that it was a win win for the Maple Leaf organization and BMO. In that we had a financial break in the there was a there was a slightly lower cost of the financial package that was put before us in sustainable finance, provided we made certain commitments around improving our financial our sustainability footprint. So we went through the process of agreeing on what those commitments that we would make in order to get the financial benefit of that sustainability linked loan. There they are their commitments that align with the science based target commitments that we that we've made as a general organization. So we feel confident in making the targets, we also feel confident in making the commitments to you that we intend to reduce our footprint by that amount in and then we get the financial gain of offsetting that of, you know, lower cost of Finance. So really was, you know, win, win, win, I think demonstrated and really appreciate the fact that, that your organization led this and brought it to our attention.

Dan Barclay: And I think, just to add some commentary to that on the win win. As you're aware, Michael, we put together a \$400 million commitment to mobilize capital in sustainable finance. We view ourselves as wanting to be one of the leading voices in the transition of change, to take us to a place with a better world. You can define that around ESG. So both environmental, social and governance. And this was a key link for us and demonstrating to the marketplace how we want to mobilize capital around our sustainability agenda.

Michael McCain: Well, you certainly, you certainly delivered that for us, and we really appreciate it.

Dan Barclay: We're very excited by the progress that we've made this year. Very interesting development for you as a company as you started to embrace plant based food. Maybe you can talk a little bit about the backdrop to that, the why and I think it fits into your shared value thesis that you explained earlier.

Michael McCain: Well, it does, I mean it certainly is linked to the to the thesis of sustainability in the sense that, you know, the world needs a more balanced profile in protein consumption. That doesn't mean that the meat industry is going away, but it means consumers have said that they want to eat more protein, and in pursuit of more protein, they want a more balanced diet. So it's certainly fit our sustainability agenda, but there's also a tremendous commercial opportunity. So we started our investment process about five years ago. And, and we're on a we're on an incredible journey to support that business, or maybe.

Dan Barclay: Well, Michael, I think I'll wrap up here that was an outstanding discussion about your commitment to sustainability. I was very encouraged to hear about how company wide it is, how embedded it is in your values, and how now you're delivering on your purpose. So Michael, thank you for your time.

Michael McCain: Thank you, Dan. Wonderful to be with you again.