

# CBSR: NET ZERO WORKING GROUP **MANAGING INVESTOR INTEREST & ENGAGEMENT**

Thursday, February 2nd, 2022  
1:00 – 3:00 pm EST

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@CBSRNews



# VIRTUAL HOUSEKEEPING



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



**Encouraged to switch on video & actively  
Participate in the chat box and discussions**



**Chatham House Rules  
Take care of your needs**



**Tech questions?** Ask them in the **CHAT**



# AGENDA

Timing (EST)	Agenda Item
<b>1:00 – 1:05 PM</b> (5 min)	Welcome remarks
<b>1:05 – 1:15 PM</b> (10 min)	The Current Landscape: Investor Expectations, Fatigue and Backlash
<b>1:15 – 1:25 PM</b> (10 min)	Investor Expectations & Key Drivers
<b>1:25 – 1:55 PM</b> (30 min)	<b>Breakout Group Discussion 1</b> Discussion questions: <ol style="list-style-type: none"><li>1) Introductions: Name, Title, Organization</li><li>2) Ice-breaker: In 2023, what do you hope to achieve with the working group?</li><li>3) What changes in the investor/investee relationship have impacted your organization most as it relates to ESG?</li><li>4) What is the biggest challenge and/or obstacle your organization is facing regarding investments/investing, and how does it relate to ESG issues?</li></ol>
<b>1:55 – 2:15 PM</b> (20 min)	Investor Engagement & Data Requirements
<b>2:15 – 2:45 PM</b> (30 min)	<b>Breakout Group Discussion 2</b> Discussion questions: <ol style="list-style-type: none"><li>1) How does ESG &amp; sustainability data guide organizational decision-making as it relates to investments and investors?</li><li>2) How have sustainability ratings supported or hindered your organization's investments or investor engagement efforts?</li><li>3) What are the most prominent data providers and rating platforms? Which ones are you using (or considering using) and/or engaging?</li></ol>
<b>2:45 – 2:55 PM</b> (10 min)	Conclusion and Key Highlights
<b>2:55-3:00 PM</b> (5 min)	Closing & Next Steps



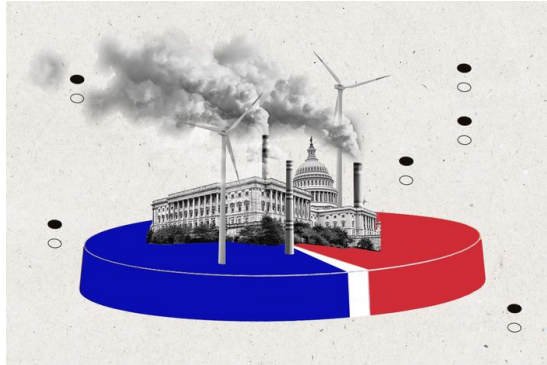


# Investor Expectations



# The Current Landscape: **Investor Expectations, Fatigue & Backlash**

Republican anti-ESG backlash



Proxy voting under scrutiny



Evolution of fiduciary duty



Natural Capital and Biodiversity

<https://www.npr.org/2022/12/29/1141838065/republicans-plan-more-attacks-on-esg-investors-still-plan-to-focus-on-climate-i>  
<https://www.forbes.com/sites/iikebrannon/2023/01/30/the-states-efforts-to-limit-proxy-advisory-firms/?sh=75fa4caf7abd>

<https://delphi.ca/publication/nature-positive-ecosystem-guide/>  
<https://smith.queensu.ca/centres/isf/resources/primer-series/fiduciary-duty.php>

# Investor Expectations: **Key Drivers**

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Climate Disclosure  
requirement for  
financial institutions &  
TSX Issuers

Increased use of SBTi &  
science-based targets

Shareholders,  
rightsholders and  
consumers demanding  
for climate  
action, transparency &  
accountability

Increased  
participation in the Net  
Zero Alliances

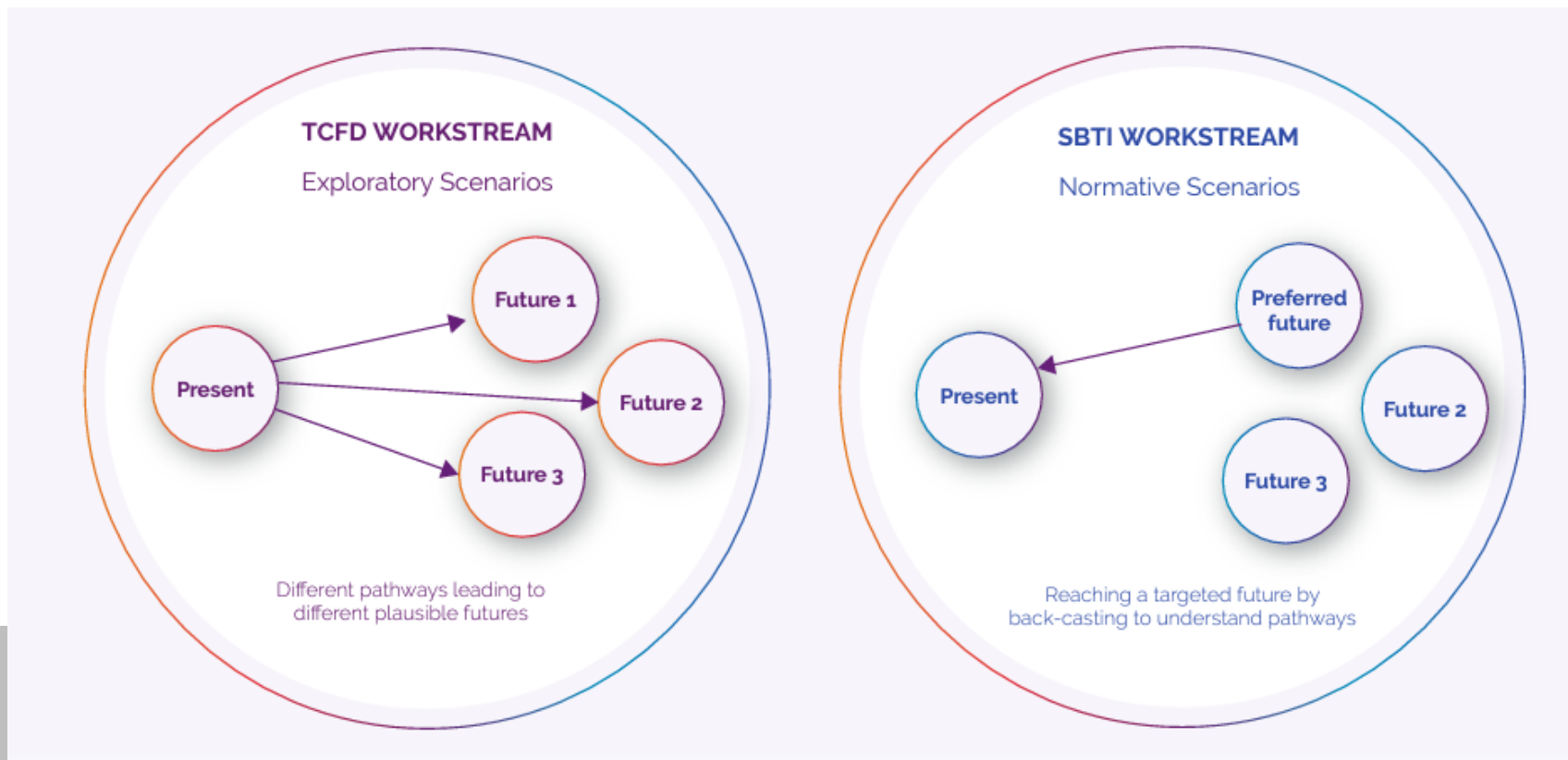
Harmonized and  
Standardized guidance  
for net zero targets



# Investor Expectations: Increased Use of SBTi & Science-based Targets

Financial Institutions use the SBTi and TCFD frameworks in conjunction to define credible Paris-aligned climate ambition and enable immediate emissions reductions and long-term climate action, climate-resilient development and financial resilience.

Setting a science-based target and then using TCFD frameworks to **identify & disclose climate risks hotspots within portfolios** is essential to net zero progress, credibility and transparency.



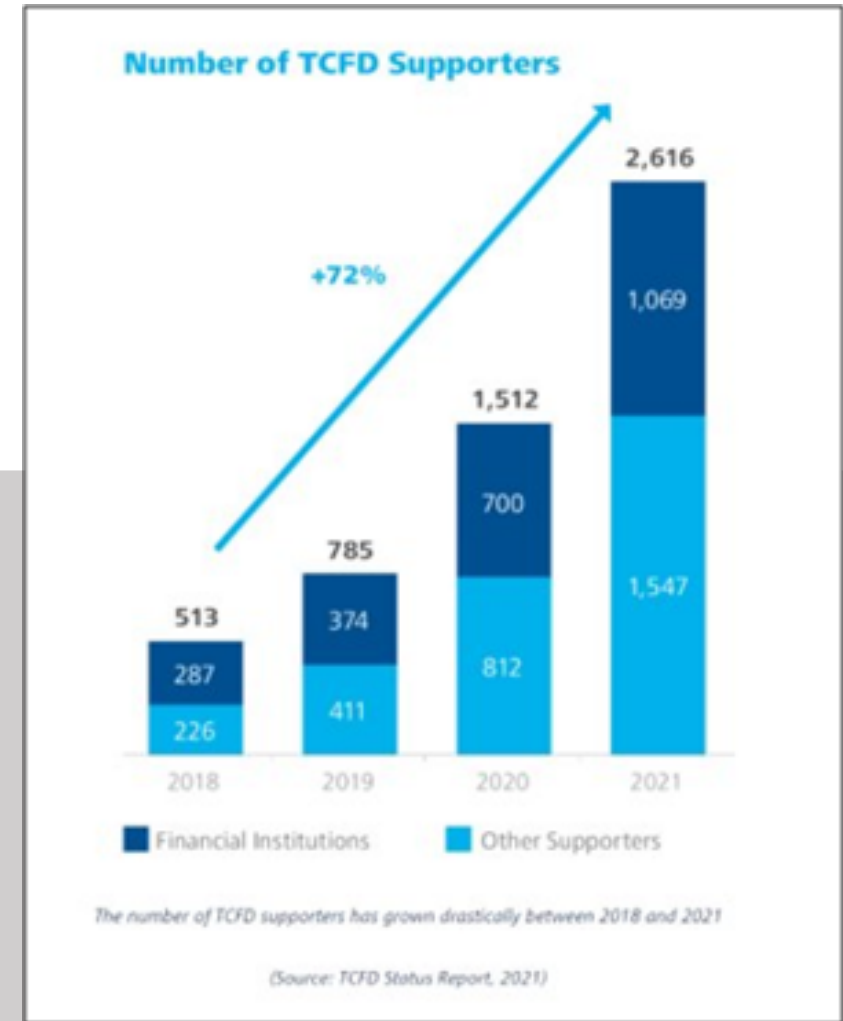
# Investor Expectations: TCFD Becoming a Requirement for Financial Institutions

In the 2022 the Office of the Superintendent of Financial Institutions (OSFI) released their draft Guideline B-15: Climate Risk Management, which is TCFD aligned.

This requirement will trickle down to investees because TCFD necessitates that investors have a better understanding of the companies in their investment portfolio.

TCFD requires:

- Governance mechanisms for assessing & managing climate-related risks and opportunities
- Creation of strategies to identify the impact and mitigation of climate-related risks
- Create processes to manage climate-related risks
- Disclose metrics to assess climate-related risks





# Investor Expectations: Shareholders, Rightsholders & Consumers Demanding Climate Action

## Key findings

51%

of respondents say environmental sustainability is more important to them today than it was 12 months ago.

49%

of consumers say they've paid a premium for products branded as sustainable or socially responsible in the last 12 months.

## Shareholder Question

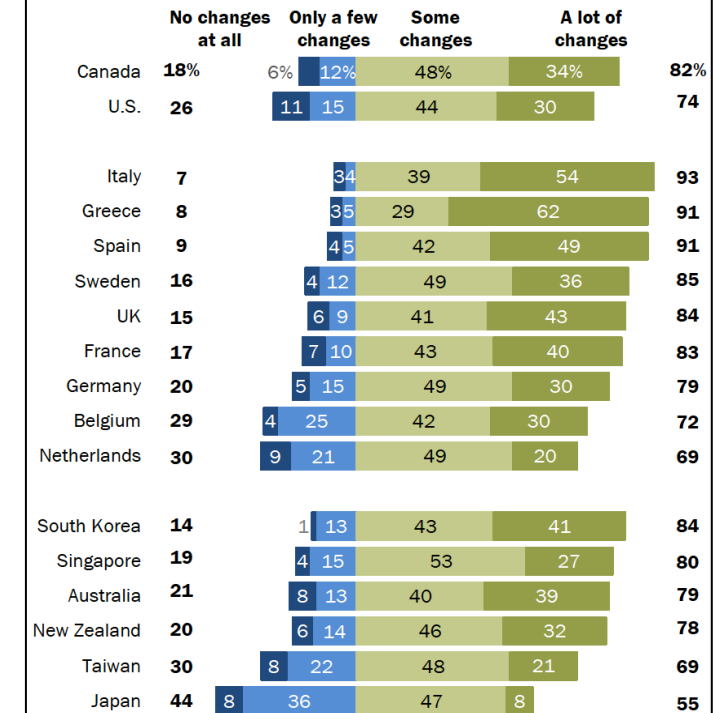
Example: The Company has backed up its climate goals with action, like creating a \$1 billion climate innovation fund. Yet the company is investing over \$2 billion of our employee 401(k) savings into oil, coal-fired utilities and agribusinesses involved in deforestation. **This creates cognitive dissonance that undermines our favorable reputation as the industry leader on climate, as well as financial risk for the company and long-term risk for employees' retirement savings.**

<https://www.microsoft.com/en-us/Investor/events/FY-2023/Annual-Shareholders-Meeting-2022>

<https://www.ibm.com/downloads/cas/5NGR8ZW2>

## Most people in publics surveyed are willing to make at least some changes to their lives to help reduce the effects of climate change

% who would be willing to make \_\_\_ about how they live and work to help reduce the effects of global climate change



Note: Those who did not answer not shown.  
Source: Spring 2021 Global Attitudes Survey, Q32.  
"In Response to Climate Change, Citizens in Advanced Economies Are Willing To Alter How They Live and Work"

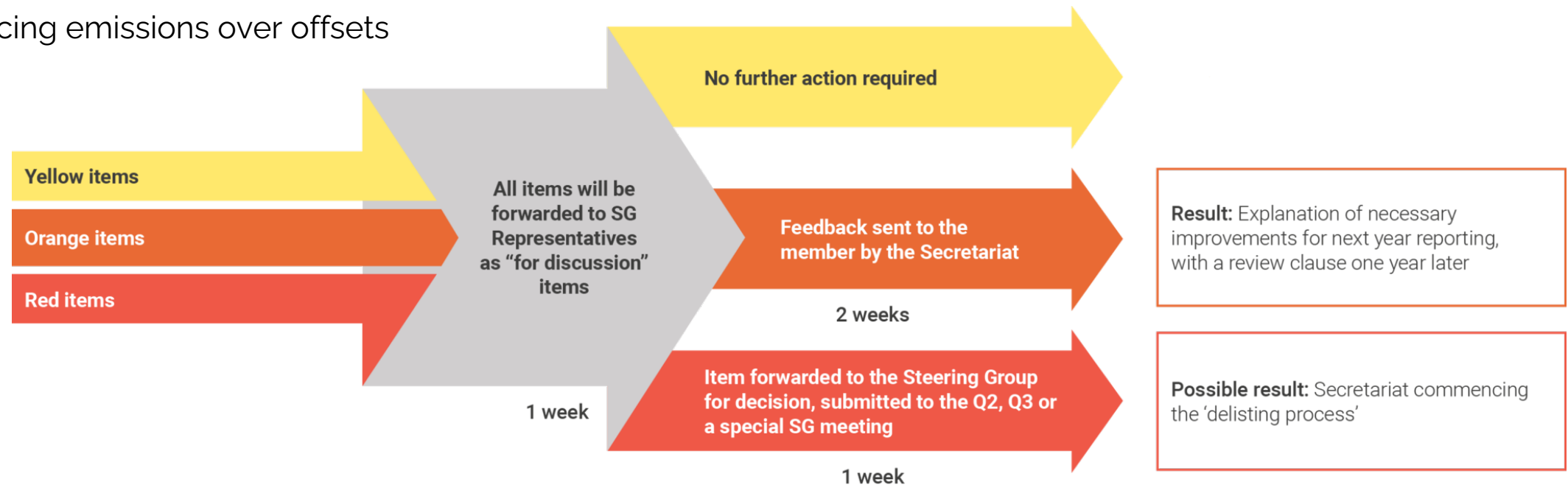
PEW RESEARCH CENTER

<https://www.pewresearch.org/global/2021/09/14/in-response-to-climate-change-citizens-in-advanced-economies-are-willing-to-alter-how-they-live-and-work/>

# Investor Expectations: Increased participation in the Net Zero Banking Alliance

For a bank to join as an official member, their CEO must sign the **Commitment Statement** which commits them to the following:

- Transition the operational and attributable GHG emissions (including scope 3) from their lending and investment portfolios to align with pathways to net-zero by 2050 or sooner.
- **Within 18 months** of joining, set 2030 targets and a 2050 target that meets the standards of the NZBA
- **Annually** publish absolute emissions and emissions intensity in line with best practice **within a year** of setting targets, disclose progress against board-level reviewed transition strategy
- Prioritize reducing emissions over offsets





# Investor Expectations: **Standardization for Net Zero Guidance**

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The International Organization for Standardization created the **Net Zero Guidelines** in an attempt to harmonize the plethora of net zero standards available for companies.

- d) **prioritizes** the organization's own **GHG emissions reductions and removals over the use of credits and offsets**;
- i) establishes and develops **supply chain relationships** with organizations **to facilitate and support net zero** in the value chain and beyond;
- k) make **effective net zero strategies**, including innovative business models, products, and solutions and **advocacy of climate legislation**;
- q) establishes, implements and maintains **measuring, monitoring and reporting** mechanisms
- r) establishes, implements and maintains a **corrective action** process to **address deviation or failure to progress** as expected against targets.





## Breakout #1: **Discussion Questions**

- 1) Introductions: Name, Title, Organization
- 2) Ice-breaker: In 2023, what do you hope to achieve with the working group?
- 3) What changes in the investor/investee relationship have impacted your organization most as it relates to ESG?
- 4) What is the biggest challenge and/or obstacle your organization is facing regarding investments/investing, and how does it relate to ESG issues?







# Investor Engagement

# What do investment managers care about?

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“Which companies are going to be the winners and losers?”

Companies have credible net-zero targets and strategies

Companies are resilient in transition and physical risks

Companies are prepared to shift their business model towards low-carbon nodes of producing

# Data Driven Investments: ESG Data Management Providers

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## Bloomberg

- 11,800 companies
- 2000 ESG fields
- Air quality, climate change, materials, compensation, board, diversity etc.

## MSCI

- 10,400 companies
- Emissions, Fossil fuel reserves, scenarios
- Portfolio alignment (e.g. implied temperature rise)
- Country, sector, or company pathways
- Green revenues, SDG exposure, low carbon patents
- Natural hazards, exposures, vulnerabilities

## Sustainalytics

- >10,000 companies
- Carbon risk ratings
- Fossil fuel exposure
- Stranded asset data (O&G)
- Exposure to renewable energy and low carbon alternatives
- Portfolio impact metrics

## CDP

- Access CDP disclosures (unlimited)
- Data extraction to Excel

## S&P Global

- 16,800 companies for Trucost environmental data
- Emissions, fossil fuels reserve, other pollution metrics, revenue by sector
- Physical risk data, Paris portfolio alignment

## Refinitiv

- >12,000 companies
- ESG data
- SDG metrics



# Data Driven Investments: **ESG Data Management Providers**

 ESG Clarity

## ESG is about quality, not quantity

Because research continues to show that people care about environmental and social issues, and they deserve to know how ESG data is...

2 weeks ago



<https://esgclarity.com/esg-is-about-quality-not-quantity/>

<https://www.theglobeandmail.com/business/adv/article-without-standardized-reporting-how-can-businesses-know-how-their-esg/>

## Without standardized reporting, how can businesses know how their ESG measures up?

CONTENT FROM GLOBE CONTENT STUDIO  
PUBLISHED YESTERDAY

<https://www.macfarlanes.com/what-we-think/in-depth/2023/unpacking-pillar-two-a-period-of-transition-pillar-two-safe-harbour-explained/>


## Unpacking Pillar Two: a period of transition (Pillar Two safe harbour explained)

<https://www.reuters.com/legal/legalindustry/upcoming-sec-climate-disclosure-rules-bring-urgency-esg-data-strategy-planning-2023-01-30/>

6 minute read · January 30, 2023 2:17 PM PST · Last Updated 32 min ago

## Upcoming SEC climate disclosure rules bring urgency to ESG data strategy planning

By Zach Warren

 Osborne Clarke

## FCA announces plan to develop a code of conduct for ESG

...

While the FCA does not currently regulate ESG data and ratings providers, ... Additionally, the International Sustainability Standards Board...

3 weeks ago

<https://www.osborneclarke.com/insights/fca-announces-plan-develop-code-conduct-esg-data-and-ratings-providers-uk>



# Data Driven Investments: **Engagement vs Divestment**

Investors facing companies with low scores will either engage with them to work towards a better score, or, if progress is not being made, may decide to divest.

## Engagement

- **Commerical banks:** "Enhanced focus on financing and investing in lower-carbon businesses, and working with existing business customers in higher-carbon sectors to finance their transition efforts"
- **Pensions:** "engage with companies consistent with the Policy on Sustainable Investment to promote improved management of ESG factors to enhance long-term outcomes in the companies and assets in which we invest"
- **Frameworks:** "establishes and develops supply chain relationships with organizations to facilitate and support net zero in the value chain and beyond"

[https://cba.ca/Assets/CBA/Documents/Files/Article%20Category/PDF/bkg\\_netZeroCommitments\\_en\\_Dec.pdf](https://cba.ca/Assets/CBA/Documents/Files/Article%20Category/PDF/bkg_netZeroCommitments_en_Dec.pdf)  
<https://www.cppinvestments.com/wp-content/uploads/2021/11/cpp-investments-policy-on-sustainable-investing-nov-2021EN.pdf>  
<https://www.cppinvestments.com/the-fund/our-performance/financial-results/annual-results>  
<https://www.iso.org/netzero>

## Divestment

- **Credit Unions:** "We do not invest capital or assets in oil, gas or coal companies. We also do not provide investment banking services to facilitate access to capital for those companies."
- **Academia:** "[We are] committed to end investments in the coal, oil and gas sectors within five years"
- **Philanthropic organizations:** "[we] work with [our partners] to ensure that none of [our] endowment fund is invested in fossil fuel-related funds, and to develop strategies for ethical investing – which hasn't harmed returns"

<https://www.vancity.com/AboutVancity/VisionAndValues/ValuesBasedBanking/EnvironmentalSustainability/>  
<https://www.concordia.ca/news/stories/2019/11/08/concordia-university-foundation-to-divest-and-aim-for-100-percent-sustainable-investments-by-2025.html>  
<https://davidsuzuki.org/story/divest-from-damage-and-invest-in-a-healthier-future/>



## Breakout #2: **Discussion Questions**



- 1) How does ESG & sustainability data guide organizational decision-making as it relates to investments and investors?
- 2) How have sustainability ratings supported or hindered your organization's investments or investor engagement efforts?
- 3) What are the most prominent data providers and rating platforms? Which ones are you using (or considering using) and/or engaging?






# NEXT STEPS

- **Next Net Zero Work Group Meeting**
  - May 12, 2023
  - Insetting & Value Chain Targets
- **Net Zero Working Group Badge**

Licenses & certifications + ✎

 **CBSR Net Zero Working Group**  
CBSR  
Issued Jan 2023  
Credential ID cer-a9bea09e-a476-43ac-87de-fd2a8bb3



# UPCOMING EVENTS



## CBSR programming to get excited about:

### Monday, February 27

**Members-only** Establishing Credibility & Avoiding Greenwashing Roundtable  
9:00 – 11:30 AM ET

### Tuesday, February 28

Sustainable Procurement: Your Secret Weapon Against Scope 3 Emissions  
4:00 – 5:00 PM ET

CBSR Evening Reception (location TBD)  
5:00 – 7:00 PM ET

Explore all of the GLOBExCHANGE programming [here](#)

**Thank you for attending!**

**We will see you at GLOBExCHANGE**

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