# Sustainability Outlook: May 6 Transcript

Michael Torrance: Welcome to "Sustainability Leaders." I am Michael Torrance, Chief Sustainability Officer with BMO Financial Group. On this show, we will talk with leading sustainability practitioners from the corporate, investor, academic and NGO communities to explore how this rapidly evolving field of sustainability is impacting global investment, business practices and our world.

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Michael Torrance: Today we're going to have a special episode to talk about the COVID crisis and its implications for sustainability. I'll be speaking with a group of BMO sustainability experts to consider how the global challenges presented by the COVID pandemic will impact sustainability strategies into the future and in particular the world of sustainable finance and investing. I'll be joined by three of my colleagues: Jonathan Hackett, Managing Director and Head of Sustainable Finance at BMO. He's based in Toronto. Manju Seal, who is Head of Sustainable Finance Advisory Work at BMO. She's based in New York. And David Sneyd, VP and analyst with the Responsible Investment Team of BMO Global Asset Management in London. Before we get started, let's consider where we are and what we've seen already. The COVID pandemic has been unprecedented in terms of its scope and the rapid severe effect it has had on personal well-being, community well-being and on the real economy. We're living through very challenging and unsettling times with unprecedented speed and severity of its global impacts, including particularly for businesses, many of which are facing existential questions they've never had to consider before, and many are even struggling to stay afloat. With such severe social, economic and financial impacts, those of us in the sustainability field are actively questioning and thinking about what sustainability and sustainable finance and investing means and should mean in this time of global crisis and what it will mean afterwards. Understandably, business continuity and immediate approaches needed to protect employees, stay in business and keep customers safe and secure are rightly the focal point of business strategies right now. These questions have to be answered with great urgency. It's easy to think that sustainability strategy on topics like climate change, for example, will take a back seat in these circumstances. On the other hand, sustainability is fundamentally about demonstrating the ability of business and society to endure over time and, beyond that, to positively impact environmental and social outcomes. It's really about resilience and impact at its core. It's about understanding a company's social purpose, namely why and how the business makes society better and therefore should maintain the support of the society in which it operates. It's also about maximizing positive impacts and mitigating negative ones in concert with stakeholders like employees, communities and civil society to achieve global goals that no one jurisdiction can achieve on its own. In the COVID pandemic, we see sustainability principles in action perhaps more than ever. There are many examples of positive social impact, from companies taking exceptional approaches to protecting the health and safety of workers, enacting ethical pricing strategies, providing relief to hard-hit consumers and business partners, supporting communities with products and services, preserving supply chains and providing critical infrastructure needed to assist health care and government programs to achieve their goals. Leaders in the banking industry, for example, including our own bank, BMO, have stepped up in a number of ways, supporting the delivery of government support programs, launching comprehensive relief programs for small business and individuals, allowing mortgage-payment deferrals and also taking extraordinary steps to protect workers while remaining operational to provide essential services to communities. The COVID crisis, from a sustainability perspective, is really then an opportunity to put social purpose to the test, and there will also be reputational implications for this response effort. Stakeholders are watching how businesses respond and how they demonstrate their positive social impact and do their share and support the COVID response efforts. Memories are likely to be long about how well or not well this is done. So where are we headed, and what role in particular will sustainable finance and investment play, both during and after the COVID pandemic? Pre-pandemic, sustainable finance and investment had been on an incredible growth phase, developing new and innovative ways to provide capital for sustainable-development, goal-aligned initiatives and investment to address pressing sustainability challenges like climate change. The question becomes, has COVID interrupted this trend, or are we on the verge of a surge in this type of activity targeted at social and environmental challenges both COVID-related and beyond? These questions will be the focus of today's podcast, so let's now turn to our expert panel to get their take on this new world we are living in and the implications for sustainability and, sustainable finance and investment. Jonathan, I'd like to start with you. First of all, can you describe for the audience what your work at BMO entails?

Jonathan Hackett: Sure, so my role is really around mobilizing the bank towards sustainable finance and finding ways that we can build connections across the different parts of the bank that have already been working in this area, so that really takes on, one, working with the different businesses to help them develop and deliver products that integrate sustainability, two, working directly with our clients on how they can pursue sustainability opportunities and how they can understand the impact of ES&G on how investors view them and their businesses, and then the third part really is the overseeing our impact investment fund. That's a $250 million venture fund that the bank created to identify and help to scale up solutions to our clients' sustainability challenges. Lastly, there is work that we do around cross-functional efforts to focus on efforts in tree planting, sustainable and affordable housing and where the bank can really catalyze those industries.

Michael Torrance: So, Jonathan, some people believe that ESG and sustainability strategies are kind of luxuries, if you will, that companies and investors should be setting aside during a crisis like this. But others are pointing out that the real focus actually with respect to COVID-response strategies by businesses and governments is around social impact, and there's an opportunity for companies to focus on social impact in their role in supporting the COVID response. From your vantage point, what do you think the market has in store for sustainable finance? Do you think COVID will be a setback, or does it actually present new opportunities?

Jonathan Hackett: I think it's going to be a learning opportunity for a lot of people to see how sustainability and ESG really plays out, not just in, you know, a run-rate environment, but in times of stress. As people think about treatment of employees, normally that's about pay packages. That's about working environment. That's about health and safety. In an environment like this, it really translates into the trust that you built with those employees. If you need people to show up to work because they're essential to your operations and you're providing an essential service, how you've treated them in the past is really going to play into that. We're going to see companies really reaping the rewards or the penalties of their prior investments in ESG factors. I think, on the other hand, in terms of people's investments, there's really going to be a question around the near-term versus long-term nature of ESG and where we see people potentially putting aside their focus on ESG to pursue near-term value, and I don't think that's necessarily a major setback for ESG. It's always been a longer-term perspective, and trying to say, "How am I going to be rewarded on a very short-term basis?" is very difficult, but I think we're going to see on the short term people potentially moving out of ESG-related investments and into near term just capitalizing on opportunities where the risk-return payoff is greater given the volatility in the market.

Michael Torrance: The COVID pandemic response has been likened to economic mobilization that happened during the world wars, and there are businesses talking about doing things that are, you know, really unprecedented like retooling their business to meet new and COVID-focused needs for masks, to gowns, to ventilators. Do you see there being a potential role for sustainable finance to play to make this type of response possible?

Jonathan Hackett: Yeah. I really do. I think this is one of those areas that, you know, as we talk about sustainable finance, sometimes it can feel like it's all about labeled products or, you know, things that have a certain stamp of approval. This is where I would say it really falls squarely into a long tradition within banking of supporting people doing extraordinary things and providing the finances to really help them achieve those goals. And that's where, when we look to our clients in those situations, people that are making those investments to retool their operations to pursue near-term needs that society has, we're worrying less about, "is that a social loan?" Could they do a social bond? And more just, how do we bring those resources to them? In the end, I think it'll be something where we will have done a lot of sustainable financing, but that's really where I think the connection to the bank's purpose comes in, where everybody is pursing that under a label of BMO of "Boldly Growing the Good in Business and Life," and whether or not it's captured in a final number or in our tracking and sustainable finance is going to be a different question that really is put to the side as we focus on just, what can we do for society in the near term?

Michael Torrance: Thanks a lot, Jonathan. Let's turn to you, Manju. Can you describe your role at BMO and the work that you do in the area of sustainable finance?

Manju Seal: Sure, Michael. So my role today in capital markets is primarily collaborating with our bankers internally and our clients externally, and this means applying our bank's one-bank approach to its corporate and institutional clients and bringing relevant resources together for helping them incorporate environmental, social and governance criteria into their investment considerations. And I especially engage with clients in identifying solutions around green or social-bond underwriting and other sustainable-finance products and help them grasp what the issuance mechanics will look like for them. And beyond that, I also lead our thought leadership for sustainable finance, and being on BMO's sustainability council as well as cohosting our BMO "Sustainability Leaders" podcast series has also been great in the past year.

Michael Torrance: Well, with your work with clients and just monitoring the activities of the market, what can you tell us about the impact that the COVID-19 outbreak has had on the sustainable-finance market, in particular with sustainable-debt issuance? As I mentioned, there's been huge growth over the last several years, but has this been put on pause? And also, are you seeing any new innovations that have come out of this crisis that are noteworthy?

Manju Seal: So I think it's worth taking a quick stock of what happened in sustainable-finance world last year. A new record was set in 2019 where sustainable debt globally hit a record issuance, and it was a total of about $465 billion which was 80 percent higher than 2018. Sustainable debt issuance cumulatively by the end of 2019 hit about $1.2 trillion, which obviously then fueled the insatiable, the growth of the demand as you might want to call it, of sustainable investments. So there is a consensus for the most part that there is a greater demand than supply today, and the products that fueled this push were primarily green bonds, sustainability bonds, social bonds, green loans, transition bonds, there were a few of them, sustainability-linked loans and then finally sustainability-linked bonds. And then, within this product suite, if you will, the green bonds and sustainability-linked loans have been most talked about since especially last year, I would say, and they've come to market in great numbers. And if you wanted to look at the numbers real quick, green bonds, there was roughly $270 billion in issuance. Sustainability-linked loans, there was about $122 billion in issuance worldwide. Sustainability bonds were up $346 billion, and then against this backdrop, when you look at social bonds, there was only a trickle, about roughly $16 billion in issuance last year. So what I would say is that overall there was a great rise and demand for sustainable-finance products, but social bonds really didn't get a lot of notice or attention, if you will. Now if you think about this year, 2020, in the first quarter itself, we have seen that there has been roughly already $13 billion in issuance of social bonds, which is remarkable compared to what happened last year, and when you look at March 2020 when the pandemic really became worldwide with 200 countries being affected, what we saw was that social bonds became the fastest growing sustainable-finance product. Actually, if you look at as of early April, there has been $16 billion issued for pandemic-related sustainable bonds. Officially, there were about 12 deals, and of these, about 10 of the 12 deals came primarily from development banks, and there was one corporate issuer, and there was one sovereign issuer. And I think it's worth looking at some of these issuances that have come to the market. So when you look at this variety of pandemic-related bonds that have hit the market, African Development Bank is the most talked about in the recent weeks where they issued a $3 billion 3-year Fight COVID-19 Social Bond. Nautic Investment Bank came through and issued a $1 billion response bond, and they have specifically talked about providing financial support to alleviate frictions to supply chains. Inter-American Development Bank came with a 5-year fixed-rate $2 billion sustainable-development bond. Council of Europe Development Bank's 7-year euro $1 billion COVID social bond was actually called a social-inclusion bond, and here they were going to help the member countries mitigate its effects. Pfizer came with a 10-year 1.25-billion sustainability bond, and for this particular bond, it's worth mentioning that they talked about using part of the bond proceeds would be used towards capital investments in manufacturing and development capacity to ensure medicines and vaccines needed. And finally but not last, EIB issued a $3 billion corona sustainability awareness bond, and this particular bond really caught my attention because the user proceeds include very clearly for the pandemic things that you would expect: medical and nonmedical equipment, works to convert facilities into emergency and ICU units, reconfiguration of health-care services as well as staff costs, vehicles and transport equipment and so on. So definitely we would say that the issuers out there, especially sovereign issuers and development banks, are full-on in shifting gears and making use of opportunities here of issuing pandemic-related sustainable bonds.

Michael Torrance: Thanks for that overview, Manju. I think if there's one clear impact that COVID is having on the market, it's uncertainty, and as you and I know because we worked on BMO's own sustainable-bond issuance, developing the sustainable-bonds program here, there's a lot of work that has to go into a labeled type of bond like that. And so considering all of this uncertainty and revised priorities, what effect do you think that that will have on future issuances considering that work is going to have to be done now? Perhaps for issuances it could take place months from now. Will there be a bit of a lag or a long-term impact of this crisis on the sustainable-debt-issuance market?

Manju Seal: So first of all, Michael, yes. The work that goes into issuing any kind of sustainable bond for an issuer is something that is to be taken seriously and needs both time and labor. But having said that, I think it's good to know that, first of all, ICMA, our International Capital Market Association, has come out and said that in the face of the pandemic that issuers need to be transparent, but they don't need to change their existing framework if they've already issued social of sustainability bond. So somebody like our bank, BMO, we have our sustainable financing framework already in place, and so if there was an issuance to be considered, one could fairly retool the framework quickly to issue a pandemic-related bond. And the second point I would like to make around this, and which I think is the most important here, the ICMA has also come out and made this additional point that the issuer should make transparent the positive social outcomes that a COVID-19 bond is targeting. So in the absence of a broader social bond framework, issuers can opt to specify how they will comply with the four core components of the social bond principles in the offering document for a COVID-19-focused social bond. So what this means is that if you are hard-pressed to come out with a COVID-19-specific social bond framework, there is a way around it which I think is terrific if given the high urgency or given the great need for these sorts of issuances to come to market. Now, to your question whether we expect the market to take a pause here, the green bond issuances obviously has come down a bit in the first quarter, we are seeing, and that should be no surprise as I think issuers are shifting gears as we talked about earlier, but whether we expect to see a dip in the sustainable-finance market, I think not. It will be quite the contrary. I think this is going to be a time for financing the repurposing of factories or, you know, the businesses that need financing through the peak of the virus based on the national, the city lockdowns we are seeing, those would also need financing, and even things like vaccine, you know, as they are being developed and production needs ramping. So there are all sorts of reasons to continue to reach out and utilize the capital markets to issue social bonds and sustainability bonds especially, so I don't expect that as the 200 countries, you know, are struggling to get through this crisis with a million and a half cases worldwide and huge number of deaths that there's going to be any kind of letdown or reduction in the sustainable-finance market.

Michael Torrance: All right. Thanks, Manju. So, David, how about your views from the responsible-investment perspective? First of all, can you tell us about the work that you do with BMO Global Asset Management and the Responsible Investment Team?

David Sneyd: Thanks, Michael. As said, I'm in the Responsible Investment Team at BMO Global Asset Management, and our role as a team is really twofold. Firstly, we research ESG topics and work within the investment teams to make sure that we can integrate these ESG risks and opportunities into their investment process, and that's all part of a bigger picture of ensuring that we can provide the best risk-adjusted returns for our clients, and ESG. It's first just taking a minute just to kind of break down the lingo a little bit, and it sounds quite technical or high-level, but actually these are real things that really affect our lives and, if anything, things that are affecting us even more right now. So environment, that would include things like climate change, or for example, it would include how a company is managing its water supply, particularly if there's scarcity there. The S stands for social. That looks at, for example, how companies are treating their employees or larger societal issues, such as data privacy or something like that. And the G, that stands for governance, so that's all about really how companies are structured in a way that makes them accountable to stakeholders and being sure that their interests are aligned with stakeholders. And in addition to doing that research, another big part of what we do as a team is really all around this idea of engagement. It's that we don't just invest, and then that's it. We just wait for the dividend, and then we buy and sell as we please, but actually when we invest, we're looking to bring regular contact and work alongside the companies in which we've decided to give capital, and that is mainly to influence and improve that ESG performance which we think in turn makes them better investments. And so that can be from either seeing where we see innovation and best practice and being sure that, like us, they're also adopting that, but also a lot of the time it involves being very reactive too, and as you can imagine, that's a big part of what we're doing right now.

Michael Torrance: That's great, and in terms of responsible-investment products and services, I know that a lot of the work that BMO Global Asset Management does is around developing ESG-focused funds, and there's a really growing market for those types of funds and that has been growing for a number of years. How have you seen ESG funds? How have they been faring in these totally unprecedented times with such a substantial and sharp economic downturn that we've seen?

David Sneyd: Yeah, great question. So it's worth saying from the off, that the ESG funds are still quite a broad church, and that umbrella can involve still quite a wide variety of strategies, so some of those could be purely exclusion-based, so it could make a decision whereby it may invest in a particular market, but actually there may be certain sectors or certain businesses that they wanted to be avoid for ethical reasons. You know, we used to very much call these the sin stocks of the world, but actually it's getting broader than that. It's areas where people don't think that a particular sector does positively contribute to society, and therefore it's wanted to be avoided. We also see those that are somewhat more agnostic about kind of what actually businesses do, and actually they want to tilt towards those businesses that have a better understanding and are doing better at managing ESG risks within their business, so they're more responsible in how they run. They take greater consideration of stakeholders. Within a sector, they are really kind of the jewels of a good ESG performance and kind of irrespective of what line of work they're in. Overall, I'd say that we've actually seen ESG funds fare quite well during the downturn. I think I would mainly point this towards two general trends. The first is, as we would normally expect in a downturn, there has been a flight to quality as part of where we're currently at, and quality management, quality balance sheet management, quality in terms of treatment of stakeholders, we think all of that is correlated with good management of ESG issues. We generally find that where there is quality management and that's reflected in how they look after the ESG side of the business, that's also seen elsewhere, too. I think the other part is, the sectoral exposure has been an advantage to certain funds that take that sort of approach, so avoiding those sectors that, for example, are the most exposed to the oil price have certainly done well. Some other areas, such as in consumer discretionary with alcohol, for example, which has been hit quite badly, again, avoiding that has definitely been a tailwind. I think, in addition to that though, there's also those that are looking to invest in opportunities and solutions, so you'll generally find the ESG funds have a tilt towards health care and pharmaceuticals because of the benefit the work that they do has on society. And so as you can imagine, those have generally seen an uptick at present, particularly those who are in the right place and very much providing either the equipment or the medication or the research that is needed right now to get us through this current crisis so I think a combination of things. We've generally seen those for quite a bit of a tailwind when comparing relative to the more conventional benchmarks.

Michael Torrance: David, you've discussed your work around stewardship alongside responsible investing or as part of that as well as your engagement with companies. How has COVID-19 affected that work, engaging with companies to promote better ESG practices?

David Sneyd: Yeah. No. That's a very good point, and I'd say in the first instance, as you can imagine it, it's changed our priorities somewhat. So our engagement program is both proactive and reactive. There are those things that we think are longer term and those things that we purposefully go out to companies, to sectors, to different markets, really looking to engage, stimulate conversation and sometimes to enact change. There are those other cases where we may see something in our portfolio or an incident happening, even if it's systemically, that we actually need to respond to and be sure that the companies in which we've invested in, how they're responding themselves, and, you know, fully accepting it. It's a really testing time for companies right now, and particularly for those longer-term conversations. I would say we're seeing a lot of those being paused, and that's not necessarily a bad thing, and we wouldn't necessarily say that was a bad decision, partly because a lot of these things that we do talk to companies about, we see engagement as a multiyear, long-term process. Very rarely is it something where you can go from raising an issue and winning trust with a company to suddenly having something changed in a short amount of time, and so as you can imagine, we have very much a lot of in-flight engagement right now, but at the same time, we appreciate that companies have more to do, and they either be firefighting, or actually there's more things demanding their time. So at the very least, we want to be considerate and say, "Let's pause this." I think even if everyone is in agreement this is a priority, we hope that it's something that can be picked up when the time is right and that we're not detracting in any way, but actually it's paused so that we can continue kind of the progressing the kind of the long-term change, and I think, from a policy perspective, we're seeing this, too. As you're probably aware, we have COP26, which was due to take place later this year, which is really going to be the biggest milestone since the Paris Agreement was originally signed. The decision to delay that is one that's generally been well-received, accepting that this is not something you want to rush. The consequences of this meeting could last for decades, and so to rush it would be a mistake. I think the other thing I would say as well is it's really a good time right now to test the mettle of companies on how much they really prioritize stakeholders. So for example, if we've had a company telling us for many years, "Actually, we very much value employees," and they very much see them as a priority and particularly the benefits and the welfare of their employees, well, actually, how are they treating them at present? Is the rhetoric and is what they say they feel being reflected in their practice right now when actually that's really, really being tested? And how are they demonstrating that, and have they shown that they're taking it seriously given the current crisis that we're in?

Michael Torrance: Thanks, David. Let's now turn to a roundtable and kind of a rapid-fire question and answer and throw it open to the group. My first question is just about the post-COVID world. No doubt the world is going to be rebuilding economically and in other ways, and there's been some discussions about what that rebuild could look like and whether it actually could present opportunities to achieve other sustainability goals. So for example, if there's infrastructure stimulus that's being planned, should it be oriented towards resilience and renewable outcomes with respect to climate change? Is there a role, does anyone think, for sustainable finance to be playing in shaping this post-COVID world, or will sustainable finance as an instrument or a vehicle be redundant in light of government responses more broadly? Maybe I'll throw it to Jonathan to start off the discussion.

Jonathan Hackett: Yeah. This is an area where we've actually been engaging with a few stakeholders on this concept of a green stimulus, and really the goal is, can we create when we're making those large spends a positive impact that skews where the country is going towards our eventual climate-related goals? And I do think this is a valid opportunity. It's something where if the government is going to make those investments, it should be doing so with a longer-term strategy that is aligned to where it's trying to go. It's also one though where we don't want perfect to be the enemy of good, and so I do think there are going to be near-term spends that may not be the exact focus of sustainable finance and that if they are the right things to keep the economy afloat, that'll still drive a positive outcome.

Michael Torrance: What about you, David? Do you think this is going to, for example, speed our transition to a lower-carbon economy, or will it be irrelevant in the end?

David Sneyd: Yeah. I think there's definitely an opportunity right now, I think, more broadly to kind of have a moment to pause and think and almost reset in some different aspirations, and we're not continuing as business as normal. I think there is some opportunity here to actually reflect on what it is we want post-COVID to look like and actually to see this as turning a corner even though it's been forced upon us and not something of our choosing. I think it was generally agreed last year and for the first part of this year, particularly on the climate-change debate, that business as normal is not something that we can just continue to do, and some are arguing that that change needs to look more recent than others, but I think we're all now in agreement. I think it's a healthy thing for everyone to suddenly accept that the world going forward from here is going to look different from that which we previously had, and I think, in that context, that's actually very helpful on the climate-change debate. I think climate change, similar to COVID-19, is something that has local implications, but at the same time, it has global influence. It's something that unites us all around the world in all the different countries in which we're in, both as contributors but also potentially as victims to the consequences of it, and so I think again, in that context, I think it can build the right framework and the right mind-set to really come together and constructively think, "Okay. COVID-19 was something that required a global response. It was something that required a coordinated response where different stakeholders in countries needed to put their own interests in the framework of a global setting," and I think that is a perfect stage in which to take the climate debate forward and hopefully to promote further action.

Michael Torrance: Manju, turning to you, how do you think globalization will be affected by this crisis and international trade, supply chains for example, from a sustainability perspective? Will increased domestication lower sustainability risks? And what about some other issues beyond globalization just in relation to global sustainability?

Manju Seal: I think there is going to be, as we are already seeing, disruptions of various kinds. There is an amplification of social, economic and, you know, to some extent even environmental problems like, wastewater systems or sewage, in certain areas, depending on how remote or low-income the community is. So, you know, we are seeing already the concerns and the effects whereby the world's most vulnerable are suffering, and, you know, whether ... It doesn't matter if you're poor in a rich country or a poor country. The poor is going to, be affected deeply. We talk about the migrant laborers who are being dislocated, and there are millions of migrant laborers around the world, which is then going to affect our food security in the coming months because as we are seeing in the news now, there is concern that there may not belaborers to pick the harvest in the coming months. And so the supply chain in a regular environment or in a regular economy when everything seems to be running smoothly is something that often is drilled down and scrutinized, but there is a risk now that there could be, for example, the dislocated workers being prone to exploitation further. So will that affect, say, the labor rights or human rights? Possibly in some parts of the world for sure. The globalization, again, is great in terms of reducing the cost of sourcing certain goods and services, but if those services cannot be provided online or remotely, then it does make it much harder. Take also education for example. We are, you know, privileged to be living ... Even though I live in New York, we are still privileged to be seeing that some of our communities are able to switch to remote or online learning, but there are, millions of students who are going to be affected worldwide that will not have access to learning now. And there is also the nutrition aspect for that, so for example, there will be students who don't have access to meals which they go to schools for. So these are all sorts of, disruption and then the negative effects of the pandemic, and when we talk about rebuilding, you know, those are again some of the areas that we'll have to look at and see how we can mobilize capital, mobilize labor and bring back things to normal.

Michael Torrance: David, let's maybe dive a little deeper into that point that Manju made around human rights, for example. When it comes to, you know, this big push to try to get supply chains functioning again, Manju raised the point about migrant labor just to have food security. I mean, there's so many urgent priorities. Would the human-rights elements of those business activities ... Are they taking a back seat in this push to achieve the goal of reopening and keeping open for business? And how are you seeing companies are continuing to monitor their businesses and supply chains or investors to think about issues like human rights? I mean, is it too much to ask in a time like this for that to remain a focus, and is this maybe an example where sustainability goals are going to be even temporarily subordinated to other priorities in these extreme circumstances?

David Sneyd: Yeah. I think we are seeing a lot of examples of that all the time. I think one I would just give off the top of my head is we've seen Malaysia provide 60 percent of the world's supply of surgical gloves given the local resource of rubber that's there. And for a long time, there's been some ... Particularly towards the end of last year, there were some concerns regarding some of the large companies there, that they were violating human rights to the point where the second largest producer was actually blacklisted by US customs over those rights. But actually now, given the necessity of the emergency and the crisis that we're in, we've seen a reverse from those who have been longstanding trying to campaign for better rights. So for example, we've seen the EU even go ahead and suggest that they should consider 24-7 production in those areas, which, again, is something, given that they were being criticized for a long time for history of forced labor and other human-rights violations just kind of shows the severity of the need that actually those objectives have changed. And again, with the surge in demand, the US has again removed the blacklisting, thereby kind of allowing more supplies into the country. I think these are very difficult questions to consider, and there are no easy answers, particularly with the competing interests, and I think one thing that we would probably focus our attention on right now is very much firstly acknowledging that these costs are being taken, and I think that is all towards serving, actually answering the question of, well, what does a return to normality actually look like here? Are there things that we are accepting temporarily? You know, a lot of people are using the sort of terminology that we are currently at war, and I think a big part of that is because sacrifice is being asked of everyone as we try to fight this thing, but at the same time, what sacrifices go too far? And more importantly, at what point do we reprioritize? We can make sure that currently what's being accepted is not the new normal, and I think that is a big part of the conversations that we're having. I think more generally we're seeing companies actually having big consequences on their supply chain, particularly as companies are looking to conserve cash right now. They're effectively pulling up the drawbridge. We've seen a real variety of practices, some good, some bad. For example, we've seen some companies go ahead and cancel orders and actually withhold paying for outstanding orders, which has caused real problems for suppliers often in developing countries who have to pick up the pieces, and often that is then, in turn, reflected on the local workers. At the same time, we have seen companies honoring their commitments and actually looking to be sure that they are wrapping these things up in a responsible way, and I guess the big picture here is that we have significant disruption now, but at some point, these companies do need to hit the restart button on their supply chains, and supply chains are complicated. They're not just pick up and play, and a lot of what we are encouraging in terms of enforcing or looking to encourage sustainability is, okay, how sustainable is your short-term decision on the long-term viability of your supply chain?" And so I think we would bring a lot of it back to that too, which is to say people need to think beyond the current crisis. They need to make sure that we're not crossing lines whereby you cannot return and that actually we can make sure that the recovery is as fast as possible.

Michael Torrance: Question for Jonathan and Manju: What final thoughts do you have on the future of sustainable finance in a post-COVID world? What do you expect is going to change, and what do you think may stay the same?

Manju Seal: From my perspective, I think there is a role to be played, as we talked about earlier, for all types of sustainable-finance products. Even green bonds definitely have a role to play in facing the pandemic so be it, you know, the uninterrupted supply of electricity that is required for running medical facilities or ventilators. I hope to see that there will be a broader acceptance of social bonds in the coming months and that there is an abundance of those in the market, in the financial markets because I think the time has come for it to take its rightful place in the tool kit for issuers, be it sovereign, supranationals or corporations. And so it is not the time to shy away from really taking a look and seeing there is a potential for any issuer to now come forward and think about, be it social, green or sustainability bonds out there. And the other quick thing I would add is that, by tapping into the sustainable-finance market, we continue to also impact the various sustainable development goals, which is really critical in this time of the crisis because when you help alleviate a particular social challenge or work towards reducing the impact of the pandemic, you are most likely going to help some of the other sustainable development goals. So I would imagine that this particular year that we will see a good number of sustainable bond issuances come to market and as well as, you know, start the work for further innovation on other products because that will take time, and, I suspect that's not something that we can expect to see come to market in the next few months. So that will take longer time period, but, we all need to think through it and build a collective resilience, and this will also mean that we all have to collaborate selflessly, no matter which part of the world or which part of industry we are working in.

Jonathan Hackett: So I would just add I do think the word resilience is something we're going to keep on hearing in the future, whether it be, in the way that we've been talking about climate resilience and green use of proceeds in the past. I think people will begin to ask the question around social resilience and how companies are investing in the infrastructure and the support they need to protect their workers, to navigate challenges like the ones we're experiencing. I think it's something that will give people a new light on what companies can be doing and the kinds of investments they can be making, and I suspect that also a lot of the innovation that companies have had in this difficult time will help them see that they're able to bring their capabilities to new areas, and that can be really a sustainable-finance opportunity for them to address emergent needs that society faces and that they'll see that connection between the act of commerce and creating a positive change so that there can be a tighter alignment of those goals.

Michael Torrance: I think your dog full-heartedly agreed with that point, Jonathan.

Jonathan Hackett: Apologies.

Michael Torrance: It's all part of ... No problem. That's all part of us all working from home. David, I'm just going to turn to you for one last thought about the investor view of things, and how do you think investor preferences and demands on sustainable finance or demand for sustainable-finance products will change, if at all, as the world emerges from the COVID-19 crisis?

David Sneyd: Yeah. I mean, one thing I think is really being demonstrated right now as we're all kind of focusing more on how businesses respond to COVID-19 is firstly there are a variety of responses. I think there are those companies who are doing this well. There are also those where they may not be handling it quite so well, and I think as I alluded to at the beginning about that point about people have long memories is people are taking notice and understanding that the response is different and do us getting a greater appreciation in a practical example of how sustainability is relevant to business. I think, on top of that right now, we're also seeing a really, really good demonstration of just the unique role of business within society to actually be a great way of innovation and a great way of delivering solutions to society, and I think ... You know, my hope is that, by having that demonstrated through this current crisis, that we will increase the appetite for people to want to be investing in those businesses and to become more aware that actually business itself has real potential there to be really beneficial in the world in which we live, and they can have an opportunity to help fund that and actually be involved with it.

Michael Torrance: Well, thank you, everyone, for participating today. I'll draw the discussion to a close with that and thank you to our audience for tuning into our podcast. We hope that you and your families stay safe, healthy and positive in these difficult times. It's been said a lot of times before, but it's worth emphasizing that we're all in this together. Bye for now. Thanks for listening to "Sustainability Leaders." This podcast is presented by BMO Financial Group. To access all the resources we discussed in today's episode and to see our other podcasts, visit us at bmo.com/sustainabilityleaders. You can listen and subscribe free to our show on Apple Podcasts or your favorite podcast provider, and we'll greatly appreciate a rating and review and any feedback that you might have. Our show and resources are produced with support from BMO's market team and Public Creative. Until next time, I'm Michael Torrance. Have a great week.