



Reasonably Prudent People & Climate Change

The Evolving Governance of Corporate
Climate Risk

Thursday, August 20, 2020 - 2 pm



Today's speakers



Laura Zizzo, BES, JD (Legal)
Co-Founder & CEO
Mantle314

laura.zizzo@mantle314.com



Anton Tabuns, MES, JD (Legal)
Senior Advisor
Mantle314

anton.tabuns@mantle314.com

Moderator:



Alisa Kinkaid, MA, LL.B
Senior Advisor
Mantle314

alisa.kinkaid@mantle314.com

Agenda

- 1. Board governance**
- 2. Management oversight**
- 3. Examples of governance disclosure**
- 4. Challenges and complexities**
- 5. Best practice approaches**

We will reserve 15-20 minutes to answer questions at the end of the webinar. Please submit them at any time during the webinar with the Q&A button, and we will address as many as we can.

Board governance of climate-related issues



Climate governance is reflective of good governance

Corporate governance framework



Top 10 risks over next 10 years (likelihood)

Source: World Economic Forum

- Environmental**
 - Extreme weather
 - Climate action failure
 - Natural disaster
 - Biodiversity loss
 - Human-made environmental disasters
- Technological**
 - Data fraud or theft
 - Cyberattacks
- Societal**
 - Water crises
- Geopolitical**
 - Global governance
 - Failure
- Economic**
 - Asset bubble

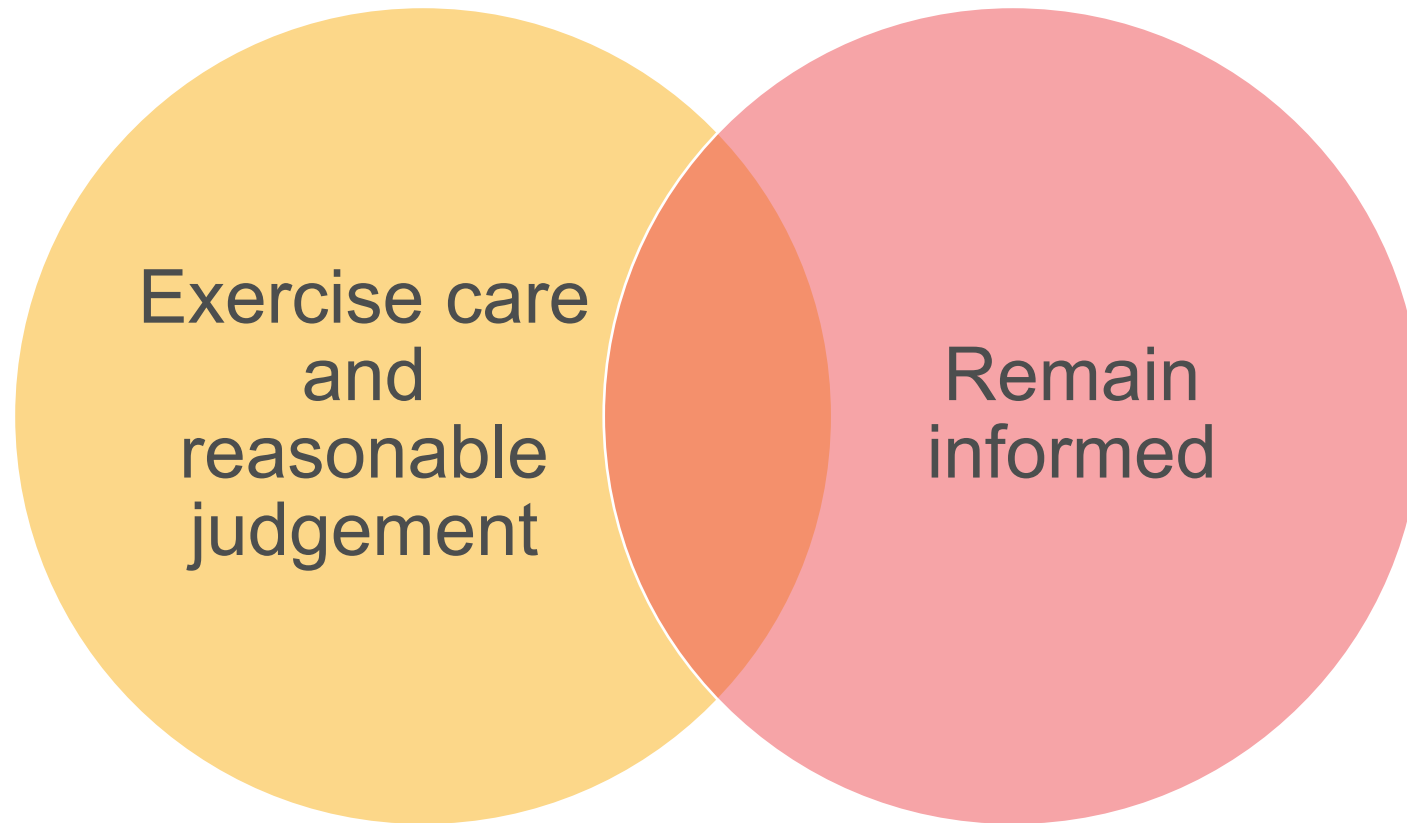
Climate risk and board responsibility

Key questions:

1. What role are *boards of directors* playing in the oversight and management of climate-related risks and opportunities?
2. What is the board's role regarding oversight of disclosure/public disclosure requirements related to climate change?



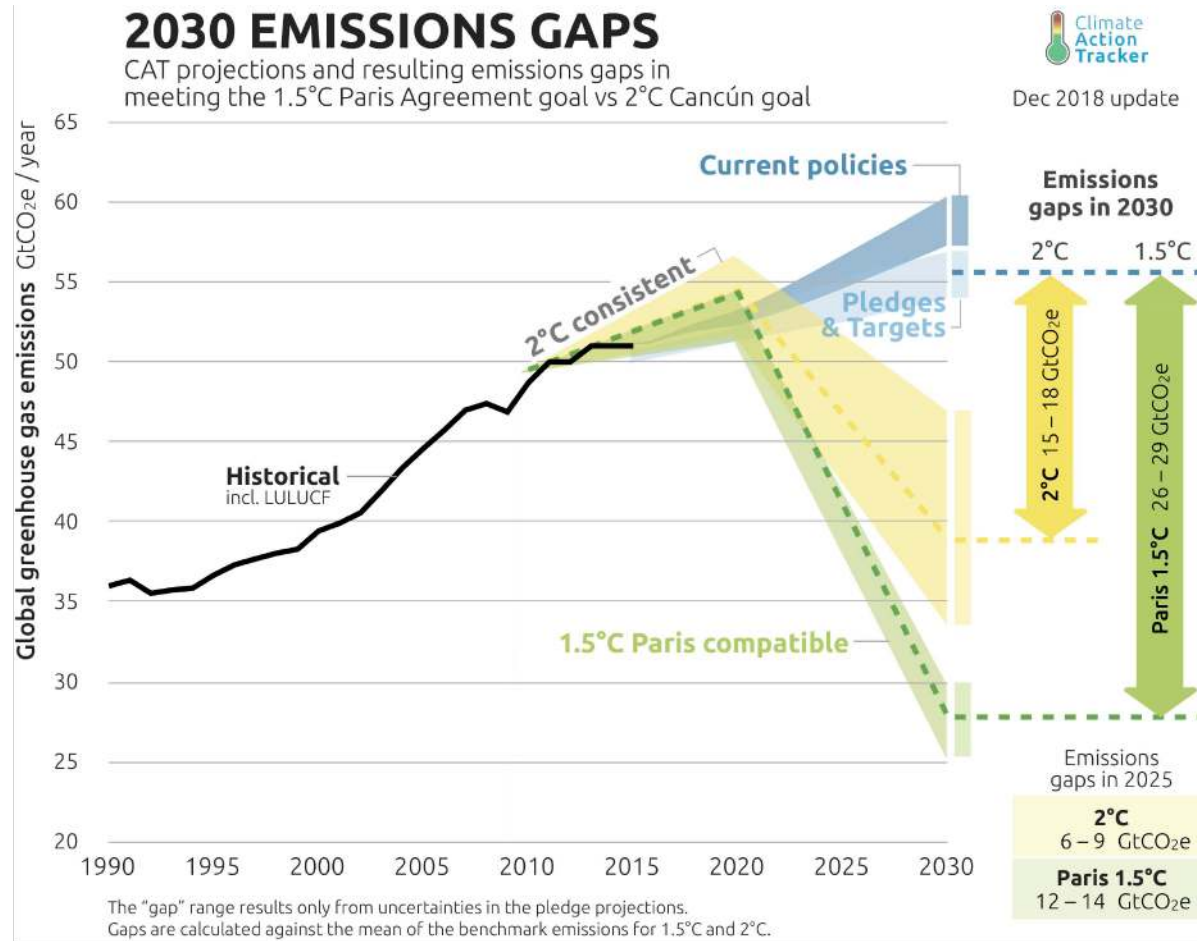
Main roles of the board



Oversee best interests of the corporation

Need to transition:

Significant cuts required to meet goals of Paris Agreement



Source: [Climate Action Tracker](#)

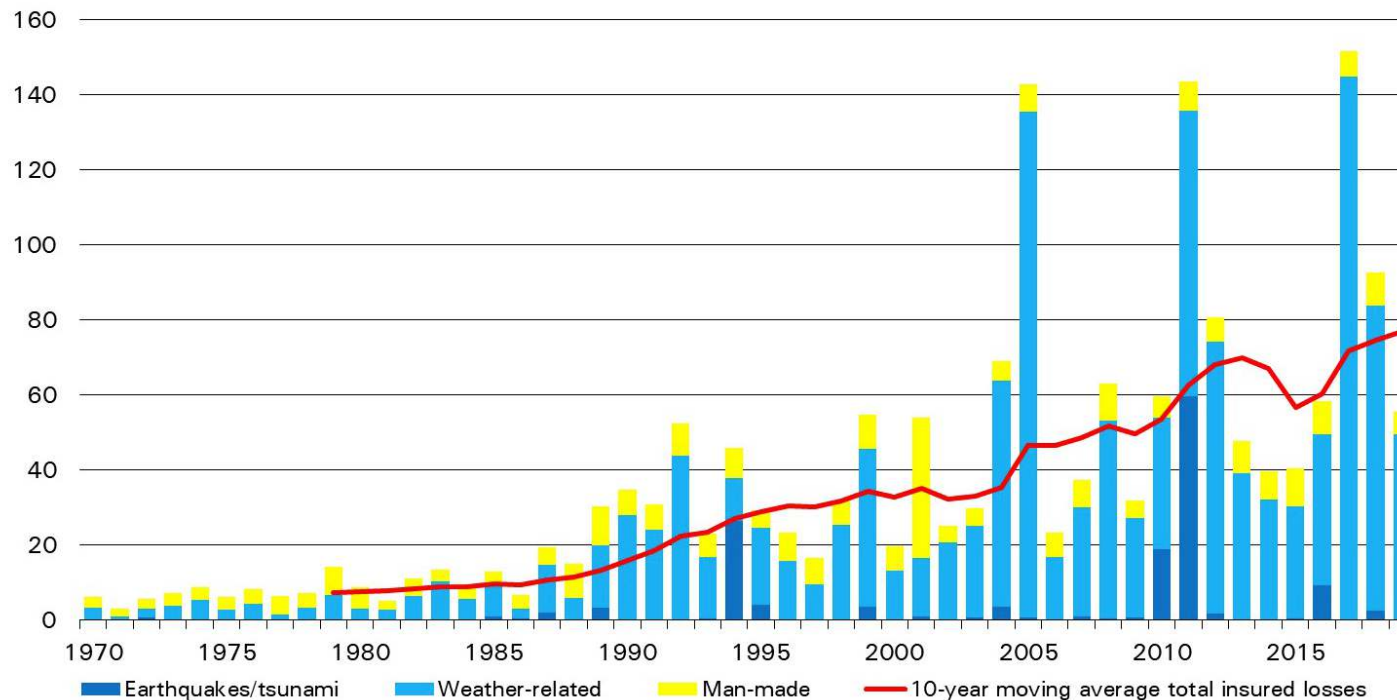
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- Limit warming to well below 2°C above pre-industrial levels and pursue efforts to limit increase to 1.5°C
- Decarbonization of economy in second half of century
- Five-year review of country-specific progress on emission pledges (National Determined Contributions)

Physical impacts occurring now and will accelerate

Catastrophe-related insured losses (1970-2019)

in USD bn,
at 2019 prices



Source: [Swiss Re Institute](#)

Impacts:

- Extreme weather events
- Sea level rise / flooding
- Droughts and extreme heat
- Resource availability
- Demographic shifts

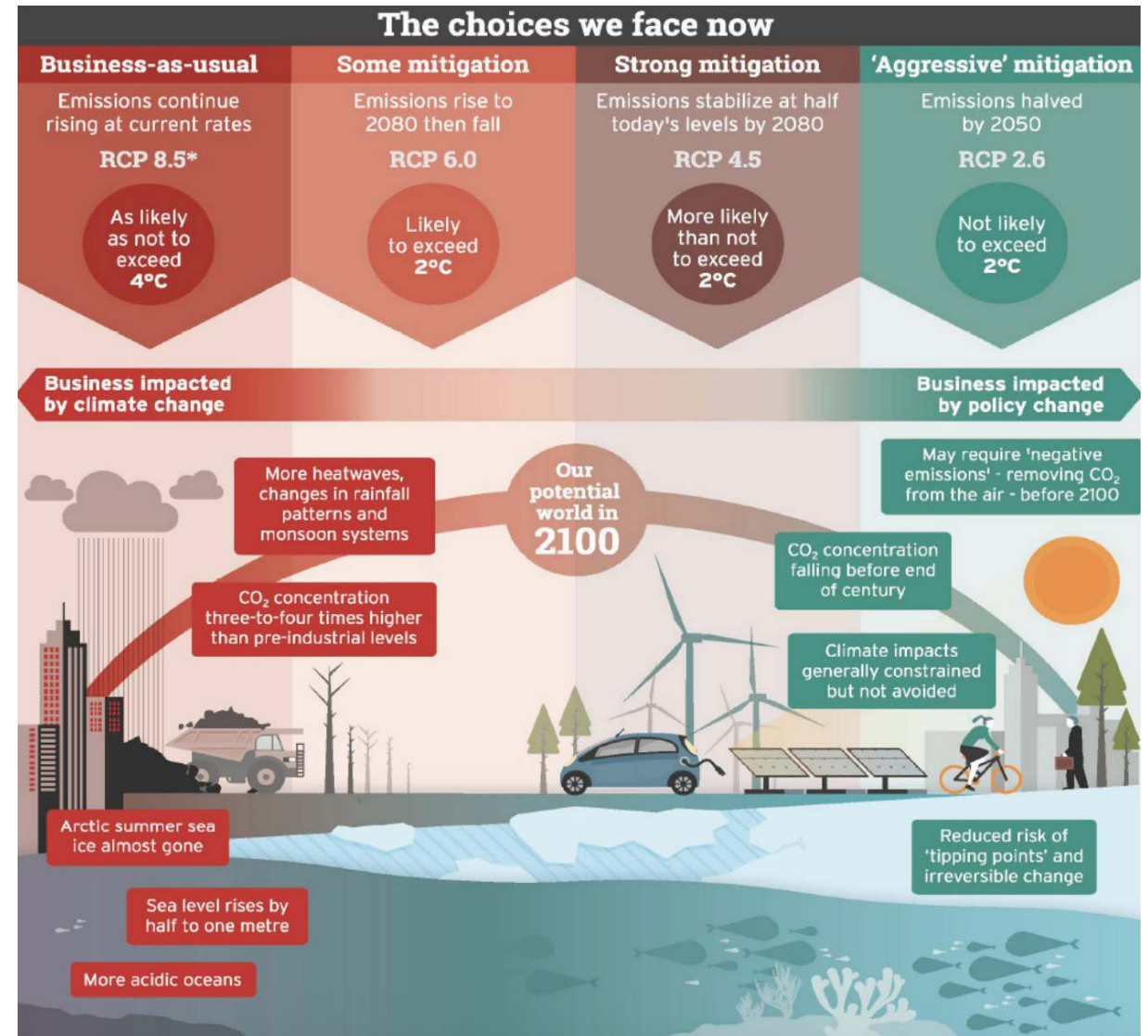
Do plans consider short and longer-term implications for

- Human health and wellness
- Labor capacity
- Productivity losses

A director owes a duty of care

- Use care and diligence of a reasonable person in similar circumstances
- Act honestly / in good faith
- Personal beliefs and interests are not that relevant
- Best-interests of the corporation (fiduciary duty)

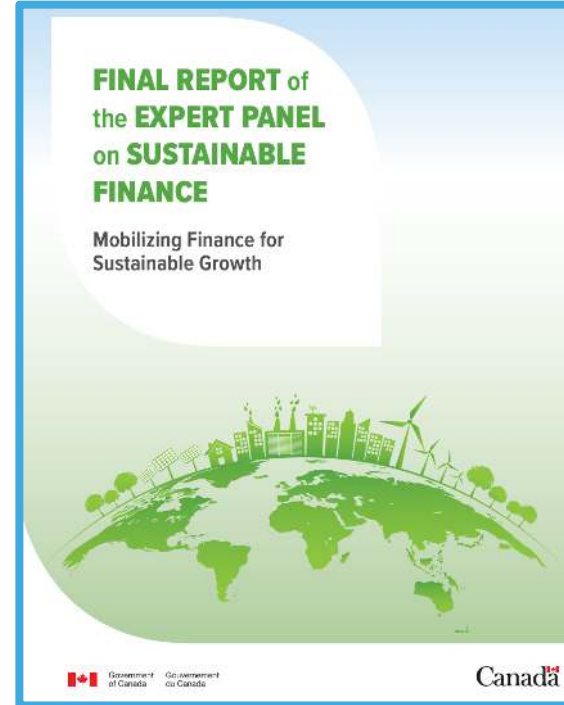
“Directors must put climate change on the board agenda”
- Hansell LPP opinion



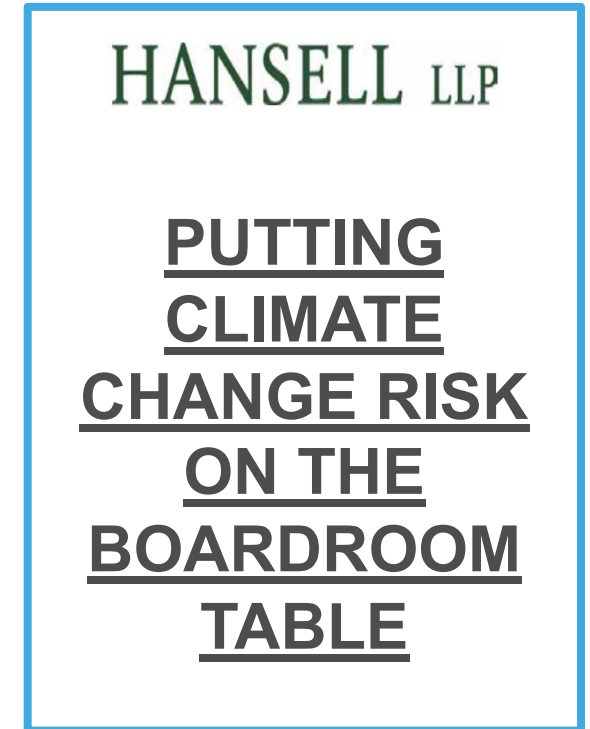
Fiduciary duty requires climate change considerations



2015: *“Failure to consider long-term investment value drivers, which include [ESG] issues, in investment practice is a failure of fiduciary duty”*



2019: Acknowledged adequate discharge of the Fiduciary Duty includes climate change-related considerations.



2020: Fiduciary duty considers the long-term interests of the corporation, which includes climate considerations

Management oversight of climate- related issues



Management's role



- Access to relevant information
- Assessing & managing
 - Climate risk
 - Climate-related opportunities
- Preparing and certifying disclosure (TCFD)

Management governance: implementation & reporting



Examples of governance disclosure



TCFD examples - governance

Governance

Disclose the organization's governance around climate-related risks and opportunities

Recommended disclosures

- a) Describe the board's oversight of climate-related risks and opportunities
- b) Describe management's role in assessing and managing climate-related risks and opportunities

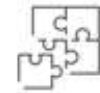
Source: TCFD



#6

You've likely already started

Most well-run organizations are further ahead than they might think. You probably have about 40% of this stuff already, it's just not called "climate change."



#9

TCFD works internally too

Don't be afraid to use the TCFD framework to do internal work – you don't have to report it all publicly at once.

- Governance is both the easiest and seemingly the hardest disclosure
- This is looking for two things:
 - **HOW** the governing body is **INFORMED**
 - **HOW** the governing body **ACTS** on that information

Example: Board governance

Tiger Brands

Figure 31

Excerpt from Sustainability Report:

Environmental Management

At board level, the risk and sustainability committee provides strategic guidance and leadership on climate change and environmental issues, and oversees implementation and revision of our environmental policy. Operational execution of the strategy and management of the environmental system rests with the group manufacturing excellence department. ←

Our environmental policy statement was approved three years ago. In it, we commit to identifying environmental and climate-change risks, taking action to address weaknesses, forging strong relationships with relevant stakeholders, developing and implementing a sustainability strategy, striving for continuous improvement, and reporting to the board through relevant committees. We also commit to set targets, and monitor, measure and report on our environmental scorecard against key performance indicators. The policy statement is available on the Tiger Brands intranet and website. Our manufacturing distribution operations will conduct policy training for all relevant employees and suppliers.

Source: Middle East and Africa: Tiger Brands Limited, [Sustainable Development Report 2018](#), p. 18
Excerpt from 2019 TCFD Status Report

Example: Management governance

Ontario Teachers' Pension Plan

2. MANAGEMENT'S ROLE IN ASSESSING AND MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES

Our approach to climate change, which is reviewed and approved by the Chief Executive Officer (CEO), is integrated into our overall investment strategy.

All executive and senior managing directors in Investments are **accountable to the Chief Investment Officer (CIO)** for developing an approach to managing climate change risk for the assets under their management. This includes leveraging our LCE Transition Framework and other tools and expertise as needed. The incorporation of ESG risk management (including climate-related risks) is a component of the corporate and departmental scorecards that are used to assess performance and determine compensation.

Our portfolio managers are responsible for the identification, assessment and management of material ESG risks and opportunities, including climate change, in their investments.

Our Responsible Investing team, which reports to the Chief Risk and Strategy Officer, as well as a cross-departmental climate change working group, support the Investment teams in the

assessment, management and reporting of material climate-related issues.

As part of the investment approval process, **our investment committees** review deal documents prepared by the investment teams that include discussions of climate change and other material ESG factors. Senior investment staff receive updates on plan-wide, climate-related initiatives and their progress.

The Plan **also has an ongoing speaker/education series**. In 2017, this included Dianne Saxe, former Environmental Commissioner of Ontario, and Paul Polman, former CEO of Unilever and widely recognized for integrating ESG considerations into business strategy. In 2018, we had two educational sessions on strategic topics: one covered oil demand peak and implications to the global economy and was provided by Peter Tertzakian, Executive Director of ARC Financial and an oil specialist from Bloomberg New Energy Finance. The second session deliberated how climate change impacts our fiduciary duty and the role of directors. The session was administered by fiduciary duty subject matter experts from the University of British Columbia and Osgoode Law School.

Challenges & considerations

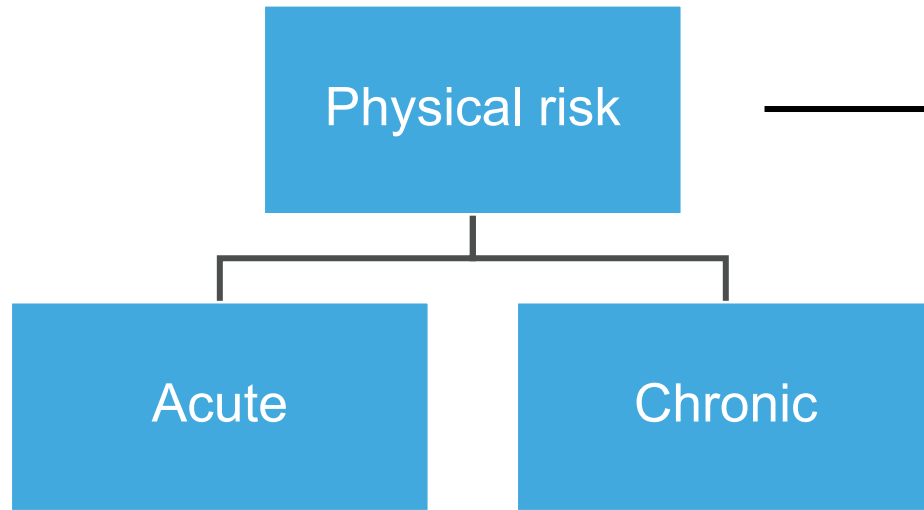


Challenges

- The complexities of large organizations and how this impacts governance. E.g.:
 - Who is charged with keeping an eye on climate-related governance?
 - The emergence of cross-functional working groups related to climate governance
- Trends around keeping your board informed



The Pacific Gas and Electric Company (PG&E)



Climate litigation:

Lawsuits against boards & directors are increasing

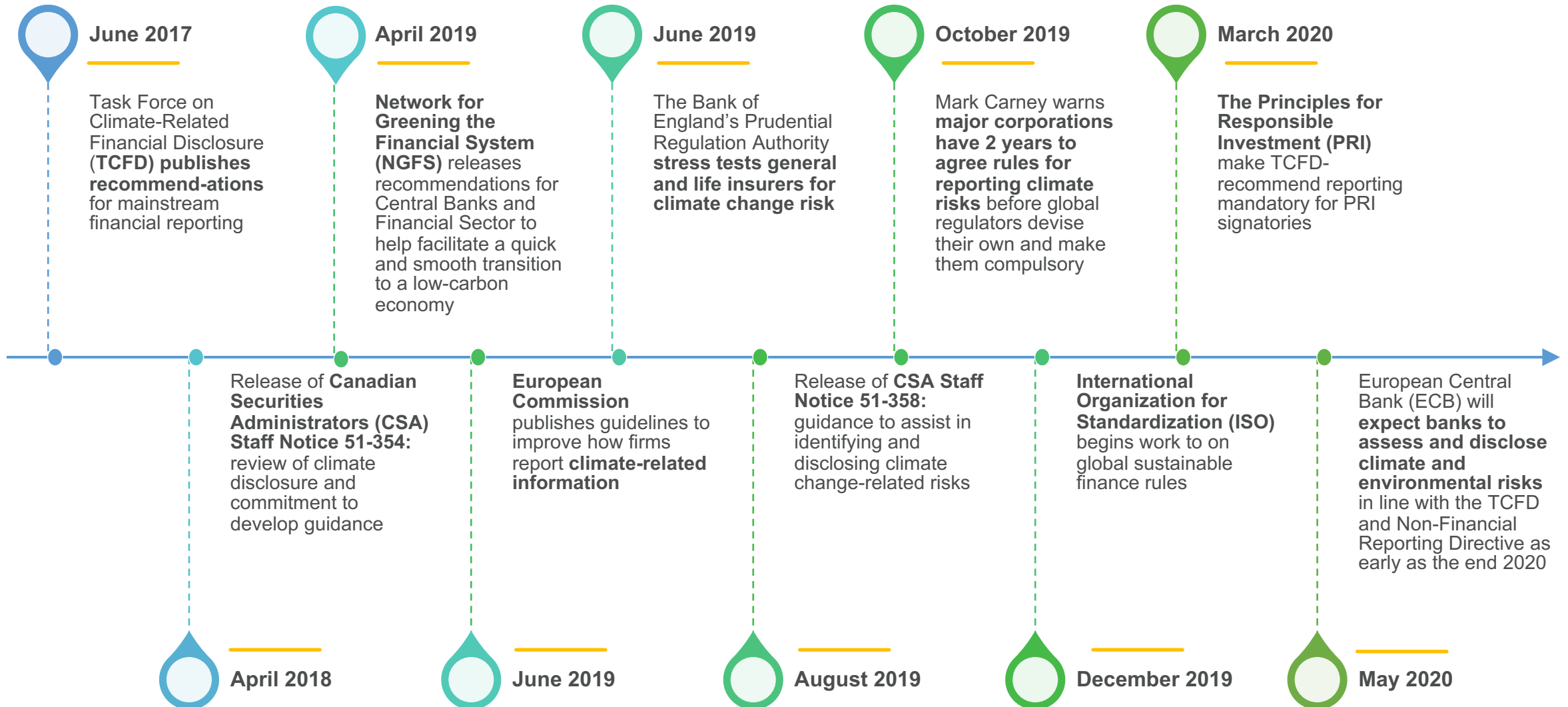
- According to analysis from Columbia Law School and the London School of Economics, there have been almost 1,400 climate-related lawsuits around the world
- Notably, there has been a significant increase in global climate-related litigation the past 15 years
- Claims brought by investors against corporations for failing to account for possible climate-related risks, or for failing to disclose climate-related risks are increasing. Recently, these claims have begun targeting boards



Source:
[Stanford University](#)

As the impacts of climate change continue to disrupt lives and upend livelihoods, governments and corporations will face increasing pressure to respond to climate change or be forced to respond through litigation.

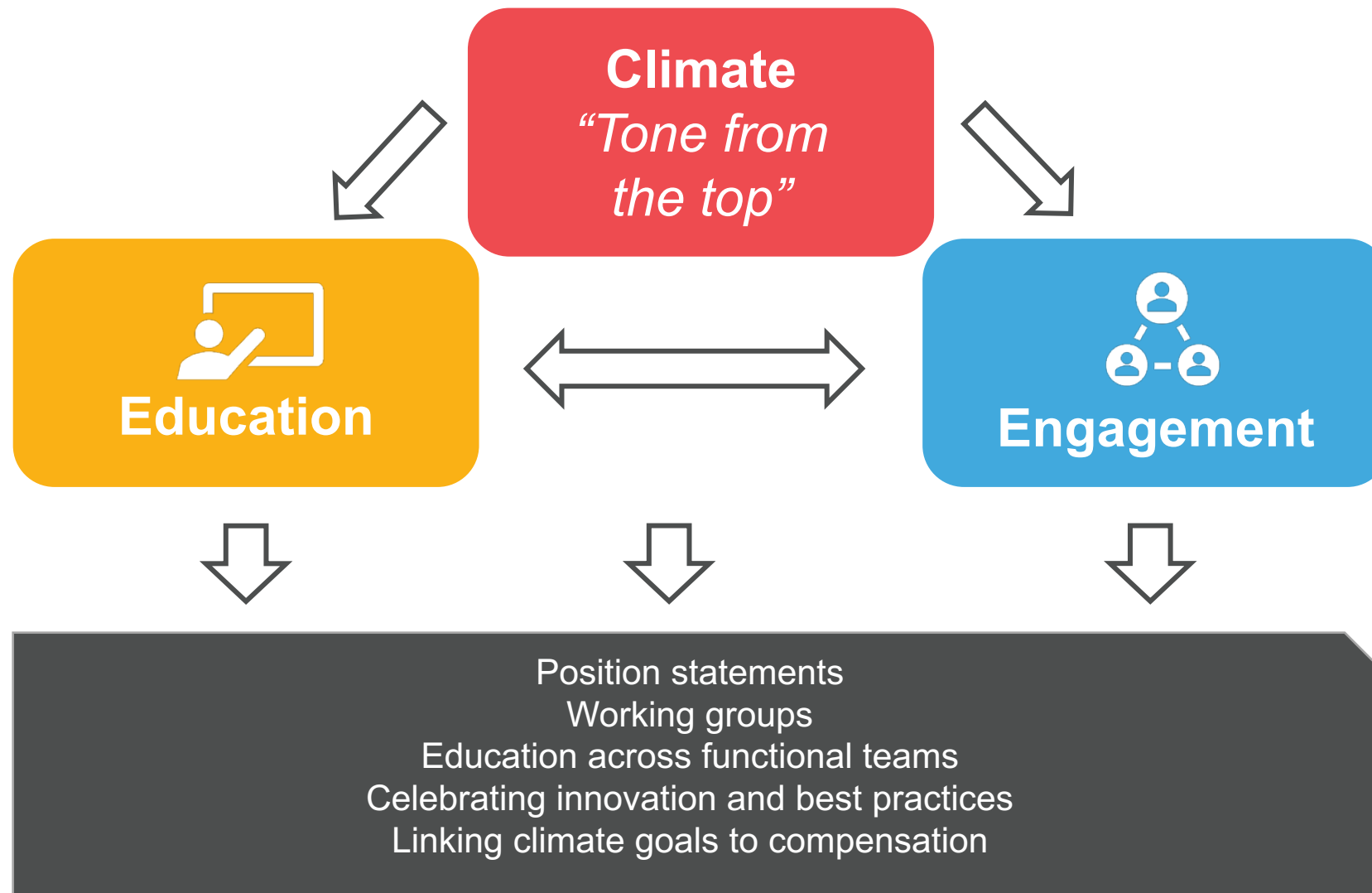
Momentum from finance community & regulators



Best practices



Building climate confidence





Upcoming events

Training September 10, 2020, 1 pm:

[Learn how the Task Force on Climate-related Financial Disclosures \(TCFD\) is changing the reporting landscape](#) with [Kevin Quinlan](#) & [Anton Tabuns](#), hosted by [Jeff Horlor](#)

Training September 15, 2020, 9 am:

[Learn how embodied carbon will change the green building industry](#) with [Ryan Zizzo](#) & [Larissa Sequeira](#)

[Responsible Investor Digital: Canada 2020, September 15, 2020](#)

[Canadian leadership on ESG integration in global markets](#) with [Joy Williams](#)
[Global banking sector alignment with climate targets and what it means for Canadian banks](#) with [Laura Zizzo](#)

We look forward to helping your business gain a competitive advantage as we transition to a climate-resilient economy

Email us at info@mantle314.com

— 1255 Bay St., Suite 801, Toronto, ON, M5R 2A9
— 1.888.664.7723 | info@mantle314.com
— mantle314.com | [@mantle314](https://www.instagram.com/mantle314)

MANTLE ³₁₄

Mantle314 is a dedicated climate change consultancy

our services



Educate: Deliver expert training and bring the latest developments and data to boards, executives and employees.



Identify: Discover climate-related risks and opportunities unique to your business.



Strategize: Provide solutions and strategies to build your corporate resilience.



Equip: Prepare your teams to make smart business decisions and seize climate-related opportunities!

our focus

- **Mission:** We shine a light on climate risks and opportunities to help organizations stay ahead of the curve, support the transition to a low-carbon economy and adapt to impacts.
- **Experience:** Our team has unparalleled climate-related business experience – a multi-disciplinary team of lawyers, business consultants, financial experts and engineers.
- **Value Proposition:** We translate climate change for businesses. We bridge the gap between law, engineering, technical innovation and real-world decision-making.
- **Growing Discipline:** We help train and work with companies to comply with climate reporting requirements, such as TCFD recommendations.