

ESG Drivers – Canada vs. the EU

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SOLUTIONS

ESG – Meet Investors' Expectation and Helps Future-Proof

- Companies with lower ESG risk are outperforming over time
- Increased returns on portfolios that incorporate ESG
 - Increasing oversight
 - Raising employee awareness
 - Introducing tools and implementing tracking
 - Reporting practices



Environmental

- Energy management and efficiency
- Climate change and protection
- Green building certification
- Emissions and consumption
- Air pollution
- Waste management

Social

- Employee outreach and engagement
- Diversity, equity and inclusion
- Client engagement
- Tenant education, support and encouragement of sustainability initiatives
- Succession planning
- Employee training and compliance
- Health, safety and well-being
- Community investment

Governance

- ESG leadership committee and objectives
- Board oversight: Governance compensation and nominating committee
- E, S and G policy development
- Internal and external reporting on strategy and performance
- Audit and compliance

ReCan Global - ESG Considerations

Performance (Environmental)

- Carbon Emissions
- Climate Change
- Energy & Water Use
- Benchmarking & Rating Tools
 - Energy Star Portfolio Manager
 - LEED
 - BOMA Best
 - Fitwell
- Life Cycle Assessment of Real Estate Portfolio



ReCan Global ESG Considerations

Stakeholder Engagement (Social)

- Equity, Diversity & Inclusion
 - EDI Training
 - Community support
- Workforce Culture
 - ESG & Sustainability Training
 - Health & Safety
- Sector Leadership/Working Groups/Collective Impact
- Human Capital
 - Career development
 - Employee benefits
 - Succession planning
 - Employee training and compliance
- Community investment



ReCan Global ESG Considerations

Management (Governance)

- ESG Leadership Committee and Objectives
- Board oversight: Governance Compensation and Nominating Committee
- E, S and G Policy Development
- Audit and Compliance
- Investor Relations
- Internal & External Reporting
 - SASB
 - GRESB
 - PRI
 - TCFD
- Procurement Policy
- Board Equity, Diversity & Inclusion



EU Non-Financial Reporting Directive

Requires all EU financial market participants to publish data on the impact their activities have on ESG factors, took effect 10 March, 2021.

- Standardised reporting processes through its Non-Financial Reporting Directive (NFDR) and Sustainable Finance Disclosure Regulation (SFDR).
- Investment firms are required to disclose:
 - The environmental sustainability of an investment and the provenance of any ESG claims made
 - The risks investments present to ESG factors based on performance data, on a “comply or explain” basis
 - The risks ESG factors present to investments



Principles for Responsible Investment (PRI) Task Force on Climate Related Financial Disclosures (TCFD)



TCFD-based reporting mandatory for PRI signatories in 2020



- PRI
 - Investment implications of environmental, social and governance (ESG) factors;
 - Support its international network of investor signatories in incorporating these factors into their investment and ownership decisions;
 - The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice
- TCFD
 - Voluntary climate-related financial disclosures that are consistent, comparable, reliable, clear and efficient, and provide decision-useful information to lenders, insurers, and investors

Core Elements of Recommended Climate-Related Financial Disclosures



Governance

The organization's governance around climate-related risks and opportunities

Strategy

The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

Risk Management

The processes used by the organization to identify, assess, and manage climate-related risks

Metrics and Targets

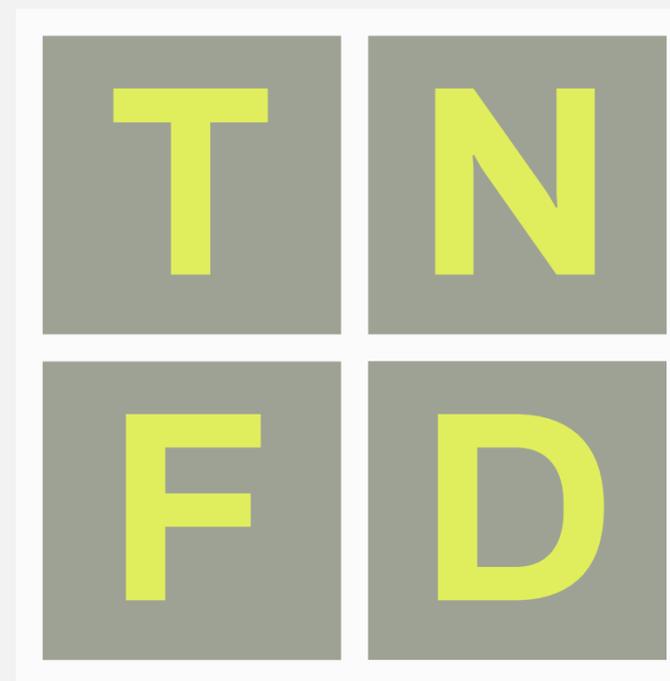
The metrics and targets used to assess and manage relevant climate-related risks and opportunities



Taskforce on Nature-related Financial Disclosures (TNFD)

Toward a Nature First Economy

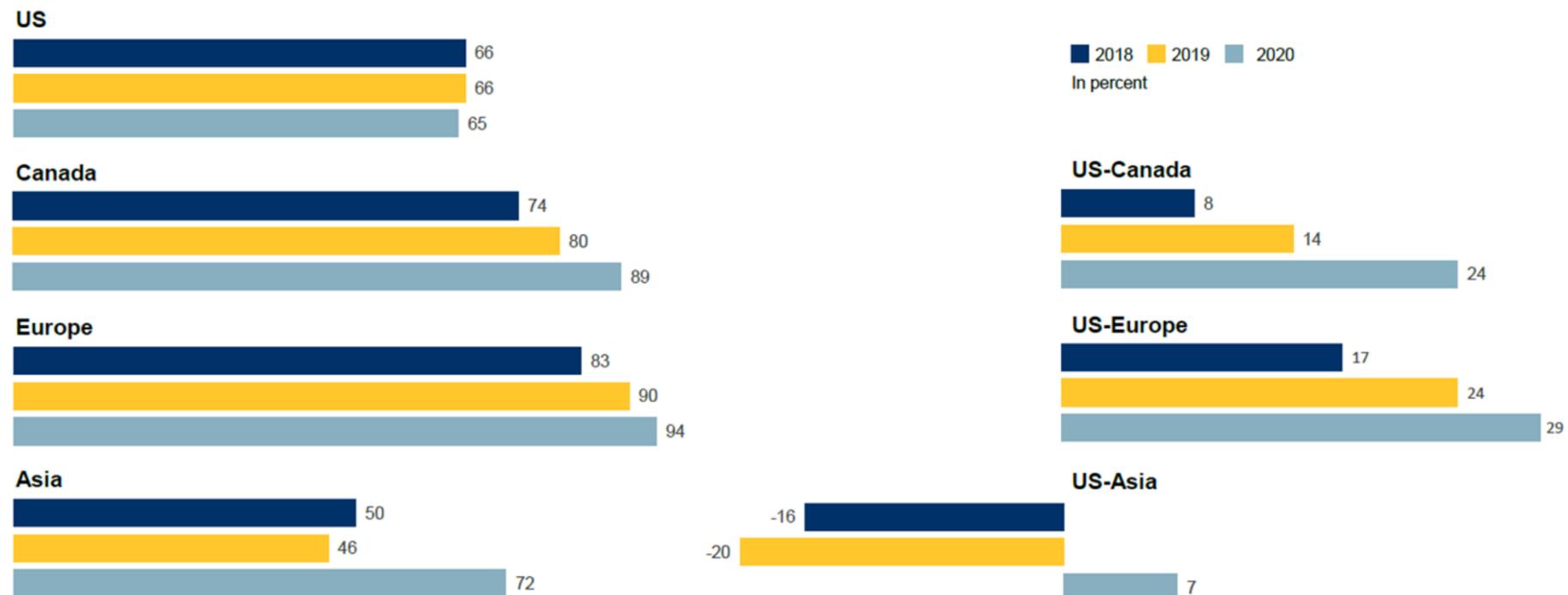
- New market-led global initiative aims to provide financial institutions and corporates with a complete picture of their environmental risks and opportunities.
- Announced at G7 summit June 4, 2021
- Taskforce commits to delivering a framework by 2023 for organisations to report and act on evolving nature-related risks, to support a shift in global financial flows away from nature-negative outcomes and toward nature-positive outcomes.



EU investors leading the way

In 2020, 94% of European investors surveyed indicated that ESG principles are used in their investment decision-making process

Extent to which ESG principles are used as part of your investment strategy



ESG factors used significantly or somewhat as part of investment approach and decision making.

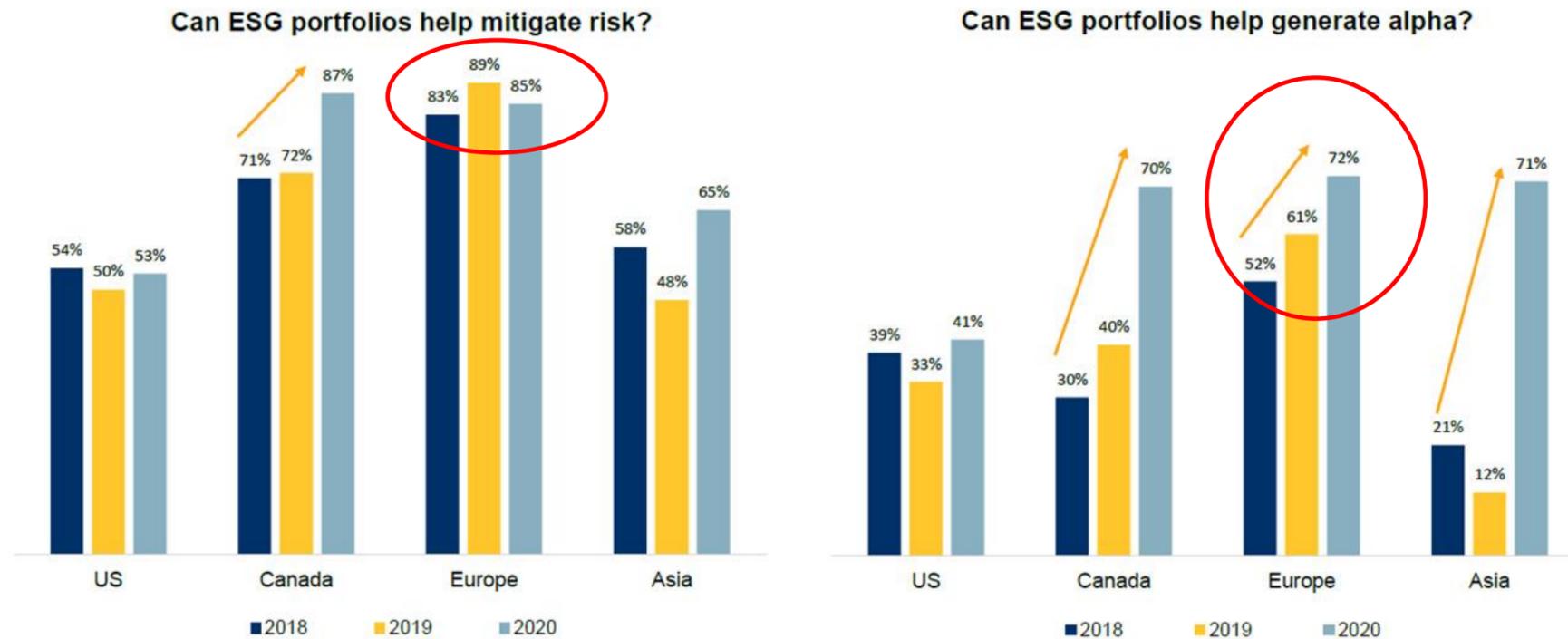
Difference in percent of investors who use ESG factors significantly or somewhat in their investment approach and decision making.



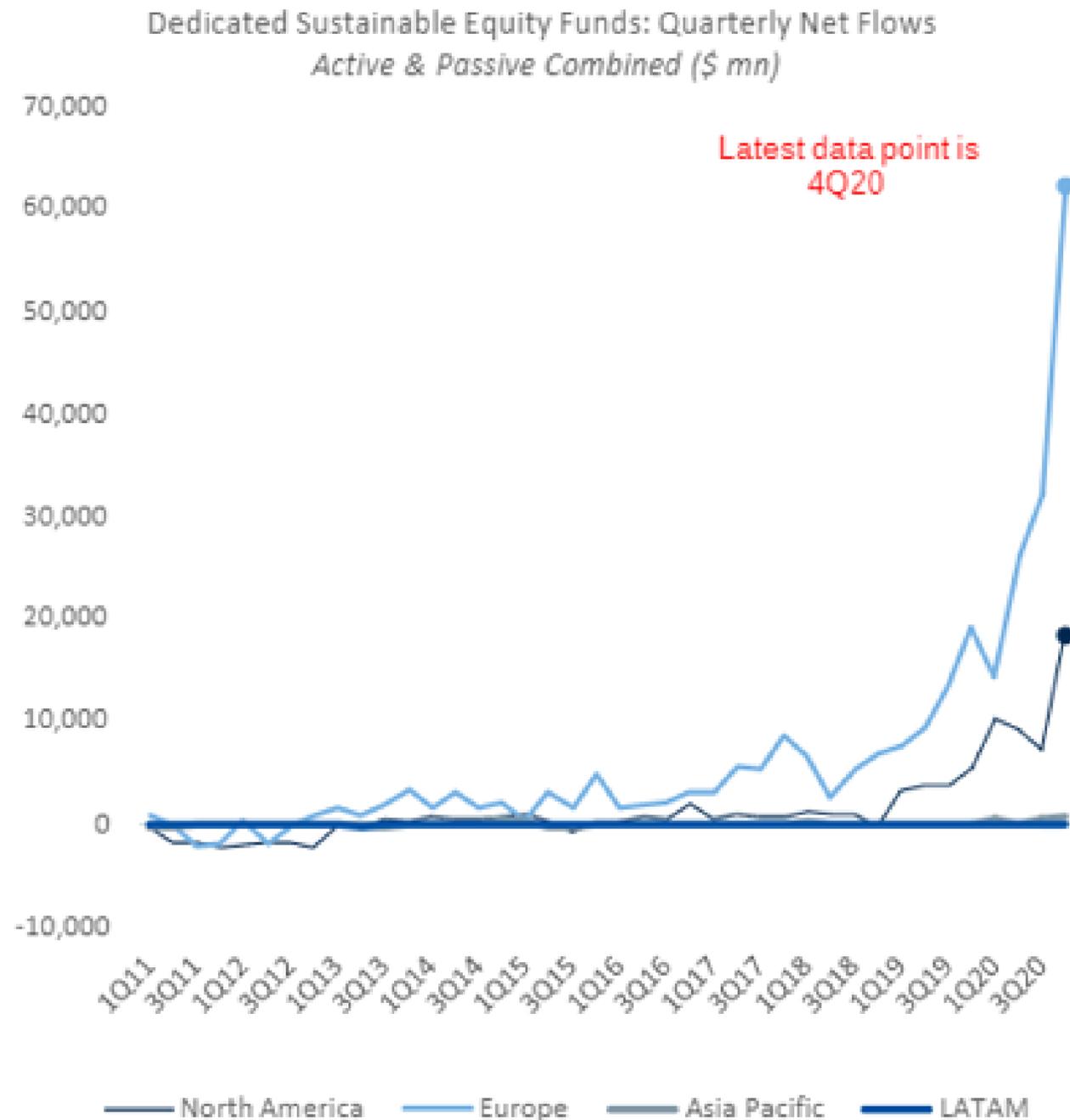
EU investors leading the way

In 2020, 72% of European investors believed ESG generates alpha, with 85% believing ESG mitigates risk

Can ESG mitigate Risk? Can ESG generate Alpha?



EU investors leading the way



- European-listed funds continue to lead inflows, with North American inflows picking up.
- The bulk of new sustainable fund launches are still originating in Europe, with a little over half as passively managed

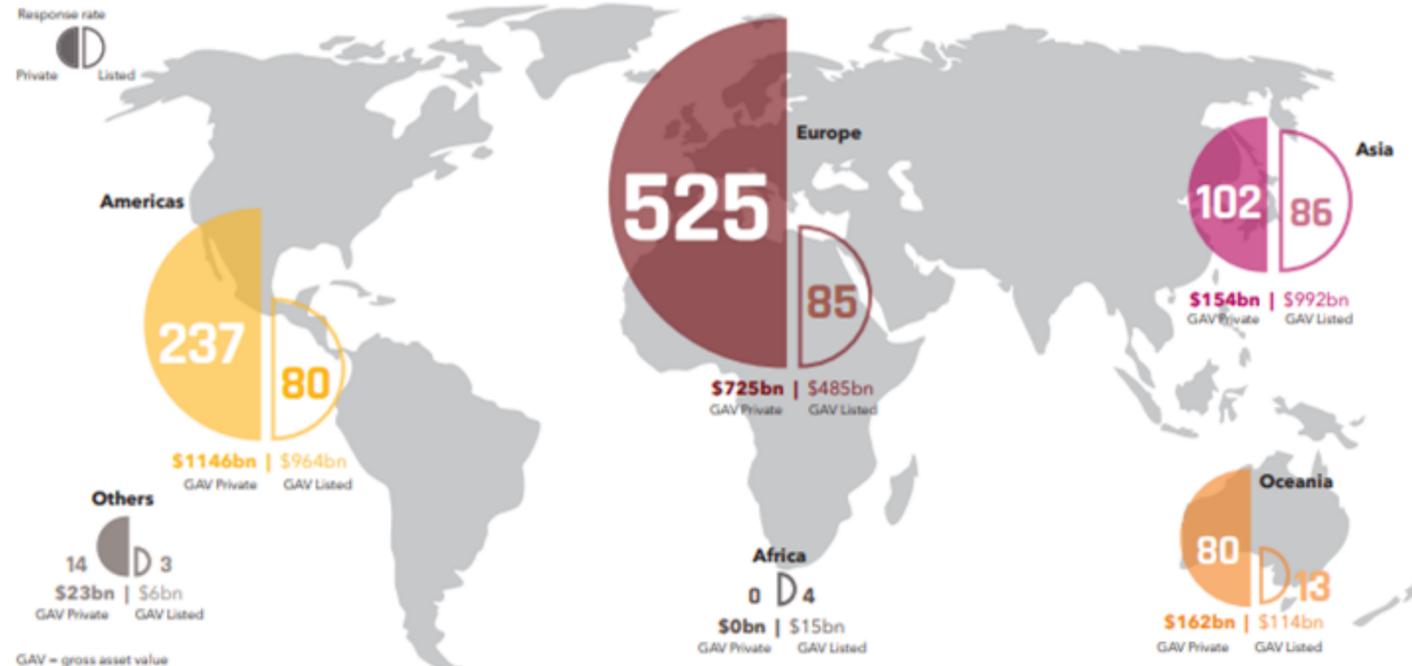
EU investors leading the way

- GRESB submissions total \$5t in global GAV
- European GRESB participation rate totals 610, significantly ahead of the Americas at 317

Forward momentum

GRESB results for 2020 are in and show that the real estate sector's commitment to the agenda continues to grow

Participating firms in the GRESB 2020 benchmarking by region



GAV = gross asset value

22.3%
Increase in participants from 2019

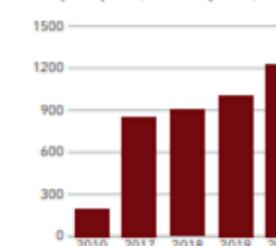
\$4.8trn
Total asset value of the participating entities (\$4.1trn in 2019)

64
Countries represented

5
Regions represented

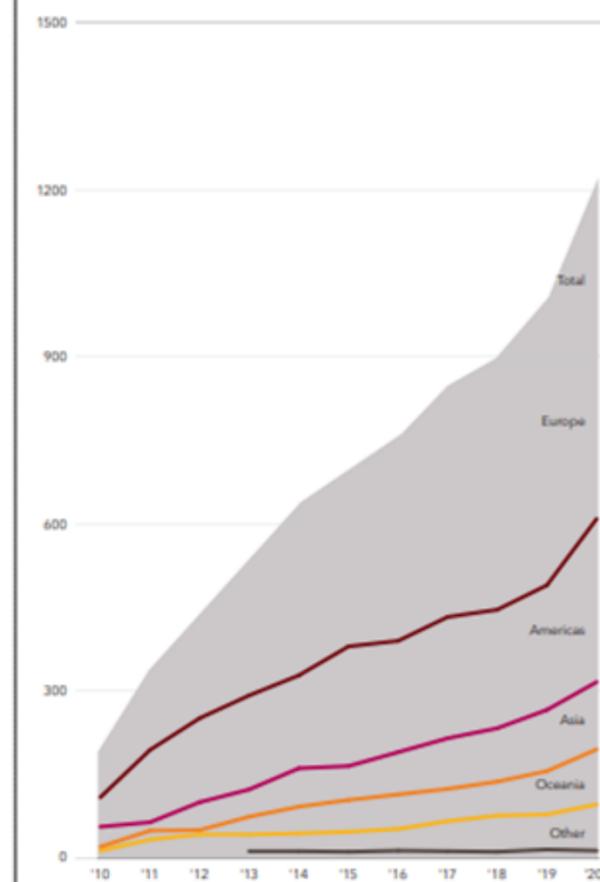
521%
Increase in total participation rate, listed and private, since 2010

Total participants (listed and private)

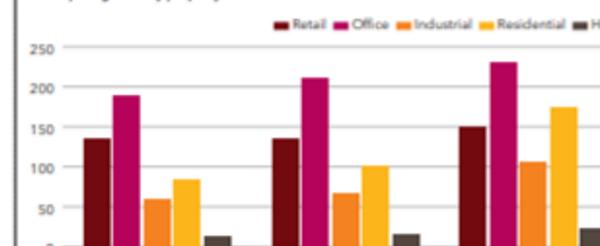


Source: GRESB

Participation by region: Despite covid, numbers have gone up for every key region



Participating firms by property sector



EU vs. Canadian ESG

Sustainable Financial Disclosure Reporting (SFDR) Regulations

- Direct & Indirect impacts
 - SFDR will capture Canadian and other non-EU fund managers that market their funds to EU investors under the National Private Placement Regime (NPPR).
 - Indirect impacts through relationships with EU counterparts that must be SFDR-compliant. E.g. EU firms require data inputs from third parties to be incorporated into the EU firm's disclosures.
- EU is a bellwether for future Canadian disclosure requirements
 - 2019 Expert Panel on Sustainable Finance made recommendations consistent with SFDR
- Global Drivers likely to become global norms

Contact us



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