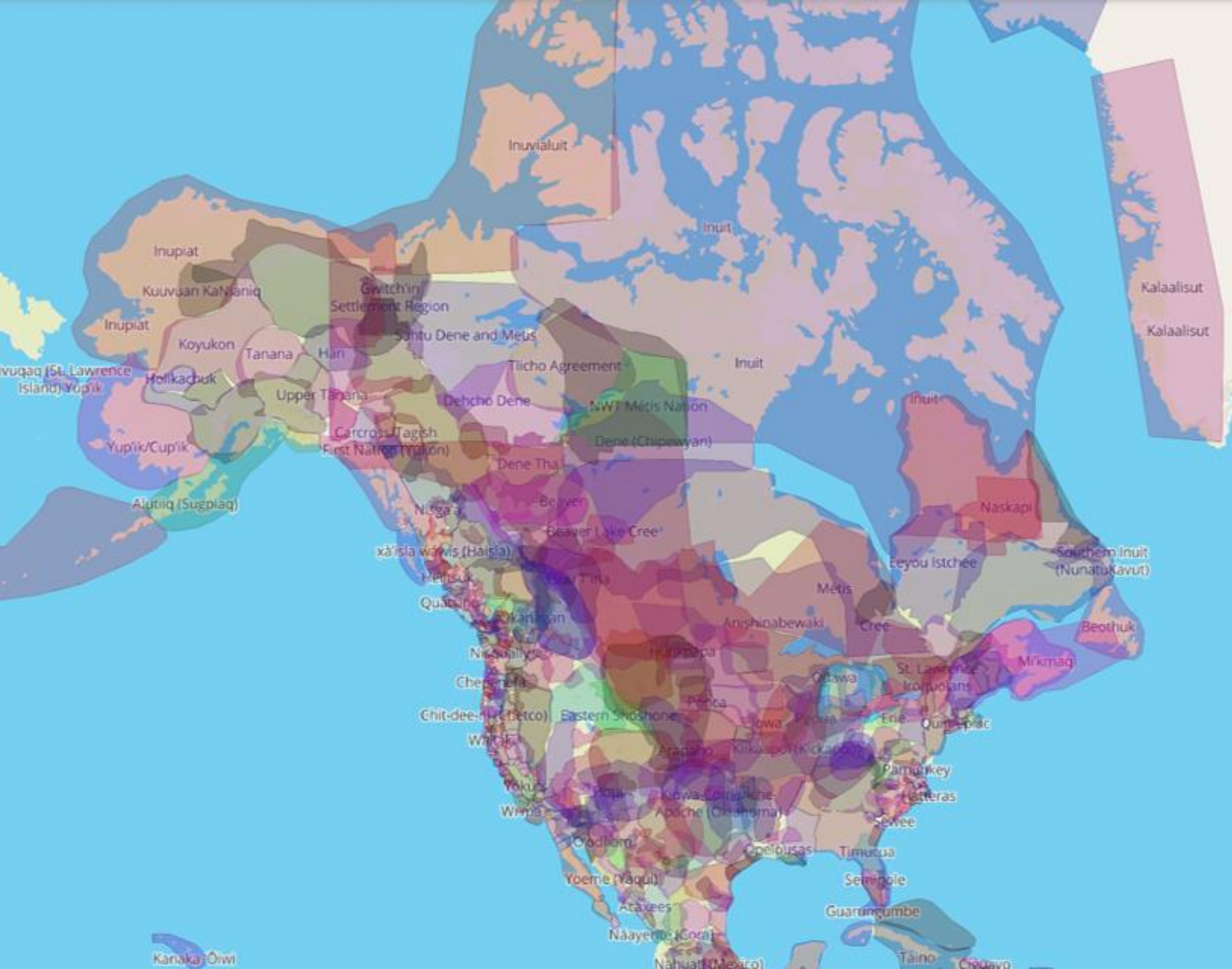


CBSR Corporate Q2 Roundtable: Winning Sustainability Challenges

June 22, 2022



CBSR



Learn more about the land you inhabit and the history of the land:
<https://native-land.ca/>

Read about the Truth and Reconciliation Commission of Canada and its 94 Calls to Action.

VIRTUAL HOUSEKEEPING



Adjust your Zoom display name to show:
[Your Name, Company Name]



Encouraged to switch on video & participate!



Chatham House Rules
Take care of your needs





**We Are Proud to Represent 68 Members
Across All Sectors & Regions of Canada**



Meet the CCSR Corporate Member Network

accenture



ARC RESOURCES LTD.

AVIVA



coastcapital

connectFirst
credit union

CP



HIGH LINER FOODS



HSBC
Bank

IBM

Indigo



Loblaw
Companies
Limited



MODERN
NIAGARA

Meridian

Microsoft

NORTON ROSE
FULBRIGHT

Nutrien

OSLER

Osler, Hoskin
& Harcourt LLP

Scotiabank



Sun
Life Financial

TELUS
the future is friendly®

THE WORKS DESIGN
COMMUNICATIONS

Group Discussion Question



How are you celebrating the 'end' of covid?

AGENDA

Timing (EST)	Agenda item
1:30 – 1:40	Welcome, land recognition , check-in, and rules of engagement <ul style="list-style-type: none">• How are you celebrating the end of covid?
1:40 – 1:50	Peer-to-peer breakouts <ul style="list-style-type: none">• Share the highs and lows of your 2022 reporting season
1:50 – 2:15	Sustainability governance structures <ul style="list-style-type: none">• Sustainability councils & advisory boards• Guidelines for board of directors
2:15 – 2:20	Break
2:20 – 2:30	Sustainability reporting trivia – Kahoot!
2:30 – 2:45	CBSR's 2021 benchmarking assessment
2:45 – 3:10	The evolution of climate-related disclosures: 2021 trends and best practices <ul style="list-style-type: none">• <i>Global trends on TCFD reporting (The Works)</i>• Scenario analysis & Scope 3
3:10- 3:20	Reporting on diversity, equity and inclusion <ul style="list-style-type: none">• Increasing voluntary DEI disclosures
3:20 – 3:30	Session reflection, next steps and closing remarks

Winning Sustainability Strategies



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Discussion Prompt



What are your ESG governance priorities and concerns right now?

What could you use input on?

Types of Sustainability Governance Structures

There is no one-size-fits-all approach to governance. Each company's approach depends on several factors, including determining which structure works best to drive sustainability and achieve the desired sustainability performance and meet the targets set.

MANAGEMENT SUSTAINABILITY COMMITTEE

Composition	Roles and Responsibilities
<ul style="list-style-type: none"> Dedicated sustainability team or persons Examples include head of sustainability, sustainability steering committee, cross-Functional Executive Sustainability Committee, Sustainability Teams <p><u>GE Sustainability</u></p>	<ul style="list-style-type: none"> Typically have a closer connection to the project actions, a more granular level Teams often serve as linkages across business units in larger organizations Typically design, create, implement, and manage sustainability projects

EXTERNAL ADVISORY COUNCILS

Composition	Roles and Responsibilities
<ul style="list-style-type: none"> Made up of a diverse group of people from various sectors (academia, government, private sector) as well as internal and external members. <p><u>Dow Sustainability</u></p>	<ul style="list-style-type: none"> Councils provide companies with valuable insight into stakeholder concerns Inform boards and committees of trends Maintain open channels of communication between companies and the external environment

BOARD SUSTAINABILITY COMMITTEE

Composition	Roles and Responsibilities
<ul style="list-style-type: none"> Board members, and occasionally, non-executive members <p><u>Rio Tinto Sustainability</u></p>	<ul style="list-style-type: none"> High-level oversight of sustainability initiatives Typically, these do not oversee the day-to-day of sustainability management These structures provide robust leadership representation

The Sustainability Governance Structures Responsibility Scale

The effectiveness of oversight lies both in the expertise of people that make up the structure, and the clarity of their roles and responsibilities. From informing to enforcing, the scale of oversight is broad, allowing for companies to cater the structure to its needs.

Low

- **Purpose:** To review and **inform**
- **Tasks:** Discuss current ESG activities
- **Decision-making power:** **None** – flag issues to Leadership Team on annual basis
- **Report to:** Leadership Team

Medium

- **Purpose:** To review, monitor, and **advise**
- **Tasks:** discuss current ESG activities and coordinate resourcing, advise business units
- **Decision-making power:** **Low** – flag issues to leadership team; troubleshoot with business units
- **Report to:** Leadership Team

High

- **Purpose:** To review, recommend, approve, and **enforce**
- **Tasks:** Ensure all activities are in accordance with ESG strategy
- **Decision-making power:** **Full** – enforce ESG alignment at Leadership Team level
- **Report to:** Board

Implementing the CS Scale - IFC Example

Like the previous scale, below we have summary of the International Finance Corporation (IFC) Corporate Governance Progression Matrix, created to support companies in the identification, creation and implementation of a sustainability governance structure.

Level 1: Basic Corporate Governance

Fulfill requirements for national legislation and with basic ESG practices

Level 2: Intermediate Corporate Governance

Extra steps to ensure good ESG practices, reflecting a culture of continuous improvement

Level 3: Good International Practices

Provide a major contribution toward improving ESG nationally that comply with good international standards

Level 4: Corporate Leadership

International best practices – companies that are publicly recognized among national and global leaders on ESG

Guidelines for Board Sustainability Committees

Board Suggestions for Robust Sustainability Oversight

Ensure management has an 'owner' for sustainability reporting at the company and that that person's work is integrated with other relevant business functions

Regularly review KPIs tracking the company's performance on financially material sustainability issues

Align the corporate strategy with the sustainability strategy and align incentives with sustainability performance.

Identify the sustainability issues that are most relevant to the company's long-term financial performance

Ensure its risk committee is satisfied that the company's approach to risk management incorporates business-relevant sustainability matters

What Can We Take from This?

Key Takeaways:

- **Corporate governance mechanisms drive corporate sustainability:** Incentive alignment with sustainability performance and monitoring of sustainability are essential for the success of a good CS governance. The sustainability strategies of CEOs should be motivated by incentives
- **Reporting on non-financial topics related to sustainability increases stakeholder interest:** Shareholders are requesting disclosure of qualitative topics that do not typically carry a financial risk
- **There is no one-size-fits-all:** Companies must determine what structure best permits them to conduct sustainability at their desired level of ambition effectively
- **Top management plays a significant role in overseeing sustainability ambitions.** Sustainability initiatives, like other corporate initiatives, require systemic management. Sustainability is most effective when companies integrate sustainability rather than compartmentalize it

Discussion Question



How much organizational authority does your sustainability-related governing body have over ESG-related activities?

Has the increased data demands for ESG Reporting increased the need for capacity on your sustainability team? How big is your team?

2021 CBSR HR Survey Highlights

*Last year the 2021 HR survey was sent to all **EXCEL & Corporate CBSR Members** to gather insights on how the changing sustainability landscape have impacted HR resourcing and strategy within organizations.*

- **50%** of companies have experienced an increase in headcount within sustainability teams.
- Senior management roles were found to be the most prominent roles held within sustainability teams leaving room for recruitment and training & development opportunities for junior positions.
- **100%** of respondents experienced some level of **increase in collaboration** with other departments as a result of better integration of sustainability into overall business strategy
- **75%** of respondents have **sustainability committees** with internal and/or external members to advance sustainability within the organization.
- **75%** of respondents indicated that there has been an **increase in the oversight** and accountability of sustainability-related issues **at the board level** and C-suite within the organization in the last two years

ESG Trivia

Go to Kahoot.it



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Discussion Question



How has your organization changed its reporting process from 2021 to 2022?

Share the highs and lows of your 2022 reporting season.

CBSR EXCEL Leaders who participated in the Benchmarking Assessment



EXCEL Sustainability Reporting Benchmarking Assessment

Each EXCEL member is provided a detailed EXCEL Benchmarking Assessment [Spreadsheet]. Below are a few screenshots of what the spreadsheet looks like.

Tab 1 - Report Summary

Overall Company Score	90%	93%	91%	80%	84%
ASPECT	2021	2020	2019	2021 EXCEL AVERAGE	2020 EXCEL AVERAGE
CONTENT <i>Assesses relevance and details of elements included in the report</i>	86%	80%	75%	78%	82%
Governance	100%	63%	63%	75%	74%
Materiality	100%	100%	92%	74%	73%
Performance	100%	88%	100%	94%	95%
Stakeholder Engagement	100%	100%	83%	66%	83%
Strategy	100%	100%	92%	88%	90%
Targets	100%	88%	81%	72%	75%
NAVIGATION <i>Assesses user experience</i>	100%	100%	100%	85%	88%
Design	100%	100%	100%	81%	85%
Flow & Accessibility	100%	100%	100%	88%	91%
PRINCIPLES <i>Assesses reporting quality</i>	95%	95%	95%	80%	85%
Accuracy	100%	100%	100%	92%	89%
Balance	100%	100%	100%	74%	80%
Completeness	100%	100%	75%	94%	100%
Reliability	88%	75%	100%	57%	59%
Timeliness	100%	100%	100%	89%	96%
REPORTING STANDARDS <i>Assesses alignment with reporting standards & frameworks</i>	Alignment	Alignment	Alignment	Alignment	Alignment
CDP	High	High	-	Medium	High
DJSI	Low	Low	-	Low	Low
GRI	High	High	High	High	High
Integrated Reporting	High	High	High	Low	Low
SASB	High	Low	Low	Medium	Medium
SDGs	High	High	High	Medium	High
TCFD	High	Medium	Low	Medium	Medium



Tab 2 - Scorecard

Contains **Areas of Strength & Improvement** with associated recommendations/comments



Tab 3 - Assessment Details

Contains details of the Assessment; how each category was scored and where the information was found

Areas of Strength: Top 5 Category Summary (this entire table auto populates - DO NOT MANUALLY EDIT)		
Category	Score	Assessment Comment

Areas of Improvement: Bottom Category Summary (this entire table auto populates - DO NOT MANUALLY EDIT)		
Category	Score	Assessment Comment

Location of Sources:	Assessment Notes

Benchmarking: Average Scores by Category

2022 EXCEL AVERAGE OVERALL SCORE (%)

85%

Average increased from 84% in 2021



ASPECT	EXCEL Average Score
CONTENT	87% ↑
Governance	85%
Materiality	86%
Performance	94%
Stakeholder Engagement	84%
Strategy	97%
Targets	75%
NAVIGATION	84% ↓
Design	78%
Flow & Accessibility	95%

ASPECT	EXCEL Average Score
PRINCIPLES	91% ↑
Accuracy	93%
Balance	90%
Completeness	100%
Reliability	78%
Timeliness	95%
REPORTING STANDARDS	
CDP	Medium
DJSI	Low
GRI	High
Integrated Reporting	Medium
SASB	Medium
UN SDGs	High ↑
TCFD	High ↑

Benchmarking: Key Findings

The Story So Far

1

Increase in companies reporting using the Integrated Reporting Framework

2

Increase in companies reporting on sustainability governance structures

3

Increase in companies reporting on stakeholder engagement

4

Increase in companies reporting integration of their sustainability strategy with their corporate strategy

- **12% increase** in demonstrating the oversight on sustainability is from the highest body or executive, and/or sustainability is integrated into executive remuneration.
- **13% increase** in reporting on stakeholder engagement, including methods of engagement, external partnerships, and integration of human rights in either committees or policies.
- **9% increase** in reporting the use of a materiality assessment and/or presenting a materiality matrix with material topics identified.
- **7% increase** in companies reporting greater integration of their sustainability strategy with their corporate strategy.

Benchmarking: TCFD Findings

TCFD Reporting trends and the relation to members

- Climate disclosure is beginning to move from voluntary to mandatory. The TCFD framework is increasingly informing financial regulatory reporting requirements related to climate risk
 - The International Financial Reporting Standards Foundation's new International Sustainability Standards Board (ISSB) is guided by consultation with the TCFD.
 - The TCFD continues to provide additional guidance on Metrics and Targets, including guidance on financial metrics to describe the impact of climate risks and opportunities on financial performance.
- Our benchmarking assessment shows our members increasingly **integrating their sustainability strategy into the corporate strategy.**
 - Our insight reveals a trend of more **robust sustainability governance structures and better integration of climate-related risks.**
 - Correlated to the TCFD's increased guidance for metrics and targets, our assessment shows that our members need to improve the implementation metrics and targets. For qualitative and quantitative material topics.

Discussion Question



We are seeking input on the inclusion of Scope 3 and Scenario Analysis on the CBSR: EXCEL benchmarking assessment.

Global Trends in TCFD Reporting –
Guest Host
The Works Design Communication



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Trends in Scope 3 and Scenario Analysis

Although still voluntary, we expect reporting on Scope 3 emissions and the use of scenario analysis to increase.

The importance of shareholder proposals received an important boost by the SEC in November of 2021¹, and Blackrock continues to support shareholder proposals, having support 47% of environmental and social proposals in 2021.²



To date in 2022
from

924
shareholder
proposals
submitted

56 / 71

SUBMITTED PROPOSALS RELATED TO GHG REDUCTION STRATEGIES OR TARGETS SPECIFICALLY REQUEST INCLUSION OF SCOPE 3 EMISSIONS.

13 / 14

PROPOSALS IN THIS CATEGORY REFERENCE THE IEA NET ZERO BY 2050 SCENARIO

Evolving Regulatory Climate Disclosure



Canada's 2021 Federal Budget Includes commitments to: (1) engage with provinces and territories *“with the objective of making climate disclosures, consistent with the Task Force on Climate-related Financial Disclosures, part of regular disclosure practices for a broad spectrum of the Canadian economy”*

In October 2021, the Canadian Securities Administrators (CSA) published the proposed **National Instrument 51-107 Disclosure of Climate-related Matters** along with a companion policy for comment. The proposed instrument is closely aligned with TCFD recommendations, requiring disclosure of the same core elements.

In 2022, **CSA provided guidance on the disclosure practices of investment funds as they relate to ESG considerations**, “particularly funds whose investment objectives reference ESG factors (ESG Funds) and other funds that use ESG strategies (ESG Strategy Funds, and together with ESG Funds, ESG-Related Funds).”¹

The Government of Canada's **2022 Federal Budget-** The Office of the Superintendent of Financial Institutions (OSFI) will consult federally regulated financial institutions on climate disclosure guidelines in 2022 and will **require financial institutions to publish climate disclosures—aligned with the TCFD framework**—using a phased approach, starting in 2024

Evolving Regulatory Climate Disclosure



March 2022 SEC proposed a disclosure rule on climate-related financial statement metrics. Guided by a concept of materiality, where the Supreme court defines this as “substantial likelihood that a reasonable investor would consider it important.”

New requirements for the disclosure of climate-related risks and impacts **based on the TCFD disclosure framework**

Requirement to disclose in a company's financial statements **disaggregated metrics on climate-related impacts, expenditures, and estimates and assumptions.**

Disclosure of GHG emissions data in gross terms, excluding any use of purchased or generated offsets. Companies, except for smaller reporting companies, would be **required to disclose Scope 3 emissions if material or if they have set a GHG emissions reduction target or goal that includes Scope 3 emissions**

Recent Globe and Mail Article

Canadian standards board created to oversee ESG reporting amid global calls for better transparency

Canada's accounting and auditing bodies are establishing a home-grown standards board for sustainability measures as investors and regulators call for better transparency and comparability of key environmental and social data from companies.

Crystal Ball

What do the next two years look like for Corporate Sustainability Reporting?



Reporting on Diversity, Equity and Inclusion



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DEI Disclosing Trends - Market and Regulatory Indicators

A sharp increase in the demand for disclosure on racial/ethnic diversity

Large asset managers increasingly hold committee chairs accountable if the board does not **disclose racial and ethnic diversity**.

Workplace Diversity (EEO-1 Report)	2021 Vote
Charter Communications*	40.7%
DuPont de Nemours	83.8%
Union Pacific	86.4%

North America

89%

Firms with policies, practices, or guidelines related to diversity (board, workforce, or both)

70%

Firms with policies, practices, or guidelines related to workforce diversity

Trends in Reporting on Diversity, Equity and Inclusion

The regulatory and market developments in North America continue to evolve. Globally, investors continue integrate responsible investment as shareholders demand greater transparency.

Market and Regulatory Advances in NA



In 2021, SEC approved Nasdaq's Board Diversity Matrix, requiring listed companies to report on gender, race and sexual identity.



In 2019, Canada passed diversity requirements under the CBCA requiring disclosure on aboriginal peoples; women; members of visible minorities; and persons with disabilities.

In 2021, there was a noticeable increase in the number of companies voluntarily disclosing on DEI

	Members of visible minorities	Aboriginal peoples	Persons with disabilities
Companies disclosing number of directors who are:			
Number of directors who are:	34	23	18
Number of directors who are:	44	6	3
Companies disclosing number of executive officers who are:			
Number of executive officers who are:	23	12	12
Number of executive officers who are:	32	1	2
Targets for directors who are:			
Targets for directors who are:	6	2	1
Targets for executive officers who are:			
Targets for executive officers who are:	4	3	1

Discussion Question



How has your organization translated its corporate values into tangible and measurable DE&I policy and targets?

How is your organization working to develop and embed anti-racism into company supports and systems

How is your organization amplifying the work of diverse expertise and knowledges?

Next session will take place in the fall.

Roundtable Topic: Justice, Equity, Diversity and Inclusion

Net Zero Working Group Topic: A Socially Just Transition to Net Zero



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More Reporting Tools to Support DEI Disclosure are Emerging



In December 2021, proposed **Standard Setting for DEI in 45 industries**, adding metrics to better account for how DEI can impact enterprise.

In February 2022, BDC is the most recent organization to create a **disclosure template to support Canadian general partners and their portfolios**.



Report DEI metrics



Demonstrate uniformity and transparency



Measure qualitative and quantitative data



Track gender and identity diversity

Human rights Principles as Drivers for Diversity, Equity and Inclusion

Many companies align their sustainability efforts with the UN SDGs and all 17 goals have significant overlap with the UN Guiding Principles on Business and Human Rights (UNGPs)



Protection against adverse effects of business on human rights



Business and investors should **respect** human rights



Access to seek redress from harm as a result of business activities

Additional slides and Resources

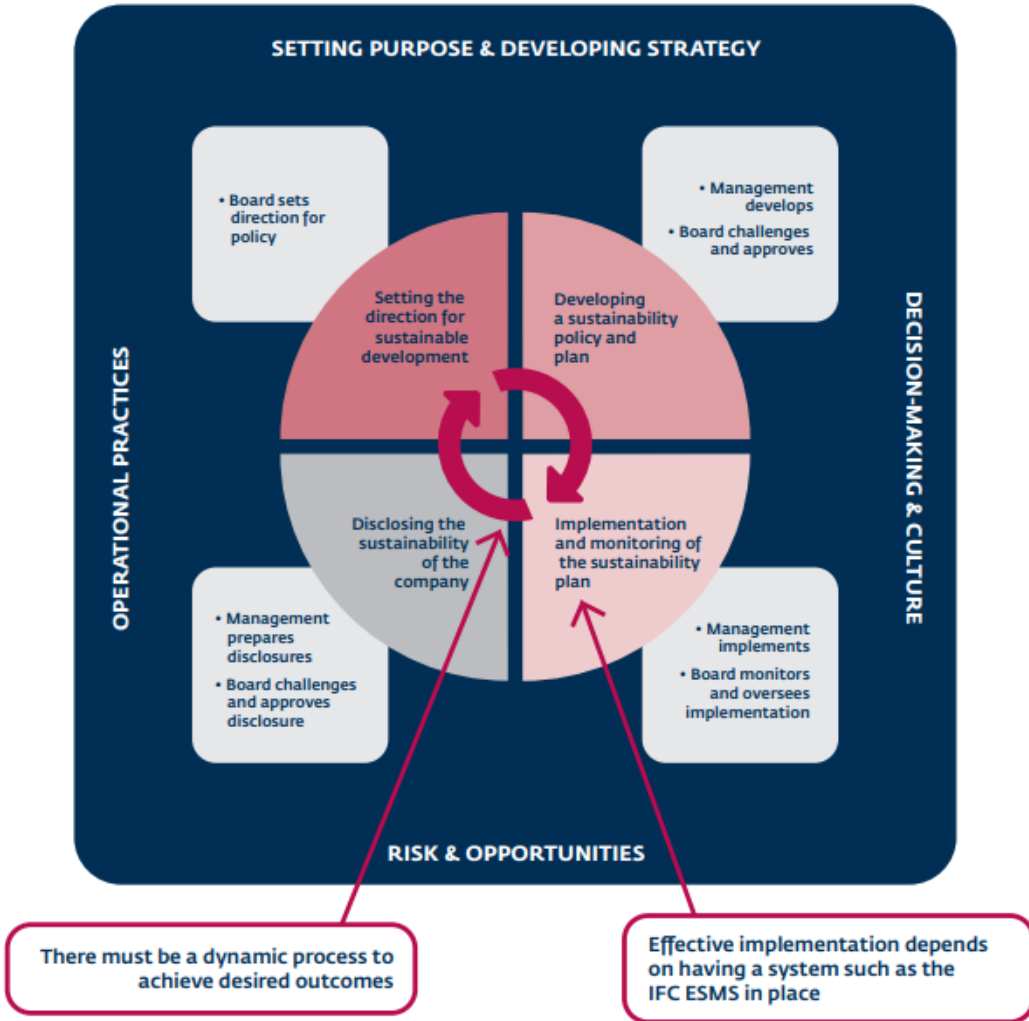
Valuable reports and studies:

- [Focus 15 Sustainability Committees: Structure and Practices](#)
- [Creating Resilient Strategies - Insights on how companies are responding to societal challenges](#)
- Amil-Zadeh, Serafeim. [Why and How Investors Use ESG Information: Evidence from a Global Survey.](#)
- [New Value – Corporate Sustainability How to begin, who to involve, and what to prioritize](#)
- [Sustainability Guide for board](#)
- Harvard Law School Forum on Corporate Governance. [The Sustainability Board Report 2021](#)
- [DIVERSITY, EQUITY & INCLUSION: KEY ACTION AREAS FOR INVESTORS](#)
- [WHY AND HOW INVESTORS SHOULD ACT ON HUMAN RIGHTS](#)
- [UN SDG and Human Rights Overlap Table](#)
- [UN Guiding Principles Reporting Framework](#)

Integrating Sustainability into a company

IFC Proposes a 4-step continuous improvement process for the effective implementation of sustainability in a company:

1. A board **sets the direction** for sustainability
2. Developing a Sustainability Policy and Plan **gives effect to a direction**
3. Management **creates a Sustainability Plan**, occasionally supported by a committee
4. **Committees Disclose** about the Sustainability of a Company



Leadership in DEI - Target Setting

[Loblaws](#) demonstrates leadership by setting targets on qualitative material topics.

By 2024, 25% of the Board's Directors should be of a visible minority

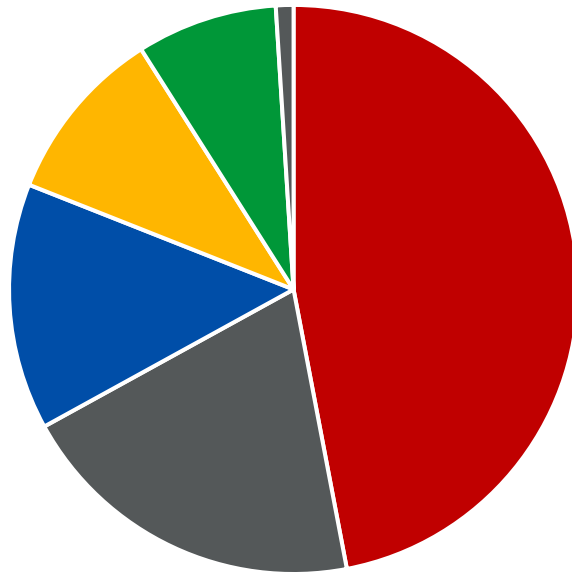
By 2024, 40% of positions at VP or higher filled by people who identify as women

By 2024, 25% of positions at VP or higher filled by people who identify as visible minority

Source: Loblaws 2021 Proxy Circular

The Increasing Integration of Climate-related Risks and Opportunities into Businesses

Oversight Of Climate-related Risks And Opportunities



- Full Board
- Nominating Governance Committee
- Does not provide oversight
- Other board-level oversight
- Audit Committee
- Compensation Committee

- **Over 80%** of companies surveyed in USA implement oversight on climate-related risks and opportunities
- Over 50% provide **full-board or board-level oversight**, elevating climate-related risks to the highest level