Sustainability in Action

May 2025, **Edition No 10**

Quote of the month

“ Sustainable development is the path to the future we want for everyone. It provides a framework for generating economic growth, achieving social justice, exercising environmental stewardship and strengthening governance. ” Ban Ki-moon

Spotlight of the month

The ABC of sustainability reporting

A few days ago, my master's students in accounting and audit at ESG UQAM awarded the prize for the best sustainability report in the energy sector to Enbridge, as part of the annual competition organized by Finance Montréal. I have a special affection for this annual event, having had the privilege of receiving the award for the best sustainability report in 2020.

For many companies, spring is the season of reporting, both financial and extra-financial. For several months, finance, legal and communications teams, as well as those in charge of social responsibility and sustainable development, are busy collecting data and material information, and drafting relevant content to present the year's results, the progress made and any performance gaps.

When it comes to non-financial information, the days of short reports, pretty marketing brochures with nice pictures but little detailed content and even fewer figures are over. Investors' expectations in terms of disclosure have come to the fore and have brought with them their share of reference frameworks and standards prescribing the level of information expected.

What themes are presented?

Sustainability reports are usually structured around the 3 ESG topics:

- Environmental
- Social responsibility
- Governance

The importance of a given topic in relation to your field of activity is summarized in the documentation of reference frameworks such as GRI or SASB. It is also validated by the materiality analyses carried out upstream with stakeholders inside and outside the company, and the strategic objectives derived from them.

1. Environment :

In environmental matters, the international ISSB S2 standard and the Canadian sustainability standards that have largely adopted them prescribe the information to be provided on how the company manages the risks associated with climate change.

GHG (greenhouse gas) emissions are another essential element of environmental disclosure, for each scope:

- Scope 1: direct emissions produced by the company
- Scope 2: indirect emissions linked to the production of energy required to power the company's activities.

Large companies have been making these disclosures for many years.

The disclosure of Scope 3 emissions is more recent in corporate sustainability reports, because it is more complex to measure. These indirect emissions (more than 80% of a company's carbon footprint, even more than 90% for some) take place outside the company's perimeter: raw materials, transport, travel, product end-of-life, etc.

The reference framework for understanding how to measure greenhouse gas emissions (scopes 1, 2 and 3) is the Greenhouse protocol (GHG). It was created multilaterally with companies, associations and governments to establish a true accounting of GHG emissions.

Companies often disclose not only their total carbon footprint (absolute), but also the energy intensity of their activities (relative to production volume). This has the advantage of highlighting energy efficiency efforts, whatever the company's level of growth.

Other important topics are usually disclosed in the “Environment” section. These include waste, water, and air management, as well as the circular economy and sustainable products.

More recently, the “Biodiversity” section has been added, covering initiatives to preserve or restore ecosystems. The ISSB is also in the process of drafting a framework of expected information.

2. Social:

The social section reports, as a priority, on the company's employment practices.

This provides information on the extent of diversity, equity and inclusion in the workforce. Data include, for example, employee demographics, the number of women in the company, the percentage of women in management positions or on the board of directors, or the employee engagement rate.

The report will also cover training and talent development initiatives.

In the EDI section, the objectives set for suppliers are also discussed. Since the implementation of Bill S-211 in 2024, Canadian companies are particularly vigilant about the social practices of their supply chains.

Health and safety performance, especially in the manufacturing sector, is another key element.

The social section will also present community or philanthropic initiatives undertaken by the company.

3. Governance :

Not to be overlooked! It is the foundation of the other two pillars, E and S, and if it is solidly built, the rest will be easier.

My advice #1: take care of the governance of your data and performance indicators. Any disclosure must be verifiable if necessary. This is undoubtedly the hardest part for companies.

When it comes to governance, standards and frameworks provide guidance on practices and disclosures (see ISSB S1 in particular).

This part of the report will include the governance structure that oversees the company's corporate social responsibility strategy and performance indicators, the various policies in place, and risk management at all levels, including cybersecurity risks.

It will also integrate the commitments made by the company, such as its alignment with the United Nations Sustainable Development Goals (SDGs) and the reference frameworks adopted for disclosure (ISSB, GRI, SASB, CDP, etc.).

Transparent disclosure

Disclosure frameworks are still largely voluntary, and the structure of reports varies - even if the content addresses ESG topics that are often common to companies, whatever their field of activity.

Large companies have been disclosing their extra-financial performance for many years. Small and medium-sized businesses are gradually moving in this direction, sometimes forced to do so by the questions raised by their investors and customers. Why is this so? Mainly, because these smaller companies are suppliers to principals who wish to understand their exposure to risks in terms of their suppliers' carbon footprint, and environmental and social practices.

The new Canadian Competition Act C-34 includes a section on greenwashing and social bluewashing. Disclosure must therefore be honest and transparent.

I encourage companies not to fall into the opposite tendency: greenhushing or deliberately withholding information for fear of being accused of greenwashing. It is not a question of presenting perfect results on all fronts - perfection does not exist - but of presenting your objectives and their progress, explaining the gaps and the actions taken to close them.

Investors and customers will thank you for your authenticity, and their confidence in your company will grow as a result!

Useful tips

Recent Articles & Events

Useful links

GRI - GRI Standards French Translations
SASB Standards overview - SASB
IFRS - IFRS S2 Climate-related Disclosures
Homepage | GHG Protocol
IFRS - Biodiversity, Ecosystems and Ecosystem Services

Dates to mark in the agenda

Battery Summit, May 7 and 8 in Shawinigan

Sommet batteries - ESCOUADE ENERGIE

I will be speaking on a panel on May 8 and leading a workshop with representatives from the energy sector, municipalities and First Nations.

Sustainable Finance Summit, May 13, 14 and 15 in Montréal

Sommet de la finance durable | Accueil | Sommet de la finance durable

Contact me to arrange a meeting: contact@magalidepras.com

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