ESG reporting for Nova Scotia's energy sector supply chain

net-zero atlantic

NOVA SCOTIA

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Glossary of Common Terms

Biodiversity	Describes the variety of life on earth. It can also describe all of the species in one region or ecosystem.
Carbon footprint	The total amount of greenhouse gas (GHG) emissions caused by human activity and naturally occurring events.
Carbon offset	The reduction or removal of CO_2 (or other greenhouse gas) emissions to compensate for emissions generated elsewhere.
Corporate Social Responsibility (CSR)	Projects or initiatives sponsored by an organization to support employees and/or the local community.
Disclosure	Making information or facts known to another party.
Enterprise Risk Management (ERM)	Risk management at the strategic level for the entire organization.
ESG (environmental, social and governance)	Environmental, social, and governance factors that may influence the long-term sustainability and societal impact of a company.
ESG rating agencies	Organizations that gather ESG related information to rank and score companies based on comparative ESG assessments.
Frameworks	A set of principles-based guidance for how information is structured and prepared.
Global Reporting Initiative (GRI)	The global standard setting body that provides world's most widely used sustainability disclosure standards.
Green bonds	Designated bonds used to raise funds for climate-related or environmental projects and typically required to meet specific criteria.

Greenhouse gas (GHG) emissions	Gasses that trap heat in the atmosphere causing a greenhouse effect that leads to global warming. They include carbon dioxide, methane, nitrous oxide and other gasses.
Greenwashing	Giving a false impression or providing misleading information on a company and/or its products and services related to its environmental impact.
Institutional investors	A company or organization that invests money on behalf of its clients or members.
Materiality	Where the inclusion or omission of information would have the potential to impact decision making.
Net-Zero	The balance between the greenhouse gases put into the atmosphere and those taken out.
Principles for Responsible Investment (PRI)	United Nations (UN) supported investor initiative to implement six principles that are seen to support responsible investment.
Reporting	The activity that results in a report being generated.
Retail investors	Non-professionals investors who invest smaller amounts than their larger, institutional counterparts for personal accounts.
SASB Standards	Investor-focused standards that define financially material sustainability topics for 77 industries.
Scope 1 emissions	Direct emissions from sources owned or controlled by an organization, including company facilities and owned/leased vehicles.
Scope 2 emissions	Indirect emissions from purchased sources like electricity, steam, heat and cooling.

Scope 3 emissions	Indirect emissions from sources and activities not under the ownership or controlled by the reporting organization. These are upstream and downstream emissions from a company's value chain.
Socially responsible investing (SRI)	Investing in companies and funds that prioritize positive social impact.
Stakeholder capitalism	A view that goes beyond short-term profitability primary for the benefit of shareholders to creating long-term value for the needs of all stakeholders and society at large.
Standards	Specific, comparable and detailed requirements of measurement, quality, etc. that, in the case of ESG, refer to what should be reported for each ESG topic.
Supply chain	A network comprised of resources, people, organizations and information to supply a product or service.
Sustainability	Meeting the needs of today without compromising the ability of future generations to meet their needs.
Sustainable investing	Often seen as synonymous with socially responsible investing where investors prioritize environmental and social outcomes over short-term financial gains.
Taskforce on Climate-related Financial Disclosures (TCFD)	Taskforce established by the Financial Stability Board in 2015 to develop a set of recommendations to help organizations disclose climate-related financial information, and to support investors and other stakeholders in assessing an organizations' climate-related financial risk.
UN Sustainable Development Goals (SDGs)	United Nations 17 Sustainable Development Goals (SDGs) that represent the world's most significant priority areas and set targets for 2030 that aim to end poverty, protect the planet and fight inequalities.

Executive Summary

There has been a push in recent years for businesses and society to embrace more sustainable practices. Daily, we are provided with reminders of the risks associated with climate change, civil unrest, societal inequalities, the COVID-19 pandemic and the ongoing uncertainties resulting from geopolitical instability.

Organizations are being required to adapt to a dynamic and changing environment, with a focus on innovative and resilient business models to create opportunities that generate value for all stakeholders. This means purposeful alignment with strategies that incorporate a holistic view of risk management, embrace a longer time horizon and go beyond traditional metrics to measure performance.

ESG (environmental, social and governance) represents the factors that can affect the long-term sustainability and societal impact of a company. ESG is a holistic evaluation of environmental and social issues that may influence an organization's operations and its ability to meet strategic priorities which, in turn, will have a financial impact.

Environment (E) includes greenhouse gas (GHG) emissions, waste management, water use, biodiversity, and deforestation. Social (S) issues include labour relations, health and safety, human rights, equity, diversity and inclusion, the right of Indigenous peoples and product liability. Governance (G) includes compliance, oversight, risk management, ethics, compensation policies, board diversity and executive pay.

While ESG is not new, its influence has grown visibly in recent years. The investment community is recognizing that risks related to ESG factors can have a measurable impact on a company's market value and reputation. In response, they are increasingly evaluating ESG topics in their investment decision making.

Consideration of ESG issues extends beyond the investment community to a broad range of stakeholders, including customers, employees, regulators and special interest groups who have an expectation for businesses to align their goals with those of society. They are holding organizations accountable for their ESG performance and demanding transparency and action from the businesses they choose to engage with.

To support the need for transparency in ESG practices, the global business, standards and finance community has developed a broad range of reporting and disclosure standards and frameworks to help companies communicate their own ESG performance internally and to external parties. There are also a variety of assessment tools to help investors and other stakeholders evaluate the ESG performance of companies.

The 'disclosure ecosystem' is complex and can be confusing. There is a great deal of work underway to streamline and consolidate the network of organizations who facilitate ESG reporting, most notably the IFRS Foundation and the International Sustainability Standards Board (ISSB).

The expectation to integrate ESG factors into strategy and decision making has expanded beyond public companies and their investors. Private companies now face growing pressure to integrate ESG issues into their operations and strategies and provide ESG-related disclosures, especially as they become more integrated into the global supply chain. With virtually every company being linked to another in some way, the ESG issues that impact one company will inevitably have an impact on the whole.

Successful integration of ESG leads to improved risk management, operational performance, reputation and employee engagement. This is accomplished through improved operational efficiency, workforce health and safety, preservation of environmental resources and functional relations with the people and communities where the company operates. As a result of managing these factors, companies are seen by investors as representing a lower risk which provides increased opportunities for those organizations looking for investment and lowering their cost of capital.

Private, small and medium sized companies have sometimes hesitated in their adoption of ESG, often due to the misconception that embracing ESG is too costly and resource intensive. This report will provide context for companies in Nova Scotia and Atlantic Canada to begin considering ESG adoption and reporting, the benefits it offers and the role it plays in supporting inclusive, sustainable growth in the transition to a low-carbon economy.

The importance of ESG reporting for Nova Scotia's energy sector supply chain

Introduction

Recent years have highlighted the importance of sustainability and environmental, social and governance (ESG) considerations in unprecedented ways. Climate change, biodiversity loss, social issues and geopolitical unrest are just a few of the factors that highlight the pace at which the world is changing. This is leading to increased consumer awareness, new policies and regulations, growing competition and rising investor expectations – all of which is influencing how investment decisions are being made and projects are being executed.

As organizations face these extraordinary circumstances, they will look for tools that enable them to become more innovative and risk-resilient, to create long-term, sustainable value that considers their impact on a broad set of stakeholders and the environment. As a result, the integration of ESG factors into business strategy and investment decision making is moving from the fringe into the mainstream.

ESG factors are non-financial performance indicators that stakeholders use to assess companies. When integrating ESG issues in a strategic way, a company gains greater insight into their own operations. This results in the potential for increased efficiencies, enhanced oversight and management of risk, improved supply chain management, recognition of new business opportunities and an improved public image among key stakeholders.

Reporting and Disclosure

Reporting and ***disclosure*** are terms that can be and often are used interchangeably.

ESG reporting is the disclosure of data to stakeholders that provides a snapshot of an organization's environmental, social and governance impact.

While best practice on what to disclose is evolving, ESG reporting provides transparency to stakeholders on organizational performance.

Institutional and public investors, financial institutions, private investors and a host of other stakeholders seek to drive value creation that serves broader societal goals. They are increasingly relying on ESG reporting to answer the call for greater transparency and to better inform decision making, recognizing ESG issues and long-term growth are inextricably connected. Robust ESG disclosures that provide consistent, comparable and complete information will strengthen investment decision making and enable better assessment and management of ESG risk exposure.

As the world looks to the future, stakeholders at all levels will become increasingly vocal about the need for greater adoption of ESG criteria when measuring the long-term sustainability and societal impact of a company.

The traditional energy sector has been at the forefront of ESG-related matters for over 20 years due to heightened scrutiny around environmental issues, regulatory changes, community engagement and employee health and safety. With the shift toward a low-carbon future, Nova Scotia has committed to having 80 per cent of the province's energy needs met through renewable sources by 2030. This will offer tremendous opportunities for Nova Scotia and the Atlantic region's energy sector.

Source: NS government energy commitment[1]

This transition will require investment and strong supply chains, making ESG reporting especially important to demonstrate and reinforce attention on broad sustainability issues and ESG best practices that considers all stakeholders, the environment and associated impacts (both intentional and unintentional).

This report provides a contextual overview of ESG, an introduction to related methodologies, standards and frameworks and explains the significance of ESG factors in decision making across the supply chain. It explores how ESG-related issues are impacting small and medium sized organizations in the energy sector and review best practices in ESG implementation.

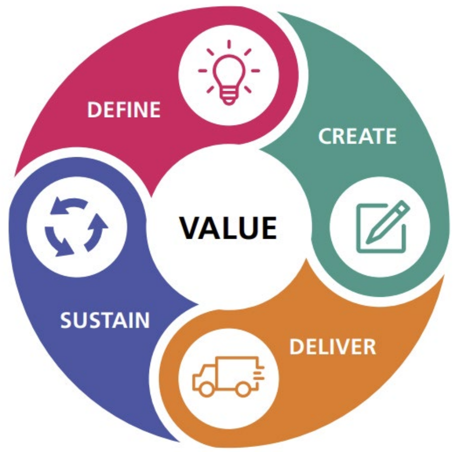
Environmental, Social and Governance (ESG)

Background

What started as socially responsible investing[2] in the 1960's has evolved over time, challenging Milton Friedman's purported view from 1970 that "The Social Responsibility of Business Is to Increase Its Profits"[3], which placed shareholders at the center of decision making.

In recent years, there has been an undeniable push toward more sustainable business models, with new thinking around the concept of 'stakeholder capitalism'[4] that focuses on long-term value creation for the needs of all stakeholders and society at large, rather than short-term profitability for the primary benefit of shareholders. This growing rejection of the traditional interpretation of capitalism was bolstered during the financial crisis of 2008-09[5] and is expected to continue gaining momentum as a result of the global climate crisis and increasing social challenges.

Understanding Value Creation



Value is defined by customers, investors, employees, suppliers and other stakeholders. Value itself, and priorities for value creation, are defined in the context of meaningful engagement with key stakeholders and opportunities and threats facing the organization. These inform an organization's purpose, values, strategy and measures of success.

Source: IFAC Value Creation[6]

At the heart of this shift is ESG, which refers to the environmental, social and governance factors that can impact the long-term sustainability and societal impact of an organization.

ESG is a holistic evaluation that looks beyond financial performance alone by assessing the environmental and social impacts that may affect an organization's operations and its ability to meet strategic priorities which, in turn, will have a financial impact.

ESG issues include:

Environmental issues include greenhouse (GHG) emissions, carbon footprint, energy use, water management, waste management and biodiversity. It considers how a company performs as a steward of nature and how it meets regulatory requirements.

Social issues surround labour practices, human rights, product safety, cybersecurity, employee health and wellness, employee engagement, diversity and inclusion, examining how a company manages its relationships with employees, suppliers, customers and the broader community.

Governance covers areas such as board oversight, transparency, risk management, ethics and compensation policies. It focuses on a company's leadership and how it guides the company to have a positive impact.

Note: There will often be an overlap among the ESG pillars. Identifying and prioritizing the ESG issues is most important. The categorization within each pillar will become clearer over time.

The term 'ESG' was first coined in 2005 in a groundbreaking report, "Who Cares Wins"[7]. It was a collaboration of the UN Global Compact, the International Finance Corporation (IFC) and the Swiss Government where institutional investors, asset managers, research analysts, global consultants, government and regulators examined the role of ESG value drivers in asset management and financial research. Today, it is expected that global ESG assets may reach US$53 trillion by 2025, representing a third of global assets under management (AUM)[8].

ESG embeds financial and non-financial environmental, social and governance factors into organizational strategy and reporting. What was initially used to support investment decision making is now increasingly influencing the decisions of employees, customers and society at large.

There is a strong business case for companies in the energy sector to embrace and integrate ESG into the core of their strategy and to report on their ESG performance. Successful integration of ESG leads to improved risk management, operational performance, reputation and employee engagement.

Quality ESG reporting is leading to increased access to funding and lowering the cost of capital. Organizations who are committed to ESG principles are seen as having a holistic view on risk management, more forward-looking in planning for uncertain future scenarios, more resilient and, therefore, represent a lower investment risk.

Larry Fink, CEO of Blackrock, the largest asset manager in the world, says in his 2022 letter to company CEOs that, “the decarbonizing of the global economy is going to create the greatest investment opportunity of our lifetime”[9]. Further, to meet the global emissions target of limiting warming to 1.5 degrees Celsius from pre-industrial levels, the International Energy Agency[10] estimates that a low-carbon transition could require $3.5 trillion in energy sector investment every year for decades – twice the current rate[11]. This represents an unprecedented opportunity and risk for investors and companies alike as they seek to support the transition to a low-carbon future.

ESG reporting guides investment and decision making throughout the supply chain, playing a critical role in this transition to a low-carbon economy.

The analysis around non-financial risk factors has prompted a shift in approach from both institutional and retail investors, moving ESG reporting and benchmarking from being an optional consideration to becoming a table stake for businesses.

"ESG-oriented investing has experienced a meteoric rise... The acceleration has been driven by heightened social, governmental, and consumer attention on the broader impact of corporations, as well as by the investors and executives who realize that a strong ESG proposition can safeguard a company's long-term success. The magnitude of investment flow suggests that ESG is much more than a fad or a feel-good exercise."

~ McKinsey & Company Global Management Consulting

McKinsey & Company

Source: McKinsey[13]

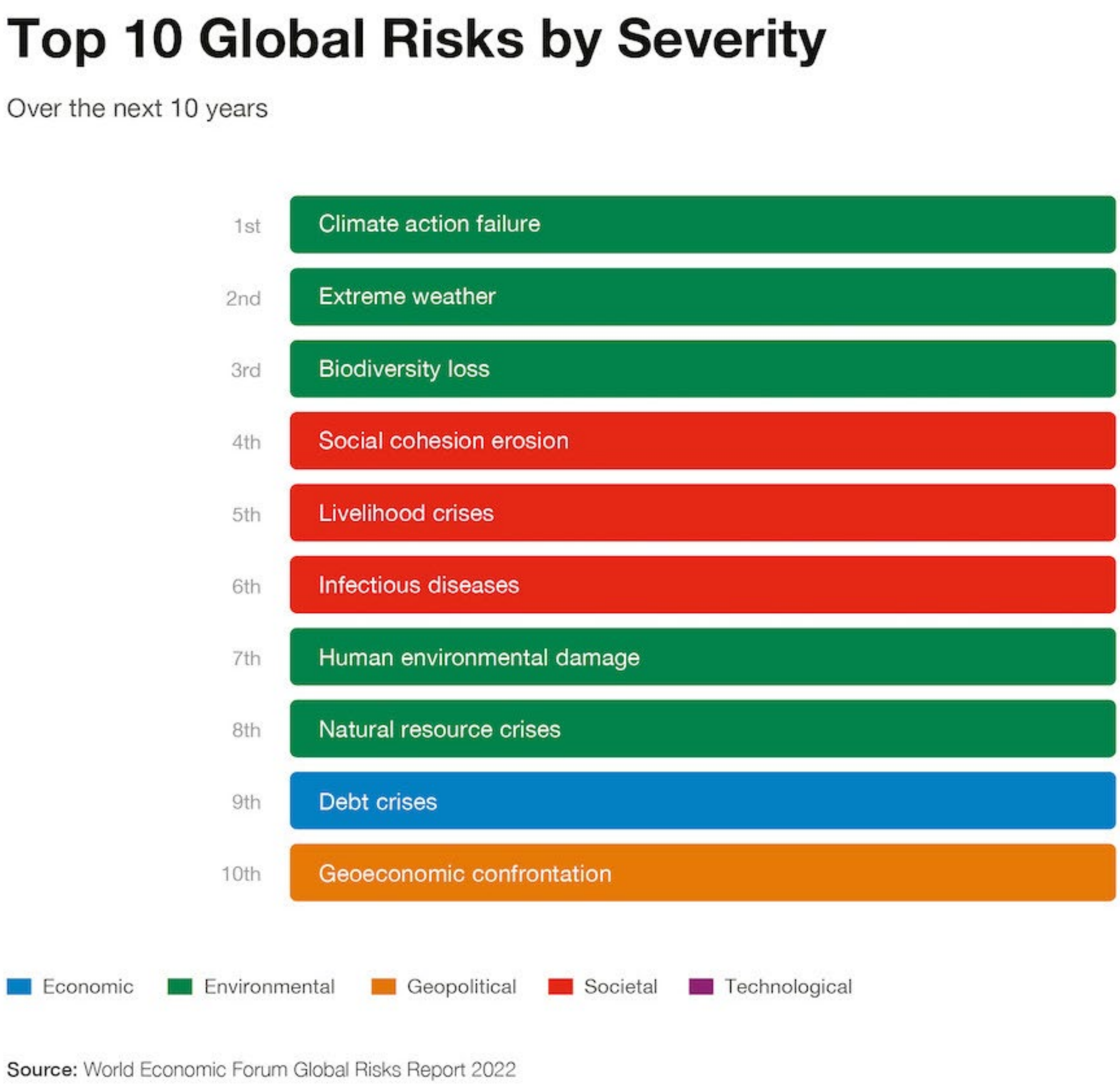
While small and medium sized enterprises (SMEs) (i.e., organizations with less than 500 employees) have somewhat lagged behind their larger counterparts in terms of integrating ESG into their strategies and reporting, with over 400 million SMEs worldwide[12], these organizations have a significant impact on our economies and communities. To highlight the importance of SMEs in a domestic context, as of 2019, Canada had over 1.2 million small and medium sized employer businesses. On a national level, SMEs represented 99.8% of businesses (a trend mirrored in Atlantic Canada), 6.5% of which were in Atlantic Canada with the majority of those coming from Nova Scotia at 29,876[14].

6.5% of Canada's SMEs are located in the Atlantic region, with the majority in Nova Scotia at 29,876

The World Economic Forum[15] has done extensive work to define the capacity of the private sector to generate long-term value for all stakeholders, including shareholders, members of society and our planet. Each year they issue a Global Risks Report that tracks global risk perceptions among risk experts and world leaders. The 2022 Report[16] highlights that eight of the top-ten global risks to business by severity are directly related to ESG issues (see Figure 1).

Figure 1: Top 10 Global Risks by Severity

The 2022 WEF Global Risk Report highlights that the eight top-ten global risks to business by severity are directly related to ESG issues.



Another global report that garnered significant attention came from the Intergovernmental Panel on Climate Change (IPCC)[17] when, in August 2021, it raised alarms based on messages coming from the scientific community regarding climate change. Human-induced climate change is causing unprecedented impacts on the planet, signaling "a code red for humanity"[18] and conveying a sense of urgency like never before.

Addressing these, and a multitude of other sustainability issues, has led to the rise in demand for more transparency around ESG topics. This has made organizations more accountable to their many stakeholders, including investors, customers, employees and nongovernmental organizations (NGOs) who want to evaluate a company's impact on the world around them before making decisions on how to engage with them.

ESG reporting can provide significant insight and help create long-term value – for the organization itself and for its stakeholders – by assessing both financial and non-financial impacts of an organization to better inform decisions around investment, business strategy and risk management.

It is important to note, the concept of ESG programs, disclosures and strategic integration is not new. The awareness of it, however, has unquestionably been on the rise over the past number of years. Natural disasters are intensifying[19], the impacts of the COVID–19 pandemic showcased systemic inequalities[20] and the 2022 conflict in Eastern Europe is highlighting the potential for an energy crisis, all of which is resulting in growing stakeholder pressure.

Organizations are responding by embracing new tools and methods. They are moving beyond traditional programs related to corporate social responsibility (CSR) and are instead focusing on more evolved and impactful ESG strategies that are measurable and well-articulated.

CSR, Sustainability and ESG – what's the difference?

CSR

Projects and initiatives to support employees or the local community that may or may not support the organization's main purpose. ***Likely no verifiable tracking for impacts.***

Sustainability

Defined by the UN SDGs. Ethical and responsible business practices, diversity and inclusion considerations, human rights, health and safety, environmental commitments and other programs. ***Provides a framework for ESG.***

ESG

ESG provides a set of criteria around CSR and sustainability that companies can measure and report against. ***Involves the disclosing and benchmarking of information and data.***

Corporate Social Responsibility (CSR), Sustainability and ESG are often used interchangeably in assessing the impact of an organization beyond its financial results. However, it's important to understand the difference.

In many ways, CSR can be seen as laying the foundation for ESG, but the two are not synonymous. CSR is generally achieved by implementing projects or initiatives to support employees and/or the local community that may (or may not) support the organization's primary purpose. While there may be reporting on these initiatives, there is not necessarily a transparent, verifiable tracking of progress or overall impact.

With CSR programs, companies voluntarily self-assess how successful they are in integrating social and environmental programs to demonstrate accountability. The focus tends to be on implementing these initiatives rather than on ensuring the objective tracking and measurement of effective outcomes.

Sustainability and ESG are also similar, both addressing environmental and social issues. There is a widely held definition of sustainability, which is "meeting the needs of the present without compromising the ability of future generations to meet their own needs"[21]. The United Nations (UN) further defined sustainability through the Sustainable Development Goals (SGDs), or Global Goals, which were released in 2015 as a collection of 17 interlinked global goals designed to be a "shared blueprint for peace and prosperity for people and the planet, now and into the future"[22].

While the SDGs provide an ESG framework (to be explored later in this report), in a business context, sustainability may mean different things to different entities. To the business community, it's a broad term that highlights the importance of 'doing good.' This often translates into ethical and responsible business practices, environmental commitments, diversity and inclusion considerations, human rights, health and safety and other programs. Where the distinction lies is in the disclosing, benchmarking and verifying of information and data.

ESG Risks and Benefits

- *ESG can reduce costs significantly — McKinsey Research found that an effective ESG strategy can combat rising expenses that affect operating profits by as much as 60%.*
- *71% of CEOs believe it is their personal responsibility to ensure that the organization's ESG policies reflect the values of their customers, according to KPMG.*
- *Many major banks and investing firms, including Blackrock, have incorporated ESG investing criteria into their processes and products.*
- *Deloitte found that ESG-mandated assets could make up half of all professionally managed investments by 2025, totaling $35 trillion.*

Source: Perillon[23]

Companies have traditionally struggled to measure and report on sustainability and CSR performance. ESG provides a specific set of criteria around these factors that companies can measure, report against and be held accountable to.

ESG topics are interlinked, which highlights the complexity of the interconnectedness of risks related to social, technological, political, environmental and economic issues. Robust measurement, high-quality disclosures and effective reporting can help companies identify and manage their ESG risks, with the potential to exploit beneficial opportunities and create greater resilience.

Understanding ESG Risk

Risk is the possibility that events could occur in the future that will have an impact on an organization's ability to achieve desired outcomes and strategic objectives. According to ISO 31000[24], risk is the "effect of uncertainty on objectives" and that effect could be either a positive or a negative deviation from what was expected.

Organizations will have risks of all kinds, throughout all levels of the business. These risks need to be considered in light of their related opportunities – like two sides of the same coin with the benefit from the opportunities needing to be weighed against the potential downside risk. The systematic process defined as enterprise risk management (ERM) allows organizations to identify, evaluate, measure, manage and mitigate the risks that will have an impact on strategies and financial outcomes. To maximize benefit and exploit the related opportunities will require alignment in organizational risk appetite, capital plans, business strategies and operating plans.

ESG risks are increasing both in terms of complexity and severity. Risk topics such as climate change, supply chain management, labour relations, diversity, cybersecurity, data privacy and reputation are growing in importance and highlighting the fact that the past can no longer be seen as predictive of the future.

Environmental and social risks are influencing regulation around issues such as land use, emissions, labour standards and income equality, and are fundamentally changing how society views the role and responsibilities of organizations.

Calls for action to reduce GHG emissions and create low-carbon and climate resilient economies continue to grow, as evidenced by the 2015 Paris Agreement on Climate Change[25], the UN SDGs and the Reports from the IPCC[26]. These efforts help organizations effectively understand and address the risks that climate change in particular poses for business operations and performance.

It is becoming apparent how a lack of attention to these ESG issues are playing out publicly in companies such as Shell[27], Starbucks[28], Tesla[29] and TotalEnergies[30]. In addition to potential legal implications (i.e. legal risk), they are facing reputational and market risks as a result of backlash from investors, employees, special interest groups and broader society.

Source UN PRI[31]

Boards and senior management teams are now focusing on these issues to assess how ESG factors might impact them over time, in the short, medium and long-term. ESG risks often manifest over a longer period than the traditional risks that organizations are familiar with and their impacts have the potential to be much more severe. As such, ESG reporting is becoming a table stake for investors and various other stakeholders who are paying close attention. They are holding companies accountable for taking appropriate action and providing greater transparency into their operations.

The ESG Disclosure Ecosystem

Why Is ESG Reporting Important?

Trust and credibility are created through accountability, which is enabled through transparency. Transparency is attained through complete, balanced and reliable reporting that provides relevant information based on recognized standards and frameworks.

There is a general understanding that climate and ESG disclosures are becoming central to managing financial risks. Companies are being held to account for a broad range of ESG issues (*see case study examples in the final section of this report*) and investors are increasingly considering ESG issues to help them manage their investment risks and opportunities. ESG reporting provides investors with much-needed information on ESG performance, in the same way financial reporting has been providing the investment community with information surrounding a company's financial performance. Further, ESG reporting allows investors and other providers of capital to assess how a company is managing risks to generate sustainable long-term value.

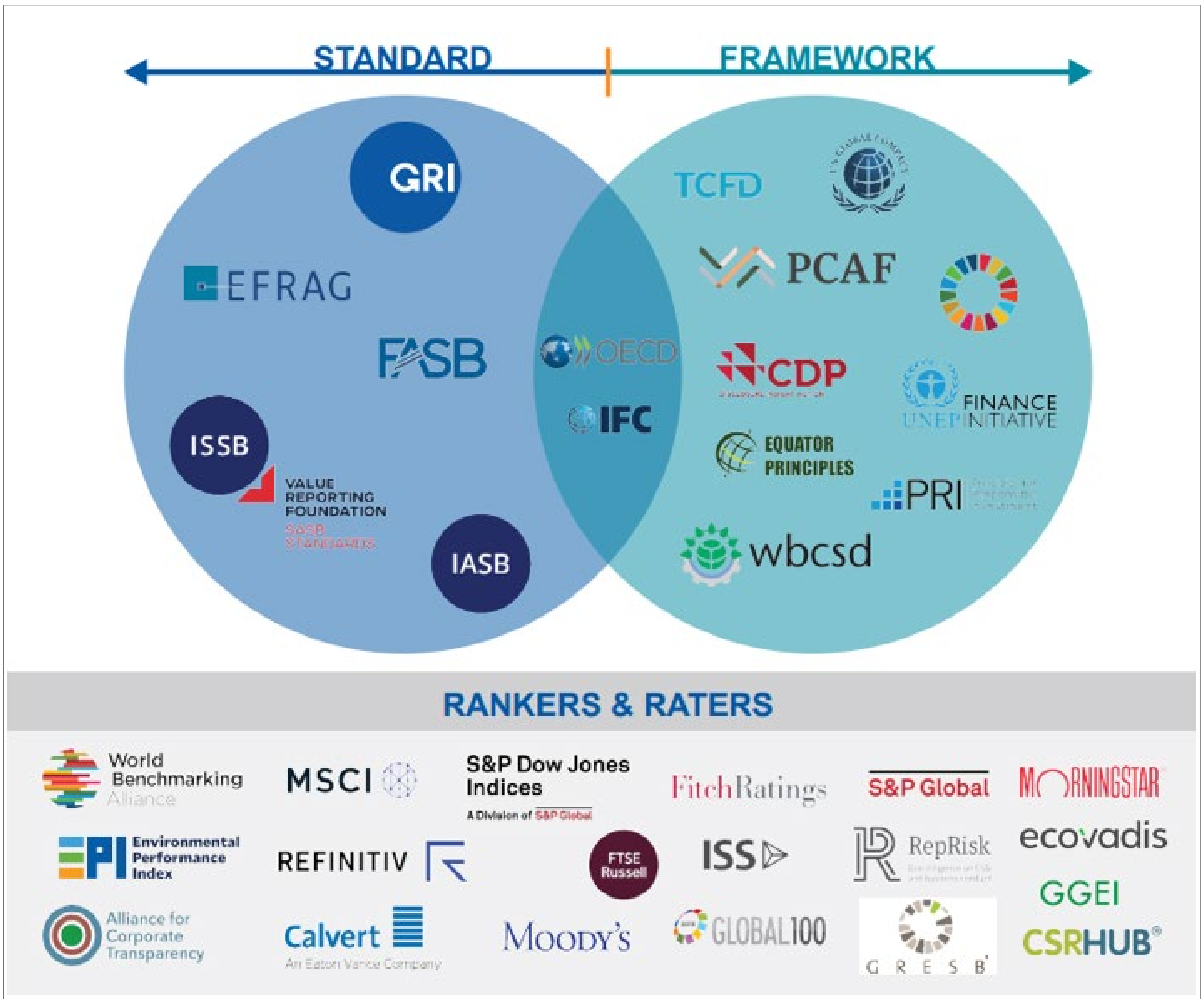
ESG reporting is not only important for investors. By committing to the process that supports quality ESG reporting, organizations will be better able to focus on priority environmental and social issues. This leads to uncovering risks and opportunities that traditional forms of reporting would not easily allow. Stakeholders at all levels are depending on this information to evaluate the organizations they wish to engage with. If this information is not made available, they may choose to go elsewhere or fill in the information gaps using whatever sources are available.

Standards, frameworks and methodologies

There has been a rise in expectations from a multitude of stakeholders that organizations begin to prioritize beyond the financial bottom line. This has led to a growing need for organizations to embrace a higher degree of transparency and accountability around ESG issues. This need is being met through quality ESG disclosures and reporting.

Effective ESG reporting provides stakeholders, and the organization itself, with the information needed to understand both the potential upside opportunities and the

Figure 2: Global ESG Reporting Provisions[32]



downside risks facing them. This leads to better decision making among investors and other providers of capital, enables governments to better prepare and respond to the risks that will impact communities and industries, and allows companies to demonstrate how they are responding to stakeholder priorities and concerns.

The global community has responded by developing sustainability reporting and disclosure standards, frameworks and guidance aimed at meeting the information needs of primarily investors but also society as a whole.

There is an abundance of ESG reporting facilities globally, leading to what has been referred to as an 'alphabet soup'. GRI, SASB, TCFD, SDGs, CDP and so many more are leading to confusion and intimidation for organizations wanting to embrace more sustainable business practices. Understanding the ESG disclosure ecosystem is, therefore, an important first step.

There are generally three categories when breaking down the ESG ecosystem:

1. **Standards** are specific, comparable and detailed requirements for 'WHAT' should be reported for each ESG topic. Common examples include the Global Reporting Initiative (GRI)[33] and the SASB Standards[34].
2. **Frameworks** are a set of principles-based guidance for 'HOW' information is structured and prepared and what broad topics are covered. Common examples include the Taskforce on Climate-related Financial Disclosures (TCDF)[35], the UN SDGs and the CDP (formerly known as the Carbon Disclosure Project)[36].
3. **ESG Ratings, Rankings and Analytics providers** focus on gathering data from a variety of sources and use their unique methodologies to score and rank individual companies based on comparative ESG assessments. They aim to assess the most significant ESG risks and opportunities facing a company, their associated risk exposure, how well the company is managing those risks and how they compare to industry peers. Some well-known examples are GRESB[37], S&P Global[38], Sustainalytics[39], MSCI[40] and ISS ESG[41].

Harmonization of Standards

There are growing challenges resulting from a lack of clarity over what sustainability-related information is required for quality decision-making, across industries and within jurisdictions. This has led to growing momentum toward the harmonization of global sustainability standards.

VALUE REPORTING FOUNDATION

In response to global market demand for standardization and convergence, the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) formalized their merger in June 2021 to create the Value Reporting Foundation (VRF) to house the Integrated Reporting Framework and the SASB Standards.

IFRS

In November 2021, the IFRS Foundation announced the creation of the International Sustainability Standards Board (ISSB), along with the future consolidation of the VRF and the Climate Disclosure Standards Board (CDSB) into the IFRS Foundation. CDSB consolidation was completed by January 2022 with the VRF expected by mid-2022. The ISSB's proposed standards (*out for public consultation at the time of writing this report*) build on the TCFD and the industry-based SASB standards.

GRI

On March 24, 2022, The IFRS Foundation and Global Reporting Initiative (GRI) announced their collaboration where their respective standard-setting boards, the International Sustainability Standards Board (ISSB) and the Global Sustainability Standards Board (GSSB), committed to align their work in developing their sustainability programs. The agreement sets out a two-pillar reporting structure - one for sustainability related disclosure of financial information for investors (IFRS) and one for sustainability reporting on impacts for a multi-stakeholder audience (GRI) - each of equal importance.

Sources: Value Reporting Foundation[42], CDSB[43], GSSB[44]

Companies need to own their sustainability story because, increasingly, when a company doesn't tell its own story, others will tell it for them using whatever information is available. Having the appropriate tools to convey a complete and balanced picture of the organization is key in order to avoid the risk of 'greenwashing'[45] and this is where the focus on ESG standards and frameworks has been useful.

See Appendix A for an overview of the most commonly referenced standards, frameworks and other assessment tools that are being relied on globally.

Choosing a Standard or Framework

Deciding on which standard(s) and/or framework(s) – or elements thereof – to use will be heavily influenced by the company's ESG maturity level, as well as the jurisdiction, industry, audience, information needs and expectations of key stakeholders.

An organization's ESG reporting typically evolves over time. What often begins as a commitment to sustainable business practices becomes more intentional as the ESG strategy matures and there can be closer alignment to globally recognized frameworks.

In Canada, there is growing support from large institutional investors for the TCFD framework (for climate-related disclosures) and SASB standards (for broader industry-based ESG disclosures) as evidenced by demands from the Canada Pension Plan Investment Board (Canada's biggest pension fund with over $450 billion of assets) and eight CEOs of major Canadian investment management firms representing $1.6 trillion in assets[46], among others.

While this momentum has been driven by larger companies and their investors, there will be an impact on SMEs because of their part in the larger supply chain and due to the regulatory requirements being imposed domestically and abroad. As expectations mount for accurate ESG disclosures from public companies, investors and other stakeholders will expect similar information from private businesses.

Highlighting this point is another comment from BlackRock's Larry Fink during a panel discussion at the UN Climate Change Conference in Glasgow (COP26) where the panel considered the role of policymakers and industry leaders to put the same pressure on private firms as they do on public ones to factor in climate change. Not doing so, he said, could create "the biggest capital-markets arbitrage in my lifetime…we are seeing more hydrocarbons moving away from public entities to private entities. If we're serious about this…we have to ask all of society to move forward, or we're lying to ourselves; we will not get to a net-zero".

It will be important to monitor these developments to ensure local small and medium sized companies, especially in the energy sector in Nova Scotia and the Atlantic region remain aligned with ESG best practices and stakeholder expectations.

See Appendix B for examples of ESG disclosures from publicly listed companies in the energy sector.

Considerations in ESG Reporting

Stakeholders

In the context of ESG reporting, stakeholders are defined as entities or individuals that can reasonably be expected to be significantly affected by the reporting organization's activities, products and services and whose action can reasonably be expected to affect the ability of the organization to implement its strategies and achieve its objectives[47].

Understanding what's important to stakeholders is a key consideration that helps organizations understand – as well as explain through reporting – what ESG metrics, targets and risks are most relevant and to uncover hidden opportunities. This also leads to better prioritization of efforts and resources.

It is also important not to assume that all stakeholders are the same across all industries and all organizations, just as it is important to understand that all stakeholders are not equal in terms of their impact on an organization. However, in general terms, stakeholders would typically include:

- Employees
- Customers
- Suppliers
- Investors/shareholders
- Funding agencies
- Government (municipal, provincial and federal)
- Regulators and oversight boards
- Academic institutions and members of academia
- Indigenous communities and organizations
- Communities, associations and special interest groups

It is vital to empower employees and to engage with customers, shareholders and investors. As well, to regularly discuss with government and other stakeholders the topics that are relevant to operations and that may have an impact on communities and society. A well-considered stakeholder engagement strategy will shape how organizations define and execute their strategy, including risk management, materiality and new business opportunities.

ESG analysis and reporting provides important information to assess long-term value for the company and its stakeholders.

Companies that are most successful in creating value through ESG reporting are the ones that focus on areas fundamental to their organization and stakeholders, instead of treating all issues as equal in priority and taking everything on at once.

Materiality

The consideration of materiality is crucial in the discussion around ESG disclosures. Reporting all ESG issues facing a company will cause confusion and the inability to focus on what is truly important. Reporting on too little, or on the wrong things, may lead to poor decision making by users of the information.

The material issues most frequently included in the ESG reports of energy companies in Canada are[48]:

Environment:
- GHG emissions
- Energy use
- Land use or biodiversity
- Water
- Waste

Social
- Diversity and inclusion
- Pay equity or gender equity
- Occupational health and safety
- Labour practices and employee satisfaction
- Indigenous relations
- Employment or economic contribution

Governance
- External stakeholder engagement
- Ethics
- Supply chain and contractor management

Note: while these issues may be most frequently referenced in ESG reports, one should not conclude that they are necessarily the most appropriate and/or complete disclosures. ESG reporting quality remains an issue and one where ESG standards and frameworks will help.

An understanding of materiality and material issues will underpin not only what will be reported but also will define which ESG issues organizations need to most-closely manage, including the risks facing the organization and the unintended consequences of business activities. Materiality is important to help a company determine what to focus on and how best to prioritize.

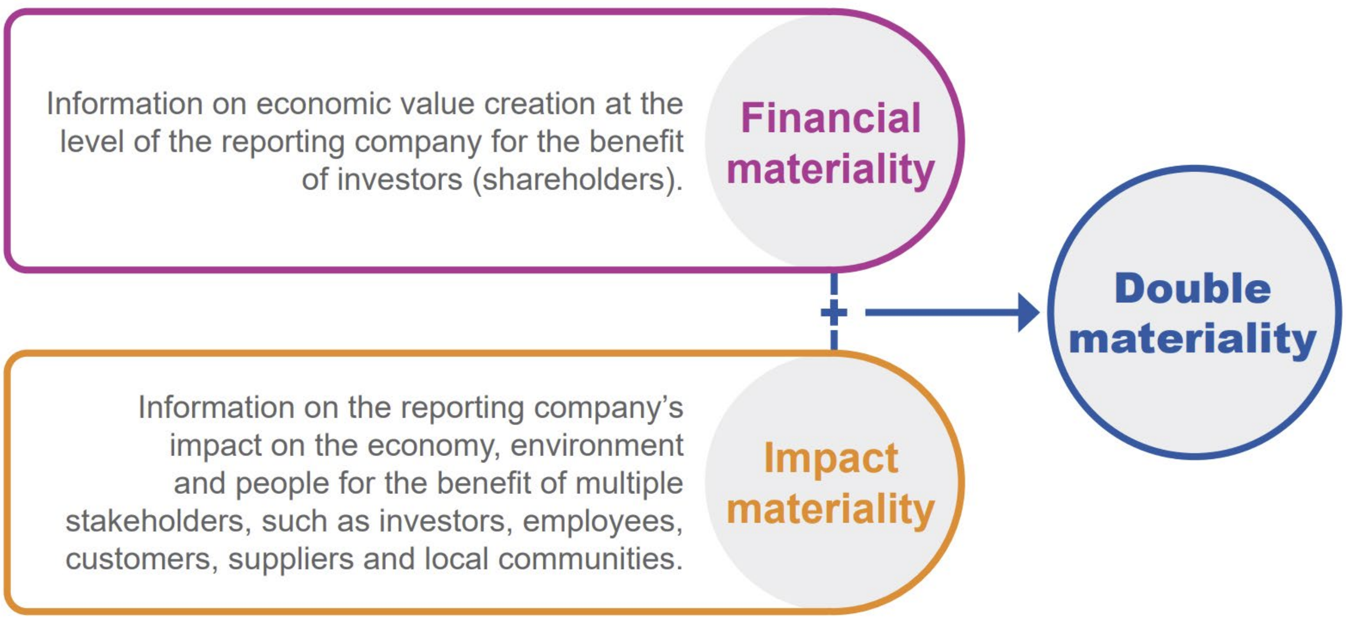
Materiality has long been a foundational concept in financial accounting, securities law and regulation. The Supreme Court of Canada provides guidance on what is considered material information, with materiality "requiring a balance between too much and too little disclosure… material if there is a substantial likelihood that a reasonable investor would have viewed its disclosure as having significantly altered the "total mix" of information made available. It is important to note that the omitted fact does not have to change a reasonable investor's decision; it must be substantially likely that it would assume actual significance in his or her decision-making process"[49].

Within the context of ESG reporting, the GRI considers materiality in terms of material topics: "An organization is required to identify material topics by considering the two dimensions of the principle: (1) the significance of the organization's economic, environmental and social impacts – that is, their significance for the economy, environment or society, as per the definition of 'impact' – and (2) their substantive influence on the assessments and decisions of stakeholders. A topic can be material if it ranks highly for only one dimension of the Materiality Principle"[50].

SASB had provided the following definition: "For the purpose of SASB's standard-setting process, information is financially material if omitting, misstating, or obscuring it could reasonably be expected to influence investment or lending decisions that users make on the basis of their assessments of short, medium and long-term financial performance and enterprise value"[51].

The interconnectedness between stakeholder engagement and determining what is material to an organization cannot be ignored or overstated. This is where the concept of **Double Materiality** becomes relevant.

Double materiality refers to the two types of materiality in use by sustainability disclosure frameworks and standards: (1) materiality in the context of enterprise value creation (or, financial materiality) and (2) materiality in the context of significant impacts on the economy, environment and people (or, impact materiality). It considers the material ESG issues that will impact the organization's ability to meet its strategic objectives and how the organization impacts society and the environment.



Source: GRI Perspective[52]

There is also the concept of **Dynamic Materiality.**

Materiality is a dynamic concept. ESG issues evolve over time, and what is not critical to an organization's success today may become crucial as markets, resource availability, regulation, customer awareness or other factors shift over time. Further compounding these issues are risks of geopolitical unrest, changes in legislation and public policy and shifts in societal expectations and norms.

Future Trends in ESG Reporting

ESG has evolved from a topic previously reserved primarily for public companies and their investors into a core component in organizational strategy. The expectation to integrate ESG factors into strategy and decision making has expanded. Private companies, non-profit organizations and crown corporations are facing growing expectations to integrate ESG issues and provide related disclosures to a broad range of stakeholders.

We also have access to vast amounts of data that were previously inconceivable. This is leading to society having higher expectations, growing demands and, arguably, less patience for a lack of robust disclosure around environmental and social issues. Businesses must earn their social license to operate and the time to adopt sustainable business practices has come. Stakeholders are looking for clear evidence of definitive actions and results around ESG issues, which is provided through accurate, timely and well-executed ESG reporting. Based on these evolving factors, likely future reporting trends include:

Climate Change

Perhaps the most significant driver of the increased demand around ESG reporting is the climate crisis. Climate change is becoming the central issue that is driving national commitments around emissions, achieving 'net-zero'[53] and the shift toward renewable energy sources. With a growing attitude that voluntary approaches are no longer sufficient to address the climate crisis, governments around the world are committing to mandatory climate risk disclosures and the TCFD framework is providing much of the necessary guidance.

Regulation

Regulation around mandatory climate disclosures have emerged in jurisdictions that include New Zealand, Australia, the United Kingdom, Hong Kong, the EU, Switzerland, Brazil and Singapore. The United States recently issued proposed rules[54] that would see requirements for public companies to disclose greenhouse gas (GHG) emissions and climate-related risks. In Canada, public consultation on proposed climate-related disclosure requirements[55] recently concluded and the newly released 2022 federal budget introduced mandatory climate disclosures for banks and insurance companies beginning in 2024[56]. These initiatives will become important in meeting Canada's 2030 carbon emissions reduction target of 40 to 45 percent below 2005 levels[57].

Natural Capital

Biodiversity will grow in importance to take its place alongside climate issues. Half of the world's GDP is either moderately or highly dependent on nature, representing an estimated $44 trillion of economic value, which is over half of global GDP[58]. This represents a significant risk to our global economy, not to mention the impacts on plant and animal life and the future of our life-supporting ecosystems. To address this risk, the Taskforce for Nature Related Financial Disclosures[59] (TNFD) was announced in June 2020 with a disclosure framework to be completed by 2023.

COVID-19

The impacts of COVID-19 will continue to be felt for years to come, leading to volatility in the economy and unprecedented impacts on society.

Social equity

There will be increased attention on social issues such as pay equity, diversity and inclusion, labour, human rights and supply chain sustainability. These issues will demand that companies place great emphasis on how they treat their employees, how they engage and interact with their customers and how they impact the communities in which they operate. This means organizations will need to provide transparency around their progress on these efforts through effective ESG reporting and disclosure.

Data

ESG data will become increasingly important as organizations are held to a higher standard where performance and disclosures are concerned. Issues around data integrity, standardization, tracking, privacy and a host of other issues will remain key topics in the ESG reporting conversation.

Procurement and supply chains

ESG factors will play a stronger role in procurement and supply chain decision making as organizations are expected to look beyond their own direct operations when assessing environmental and social issues. This creates pressure on suppliers who are part of the supply chain, often small and medium sized businesses that work diligently to keep or improve their position (detailed in the following section *Impacts across the supply chain*).

Transparency

As reliance on ESG reporting and disclosures grows, the expectations around transparency and accuracy will strengthen. For example, companies who have provided sustainability reporting in the past will need to ensure their reporting provides clear and relevant insight into measurable ESG performance. These expectations are anticipated to drive the need for third party assurance to verify the ESG information being presented and the accuracy of the reporting overall.

Rating agencies

As the markets look for clarity on the information being used to inform decision making, ESG rating agencies play a highly influential role. As such, the requirement for transparency will also extend to these rating agencies who are being scrutinized for a lack of transparency and consistency around their data sourcing and methodologies, with very few of these firms disclosing the underlying indicators used and/or the actual weighting of their assessments that lead to impactful conclusions[60].

Standards

We will continue to see alignment among the existing standard setting bodies to further support greater clarity and consistency in sustainability standards and ESG reporting. In the past year alone, we have seen significant consolidation among the sustainability reporting bodies with more collaboration on the horizon to support organizations in their reporting requirements and investors in their need to greater clarity and consistency on ESG information.

GHG emissions

There will be an increased focus on the reporting of GHG emissions. This will include Scope 1 (emissions from direct activities), Scope 2 (indirect emissions from purchased sources) and Scope 3 emissions (indirect emissions from upstream and downstream activities throughout the value chain). Scope 3 GHG emissions are particularly challenging to track as they are value-chain emissions and not within the direct scope of the reporting organization. These Scope 3 emissions often represent the majority of an organization's total GHG emissions and, therefore, under increasing pressure to be disclosed[61].

Carbon offsets

Related to this are carbon offsets and the issues surrounding their valuation as companies and regulators determine the role they should play in enabling a company to meet its net-zero emission targets. This will also play an important role in shaping ESG strategies in the future.

Scope 1, 2 and 3 emissions

Scope 1: Emissions from direct activities (e.g. company facilities and vehicles)

Scope 2: Indirect emissions from purchased sources (e.g. purchased electricity)

Scope 3: Indirect emissions from upstream and downstream in the value chain (e.g. transportation, waste, purchased goods and services)

ESG Impacts Across the Supply Chain:
An Energy Sector Perspective

Supply chains are global, highly complex, multi-tiered integrated systems needed to provide a product or service. These systems are comprised of various organizations, people, activities, information and resources and may span multiple geographies and jurisdictions. Given their complexity, they are subject to risks that may include complex regulatory environments, geopolitical unrest, pandemics, resource availability, impacts from natural disasters and more, which can impact their continued reliability. Further, business and ethical practices in some international locations may not meet local standards or stakeholder expectations, thus causing another set of risks; not the least of which is reputational.

Organizations have become increasingly reliant on broad supply chains as a way to reduce costs, increase efficiencies, focus on core competencies and to foster innovation. While the rationale behind this approach is to create enterprise value, the reality is the broader the supply chain, the greater the risk. As the fundamental elements in meeting strategic priorities are moved outside an organization's direct operations and control, the level of risk in not meeting expectations increases significantly.

The Principles for Responsible Investment (PRI) offers an overview of the direct impacts on a business as a result of ESG risk in the supply chain[62]:

- Interruption of flow of materials, including raw materials or components
- Impact on delivery times with knock-on effects to customer satisfaction
- Poor financial management of the supplier leading to inability to supply goods on time
- Loss of social license to operate resulting from major reputational concerns linked to pollution, human rights abuses, corruption, etc.
- Increase in cost of materials as companies are forced to change their suppliers last minute

Supply chain risks in the energy sector are often driven by ESG factors such as improper waste management, natural resource depletion, human rights violations, labour standards and working conditions, poor relations with Indigenous stakeholders, cybersecurity breaches, poor business ethical conduct and related governance issues.

These risks can be externally driven through third party suppliers or internally driven due to supply chain mismanagement. In either case, without adequate oversight and management, these risks from ESG factors will impact an organization's reputation, operations, financial performance and more. This becomes a priority for boards of directors and management teams, and also investors who are now purposefully engaging with the companies they invest in to ensure these ESG risks are being identified and managed throughout the entire supply chain.

In the case of the energy sector, unique challenges may arise due to heightened engagement in conflict zones and regions prone to crises. This is the case for the fossil fuel industry and renewables. For example, the crisis in Ukraine has highlighted the global dependence on Russian oil, gas and coal in meeting basic energy needs. Also, some of the world's largest suppliers of rare earth metals and minerals – essential in resourcing the renewable energy sector – are location in regions where political instability is high. Fostering key relationships and being preemptive with strategies that enhance engagement and build trust will help safeguard critical supply chains and meet investor and stakeholder expectations.

Oversight of ESG issues and the related policies, procedures and disclosures will ensure all aspects of the supply chain – internal and external – adhere to the same ESG standards, thereby reducing risk while meeting stakeholder expectations.

With the increased adoption of voluntary (and in some jurisdictions, mandatory) ESG disclosures, there is a growing awareness of the need to take responsibility for the totality of an organization's value and supply chain. ESG factors are becoming increasingly important in procurement and supply chain decision making because, when it comes managing ESG risks, it is no longer considered acceptable for organizations to focus simply on their own operations. Companies are under increasing pressure to ensure their own ESG principles are consistently applied throughout their network and supply chain. This would include strong environmental practices, goals toward achieving net-zero GHG emissions, commitments to diversity, fair labour practices, safe working environments and more. This in turn creates downward pressure on and opportunities for supply chains and suppliers who are most often small and medium sized organizations who have not yet embraced their own ESG practices.

SMEs in Nova Scotia and the Atlantic region are an integral part of the global supply chain. While there may be limited pressures from stakeholders within the supply chain today, the accelerating adoption of ESG metrics by the financial community will continue to drive the global trend toward ESG adoption and the expectations on SMEs.

ESG Factors Shaping Nova Scotia's Energy Sector

ESG topics and the management of them is becoming progressively more important across all sectors in Canada, shaping business agendas and investment approaches.

The energy sector has led the way in ESG adoption[63], with companies being motivated early on to establish ESG benchmarks that demonstrate accountability for performance around ESG objectives. While this was mostly due to their (potential) environmental impact, it was also to ensure high standards in employee health and safety and a safe working environment.

In a recent report from Natural Resources Canada[64], Atlantic Canada was hailed as a leader on the path to renewable energy and lower emissions. The report highlighted the tremendous opportunity for the Atlantic region in terms of increased demand for renewable, reliable and affordable sources of energy.

As issues around supply chain management intensify and pressures strengthen to lower global GHG emissions, local solutions that support renewable energy will prove to be strong investment opportunities. In order for companies to be well-positioned for these opportunities, however, they will need to consider the role ESG plays in attracting this investment.

On March 23, 2022, the Government of Canada issued its inaugural green bond[65]. The green bond, in the amount of $5 billion, will help to finance "green infrastructure and other projects that will help fight climate change and protect the environment, while also growing Canada's economy and creating new, good-paying jobs across the country."

"Nova Scotia is a national leader in fighting climate change, and the Province has set the most ambitious greenhouse gas emission reduction goals in the country. Working with our partners across the [Atlantic] region to deliver clean, renewable and affordable energy across the Atlantic Provinces is the key to greening our energy grid, providing more choice for consumers and building a clean power network."

The Honourable Tim Houston
Premier of Nova Scotia

Source: Government of Canada[66]

An important element of the Green Bond Framework is a "credible and transparent plan to deliver positive environmental benefits". As such, rigorous reporting will be required that provides information on environmental and social impacts. This is where ESG disclosures, supported by a robust ESG strategy, can play an important role.

Canada also reinforced its commitment to climate action in the *2030 Emissions Reduction Plan: Canada's Next Steps to Clean Air and a Strong Economy*[67]. Contained within this plan is $9.1 billion in new investments in Canada to reduce pollution and grow the economy. This, coupled with the recent proposal for mandatory climate disclosures, suggests ESG reporting may become highly relevant.

In February 2022, Nova Scotia announced its largest procurement for renewable energy[68] with a request for proposals (RFP) for wind and solar energy projects. These projects would aim to supply Nova Scotia with 10% of its electricity, creating over 2,000 direct and indirect jobs mostly in rural Nova Scotia. With only a maximum of five projects to be selected – and the need to demonstrate a commitment to engaging with the public, Mi'kmaq communities and underrepresented groups within the energy sector – organizations with a commitment to prioritizing and reporting on ESG factors may have a competitive advantage over those who do not.

Reinforcing the need to ensure balance among all three ESG pillars, it is also important to note the work being done though BDC in terms of supporting diversity, equity and inclusion. BDC Capital (BDCC) launched a standardized template for businesses to use in establishing policies, managing performance and disclosing metrics related to gender, race, ethnicity and identification in a manner that is aligned with the Canadian market[69]. This information is also intended to support decision making within private equity and venture capital firms who are expecting their portfolio companies to embrace more inclusive practices.

Implementation

General considerations in ESG integration

To derive maximum benefit from an ESG strategy, ESG factors should be considered throughout all aspects of an organization's decision making. Companies with mature ESG strategies will tend to have more success in this regard; however, a company can begin planning from whatever stage they are at.

Practical steps when considering an integrated ESG strategy appropriate for SMEs:

1. When a company is at the planning stage, it is important to engage the organization's leadership in the conversation around ESG. Begin discussing issues such as climate risk, social issues, diversity, data security, etc. and build an understanding of ESG across the organization. Start to consider how ESG issues could impact strategy and business objectives so that priorities can be established and resources allocated within a company-specific context.
2. Generate employee engagement to maximize internal knowledge and leverage a broad range of perspectives. This will have a dual purpose of securing buy-in for an ESG strategy while also helping to identify and reinforce the priority areas

that need to be considered. Cross functional alignment and departmental collaboration will become increasingly important as the size and complexity of the organization increases.

3. Develop an ESG policy that sets the foundation for an ESG program. It should reflect the organization's commitment and aspirations around ESG performance, timelines for implementation, reporting objectives and a roadmap with timelines for evolving the ESG program. Be realistic in setting goals and targets and be willing to start small with achievable milestones from which to build over time.
4. When assessing ESG priority areas, think about the risks and opportunities facing the organization in the short, medium and longer term. Look at what is already being done within each of the ESG pillars and consider that is feasible going forward. Also consider the company's stakeholders and the relationships that need to be most closely managed (see *Stakeholders* section).
5. Develop a tracking system for ESG information and data. While there are many third-party data solutions available, starting simple with an internal database can often be a good place to start. Tracking, documenting and measuring progress across the ESG priority areas as outlined in the ESG policy will be essential in preparing high-quality ESG disclosures.
6. Communication and reporting is about telling your ESG story. Integrate the key elements of quality ESG reporting that include accuracy, balance, clarity, comparability, reliability and timeliness[70]. Remember that reporting on everything will add little value and may result in confusion. Effective disclosure means focusing on the ESG issues that matter most to stakeholders and to the organization itself (see *Materiality* section).
7. Establish a process of ongoing oversight and monitoring. Recall the concept of 'dynamic materiality' and how ESG issues evolve over time. Ensure solutions that are flexible and adaptable, and based on forward-looking strategies. Environmental scans, peer benchmarking and continued stakeholder engagement will be highly beneficial.

Components of quality ESG reporting

The primary objective in ESG reporting is to provide fulsome disclosure on ESG performance that offers reliable, comparable and decision-useful information.

Primary audiences

Prior to preparing ESG disclosures, a company should consider its primary audience(s) and the information that would be most useful to them. This will help in selecting the most appropriate communication method(s) and reporting tool(s) for providing the relevant information (i.e., the investor-focused SASB Standards, the broader stakeholder focused GRI, the climate-focused TCFD, etc.).

Internal engagement

Preparers of ESG information should engage internally with the relevant individuals and functions across the company to ensure all pertinent information is being tracked, collected and disclosed appropriately.

Clarity in reporting

ESG disclosures should be clear and use either universally accepted terminology or have definitions provided. Clarity is a key attribute of quality ESG reports, and this extends to all aspects of the report.

Explain non-disclosures

When a company is not adhering to an ESG standard or framework, or only applying some elements of them (which is often the case with SMEs), there should be an explanation of why certain metrics and topics were selected for disclosure and why those metrics and topics were deemed to be material. When topics have been deemed to be material, yet disclosures have not been provided, it is important to explain the non-disclosure (i.e., comply or explain approach).

Risks and opportunities

ESG disclosures should reflect the company's ESG risks and opportunities - those with the potential to impact the company's long-term operational and financial performance. This is an area that will evolve over time as the organization matures in its ESG integration.

Challenges

In looking at ESG implementation and integration challenges, it is helpful to refer to a PWC study conducted in June 2021 where over 1,200 executives were surveyed[71] to determine the most significant barriers in preventing their companies from progressing on ESG issues. The results are presented in Figure 6 below.

Figure 6: Executive on ESG priorities[72]

While it may appear that ESG integration could be a large undertaking, most often this is not the case. In fact, SMEs actually may have an advantage. While large companies typically have more resources to dedicate to these important initiatives, they are often held back by complex organizational structures.

In many cases, organizations have already begun to track and report on certain ESG factors. Employee safety outcomes, gender diversity targets, community and

Indigenous engagement are a few examples. One of the first steps in establishing an ESG reporting program is to assess what is currently being done and to begin categorizing within each of the environmental, social and governance pillars.

The challenge for organizations of all sizes is not to take on too much too soon. It is often said that ESG implementation and reporting is a journey. It is important to start slow and build over time. Organizations should select the most meaningful priority metrics to track and report across the three pillars. Developing a three-to-five-year road map can support the continued evolution of an ESG program and ESG reporting.

Materiality and the prioritization of ESG issues is an ongoing challenge for organizations at all levels and at stages of ESG maturity. Remaining engaged with stakeholders to understand their perspectives, monitoring the internal and external environment, performing peer assessments, and leveraging existing ESG standards and frameworks will help inform the materiality assessment.

As previously discussed, deciding which ESG standard(s) to follow or framework(s) to use can initially seem daunting, each aiming to address a slightly different set of objectives and stakeholder perspectives. The work being done globally to consolidate and streamline the reporting process will help tremendously. However, in the meantime, consider the stakeholder audience to help identify the most appropriate set of standards. Additionally, as Canada moves toward its anticipated mandating of climate-related disclosures, the TCFD is expected to emerge as a heavily relied upon framework for preparers and users, as well as providing the foundation in the development of international reporting standards.

A final challenge involves data management. While the demand and practice of ESG reporting have increased, there remains a gap between the ESG information that is needed for quality disclosures and what is often available. Data will be an ongoing area of focus as the ESG landscape continues to evolve. It is recommended to start with the information that is available and build over time, and to be clear and transparent regarding any limitations on the reported data.

Conclusion

During the time in which this report was being prepared, the US SEC released its proposed rules around climate disclosure, Canada announced its emissions reduction targets and plans around mandatory climate reporting, the IPCC reiterated the climate emergency being caused by human activity and the invasion of the Ukraine was causing a humanitarian crisis that worsened by the day.

The dynamic nature of ESG issues reinforces how yesterday's social and environmental concerns are different from those of today, which will be different from those of tomorrow. Many of these issues are unprecedented, making it difficult to rely on past trends to predict the future. Traditional tools for planning and measuring organizational performance are limited in scope and, therefore, less useful in decision making.

The most effective ESG strategies will lead to greater resilience within organizations and help to proactively anticipate and be ready for future ESG-related issues. Committing to and/or reinforcing the necessary investments today will ensure organizations are maximizing the opportunities and benefits associated with ESG adoption.

SMEs who integrate ESG principles tend to see positive impacts almost immediately, from investment attraction to enhanced community engagement. However, of equal importance is how these organizations are future-proofing themselves. For example, regulations are expected to strengthen, particularly around climate issues, and the organizations within existing (or potential) supply chains are exercising greater due diligence when evaluating the companies they intend to engage with. Organizations that embrace ESG as part of their strategy and regular reporting regime will be prepared for the changes that are to come.

This report has provided context for ESG integration and offers tools and guidance to start the process of disclosing ESG performance. While the field of ESG reporting can be complex and ever-changing, many of the elements have been in place for some time.

There has never been a stronger business case for moving forward on ESG integration and the time to begin is now – before voluntary action becomes mandated through regulatory changes and increasing investor requirements permeate supply chains. ESG reporting will involve a learning curve and require new processes, timelines and data tracking systems. Leveraging this opportunity to establish a foundation for ESG reporting will ensure companies are well-prepared for future regulations and as stakeholders gravitate to those organizations that demonstrate leadership, accountability and transparency around their ESG impacts.

The importance of ESG continues to grow as it supports global markets, provides critical information to a multitude of stakeholders and helps to address some of the critical issues facing society. Through the adoption of business and investment strategies that embrace ESG issues, organizations can show that it is possible to do well by doing good.

ESG in Practice: Case studies

Following are two case studies that highlight how companies can begin working toward ESG integration. The first considers a public company, Major Drilling, with global operations and a formalized ESG strategy. The second looks at a renewable energy investment company, Scotia Wind, early in its ESG journey.

Case Study #1: Major Drilling

Background

Major Drilling was founded in 1980 in Bathurst, New Brunswick. Since that time, the company has grown through acquisitions, international expansion and deep specialization.

Now headquartered in Moncton, Major Drilling is listed on the Toronto Stock Exchange [MDI] after going public in 1995. With over 3,500 employees worldwide and a market capitalization of around $1 Billion, their operations span 15 locations throughout Canada, the United States, Mexico, South America, Asia, Africa and Australia, making it one of the world's largest drilling companies serving the mining industry. Its corporate purpose is: *Creating sustainable value by partnering with our customers and communities to discover minerals for building a better future*.

How it Began

The foundation for their future ESG strategy began decades ago with a commitment to high standards around employee health and safety ('S' pillar) and strong board and governance practices ('G' pillar), as evidenced by their publicly available Annual Reports that date back to 1997.

Starting in 2018, Major Drilling began tracking greenhouse gas (GHG) emissions across their global operations to establish a baseline for their fuel and energy usage and to understand the impact of their business activities (under the 'E' pillar). This tracking, in turn, provided the context needed to begin reporting into the CDP (formerly the Carbon Disclosure Project), which they began in 2019 (for 2018) following requests from their institutional investors to begin a system of reporting and tracking that could be measured and compared within their industry and across their peer group.

Major Drilling began considering how to formalize an ESG strategy to meet the needs of their many stakeholders, including investors, customers, regulators, employees, local and Indigenous communities and society as a whole who were becoming increasingly concerned about the environmental and social impacts associated with the mining industry, of which Major Drilling was a part.

Early in 2020, Major Drilling's Vice President of Legal Affairs was named the point person for their ESG strategy, with the legal department and in-house counsel assuming responsibility for the development and implementation of the ESG framework. In June 2020, the overarching ESG framework was approved by their Board of Directors.

Major Drilling is slated to issue its first Sustainability Report this year that covers 2021 with GHG emission data going back to 2018. Their ESG disclosures will be aligned with the leading global frameworks and standards, including the TCFD, CDP, GRI and SASB Standards.

The Approach

Step 1: Set clear lines of responsibility

Major Drilling identified an internal champion to oversee the ESG strategy and framework development. In deciding where the management of the ESG policy should rest, they considered the most direct line of communication from management to the board and where there existed broad visibility across all business activities. For Major Drilling, this led to the Legal department taking ownership given their involvement in the development of corporate policies and standards, as well as in compliance, governance, human rights, anti-corruption, enterprise risk management, diversity and inclusion – all of which are key issues within an ESG framework.

Step 2: ESG policy development

An ESG policy was developed and adopted, and it laid the foundation for their ESG framework. The policy was derived through the participation of an ESG committee that included a diverse, cross-section of operational and technical experts from the various regions where Major Drilling operated. The committee also acted as ESG ambassadors to support internal communications and secure buy-in for the initiative. It was a priority to have ESG embedded into their culture, so having this rolled out across their global operations was important.

The ESG policy captured their guiding principles and values. It informed and guided ESG priority setting across operations and aligned the company's values with those of their stakeholders, while also respecting operational realities.

One example of Major Drilling's operational realities would be under the environmental category. While issues such as biodiversity and responsible land management would typically be high priority areas for a mining company (i.e. which owns the land and has the requisite permits), Major Drilling is a service provider to mining companies and able to meaningfully affect a smaller subset of related issues, such as responsible operational water management and energy usage.

Step 3: Data collection

Developing an ESG repository (which has evolved into their sustainability reporting platform) was a critical piece of the framework. It was needed to record and capture what was already being done under the E, S and G categories and to identify existing and potential gaps and areas of concern where data tracking and ESG performance were concerned. Their repository serves as a central database to measure and track progress, and to inform the ESG story conveyed to both internal and external audiences.

Step 4: Communication

Once these key elements were in place, Major Drilling developed an external-facing communications plan to tell their ESG story. Their approach included an ESG page on their company website that highlighted their successes, challenges, missed targets and how they were addressing any performance gaps. This page was complemented by a social media strategy that connected their networks across various platforms.

Major Drilling is a public company, so determining how best to disclose their ESG performance was important. They provided ESG disclosures in their annual reports, annual information forms and management proxy circulars. As noted earlier, they will begin integrated ESG reporting through annual sustainability reports.

Step 5: Ongoing oversight

The board has ultimate oversight responsibility for ESG at Major Drilling, with the board's Corporate Governance and Nominating Committee assuming a coordinating role. The Committee then delegates specific ESG related responsibilities to the various other board committees in accordance with their specific mandates (e.g., the Environmental Health and Safety Committee has responsibility for safety incidents and tracking safety performance, etc.).

Benefits

Integrating ESG has allowed Major Drilling to identify new opportunities, such as their role in the electric vehicle supply chain through the mining of copper, lithium, etc.

It provided the structure and discipline to align with broader stakeholder views.

It also allowed Major Drilling to put a deeper focus on incorporating ESG principles into employee engagement that has extended to new employee recruitment, as many of the new generation of workers are paying close attention to the impact companies are having on the world around them.

From an environmental perspective, they have started to implement water recirculation systems for drilling fluids that can reduce water consumption. As well, their new drilling rigs will have lower emission motors, reducing their carbon footprint going forward. From a social perspective, they are now paying closer attention to the CSR initiatives taking place through their various branches that have a long history of supporting the local communities where they operate.

As it relates to their supply chain, relationships with some of their larger clients have deepened, especially among those who had begun asking for ESG related information. Major Drilling is seen as a well-managed company because of their commitment to ESG and it is helping in their bidding process, providing a competitive advantage.

Key Take-aways

A cultural transition was needed across the organization to see ESG as more than a compliance exercise primarily for investors and, instead, to develop the genuine belief that ESG integration was necessary for the company's ongoing success. It was important to embed ESG commitments into the organization's corporate culture and across all operations globally.

Their ESG journey required an ongoing focus on change management. Monitoring the pace of change to balance ambition with operational realities was and remains important.

Finally, many of the underlying elements needed for the ESG framework were already in place, especially as it related to employee health and safety and strong governance practices. The focus on ESG helped formalize what was already being done, while also identifying new areas for tracking and improvement.

FOR MORE INFORMATION

To learn more about Major Drilling and to view their ESG policy, framework and annual reports, visit their website at www.majordrilling.com.

Case Study #2: Scotian Wind

Background

Scotian Wind Inc. (SWI) is a community-based, renewable energy investor in Nova Scotia that has invested in 12 wind projects throughout the province. SWI was incorporated in 2011 as a Community Economic Development Investment Fund (CEDIF), a special type of corporation in Nova Scotia that provides incentives for individual residents of the province to invest in local for-profit organizations.

Scotian Wind was created as an offshoot of Scotian WindFields Inc. (SWFI) to enable participation in the Nova Scotia Community Feed-in Tariff (COMFIT) program. COMFIT began in 2011 to help the province achieve its goal of reaching 40% renewable energy by 2020. This program supported smaller energy producers as they sought to provide renewable energy to local communities.

Each project has a separate 20-year Power Purchase Agreement with Nova Scotia Power Inc.

The Approach

Scotian Wind was created with a mission to support the transition to 100% clean, locally-produced renewable energy that would both mitigate climate change and provide benefits to local communities. Due to their CEDIF structure and purpose, their business model rests between that of a private company and a public corporation.

At the heart of Scotian Wind's purpose is climate change mitigation and supporting Nova Scotia's transition to a low-carbon economy. Their approach to ESG has been somewhat of an organic process and one that is still evolving.

Scotian Wind has adopted a balanced approach to ensure there is consideration for not only its environmental impact – positive and negative – but also for how it treats stakeholders beyond its shareholders to include customers, partners and communities. Scotian Wind endorses the adoption of ESG principles that center on People, Planet and Prosperity. This mirrors the broad stakeholder focus of GRI Standards for ESG disclosures, which considers social (i.e., people), environmental (i.e., planet) and economic impacts (i.e., prosperity). Their focus on 'prosperity for all' includes profitability for their shareholders but also pays close attention to societal well-being and broad-based economic benefits, such as job creation, innovation and reinvestment back into the region.

People:

Engagement with local communities and special interest groups where Scotian Wind has, or is planning, projects is a definite priority for Scotian Wind. To develop a deep understanding of what's important to their stakeholder groups, they leverage annual meetings, town halls, community events, online engagement and various other forms of contact. This strategy is key to ensuring Scotian Wind continues to prioritize and plan appropriately, while strengthening its social license to operate.

Further, through signed contribution agreements with 12 not-for-profit organizations across the province, each year Scotian Wind and their partners donate 1% of the gross annual revenue from each local wind project to the communities where those projects are based. This commitment is for a period of 20 years. The funds are overseen by their respective community-based societies, and it is the communities themselves that define what the funds will be used for.

This formalized commitment has further strengthened their community relationships and secured their position as a community builder. Some of these community groups have been able to leverage this guaranteed "annuity" to obtain further funding through matching contributions from various levels of government.

There has been approximately $192,000 contributed annually to the communities where Scotian Wind has projects. This funding has provided support to school programs, scholarships, recreation programs, facility enhancements and other local initiatives.

Planet:

Through the use of technology, they measure the emissions generated through operations, as well as the emissions they offset through the provision of their renewable energy source.

They focus internally to integrate environmental protections into their business model. Through research and scientific studies, they have been able to minimize impacts on local ecosystems (i.e., bird migration, land use, etc.) through enhanced design and operation of their wind projects, safeguarding a net gain for the environment.

Prosperity:

Scotian Wind believes a well-run company requires strong governance and operating practices.

Their Board consists of 10 directors, each of whom are independent with the exception of the CEO. There is diversity among their directors with 30% being women and 10% Indigenous.

They have broad-based ownership following three CEDIF share offerings. Scotian Wind now has approximately 450 shareholders who reside in communities across Nova Scotia. This community ownership model drives the board and management to look beyond operating costs alone to deliver value. They prioritize delivering a sustainable return on investment to project shareholders and their partners.

To reinforce this commitment, Scotian Wind has aligned with the UN SDGs (United Nations Sustainable Development Goals). Through the SDG framework, they are able to align their efforts with the expectations of their stakeholders and articulate their impact through Goal 7, which aims to ensure access to affordable, reliable, sustainable and modern energy for all and Goal 10, which is to reduce inequality.

Benefits

Annually, Scotian Wind's projects produce 144,000 Megawatt hours (MWh) of renewable energy, offset 32,170 tonnes of carbon dioxide (CO_2) and generate a 20% return on investment (ROI) for its 450 shareholders. They provide power generation for the equivalent of 14,600 homes and invest $192,000 back into the communities of Nova Scotia each year.

Key Take-aways

Creating the right business model to support Scotian Wind's mission and purpose was critical. Raising capital through programs that foster community engagement has provided immeasurable benefits for Scotian Wind, the local communities where the wind projects exist and for the people being served through financial contributions and renewable energy.

An unwavering commitment to broad, inclusive stakeholder engagement has led to increased levels of trust and transparency which has reduced barriers to entry and facilitated timelines when embarking on new projects.

Embedding a culture of sustainability in all that you do is key.

FOR MORE INFORMATION

To learn more about Scotian Wind and their approach toward adoption of ESG principles, visit their website at www.scotianwind.ca.

Appendix A

Standards, Frameworks and ESG Rating Organizations

To assist in demystifying the multitude of options available to organizations wishing to disclose their ESG performance, following is an overview of the most commonly referenced standards, frameworks and other assessment tools that are being relied on globally.

Standards

Value Reporting Foundation SASB Standards

SASB (Sustainability Accounting Standards Board) Standards enable businesses around the world to identify, manage and communicate financially-material sustainability information to their investors[73]. This investor focus primarily aims to meet the needs of the capital markets with information about performance on the sustainability issues that matter most for enterprise value creation. SASB Standards follow an industry-specific approach by defining the sustainability issues that matter most to investors (i.e., the material issues) within 77 defined industries. These standards help public companies disclose material and decision-useful ESG information to investors that can be included in mandatory filings and voluntary reporting.

The Global Reporting Initiative

The Global Reporting Initiative (GRI) Sustainability Reporting Standards[74] are the most widely used standards for ESG reporting globally. These standards take a broad stakeholder view, as opposed to an investor focus. The GRI defines stakeholders as those significantly affected by the organization's activities, products and services, or those whose actions can affect the organization in achieving its objectives (i.e., double materiality*). GRI standards are topic-specific and include the economy, environment and society as the themes to be addressed in disclosures. These standards support companies in communicating their impact on critical sustainability issues such as climate change, human rights, governance and social well-being.

Frameworks

Taskforce on Climate-related Financial Disclosures (TCFD)

The TCFD was established by the Financial Stability Board (FSB)[75] in 2015 to help organizations disclose climate-related financial information and enable investors and other stakeholders to assess the organizations' climate-related financial risk.

As the movement toward standardized sustainability reporting gains momentum within the private sector, governments around the world are also embedding aspects of the TCFD recommendations into regulations and policy. In addition to being sponsored by the G20, the TCFD framework was endorsed by the G7 in June 2021 in support of a move "*towards mandatory climate-related financial disclosures that provide consistent and decision-useful information for market participants*"[76].

While the UK and Europe lead in sustainability disclosures, the U.S. Securities and Exchange Commission (SEC) recently issued its proposed rules[77] for mandatory climate disclosures for publicly traded companies (including Canadian companies) and expected to be in force by the end of 2022. The Government of Canada has endorsed[78] the TCFD framework, and the Canadian Securities Administrators (CSA) recently wrapped up its four-month consultation period[79] on proposed climate disclosures.

Figure 3: Core Elements of Climate-Related Financial Disclosures[80]

UN Sustainable Development Goals

In 2015, the United Nations and its 193 Member States defined 17 Sustainable Development Goals (SDGs) that represent the world's most significant priority areas. They set targets for 2030 that aim to end poverty, protect the planet and fight inequalities. The 17 SDGs are accompanied by 169 targets and 232 indicators to help mobilize global efforts and provide a framework for business to take action. The SDGs are viewed as a framework for shaping and prioritizing business strategy and associated reporting. Over time, they have been incorporated in a growing number of ESG assessment frameworks.

Figure 4: UN Sustainable Development Goal Focus Areas[81]

Principles for Responsible Investment

The Principles for Responsible Investment (PRI) was launched in April 2006 and is the world's leading proponent of responsible investment[82]. The UN-supported PRI is an investor initiative in partnership with the UN Environment Programme Finance Initiative (UNEP FI)[83] and the UN Global Compact[84]. Its aim is to have ESG issues integrated into mainstream investment decision making and ownership practices by providing a framework for the integration of responsible business conduct into investment strategies. The PRI contributes to the promotion of ESG objectives by requiring signatories to commit to adopting six principles for responsible investment as detailed below.

PRI Principles for Responsible Investment

Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.

Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.

Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.

Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.

Principle 5: We will work together to enhance our effectiveness in implementing the Principles.

Principle 6: We will each report on our activities and progress towards implementing the Principles.

Ipieca is an industry association that was founded in 1974 at the request of the United Nations Environment Programme[85]. A collaboration between the American Petroleum Institute (API) and the International Association of Oil & Gas Producers (IOGP), its members include corporations and associations. They support the global oil and gas industry by issuing a guidance framework[86] to help the industry in achieving high-quality, non-financial reporting. Ipieca's sector-specific voluntary reporting guidance is relied on by many organizations in the oil and gas sector and is based specifically on the UN SDGs.

CDP (formerly the Carbon Disclosure Project) is an international not-for-profit charity that runs the global disclosure system for investors, companies and governments to manage their environmental impacts[87]. Through the collection of standardized information, CDP reporting and data collection is focused on climate change, water security and forests. CDP data informs many other research agencies that provide ESG rankings and ratings.

ESG Ratings & Analytics Providers

GRESB provides ESG data to financial markets through their collection, validation, scoring and benchmarking of ESG data. Real estate funds, REITs, property companies, real estate developers, infrastructure fund managers and asset operators use GRESB to assess ESG performance[88].

S&P Global offers an integrated suite of ESG solutions to provide a comprehensive view of data and analytics on ESG issues for decision making. Through their Corporate Sustainability Assessment (CSA), companies are invited to participate in the Dow Jones Sustainability World Index (DJSI)[89] or other S&P ESG[90] indices.

ISS ESG[91] collects data from company publications including mainstream filings, sustainability and CSR reports, integrated reports, publicly available company policies and information on company websites. Their solutions are intended to help investors in their responsible investment decision making by monitoring company practices.

MSCI[92] collects public data from a variety of sources, using alternative datasets to corroborate, expand upon and balance the information presented by voluntary company disclosures to provide institutional investors with an objective view of a company's ESG risk profile.

Sustainalytics (a Morningstar company)[93] uses metrics and direct engagement with companies, which allows for feedback and a greater ability to assess transparency with respect to ESG issues. Their process produces an ESG score which investors can use to make decisions relative to their investment objectives.

Corporate Knights[94] has been ranking the world's 100 most sustainable corporations since 2005. Their Global 100 annual ranking is based on a thorough assessment of public companies with revenue over US$1 billion and is released each January. Their ranking is based mostly on publicly disclosed data.

Appendix B

ESG Disclosures and Reporting - Examples

The following examples are taken from the ESG disclosures of publicly listed companies in the energy sector. These samples do not represent the reports in their entirety and are intended for illustrative purposes only.

Algonquin Power: 2021 ESG Report (extract)[95]

GRI context index

Environment

Energy

No.	Disclosure	Source and notes	Priority issue alignment
103-1 103-2 103-3	Explanation of the material topic and its boundary The management approach and its components Evaluation of the management approach	W *Our Commitment to Sustainability* W *Our Commitment to the Environment* S 36 Net Zero: Transitioning to a low-carbon economy and managing our emissions S 44 Climate resiliency and energy efficiency S 108 Electric utilities and power generators S 111 Gas utilities and distributors CC *CDP Climate Change Survey*	
302-1	Energy consumption within the organization	S 102 Internal energy consumption	• Transitioning to a low-carbon economy • Greenhouse gas and air emissions • Energy efficiency • Land use and biodiversity • Customer experience and affordability • Energy reliability • Risk management
302-2	Energy consumption outside of the organization	Downstream natural gas combustion is the largest source of energy consumption outside of the organization and is reported at 12,674 GWh for the amount of natural gas delivered to customers. Other sources of energy consumption have not been collected but are primarily from; Algonquin's investments in Atlantica Sustainable Infrastructure PLC., Plum Point and Iatan coal facilities; fuel production and extraction activities; and the generation of electricity distributed by Algonquin.	
302-3	Energy intensity	S 102 Internal energy consumption	
302-4	Reduction of energy consumption	Note: The decrease in energy consumption from 2019 to 2020 is primarily due to the retirement of Algonquin's Asbury coal facility.	
302-5	Reductions in energy requirements of products and services	S 83 Greenhouse gas emissions S 102 Internal energy consumption	

Social

Employment

No.	Disclosure	Source and notes	Priority issue alignment
103-1 103-2 103-3	Explanation of the material topic and its boundary The management approach and its components Evaluation of the management approach	S 60 Talent attraction and retention	
401-1	New employee hires and employee turnover	S 60 Talent attraction and retention S 95 Hiring rates S 95 Turnover rates	• Talent attraction and retention • Employee health and safety • Ethics and integrity
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Algonquin's full-time employees are eligible for the following benefits: life insurance, health care, disability and invalidity coverage, parental leave, retirement provision, and stock ownership.	
401-3	Parental leave	S 96 Parental leave	

Innergex: 2021 Sustainability Report (extract)[96]

Innergex's business activities fall into two SASB industry levels: Infrastructure (Electric Utilities and Power Generators) and Renewable Resources and Alternative Energy (Solar Technology and Project Developers/Wind Technology and Project Developers).

Performance mapped to key issues as defined by SASB Standards

Metric	2021 Performance	Reference	Code
Greenhouse Gas Emissions & Energy Resource Planning			
Gross global Scope 1 emissions	1,346.1 metric tonnes CO_2e (21.92%)	P. 27	IF-EU-110a.1
Percentage covered under emissions-limiting regulations	Not applicable	Under threshold	
Percentage covered under emissions-reporting regulations	Not applicable	Under threshold	
Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Since 1990, Innergex has been exclusively focused on generating energy from renewable resources. Our Sustainable Development Policy states that the Corporation continues to analyze and evaluate the impact of our activities on the environment and, where possible, improve procedures and outcomes. We are continually assessing and improving our procedures by improving efficiencies in all aspects of our operations while remaining committed to increasing our share of renewable energy output. The Corporation currently aligns its reporting with the SDGs, the CDP and SASB, and is expecting to release a report based on the business risks and opportunities identified through the Task Force on Climate-related Financial Disclosures (TCFD) as an accompaniment to this report.	Sustainable Development Policy	IF-EU-110a.3
Air Quality			
Nitrogen oxide (NOx) emissions	0	P. 30	IF-EU-120a.1
Sulphur Oxide (SOx) emissions	0		
Particulate matter (PM10) emissions	0		
Lead (Pb) emissions	0		
Mercury (Hg) emissions	0		

Capital Power: 2021 Climate Change Disclosure Report (extract)[97]

TCFD alignment table

TCFD theme	TCFD recommendations	Alignment to Capital Power/Reference
Governance	a. Describe the Board's oversight on climate-related risks and opportunities.	• See Corporate Governance • See Who We Are > Corporate Governance (www.capitalpower.com)
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	• See Organizational Structure
Strategy	a. Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term.	• See Risks & Opportunities Tables
	b. Describe the impact of climate-related risks on the organization's business strategy and financial planning.	• See Risks & Opportunities Tables
	c. Describe the resilience of the organization's strategy taking into consideration different climate-related scenarios including a 2°C or lower.	• See Our Strategy • See Risks & Opportunities Tables
Risk management	a. Describe the organization's process for identifying and assessing climate-related risks.	• See Managing Climate Risks & Opportunities
	b. Describe the organization's process for managing climate-related risks.	• See Managing Climate Risks & Opportunities
	c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the company's overall risk management.	• See Our Strategy • See Approaches to Decarbonization • See Managing Climate Risks & Opportunities
Metrics & targets	a. Disclose metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	• See Metrics & Targets • See 2021 Integrated Annual Report
	b. Disclose Scope 1, 2 and, if appropriate, Scope 3 GHG emissions and the related risks.	• See 2021 Integrated Annual Report • See CDP 2021
	c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	• See Metrics & Targets

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