Beyond Disclosure:

Driving Performance & Trust in ESG

Getting beyond greenwashing through standardization

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The Canadian Standardization Advisory Committee on Environmental, Social, and Governance (ESG)

The Canadian Standardization Advisory Committee on ESG (CSAC ESG) was established by the Standards Council of Canada (SCC) to foster coordination and collaboration among Canadian sector representatives to provide feedback and advice on key sector priorities and gaps on ESG, which could be addressed by the standardization system. The present report is the result of these consultations. We would like to thank the participants of the CSAC for their time and contributions to the present report.

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Beyond Disclosure: driving performance and trust in ESG

ESG frameworks and standards built with Canadian values, needs, and priorities – for a sustainable future for everyone.

GOVERNANCE

INDIGENOUS

ENVIRONMENTAL

SOCIAL

Develop and strengthen partnerships across ESG ecosystem

Conformity assessment and references in regulation and disclosure frameworks

Achieving a balance between disclosure and sustainability performance

Understanding Indigenous perspectives within ESG through Indigenous partnerships

Making ESG-relevant standards visible and accessible with ESG identifiers and a maturity matrix

Advancing ESG nationally with ESG national standards and guidance

Advancing ESG internationally with Canadian leadership at international standards tables

Cracks in the current system

Inconsistent protocols

Lack of confidence in the ranking results

Fragmentation of harmonization in disclosure frameworks

Lack of guidance on the best ways to transform existing processes

Executive summary

Who's who in Canada's standardization system

Standards development organizations (SDOs)

Governments (federal, provincial/territorial, municipal)

Non-governmental organizations (NGOs)

Conformity assessment bodies

SCC

First Nations, Inuit and Metis Peoples

Industry/Employers

The Canadian public

Technical experts

Environmental, Social and Governance performance (or ESG) is an increasingly important topic amongst organizations around the world, driven in large part by growing consumer, investment and media attention on climate change, social inequality, and the impact of COVID-19, amongst other factors. As it stands, there exists a myriad of frameworks that support organizations to disclose and/or improve performance on an organization's ESG practices.

While many companies are reporting ESG-related data, investors, regulators, and the broader public are exercising greater scrutiny of organizational sustainability efforts and are on the lookout for "greenwashing." This is aggravated by the fact that there are significant challenges in the ecosystem that need to be addressed; notably:

- There is an overall **lack of harmonization and consensus in ESG disclosure frameworks** as there is no universal categorization for ESG issues, and some can be defined in different ways. Even the definitions of 'environment', 'social', and 'governance' vary between frameworks, meaning that the requirements for disclosure differ as well.

- There is a l**ack of guidance on the best ways to transform existing processes and operations** to respond to ESG indicators and targets, resulting in challenges for organizations to identify and implement best practices.

- **Existing indicators have varying and at times limited protocols** to support users to report on ESG topics of interest.

- There is a **lack of confidence in the ranking results** from the various frameworks and indices, as organizations can rank very differently depending on the framework used.

Standardization can help

Standards and conformity assessment are ideal tools to address these issues. As Canada's National Standardization Body, the Standards Council of Canada (SCC) has a unique role to play. By working with the national and international standardization systems, we can address user needs beyond disclosure, through standardized management approaches, tools and guidance, add rigour through measurement and assurance vis-à-vis conformity assessment systems, and ensure there are balanced and diverse voices at the table to support ESG discussions.

Recognizing this, the Standards Council of Canada launched a collaborative process in 2022 with a Canadian Standardization Advisory Committee (CSAC) on ESG to identify the most pressing issues where the standardization system can fill key market gaps. The process involved three interrelated streams of work:

Developing recommendations for advancing and prioritizing standardized ESG tools based on Canadian priorities

▲

Identifying the greatest standardization needs for ESG in the Canadian context; and,

▲

Mapping what ESG tools are available and could be evolved to address user needs

Canadian ESG standardization priority areas

The CSAC on ESG identified the following Canadian priorities that could be supported, or further supported, by ESG Frameworks.

Environmental

- Net zero and environmental stewardship
- Efficient use of raw and residual materials
- Climate and extreme weather events adaptation and mitigation
- Energy efficiency
- Biodiversity and responsible land use
- Responsible natural resource stewardship and management

Social

- Diversity, equity, and inclusion goals
- Life cycle product stewardship
- Human rights
- Measurement of social and environmental impacts
- Ensure community responsiveness
- Social purpose and employee wellbeing
- Support local economic development

Governance

- Performance measurement of purpose, vision, and strategic objectives
- Engagement with interested parties
- Financial and accounting transparency
- Governance structure, accountability and compensation
- Socially responsible decision making
- Pay equity
- Employee governance and engagement
- ESG assessments in procurement decisions and allocations

Indigenous

- United Nations Declaration on the Rights of Indigenous Peoples
- Incorporate reconciliation into policies and practices
- Free, Prior and Informed Consent
- Equitable access
- Train representatives
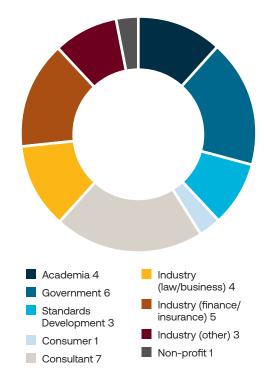- Build meaningful relationships

The Canadian Standardization Advisory Committee (CSAC) on ESG

The CSAC comprised 34 members, representing 9 different sectors.

The committee met six times between January–June 2022. During those meetings, they shared their thoughts and perspectives on priority areas of work and main sector gaps to be addressed by the standardization system.

The Canadian Standardization Advisory Committee on ESG was clear; numerous Canadian priorities can be addressed through ESG Frameworks, and the standardization system can provide cross-cutting, rigorous, and underlying support. If well supported by standards, ESG Frameworks could provide significant strides to organizational thinking on Net Zero and environmental stewardship, diversity, equity and inclusion goals, socially responsible decision making, and incorporation of Indigenous priorities and ways of thinking in operations.

- Academia 4
- Government 6
- Standards Development 3
- Consumer 1
- Consultant 7
- Industry (law/business) 4
- Industry (finance/insurance) 5
- Industry (other) 3
- Non-profit 1

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How can the standardization system help?

Following cross-sectoral discussions with Canadians, the Standards Council of Canada is now proposing a path forward for ESG – one which will find backing, rigour and harmonization through the standardization system, both at the national and international levels. By working with key partners across Canada, SCC intends to enable the practice of ESG to become more impactful, priority-driven, and inclusive of Canadian needs and opportunities. At the international level, SCC can support the participation of Canadian experts in updating and/ or developing new international standards related to ESG, to help ensure Canadian priorities and interests are reflected, while maintaining the flexibility to adopt practices from the international level and tailor them to Canadian needs.

This report is your call to action to partner with the standardization system

FOR OUR BUSINESS, INDUSTRY, AND INVESTOR PARTNERS

Standards provide guidance, processes, and tools on how to implement ESG frameworks, while addressing fragmentation and challenges in the ecosystem. With standards, organizations can provide assurance to their stakeholders that their ESG performance and results are accurate.

Work with SCC and the standardization system to advance the development of standards and help us:

- Understand where guidance and tools are needed to support your use of ESG frameworks.
- Design standardized approaches to bridge the gap between current frameworks and organizational needs.

FOR OUR INDIGENOUS PARTNERS

As they are currently designed, most ESG frameworks lack inclusion of Indigenous rights and perspectives, and do not reflect commitment to the implementation of the UN Declaration of the Rights of Indigenous Peoples.

Engage with us and become involved in standardization to:

- Ensure new standards in the ESG space reflect your priorities and perspectives.
- Update existing ESG standards to ensure they include an Indigenous lens, Indigenous knowledge, and highlight Indigenous rights.

FOR OUR GOVERNMENT AND REGULATORY PARTNERS

Standards and conformity assessment are powerful tools to advance social and environmental public policy priorities, from helping Canada adapt to a changing climate to providing guidance on equity, diversity and inclusion, and can be directly incorporated through regulation, policy and procurement instruments.

By investing in the research, development, and implementation, you can benefit from a more robust set of standards and comparable guidelines on ESG.

Work with SCC and the standardization system to identify and advance:

- Standards that will move ESG forward through public policy and regulation.
- Accreditation and conformity assessment tools to ensure organizations are meeting standards.

FOR OUR STANDARDIZATION PARTNERS

This report describes a path forward to encourage the uptake of standards by industry, government, and others who are interested in moving ESG forward.

Work with SCC and other standardization partners to help us:

- Identify to users how your standards relate to ESG frameworks.
- Advance the development of ESG-relevant standards through the lens of Canadian priorities.

1.

Introduction

What is ESG?

ESG commonly refers to a strategic framework that provides mechanisms to disclose and/or improve performance on an organization's environmental, social, and governance practices. These factors are increasingly being considered by investors to identify the material risks and growth opportunities of an organization, guiding their decision-making. By analysing an organization's ESG scores, investors can get a deeper understanding of the company they invest in and that organization's commitment to different environmental, social, and governance practices.

If properly applied, **ESG can deliver significant benefits to organizations**, including:

- due diligence protection/assurance
- industry self-regulation
- access to markets/new build regulatory approval
- employee attraction/productivity
- discount on borrowed capital
- lower insurance premiums
- increased customer attraction/retention
- address media/NGO pressures
- facilitate partnerships

There has been a dramatic acceleration of interest in organizations' ESG over the past five years, driven by factors such as climate change, rising awareness of social inequality, and the impact of COVID-19. Amplified through media, consumer groups and investment communities, the increased interest in ESG performance also reflects the increased expectation among the public that organizations reflect commitment to sustainability in their operations.

As of 2020, 88% of publicly traded companies, 79% of venture and private equity-backed companies, and 67% of privately-owned companies had ESG initiatives in place.[1] The number of ESG reporting provisions issued by governmental bodies has grown 74% over the last four years, which has been accompanied by a growth in the number of frameworks.[2] Additionally, while many companies are reporting ESG-related data, increasingly investors, regulators, and the broader public are exercising greater scrutiny of corporate sustainability efforts, specifically on the lookout for weak claims, or greenwashing.

As governments and industry consider actions to set and accomplish ESG goals, a critical element will be how to measure and verify ESG programs and initiatives. While the IFRS Accounting Standards and Generally Accepted Accounting Principles

(GAAP) are mandatory for users in preparing their accounts, there are no equivalent standards for non-financial reporting frameworks. The growing requirements and pressure for users to report on an organization's environmental, social and governance practices have led to a proliferation of voluntary disclosure frameworks.

For many organizations, investors, and consumers, ESG is also about the ability to create and sustain long-term value in a rapidly changing world, and managing the risks and opportunities associated with these changes. And as investors are increasingly interested in understanding a businesses' ESG contributions, many businesses see following and reporting against ESG frameworks as supporting long term financial stability and sustainability.

Organizations (including businesses, governments, and NGOs amongst others), that incorporate sustainability fully into their mission can leverage the sustainability of their operations to gain competitive advantage. ESG objectives can also act as pillars from which organizations plan their strategies and identify, measure, and mitigate non-technical risks. Many organizations are now navigating a complex landscape of standards and frameworks to find ways to demonstrate their commitment to and compliance with ESG.

1   Navex, Inc. (2021) Global Survey Finds Businesses Increasing ESG Commitments, Spending. https://www.navexglobal.com/blog/article/environmental-social-governance-esg-global-survey-findings/
2   https://www.carrotsandsticks.net/reporting-instruments/?status=Forthcoming&status=Current. Survey results from OnePoll on behalf of NAVEX Global in December 2020, this ESG survey included responses from 1,250 management and senior level executives in the U.S., U.K., France and Germany, all of whom work at companies with 500 or more employees.

1.1 The challenge

The rapidly evolving ESG landscape presents several challenges for organizations seeking to enhance and disclose their ESG performance.

- First, there is an overall **lack of harmonization and consensus in ESG disclosure frameworks**. There is no universal categorization for ESG issues, and some can be defined in different ways depending on industry/sector, company characteristics, organization type, maturity and business model. This lack of harmonization leads to difficulty in reporting, sometimes requiring organizations to report against multiple frameworks – some of which have over 500 indicators.

- Second, there is a **lack of guidance on the best ways to transform existing processes and operations** to meet various ESG framework indicators. Companies are struggling to identify and implement what the best practices are to implement various ESG indicators. This is further complicated by diverse needs across sectors and based on organization-type and maturity.

- Third, **indicators require protocols** – i.e., strict definitions that specify how to measure, calculate and/or determine what is in, and what is excluded, relative to an indicator. Developing protocols is very difficult compared to coming up with an indicator. Scores of questions for clarification arise as soon as data is requested from within an organization on some aspect of environmental, social, or governance, if the protocols are not worked out in detail.

- And finally, there is a **lack of trust and confidence in the ranking results** from the various frameworks, different (non-standardized) indicators employed, and the resulting indices developed. The same company can rank very differently depending on the criteria used, reducing the impact of ESG reporting for organizations, and the utility of this information for investors, lenders, and consumers. As a result, there has been a growing movement and pressure from regulators supporting harmonization and mandatory sustainability reporting. Increasingly, reporting organizations are collaborating, and there has been a movement to align some existing frameworks.

Key Terminology

Accreditation

Accreditation is formal, third-party recognition that an organization is competent to perform specific tasks – the work for which they are accredited.

ESG Framework

An ESG framework is a systematic process for organizations to identify and assess economic, environmental and social impacts of their operations.

Indicators

An indicator is a measure, or value, that provides you an idea of the state or status of something (e.g., gross domestic product (or GDP) is a common indicator used to assess economic health of a country).

Metric

A metric is a standard of measurement

Protocols

A protocol is a procedure or set of rules for accomplishing a task

Standards

A standard is a document that provides a set of agreed-upon rules, guidelines or characteristics for activities or their results. Standards establish accepted practices, technical requirements, and terminologies for diverse fields and can be mandatory (e.g., if referenced in regulation) or voluntary.

1.2 The opportunity

An opportunity now exists to capture this momentum to address the key challenges outlined above, and to enhance whole of society action on ESG through national and international standards for organizations of all types. The current momentum also offers a critical opportunity to ensure that the ESG frameworks and standards developed reflect Canadian values and needs, and incorporate Canadian priorities, including sustained and enhanced action on climate change, diversity and inclusion, and Indigenous rights.

Existing national and international standards systems can play a critical role in establishing complementary standardized guidance and assurance information for organizations and end-users. SCC can ensure that Canadian priorities are reflected in such documents and guidelines. This includes definitions, terminology, management systems, technical approaches, and systems for standardized indicators and measurement, validation and verification (assurance), and other connecting information that cuts across a wide range of impacts and technical areas in the E, S and G domains. The standards and other normative documents produced under these systems are used across all sectors and throughout the entire value chain of the Canadian and international economy.

This existing quality infrastructure is well-established, powerful, pervasive, and works very well because of its emphasis on consensus and broad-based engagement across most countries. The approaches that underpin these systems provide significant advantages in the promotion of sustainable management approaches at the international, national, organizational and business level. These standards are also frequently incorporated into regulations and other mandatory requirements. Features of these systems can be leveraged to support the development of complementary guidance and conformity assessment systems, and approaches to implementation for organizations of different types and sizes, and varying levels of ESG maturity, over time.

The standardization system provides a strong network and foundation for organizations to build on, which can be leveraged to shorten timelines and accelerate progress. Standards can be used to create common understanding, as well as approaches and systems of measurement across disclosure frameworks, increasing harmonization and comparability. Critically, they can also provide enhanced management and measurement approaches to increase sustainability performance and assurance at the enterprise level.

ESG and Social Responsibility: A Competitive Advantage

As stated in ISO 26000, "The perception and reality of an organization's performance on social responsibility can influence:

- its competitive advantage;
- its reputation;
- its ability to attract and retain workers or members, customers, clients or users;
- the maintenance of employees' morale, commitment and productivity;
- the view of investors, owners, donors, sponsors and the financial community; and
- its relationship with companies, governments, the media, suppliers, peers, customers and the community in which it operates."

ISO 26000 Social Responsibility

UNDERSTANDING CANADIAN ESG PRIORITIES AND NEEDS

As Canada's National Standardization Body, SCC is uniquely placed to address ESG needs through the standardization system. To understand the opportunities in this vast ecosystem and prioritize next steps, SCC convened the Canadian Standardization Advisory Committee (CSAC) on ESG in December 2022 to determine and prioritize next steps within the Canadian system. Comprised of organizational leaders from across Canada's ESG ecosystem, the CSAC had the following objectives:

- Determine how the national standardization system can further respond to Canadian user needs and the opportunities the standardization system can provide to advance these.

- Advance the development of tools to help organizations meaningfully respond to ESG issues and integrate sustainability into organizational practice; and

- Align with and complement existing ESG frameworks through the development of new and amendment of existing standards.

These discussions were advanced using SCC's facilitated collaborative process, which is tailored to working with diverse interested parties to identify the best standardization strategies required to fill key market gaps, and the development of partnerships with the right organizations to ensure these strategies are delivered. The process involved three interrelated streams of work focused on:

- Mapping an inventory of what ESG standardized tools are currently available or could be evolved to address ESG user needs.

- Developing an understanding of the greatest standardization needs for ESG in the Canadian context.

- Developing recommendations for advancing and prioritizing standardized ESG tools based on these needs.

Using input provided by the CSAC, this report captures our understanding, and recommendations for next steps to advance ESG frameworks through the standardization system.

The value of standardization

National and international standardization systems can support ESG user needs by:

- Leveraging existing scope and scale, because the standardization network's mission, social purpose (health, safety, well-being, open trade), and areas of work are aligned with ESG frameworks, and incorporate broader definitions of sustainable development.

- Better incorporating balance and addressing diverse voices, because our development system provides transparent and consensus-driven structures and processes to ensure accountability and active participation in standard setting.

- Addressing user needs beyond disclosure, because national and international standards provide management approaches, tools and guidance on implementation that ESG users need to meaningfully respond to ESG issues and integrate sustainability into organizational practice.

- Adding rigour and trust, by leveraging conformity assessment systems to establish systems of measurement, verification and validation for ESG information.

2.

Closing the gaps and enhancing performance through standards

As both a benefit and disadvantage, organizations have the freedom to choose between which ESG framework they use and which indicators to report on, making it extremely difficult to compare between them.

Most ESG frameworks include a risk management component, either explicitly focused on disclosure of environmental/social risks or more generally on enterprise risk management and the risk assessment process. Most also incorporate some element of disclosure of an organization's strategy and policies, and recommend discussing the organization's strategy, in most cases specifically related to climate, sustainability, and impact management.

However, despite similarities, there exist significant differences between these frameworks, including a very basic lack of harmonization amongst terms and indicators. Definitions of 'environment', 'social', and 'governance' (and the measures surrounding them) vary between frameworks, meaning that the requirements for disclosure from an organization differ as well. Further differences come through the:

- **level of reporting** – some are principles-based and less prescriptive, while others have robust questionnaires and detailed questions

- **sector-specific elements** – while most have universal elements as part of their recommendations or standards, some have sector specific elements for higher impact sectors, such as Energy, Financial Services, Agriculture, Mining, Forestry and Transport

- **disclosure location** – the suggested location of the resulting disclosures described by the shortlisted frameworks varies (e.g., by reporting jurisdiction)

- **indicators/measures** – across the frameworks, the indicator definitions and methodologies differ as do the content of reporting for each component.

- **trends analysis and timelines** – In many ESG reports, the data on one variable is often compared to the year before whereas others feature longer timelines for trend analysis.

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Choosing a path: a patchwork of disclosure frameworks

CDP (formerly Carbon Disclosure Project)

Water consumption and emissions, forests, employee focused policies, board oversight, FPIC, UNDRIP, remediation of diverse impacts on Indigenous Peoples.

International Integrated Reporting Framework

Indicators, natural capital, human capital, governance structure and remuneration, no mention of Indigenous Peoples.

SASB Standards

Metrics, GHG, waste management, ecological impacts, data security, DEI, risk, business ethics, human rights and rights of Indigenous Peoples.

Global Reporting Initiative Standards

Energy, waste biodiversity, emissions, Labour, DEI, safety, anti-corruption, procurement, rights of Indigenous Peoples.

OECD Guidelines for Multinational enterprises

Environment, human rights, workers, governance and policies, impact on Indigenous Peoples.

Task Force on Climate-Related Financial Disclosures

Climate risk, employee safety, supply chains and reputational risk, climate governance, risks and opportunities, no mention of Indigenous Peoples.

Climate Disclosure Standards Board Framework

GHG, deforestation and water, value chain, consumers, social policies, potential impact on Indigenous Peoples.

SCC's engagement with CSAC identified that moving forward, the standardization system can, and should, support and encourage diverse organizations to contribute to a sustainable future.

This is because, by their nature, standard deliverables can help to meaningfully implement ESG frameworks by improving measures and monitoring that support performance on sustainability practices, allowing organizations to reflect and report publicly on ESG measures in a consistent, meaningful, and verifiable manner. The CSAC on ESG identified how new and updated standards could advance Canadian priorities within ESG Frameworks. See Annex 1 for more information.

While efforts are underway to consolidate frameworks and arrive at a global baseline of disclosure requirements – such as the establishment of the International Sustainability Standards Board (ISSB) and the publication of new draft disclosure requirements - organizations will continue to require a range of tools to navigate the complexity of this ecosystem, improve performance, translate outcomes to ensure alignment with multiple regulatory and market-driven disclosure requirements, and establish trust in results. Collaboration between standard-setting bodies with key ecosystem players, including those setting disclosure requirements, offers a significant opportunity to advance the coordinated development of tools that serve the broadest range of users while reducing confusion and fragmentation in the marketplace. At the national level, the establishment of the Canadian Sustainability Standards Board (CSSB) offers the same opportunity.

If addressed properly, the beneficiaries of this work are assumed to be wide, and two-fold. The first level of beneficiaries will be the entities who are seeking guidance on how to contribute to a sustainable future and will be able to access the standardization strategies that arise from this work. The second level of beneficiaries will be those who feel the positive impacts of the progress made by these entities (e.g., employees/affiliates of the organizations and the communities in which the organizations operate).

Standards are voluntary but become mandatory when they are enforced by laws or regulations, making them a powerful tool for change. As new standards are developed, or existing standards updated, to support ESG frameworks, there will also be opportunities to leverage them in enforcement mechanisms, including regulations, funding requirements, and codes.

Environmental

Guidance and processes to avoid, address, and mitigate negative environmental impacts, to ensure responsible production and consumption, and to promote a proactive approach to environmental challenges.

Social

Guidance, processes and systems of measurement to fully understand ones' impact upon people and society.

Governance

Guidance to define and ensure: organizational purpose, vision, values and targets are achievable; practices and processes are guided by diverse input; support activities are carried out effectively, ethically, precautionarily, transparently, systematically, with responsible stewardship; and ESG performance management, measurement and tracking is enabled.

Indigenous

Guidance and processes – led by Indigenous Peoples - to learn, reflect, and commit to meaningful engagement and incorporation of Indigenous priorities and knowledge.

TABLE 1: COMMON ESG FRAMEWORKS AND THEIR FOCUS

	Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises	Task Force on Climate-Related Financial Disclosures	Global Reporting Initiative Standards	Carbon Disclosure Project
Intent	Provide non-binding principles and standards for responsible business conduct	Provide information that companies should disclose to support investors, lenders, and insurance underwriters in assessing and pricing risks related to climate change	• Provide information so companies understand and report on their impacts on the economy, environment and people	• Disclosure system that helps organizations and governments to manage and measure their risks and opportunities on climate change, water security and deforestation
Extent of Adoption	50 governments representing two-thirds of global trade adhere to the Guidelines	>3,000 organizations are TCFD supporters	• Thousands of reporters in more than 100 countries	• 9,600 companies disclose globally, including more than 2,500 North American companies. 800 regions disclose worldwide
Metrics & Targets	Include targets as part of internal environmental control system	Metrics and targets used to assess and manage risks and opportunities, Scope 1, 2, 3 (if appropriate) GHG emissions	• Universal: human capital metrics, compensation • Topic-specific metrics (e.g., emissions, energy intensity)	• Emissions and climate-related metrics and targets • Water consumption • Commodity, land, consumption metrics
Environmental Considerations	Environmental impacts of activities, products, and services	Climate Risks & Opportunities	• Materials • Energy • Waste • Supplier Environmental Assessment • Emissions • Biodiversity • Water & Effluents • Environmental Compliance	• Climate • Water • Forests
Social Considerations	Workers & Relationships with Workers Human Rights	• Reputation Risk • Supply Chains • Employee Safety • Workforce Management & Planning	• Employment • Labor/Management Relations • Occupational Health & Safety • Training & Education • Diversity & Equal Opportunity • Non-Discrimination • Freedom of Association and Collective Bargaining • Child & Forced Labor • Security Practices • Local Communities • Supplier Social Assessment • Public Policy • Customer Health & Safety • Marketing & Labeling • Customer Privacy	• Employee Engagement Related to Topic • Employee Incentives for Management of Topic Issues • Social Criteria of Public Commitments
Governance Considerations	Governance Structures & Policies	Governance around climate-related risks & opportunities: • Board's Oversight of Risks & Opportunities • Management's Role in Assessing & Managing Risks & Opportunities	• Anti-corruption • Anti-competitive Behavior • Procurement Practices • Indirect Economic Impacts • Economic Performance • Market Presence • Tax	• Board Oversight of Topic • Board Member Competence Related to Topic • Management Responsibility for Topic • Incentives for Management on Topic
Indigenous Peoples' Considerations	Human Rights Impacts on Indigenous Peoples	No Mention	Rights of Indigenous Peoples	• UN Declaration on the Rights of Indigenous Peoples • Remediation of Adverse Impacts on Indigenous Peoples

	Sustainability Accounting Standards Board Standards	International Integrated Reporting Framework	Climate Disclosure Standards Board Framework	Green, Social, and Sustainability-Linked Principles, and Sustainability Bond Guidelines
Intent	Provides industry-based sustainability information to guide organizations in determining the financial impacts of sustainability	Connects financial statements and sustainability-related financial disclosures to accelerate the adoption of integrated reporting	Provides a method of compliance with environmental reporting legislation helping organizations to disclose environmental and natural capital information	Provide guidance on transparency and disclosure to the sustainability bond market through principles that outline best practices when issuing bonds serving social and/or environmental purposes through global guidelines and recommendations that promote transparency and disclosure
Extent of Adoption	• Standards are available for 77 industries. • 1858 unique SASB reporting companies	Over 2,500 businesses in 75 countries	374 CDSB Framework users	Canadian ICMA member firms include Arteria AI Inc, Bank of Montreal, Export Development Canada, and National Bank of Canada
Metrics & Targets	Topic-related metrics and targets	• Monetized metrics helpful. • Targets and indicators with respect to targets	Environmental and social targets	• Measurable and benchmarked KPIs • targets based on performance
Environmental Considerations	• GHG Emissions • Air Quality • Energy Management • Water & Wastewater Management • Waste & Hazardous Materials Management • Ecological Impacts	Natural Capital	• GHG emissions • Energy • Non GHG polluants • Deforestation and ecosystems • Resource use • Water use • Waste and spillages	Green Projects include: • Renewable Energy & Energy Efficiency • Pollution Prevention & Control • Environmentally Sustainable Management of Living Natural Resources and Land Use • Terrestrial & Aquatic Biodiversity • Clean Transportation • Sustainable Water and Wastewater Management • Climate Change Adaptation • Circular Economy Adapted Products, Production Technologies, and Processes and/or Certified Eco-Efficient Products • Green Buildings
Social Considerations	• Human Rights & Community Relations • Customer Privacy • Data Security • Access & Affordability • Product Quality & Safety • Customer Welfare • Selling Practices & Product Labeling • Labor Practices • Employee Health & Safety • Employee Engagement, Diversity & Inclusion	Human Capital	• Internal workforce • Value chain workforce • Community members • Consumers	Social Projects include: • Affordable Basic Infrastructure • Access to Essential Services • Affordable Housing • Employment Generation • Food Security & Sustainable Food Systems • Socioeconomic Advancement & Empowerment
Governance Considerations	• Business Ethics • Competitive Behavior • Management of the Legal & Regulatory Environment • Critical Incident Risk Management • Systemic Risk Management	• Governance Structure, Processes, and Practices • Leadership Structure • Remuneration and Incentives Linked to Value Creation	• Governance of Env & Social Policies, Strategies, and Info	N/A
Indigenous Peoples' Considerations	Security, Human Rights, & Rights of Indigenous Peoples	No Mention	Impact on Indigenous communities is mentioned under social disclosures.	No Mention

Note: Adapted from a 2022 ESG Landscape Review by Eunomia Consulting

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3.

Advancing ESG nationally

CSAC ESG members were clear. While CSAC's priorities were generally well reflected in leading ESG frameworks, as well as in the broader list of frameworks that exist, there is still a need to close the gap on the lack of consensus on definitions, required reporting, and measures for reporting.

For example, ESG could be a means to support achieving net zero and enforcing environmental stewardship through a reduction of greenhouse gas and emissions – a core priority for Canadian users of ESG. However, these topics are tackled in different, diverging, ways across frameworks. Looking at just two frameworks, GRI has disclosure requirements around GHG emissions intensity (Disclosure 305-4) including reporting on the GHG emissions intensity ratio for the organization and whether these are direct (Scope 1), or indirect (Scope 2 and Scope 3) as well as reduction of GHG emissions (Disclosure 305-5), while the OECD Guidelines for Multinational Enterprises takes a broader approach to encourage developing products that reduce GHG emissions.

Standards can bring process and/or reporting requirement to diverging frameworks

To understand where new or updated standards are needed, SCC commissioned a preliminary mapping of National Standards of Canada (NSCs) reflected in eight common frameworks and compared these to Canadian priorities identified by CSAC (e.g., diversity, inclusion and access, supporting the advancement of biodiversity, etc.). The national standards system includes thousands of existing NSCs. As such, this mapping was limited to reviewing the title of existing standards and assessing their applicability to Canadian priorities.

This review found promising notes. For instance, there are several NSCs that strongly relate to the priorities of defining governance structures, accountability and compensation and achieving diversity, equity, and inclusion (DEI) goals[3]. These could support ESG frameworks if incorporated or referenced within. However, significant gaps do exist. The largest standards gap identified by the mapping activity surrounded Indigenous rights or perspectives, biodiversity, and several key environmental issues (e.g., net zero or the circular economy). All would benefit from the development of standards to allow for a common language and set of requirements.

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3   E.g., CSA ISO 31000:18 Risk management – Guidelines (Adopted ISO 31000:2018, second edition, 2018-02) and CAN/CSA-ISO 26000:16 (R2021) Guidance on social responsibility.

The standardization system can help

Standards are needed to support ESG user needs. With funding, SCC will support the development and/or update of relevant standards to ensure they meet Canadian ESG user needs, building on existing momentum, and focusing on areas where there is limited coverage but significant needs exist. This includes elements related to the environment, social impact, and Indigenous rights and perspectives, as well as approaches which aim to address the needs of a broader range of organizational types (e.g. small and medium enterprises, associations, civil society organizations and government), in addition to publicly traded companies.

By doing so, SCC can support Canadian organizations and innovators from across sectors to address their ESG needs, both through direct participation in the identification and development of needed tools, and through their application to drive and measure sustainability performance in their own organizations.

SHORT TERM

SCC will further the initial review to determine NSCs' applicability to the key ESG elements.

MEDIUM TERM

SCC will identify and prioritize the development of NSCs or related guidance through the lens of the defined Canadian priorities alongside elements of urgency and existing materials.

WITH FUNDING

SCC will fast track the update of existing priority NSCs that support ESG. To support efficiency, this could include adapting international standards into the Canadian context.

SCC will lead the development of new standards in emerging and priority areas (including, for example, net zero and the circular economy).

4.

Advancing ESG internationally

As the Canadian representative to the International Organization on Standardization (ISO), SCC, alongside the British Standards Institution (BSI-UK) and the Associação Brasileira de Normas Técnicas (ABNT-Brazil) established a Strategic Advisory Group (SAG) on ESG, which mapped ISO's catalogue to key ESG disclosure frameworks, identified alignments, opportunities, and gaps, and delivered a strategy and recommendations to strengthen the role of international standards in addressing ESG user needs.

ISO's mapping exercise identified dozens of standards with direct relevance to managing ESG performance and reporting; and, highlighted the essential nature of Management System Standards (MSS) and internationally recognized third-party conformity assessment to enhancing and verifying the sustainability performance of organizations. ISO is now acting on these recommendations to better coordinate standards development activity in support of ESG objectives, strengthen its engagement in the ESG ecosystem, and advance the update and development of standards to harmonize definitions and approaches, and fill key technical gaps.

As co-chair of the recently established ESG Coordinating Committee under ISO's Technical Management Board, SCC will continue to provide leadership in executing these recommendations, and ensuring relevant international standards reflect Canadian priorities and needs.

These efforts are further complemented by SCC's recent leadership in establishing the London Declaration to combat climate change through standards, as well as ISO's Sustainability Strategy and International Workshop Agreement on Net-Zero Guiding Principles. Canada is now well placed to leverage its leadership on ESG-related issues at international standard setting organizations.

The standardization system can help

By working with Canadian leaders and subject matter experts, SCC will identify and prioritize standardization opportunities that support sustainability goals. By approaching the development of new standards on an "adopt, adapt and develop" model, SCC can influence the development of International Standards. By supporting the participation of Canadian experts in updating and/or developing new international standards related to ESG, SCC can help ensure Canadian priorities and interests are reflected, while maintaining the flexibility to adopt practices from the international level and tailor them to Canadian needs.

SHORT TERM

SCC will enhance support for Canadian leadership and participation at international standard setting tables focused on issues related to ESG performance, with a particular focus on the committees and initiatives that are advancing solutions most relevant to Canadian priorities.

WITH EXPERT SUPPORT

SCC will leverage its leadership on ESG issues to advance the development and adaptation of international standards that address Canadian priorities, including areas where there are significant gaps in guidance, such as Indigenous rights.

WITH EXPERT SUPPORT

SCC will leverage its ongoing engagement with key user communities and rights-holders to ensure Canada's contributions to international ESG standardization efforts remain grounded in Canadian priorities and interests.

5.

Making ESG-relevant standards accessible to all

The review and analysis of existing ESG frameworks and NSCs showed that the current landscape is fragmented, difficult to navigate, and not inviting to all entities. Moreover, it demonstrated that while ESG seeks to increase good governance and promote environmentally friendly and socially responsible practices, the way indicators are presented might hinder organizations from participating. This is particularly true of young, small, and medium sized organizations, or those new to ESG, who may lack the organizational resources required to respond to the requirements within ESG frameworks. To eliminate this barrier, new and updated standards relevant to ESG need to be developed in a way that allows all entities, of different maturity and capacity levels, to access and utilize them.

SCC proposes the development of a **maturity matrix** to guide entities in the adoption and implementation of existing and new standards, and to provide a manageable on-ramp for organizations of all types and sizes to enhance and demonstrate commitment towards ESG practices. The maturity matrix could work both as a guidance document as well as a tool to demonstrate commitment and allow organizations to pursue efforts to go beyond disclosure and enhance sustainability performance in key areas of focus.

By bringing together the existing international and Canadian standards related to ESG, the matrix could help guide entities in the adoption and implementation of those frameworks while also setting a minimum level those entities should strive for. The matrix would also allow for growth and expansion of activities, by helping entities demonstrate and justify a change in their results. The matrix would allow for a deeper analysis of an entity's impact on ESG and increase accountability for SMEs, giving them an opportunity to demonstrate their commitments to it.

An example of how a maturity matrix could work is found in the Government of Canada 50-30 Challenge, which seeks to promote 50% of gender parity in senior management and boards of directors of Canadian organizations and 30% diversity representation in senior management and boards.

Although a quota-based program, the 50-30 Challenge seeks to increase diversity and inclusion in Canadian entities while also promoting gender equality. The maturity matrix in this case seeks to give organizations that have not or cannot achieve 50-30, due to its size, current composition and so on, to demonstrate how are they working towards the underlying goal of the Challenge. The matrix will provide policies and procedures that allow for a given entity to achieve 50-30, thus demonstrating their commitment to it.

For example, an entity would demonstrate that its hiring practices, conflict resolution mechanisms, complaints mechanisms and procedures, staff training, and so on promote gender equality, diversity and inclusion in the workplace. For an SME, this could mean that although they cannot achieve 50-30, their policies and procedures promote a diverse and inclusive environment. It could also help an organization that has achieved either one of the goals (50 or 30), that they are working towards 50-30 and again, promoting the underlying values.

A maturity matrix might better reflect ESG practices. Helping organizations demonstrate commitment and go beyond disclosure.

Lack of standardization and comparability between frameworks and disclosure reports hinder organizations from implementing ESG practices.

Numbers without policy might not reflect real impact. Current ESG indicators don't always reflect performance nor do they allow for organizational growth.

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6.

Understanding Indigenous perspectives within ESG

A key Canadian priority lacking from most ESG frameworks, which was clearly articulated by CSAC, is the need to include Indigenous perspectives and considerations in addition to common sustainability elements.
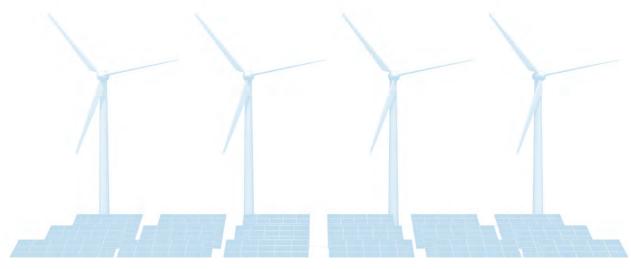
CSAC members held discussions on whether Indigenous perspectives should be considered as cross-cutting elements in each of the areas of "E", "S" and the "G" or whether as Canada we move forward to consider Indigenous as an additional pillar of ESG (i.e., "ESGI"). It was acknowledged that this can only be accomplished through in-depth conversation, consultation and working in partnerships with Indigenous Peoples', to ensure any actions incorporate Indigenous leadership, and reflect the genuine priorities and needs of Indigenous Peoples. The significant opportunity to incorporate Indigenous knowledge in ESG approaches was also highlighted, alongside the necessity of seeking the participation and consent of Indigenous Peoples in any effort to include it.

In the mapping of ISO and National Standards to existing ESG frameworks, Indigenous perspectives were identified as a significant and pressing gap. The lack of inclusion of Indigenous rights and perspectives, leads to an incomplete ESG analysis and reflects a lack of commitment to the implementation of the UN Declaration of the Rights of Indigenous Peoples. To reflect the Government of Canada's commitment to reconciliation, and considering the Truth and Reconciliation Commission recommendations, it is necessary to ensure ESG-relevant standards reflect the knowledge and priorities of Canada's Indigenous Peoples.

To address this gap and ensure Indigenous rights and perspectives are reflected in ESG frameworks and standards, SCC has begun to consult with Canadian rights-holders and interested parties. Their feedback was as follows:

- The standardization system must build meaningful engagement with Indigenous Peoples and increase their participation in standards development and the system as a whole. If Indigenous voices are not included in the discussions, the gap will continue to exist.

- Indigenous voices must be included at the initial stages of discussions and projects. On that, CSAC members highlighted the challenge behind the current approach, which seeks Indigenous perspectives and knowledge after a project plan is developed, decreasing Indigenous engagement and the impact Indigenous knowledge and voices can have. Engagement must begin with a genuine exploration of Indigenous priorities and needs, so they can be incorporated in the conceptualization of projects.

- The inclusion of Indigenous knowledge goes beyond current environmental measures and challenges "greenwashing" measures proposed by current ESG indicators, as it brings a circularity lens within it. Indigenous knowledge and practices reflect a holistic view and approach to the world while strengthening approaches to sustainable development.
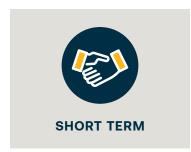
The standardization system can help

By building meaningful relationships with Indigenous Peoples,' SCC can support their participation in the standardization system. The inclusion of Indigenous Peoples' in the standardization system would allow for their perspectives to be integrated in standards deliverables while also supporting the development of processes that would help all organizations to learn, reflect, and commit to meaningful engagement when their activities might impact Indigenous Peoples, their lands, or resources.

As a first step, SCC will provide training to staff and will continue to engage with Indigenous communities, building a relationship of trust.

SHORT TERM

SCC will seek partnerships with leading Indigenous organizations and governing bodies to seek their guidance, to understand how and where their priorities should be addressed, and knowledge included, in ESG-relevant standards.

MEDIUM TERM

SCC will work to build meaningful partnerships with Indigenous Peoples, to help us understand where Indigenous priorities, as well as traditional knowledge and approaches can and should be incorporated into standards relevant to ESG.

WITH FUNDING

SCC will support Indigenous partners to advance their priorities in the standardization system.

7.

Making ESG standards visible

As demonstrated by the results of the mapping conducted by SCC and ISO, a wide range of standards exist that have direct applicability to managing, measuring, and reporting on ESG performance. The mapping also demonstrated that there is a significant range in the topic matter and scope of relevant standards based on factors such as sector, organization type, or the ESG indicators being addressed.

Standards catalogues are large and generally sort standards based on specific technical areas and groupings. The ESG applications of relevant standards are often not clearly identified in the titles and scope statements most users' reference in searches. As such, standards that can support an organization ESG-related needs are not always visible to potential users, slowing the uptake of tools that can be leveraged by organizations to manage, improve, measure and report on sustainability performance.

The standardization system can help

By working with Standards Development Organizations (SDOs), and other partners, SCC will seek to promote and increase the visibility of the standardization solutions available to ESG users.

In the short term, SCC will work with accredited SDOs to explore the development of a standardized and visible approach for identifying the specific ESG-related applications of standardization solutions for users. Options include tagging of standards to the Sustainable Development Goals, augmenting scope statements and other publicly available information in standards databases or including annexes in relevant standards and conformity assessment schemes that specify ESG applications for users. Information may include factors such as the ESG indicators being addressed, sustainability performance applications, sector specific needs and opportunities, and other applications specific to the management, measurement, verification, and disclosure of ESG performance information.

MEDIUM TERM

SCC will work with SDOs, experts and users to develop system-level guidance for standards developers on the visible and functional identification of the ESG applications of standards.

WITH FUNDING

SCC will explore further opportunities to integrate information for ESG users into standards databases and catalogues, and promote the ESG applications of standards to relevant user communities.

8.

Achieving a balance between disclosure and sustainability performance

Consumers and the public, alongside investment and financing sectors, are heightening expectations for better environmental practices, more inclusive and diverse spaces, and higher levels of accountability from institutions and organizations.

Canadian entities and rights-holders have highlighted important limitations within the current reporting landscape, including a crowded field of frameworks, lack of standardization and inconsistent terminology among frameworks, variation in the adoption of frameworks, and gaps in guidance around key topics which could have a meaningful impact on the sustainability performance of organizations. Reporting organizations are faced with a long list of potential reporting frameworks, different reporting requests from different parties, and entities must then interpret information that is not necessarily consistent or comparable across organizations or industries. While many companies are reporting ESG-related data, increasingly investors, regulators, and the broader public are exercising greater scrutiny of organizational sustainability efforts, are on the lookout for "greenwashing." This leaves a gap in accountability and trust in ESG disclosures.

Further, the frameworks and indicators developed to support ESG reporting provide organizations with information on what aspects of their sustainability performance require measurement, reporting, and contextual setting (as readers may be unprepared to interpret data in absence of explanation). They provide limited guidance on approaches for managing and measuring impact against such indicators. While financial materiality remains the primary focus of most frameworks, there is increasing interest in materiality from a non-financial or broader impact perspective. **The concept of "double materiality" considers both an organization's broader impacts on the economy, environment, and people, as well as topics that are material for enterprise value creation for the benefit of shareholders**.

Standardization and conformity assessment are valuable tools for promoting and boosting actual ESG performance while facilitating high-quality disclosures. They can help to address these requirements and gaps by establishing common standards and systems of measurement that are harmonized and benchmarked, and which

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organizations can use to manage and report on performance across frameworks, markets, supply chains and industries. The standards and other normative documents produced under the national and international standardization and conformity assessment systems are already used across all sectors and throughout the entire value chain of the Canadian and international economy, and can provide organizations with actionable guidance to improve both sustainability performance and impact measurement at the enterprise level.

Conformity assessment programs are designed to accommodate independent assurance of conformity with specified standards and requirements and can play a significant role in helping organizations leverage assurance on sustainability information. Conformity assessment to standards by accredited third-party organizations can be used to measure, verify, and validate impacts, and ensure products, processes, services, persons, systems, and bodies meet specified requirements. This would provide opportunities for ESG users to access the broadest possible range of assurance information.

The standardization system can help

By developing guidance documents on the use and implementation of the existing frameworks, and accompanying conformity assessment tools and procedures, a standardized disclosure process can be created that allows better comparability of disclosures against existing frameworks.

SHORT TERM

SCC will explore opportunities to add ESG elements to conformity assessment schemes in accreditation programs that can support the measurement, verification and validation of key sustainability impacts.

Early efforts will be placed on areas where there is strong need/demand for solutions, and where there is existing momentum to be captured.

MEDIUM TERM

SCC will explore the development of additional accreditation programming at the national and international level to support the decarbonization and sustainability performance of key sectors, and to support organizations of various types and ESG maturity.

MEDIUM TERM

SCC will ramp up efforts to work with relevant framework owners, accounting organizations, governments, regulators and rule-setters to support the referencing of relevant standards and conformity assessment solutions in requirements, including relevant disclosure frameworks and regulations, to support the quality and consistency of ESG reporting, and to provide organizations and other users with the broadest possible range of ESG assurance information.

9.

Mobilizing broad action on sustainability and ESG across sectors and society

Globally, there is increasing recognition of the urgent need to respond to climate change and address social equity issues. In Canada, the importance of reconciliation with Indigenous Peoples cannot be understated. The acceleration of interest in organizations' ESG performance presents an extremely timely and important opportunity to support the evolution of organizational priorities and behaviour to encourage a more holistic application of a sustainability lens to operations. It is an opportunity that can deliver broad benefits to society while helping to tackle some of our most pressing needs.

It is better understood that responses to these issues will require whole of society action, and that all organizations are likely to face increased scrutiny of their sustainability performance. ESG provides an opportunity for organizations to be a part of a system moving towards sustainability. By participating, and striving to improve on ESG performance and disclosure, organizations can make steps towards, amongst other things, reducing their carbon footprint, promoting employee wellbeing, and understanding and mitigating their risks. In addition to managing risk, organizations are now embracing ESG as a core strategy to develop competitive advantages and create and sustain long-term value, further increasing the demand for solutions. To ensure the evolving ESG ecosystem can address the priorities, objectives and material considerations highlighted by CSAC members, organizations will need to be equipped with a broad range of technical guidance to ensure common understanding of sustainability information, provide management approaches that meaningfully contribute to performance, and establish credible, verifiable systems of measurement and assurance. The guidance required must also address the divergent needs of different sectors, organizational-types, and interested parties.

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The standardization system can help

The national and international standardization systems are uniquely equipped to provide these solutions, due to existing scope and scale and the emphasis on consensus, balance, broad-based engagement, and rigour. As Canada's National Standardization Body, SCC has a unique role to play in mobilizing this machinery and expertise to fully address the broad range of needs and opportunities identified by CSAC and Canadian ESG users. To fulfill this role, it will be necessary for SCC to establish strong partnerships and collaborative programming to implement the full range of recommendations outlined in this report.

Addressing these opportunities and challenges will necessarily require an infusion of new expertise and resources to scale standardization activities across sectors and issue areas, and to support interested parties in their efforts to contribute to the development of ESG standards that genuinely reflect the full range of user-needs. To this end, SCC will immediately ramp up engagement with interested parties and potential partners, and where possible, leverage existing programming to advance the development standards and conformity assessment solutions in priority areas. This engagement will also aim to support the incorporation of relevant standards into disclosure frameworks, regulation, and public policy, to enhance uptake and impact. Over the medium to longer term SCC will seek additional resources to establish dedicated collaborative programming to serve Canadian ESG users.

SHORT TERM	**SHORT TERM**	**WITH FUNDING**
SCC will engage with ESG framework organizations, regulators and policy-makers to strengthen coordination and collaboration to address ESG user needs.	SCC will leverage its existing innovation and climate programming to enable Canadian organizations to advance the development of standards and conformity assessment solutions to address ESG user needs.	SCC will convene a collaborative process and programming to develop and implement a standardization roadmap to address Canadian ESG user needs.

Summary of Recommendations

Mobilizing Action Across Sectors and Society

- Develop partnerships across the ESG ecosystem with framework owners, regulators, policymakers, service providers, and user communities
- Strengthen programming and partnerships so that standards and guidance are available to enhance ESG frameworks
- Accelerate the application of these tools in markets, policy and regulation

Deliver Actionable Tools to Empower ESG Users	Understand & Incorporate Indigenous Perspectives	Make ESG Standards Visible and Accessible to Canadians	Go Beyond Disclosure to Drive Performance & Trust in ESG
• Identify ESG guidance that aligns with Canadian priorities and user-needs • Lead the development of these tools nationally and internationally	• Seek partnerships with Indigenous organizations to understand their ESG priorities and perspectives • Support Indigenous partners to advance their priorities through standards	• Establish and leverage ESG identifiers for standards • Develop tools that allow organizations of all types, size and maturity to tackle ESG	• Identify key ESG areas that could benefit from conformity assessment solutions • Develop needed schemes and programs • Support their integration in requirements, regulations and disclosure frameworks

Moving beyond disclosure together

Working together and combining our knowledge is the only way we can achieve our collective vision. This will require collaboration and partnerships among all stakeholders. We need to build trust in ESG tools and bring certainty in the processes for achieving our desired sustainability outcomes. This means we need to move beyond disclosure and ensure we are focusing on performance and trust, and the tools required to deliver it.

If you need more information or would like to get involved, please contact the Standards Council of Canada at info@scc.ca.

Annex 1
Canadian priorities for ESG

What follows is a summary of advice from the Canadian Standardization Advisory Committee (CSAC) on key priorities and ESG material considerations in the Canadian context. Standards could play a role in each section.

Canadian Standardization Advisory Committee on ESG Objective

To support and encourage diverse entities (e.g., government, business, capital markets, financial institutions, educational institutions, as well as civil society consisting of non-governmental, non-profit, or voluntary citizens organizations organized at the local, national, or international level) through the standardization system to contribute to a sustainable future by developing standardized guidance:

- to improve measures and monitoring that support performance on sustainability practices, and to embed these practices in their organizational culture, work, and decision making;
- to reflect and report publicly on environmental, social, and governance (ESG) measures in a consistent, meaningful, and verifiable manner; and
- that will support organizations to meaningfully implement ESG frameworks.

In addition to common sustainability elements used internationally, and as part of Canada's evolving relationship with Indigenous Peoples, this work will support the development of guidance through a reconciliation and relationship-building lens to improve, reflect, and report on organizations' activities when engaging and involving Indigenous Peoples, their lands, or their resources.

Guidance developed through this work will be based on the principle of incorporating diverse voices to promote uptake and future accountability.

The beneficiaries of this work are assumed to be wide, and two-fold. The first level of beneficiaries will be the entities who are seeking guidance on how to contribute to a sustainable future and will be able to access the standardization strategies that arise from this work. The second level of beneficiaries will be those who feel the positive impacts of the progress made by these entities, and could include, but are not limited to, the employees/ affiliates of the entities, the communities in which the entities operate, and those who benefit from the entities working towards supporting a more sustainable environment.

Indigenous
To support diverse entities to contribute to a sustainable future by developing guidance through the standardization system that provides processes to learn, reflect, and commit to meaningful engagement when their activities might impact Indigenous Peoples, their lands, or resources within a reconciliation and rights lens.

Considerations for sustainability guidance as it relates to Indigenous perspectives:

- **Adopt UNDRIP** – develop process guidance to support the adoption of the United Nations Declaration on the Rights of Indigenous Peoples as a reconciliation framework as part of policy and core operational activities.

- **Incorporate reconciliation into policies and practices** – process guidance to promote incorporating a consultative, reconciliation, and relationship building lens into policies and practices.

- **Seek Free, Prior and Informed Consent** – process guidance to ensure interested parties are seeking the free, prior and informed consent and learning from Indigenous knowledge when Indigenous Peoples' rights, lands or resources might be impacted.

- **Ensure equitable access** – process guidance to ensure equitable access to jobs, training, and education opportunities for Indigenous Peoples within an organization.

- **Train management and staff** – process to guide education to management and staff on Indigenous Peoples (including, but not limited to, Indigenous history in Canada, cultures, worldviews, and historical methods of engagement) UNDRIP, and Truth and Reconciliation Calls to Action.

- **Build meaningful relationships** – process to guide relationship building with Indigenous communities, organizations, and Peoples (within and beyond the scope of singular projects).

Social

To support diverse entities by developing guidance through the standardization system that provides processes and activities to fully understand their impact upon people and the environment given all available information. This will support them in:

- identifying and implementing social impact opportunities and not unknowingly contributing to negative impacts; and

- preventing intentional negative impacts in their decision making, accountability and disclosure strategies and activities.

Material considerations for guidance on sustainable performance as it relates to the social aspect:

- **Achieve diversity, equity, and inclusion (DEI) goals** - process to support DEI principles in employment policy and practices, provide equal access to training and education opportunities, prevent all forms of discrimination in the workplace and support the inclusion of minority groups such as 2SLGBTQ+, visible minorities and people with disabilities.

- **Achieve human rights goals** – process to support organizations to protect and respect human rights and access to remedy for victims of organizational related abuses.

- **Enforce measurement of social and environmental impacts** – process to encourage the measurement of social and environmental impact and outcomes, reduce negative impacts and identify social impact improvement opportunities.

- **Community responsiveness** – process to consider the necessities and interests of a community and align with societal goals in decision making.

- **Define the social purpose** – approach to define an organisation's social purpose and how it can be accountable and measure against delivering on the purpose that they set forward.

- **Ensure employee wellbeing** – a process to protect all aspects of working life, from the quality and safety of the physical environment to the workers working environment and the workers physical and mental health.

- **Support local economic development** – process to ensure a local procurement mandate and a local hiring mandate.

Environmental

To support diverse entities in creating a more sustainable and resilient future by developing guidance through the standardization system that provides processes:

- To avoid, address, and mitigate against, negative environmental impacts;
- That ensure responsible production and consumption throughout the supply chain and service provision; and
- That promote a proactive approach to environmental challenges (including climate change).

New guidance should:

- Be aligned with Canadian and international environmental targets, including transitioning towards net zero, circular economy, and the UN sustainable development goals;
- Reflect and be tailored to differing industry realities (e.g., natural resource extraction versus financial industries) where appropriate and feasible;
- Allow for, and recognize the impacts that come with an entity's growth (e.g., should understand the difference between absolute baselines versus emission intensity-based targets and guidance);
- Consider the holistic environmental impacts throughout an entity's supply chain and the life cycle of products and services, such that it goes beyond determining the impacts of individual activities;
- Consider long- and short-term, as well as cumulative, environmental impacts; and
- Support proactivity and accountability within an entity.

Material considerations for sustainability guidance as it relates to environmental considerations:

- **Achieve net zero and enforce environmental stewardship through a reduction of greenhouse gas and emissions** - process to identify actions and initiatives to reduce GHG emissions (e.g., net zero).
- **Ensure efficient use of raw and residual materials (circular economy)** – process to implement the controlled use, and the reduction, reuse, recycling, recovery, and disposal of residual materials (waste) generated during the product or service life cycle, to move towards a circular economy and away from a single use system.
- **Support adaptation to, and mitigation against, climate change and extreme weather events (e.g., flood, fires)** – process to promote resilience and assess risks.
- **Achieve energy efficiency** – process to reduce energy consumption.
- **Support the enhancement of biodiversity and responsible land use** – process to promote sustainable land-use systems.
- **Promote responsible natural resource stewardship and management** – process to ensure sustainable management of natural resources (e.g., water) within an entity, to increase the efficiency of natural resources use, and reduce sources of contamination.
- **Ensure life cycle product stewardship** – process to promote the design of products and services that minimize the consumption of resources as well as negative impacts on the environment, on the health and safety of the community, workers, and customers, and ensures transparent communication that is ethical and respectful of its interested parties.
- **Improve understanding of environment impacts** - process to assess actions taken to reduce an entity's environmental footprint (e.g., protect air quality and reduce CO_2 emissions).

Governance

To support diverse entities to create a sustainable future by developing guidance through the standardization system that will assist:

- private and public entities in defining and ensuring their purpose, vision, values and targets are in line with the reality of the entity;

- that their composition, structure, governance practices and processes are guided by the broad diversity of input from relevant and multiple interested parties as well as Indigenous interests;

- that their activities are carried out effectively, ethically, precautionary, transparently, systematically and with responsible stewardship; and

- enable tracking ESG performance management and measurement.

Material considerations for guidance on sustainability performance as it relates to governance:

- **Performance measurement of entity's purpose, vision and strategic objectives** – process to define and measure targets, processes and stage of progress of the entity's purpose and the values that support it, including what are their strategic objectives when it comes to ESG and transparency and how are they reflected in ESG performance.

- **Effective Governance** – process to identify, engage with and understand interested parties' perspectives on key issues to ensure knowledge and information sharing, interested parties' expectations are considered, and loop backed into decision process, including interested party accountability.

- **Financial and accounting transparency** – process to ensure financial and accounting transparency, including processes for internal controls over financial reporting and auditing.

- **Risk Management and Governance** – process and practices to ensure the risk criteria is the right one and the impacts of risks (financial, environment and social) are considered and measured in the lens of the entity's purpose and strategic outcomes (e.g., safety plan, financial risk management) and to develop systematic approaches for identifying and addressing priority risks and opportunities.

- **Governance structure, accountability, and compensation** – process for defining the governing board's structure, accountability, and compensation package.

- **Socially responsible decision making** – process and structure to ensure decisions are transparent and aligned with broader social expectations.

- **Employee Governance and Engagement** – process to ensure employee ownership and employee participation in decision making, employment practices, organization performance, and labour relations (e.g., youth engagement).

- **Pay equity** – process and structure to enable governing bodies to ensure employees are compensated equitably.

- **Achieving diversity, equity, and inclusion (DEI), and belonging performance targets** – process to implement DEI and belonging in the governing structure.

- **Equity of access for Indigenous Peoples** – process guidance to ensure equitable access to jobs, training, and education opportunities for Indigenous Peoples within an organization.

- **Up-skill management and staff** – process to guide education to management and staff on Indigenous Peoples (including, but not limited to, Indigenous history in Canada, cultures, worldviews, and historical methods of engagement) UNDRIP, and Truth and Reconciliation Calls to Action.

GLOSSARY

Acronyms

CDP – Carbon Disclosure Project (formerly)

CSAC – Canadian Standardization Advisory Committee

DEI – Diversity Equality and Inclusion

ESG – Environment, Social and Governance

GHG – Greenhouse Gas

GRI – Global Reporting Initiative

ISO – International Organization for Standardization

NSC – National Standard of Canada

OECDE – Organisation for Economic Co-operation and Development

SAG – Strategic Advisory Group

SASB – Sustainability Accounting Standards Board

SDO – Standard Development Organization

Definitions

Accreditation
Formal, third-party recognition that an organization is competent to perform specific tasks – the work for which they are accredited.

Conformity Assessment
The practice of determining whether a product, service or system meets the requirements of a particular standard. Conformity assessment standards are standards which set out the requirements for such assessment. These include test methodologies, inspection, and certification.

Double Materiality
The effects of financial systems and corporate activities have on climate change. It takes into consideration any risks or impacts that an organization or business' activities might have on the environment and society.

Environment
The Environment element of ESG seeks to promote an effective management of environmental impacts, responsible production and consumption best-practices and a precautionary approach to environmental challenges and climate change. These may include responsible use of the land, enhancement of biodiversity, support to adaptation to climate change and extreme weather events, efficient management of raw materials and waste, energy efficiency, measurements on GHG emissions, full product life cycle and others.

ESG Framework
A systematic process for organizations to identify and assess economic, environmental, and social impacts of their operations.

Governance
The Governance element of ESG seeks to support those charged with governing organizations (e.g., board of directors) in ensuring its purpose and values are in line with interested parties' expectations and that its activities are carried out effectively, ethically, transparently, and with responsible stewardship. To achieve this goal, activities may include engagement with interested parties, promoting financial and accounting transparency, manage risk and opportunities, considerations on social responsibility on the decision-making process, engage employees, promote DEI, ensure equitable access for Indigenous Peoples and others.

Greenwashing
Marketing strategy to make a product and/or service look more sustainable than it is. Under ESG performance, greenwashing is reflected on indicators that only consider one aspect of sustainable performance. Organizations seeking investors that are looking for good ESG indicators, will chose the ones where they score high and leave out the ones where the score low, making it seem they are more sustainable or committed to ESG than they are. This is enabled by a lack of standardization and guidance for the existing frameworks.

Indicators
A measure, or value, that provides an idea of the state or status of something (e.g., gross domestic product (or GDP) is a common indicator used to assess economic health of a country).

Metrics
A standard of measurement.

Protocols
A procedure or set of rules for accomplishing a task.

Social
The Social element of ESG seeks to address and mitigate the impact upon people and the environment such that they are not inadvertently or unknowingly contributing to harm in their decision making, accountability and disclosure strategies and activities. These may include Diversity, Equity, and Inclusion (DEI), Employment and Labour Practices, Community-based engagement, Product Stewardship, Human Rights Considerations, Measurement of Social and Environmental Impacts and others.

Standard
A document that provides a set of agreed-upon rules, guidelines or characteristics for activities or their results. Standards establish accepted practices, technical requirements, and terminologies for diverse fields and can be mandatory (e.g., if referenced in an act) or voluntary.