



2022 CAE VIRTUAL Round Table *Summary*

SUSTAINABILITY IN CANADA: EVOLVING RISKS & OPPORTUNITIES

Sponsored by: MNP

Guest speakers included **Sara Alvarado**, Executive Director at the Institute for Sustainable Finance at Queens University; **Chantale Despres**, Assistant Vice-President of Sustainability at Canadian National Railway (CN); **Kaylynn Pippo**, Acting Director of Research Guidance and Support at CPA Canada. MNP's Edward Olson, National Leader, Environmental, Social and Governance (ESG).

Moderated by MNP's **Edward Olson**, National Leader, Environmental, Social and Governance (ESG).

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The Institute of Internal Auditors
L'Institut des auditeurs internes
Canada

Sustainability in Canada: Evolving Risks and Opportunities

IIA roundtable discussion evaluated how Canadian businesses must respond to address climate-related priorities.

The Institute of Internal Auditors (IIA) Canada hosted a panel of sustainability experts as part of its [Chief Audit Executive Round Table](#) series.

Guest speakers included [Sara Alvarado](#), Executive Director at the Institute for Sustainable Finance at Queens University; [Chantale Despres](#), Assistant Vice-President of Sustainability at Canadian National Railway (CN); and [Kaylynn Pippo](#), Acting Director of Research Guidance and Support at CPA Canada. MNP's [Edward Olson](#), National Leader, Environmental, Social and Governance (ESG), moderated the discussion.

Topics covered a wide range of sustainability risks and opportunities facing Canadian businesses. These include Bill C-12, which formalizes Canada's commitment to net-zero by 2050; the evolution of mandatory climate disclosures in Canada and abroad; and steps organizations must take to achieve compliance.

The conversation also touched on the role of internal audit — including action items it must consider when assessing sustainability goals and how to integrate sustainability with enterprise risk management.

Key takeaways

- Bill C-12 (i.e., *the Canadian Net-Zero Accountability Act*) requires GHG emissions reduction with the goal of the entire country being net-zero by 2050. The Minister of Environment will create targets for 2030, 2035, 2040, and 2045 — and a plan for how to get there.
- Nearly all jurisdictions globally have implemented or are working toward net-zero targets, with recent progress in the U.S. and the E.U. being especially relevant to Canada.
- Transportation, energy, and buildings are Canada's highest emitters, and addressing these areas is critical to achieving the country's 2050 net-zero goal. Electrification, hydrogen, and energy storage will be a core part of the transition.
- Defining the path to net zero is just as important as the commitment itself. There's a perception that many organizations are simply paying lip service to stakeholder expectations. Regulators and investors are scrutinizing the plausibility of targets and milestones. Ambition needs to be supported by action, measurement, and reporting.
- Investors and regulators are increasingly using climate-related disclosures to make financially material decisions. Organizations must provide transparent, accurate, and independently verified data that aligns with a consistent and comparable standard. There is an ongoing push to clamp down on reporting that lacks substance, is difficult to audit, or is seen as intentionally deceptive (i.e., greenwashing).
- Both the U.S. Securities and Exchange Commission (SEC) and Canadian Securities Administration (CSA) have proposed standards for climate-related disclosures. Both expect to introduce new instruments by 2023, with widespread implementation by 2025.
- Organizations face unique challenges with sustainability reporting due to data complexity and because much of the relevant data exists beyond the organization. Consistency required greater transparency around the scope, limitations, and methodologies used in reporting.

- Getting to net zero will not be possible if organizations only consider their own emissions. It will require efforts across the supply chain to address Scope 1 emissions (produced internally), Scope 2 emissions (energy consumed), and Scope 3 emissions (produced by customers or vendors).
- A clear tone from the top down is critical for ongoing progress and success. The board, executive, and upper management must drive strategy and education. Internal audit will also play a key role by advising on risks and opportunities and ensuring key governance measures are in place.
- Sustainability is quickly becoming a competitive measure across the global economy. Organizations need to consider risk and opportunity in the near term — the financial costs of inaction, including punitive measures and difficulties attracting customers and investors — along with the challenges of operating in a more climatically unstable world.

Now's the time to start

Expectations around sustainability and ESG are evolving quickly. Organizations that aren't taking steps to measure, disclose, and reduce their emissions footprint risk quickly falling behind.

Global legislators, including Canada, are making net zero a priority. While 2050 may seem a long way off, these plans hinge on achieving nearer-term milestones. Moreover, stakeholders are already becoming more vocal about the need for transparent and independently verified climate disclosures to make purchasing and investment decisions. And the impacts of a warming world may indeed emerge much sooner.

Organizations that can provide reporting that aligns with emerging standards and frameworks will be in a far better position to compete and thrive in this new economy. The path to maturity is long and will require a significant re-alignment of mindsets and resources. The sooner you can begin on your journey, the easier it will be to build momentum and avoid the costs of complacency.

[Click here to learn more about MNP's ESG practice](#) and for in-depth insights, whether you're just getting started or taking your program to the next level. Or contact [Edward Olson](#), National Leader, Environmental, Social, and Governance, at edward.olson@mnp.ca to begin the conversation.