



School of Business

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Integrating ESG in the Classroom

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Environmental, Social, Governance (ESG)



Sustainability

The Stats

- 87% of the Fortune 500 CEOs believe that sustainability is important to a company's profits
- 73% of CEO's believe sustainability results in cost savings
- 90% of all people in North America believe that it is important for companies to be mindful of their impact on the environment and society
- 43% of customers say that they would shop at a retailer more if it were environmentally friendly
- 47% of consumers say they would pay more for environmentally friendly services, products or brands.

Sources:

KPMG Survey of Sustainability Reporting 2020

[https://assets.kpmg/content/dam/kpmg/be/pdf/2020/12/The Time Has Come KPMG Survey of Sustainability Reporting 2020.pdf](https://assets.kpmg/content/dam/kpmg/be/pdf/2020/12/The%20Time%20Has%20Come%20KPMG%20Survey%20of%20Sustainability%20Reporting%202020.pdf)

EY US CEO Survey 2022

https://www.ey.com/en_us/ceo/ceo-survey-2022-us-findings

CPAs Guide ESG Initiatives

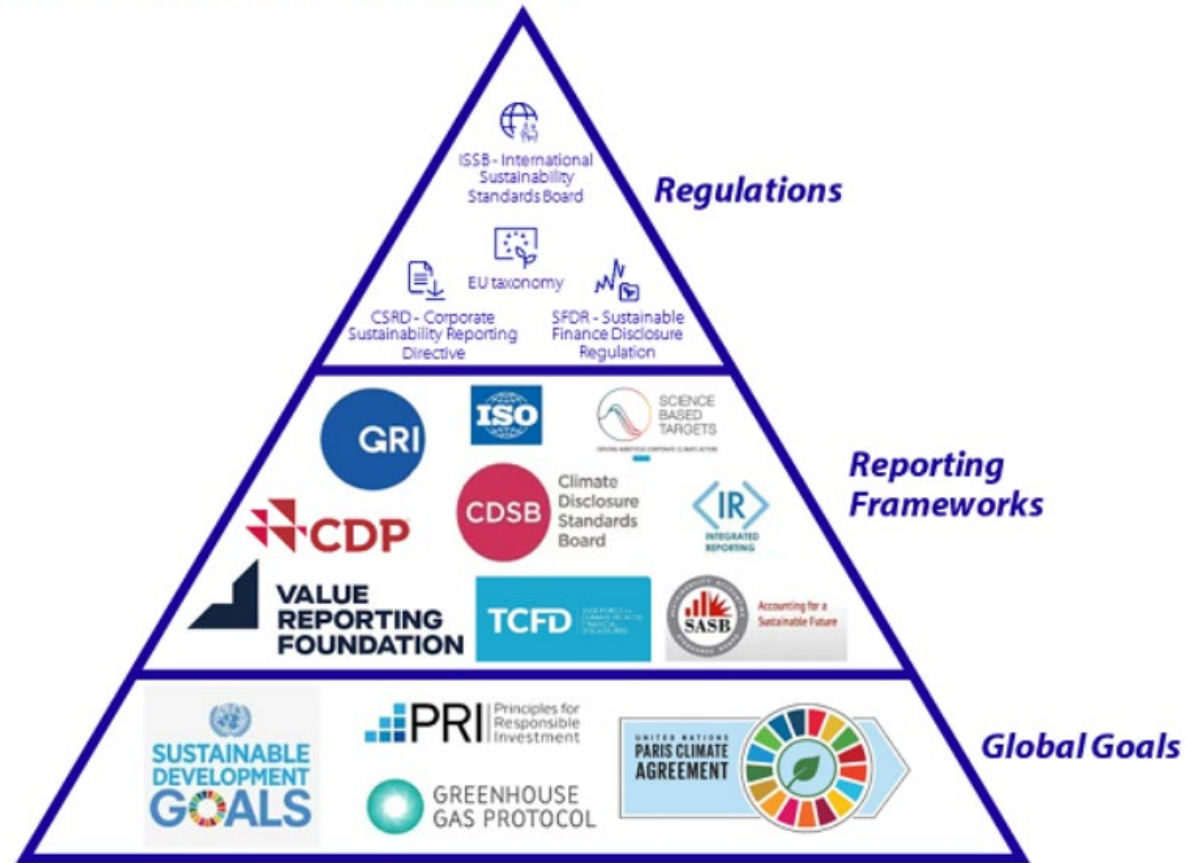
ESG and Business Resilience

3 Ways CPAs can lead ESG initiatives:

1. Engage top leadership
2. Lead net-zero initiatives
3. Integrate ESG strategies

Reporting Goals, Frameworks & Regulations

Figure 1: Goals, Reporting and Regulations Pyramid



Note: This list of standards is not complete, as there are many different standards in the world, which differ per region. The infographic aims to help understand the underlying connections and principles in the sustainable reporting environment.

Source: Rabo Carbon Bank and Rabobank Sustainable Business Advisory

What's Ahead?

- International Sustainability Standards Board (ISSB) created in 2021 to address demand for global sustainability standards
- ISSB standards will promote transparency and consistency in sustainability disclosures
- Two sets of sustainability standards under review:
 - 1) Climate-related disclosures
 - 2) General sustainability disclosures

ESG Rules in Canada

Sustainability Reporting: Where Canada Stands (2 min)

- Should Canada adopt ESG standards?
- Are there benefits to ISSB standards?



ESG Strategy – Theory

Sustainable Development – circa 1987

“Development that meets the needs of the present without compromising the ability of future generations to meet their own needs”

- A long term view of sustainable value creation for all stakeholders
- A shift from the traditional shareholder-centric model
- Long-term value creation for all stakeholders is now expected of companies in order to survive and thrive (E.g. reduce/transfer risks, motivate and engage employees, strengthen business partnerships – think supply chain)

CPA's Value Proposition

- Able to integrate ESG issues into strategy, risk management, and reporting
- Maintain the CPA ethical mindset → curious, creative and resilient; act in the public's best interest and be technologically savvy
- ESG will also encompass:
 - Equity, diversity and inclusion
 - Indigenous views
 - Systems thinking (interconnections between human, tech, environmental, regulatory and social systems)
 - Emerging technologies
 - Sustainability
- CPA Canada wants to see that students can tackle cases dealing with sustainability, value creation and systems thinking

Sustainability and Systems

Social systems and natural systems need to co-exist

- Social systems: quality, inclusion, equality, education, children's rights, engagement of Black, Indigenous and People of Colour (BIPOC) communities
 - Examples: child labour used in supply chain, Indigenous Sovereignty
- Natural systems: eco-system/environment
 - Examples: forests/deforestation, carbon emissions/Global warming
- Other systems to consider: technological, organizational, regulatory and human
- Relationality – a degree to which everything is related/connected, which is an Indigenous system that perhaps CPA is trying to incorporate into ESG

ESG Strategy - stakeholders

- Consider all stakeholders involved when developing an ESG strategy
- Create value for the organization and all stakeholders in an ethical and sustainable manner



Keyes, Sarah. (2001). Key Elements of an ESG Strategy. Integrating ESG to Create Long-term Value: Five Steps to Developing an ESG Strategy

Five Steps to ESG Strategy Development



Keys, Sarah. (2001). Five Steps to Develop an effective ESG strategy. Integrating ESG to Create Long-term Value: Five Steps to Developing an ESG Strategy



Let's take a closer look at Steps 1 and 5

Step 1: Conduct ESG Assessment

Identify the ESG factors for the organization.

Environmental
climate change, biodiversity, water management, endangered species
Social
relationships, health and safety, equity, diversion and inclusion, community
Governance
business ethics, transparency, anti-corruption, internal controls, corporate reporting

Step 5: Monitor Performance

- Ongoing monitoring of ESG performance is needed
- Key performance indicators (KPIs) can be used to internally to measure performance

Role of management	Role of the board of directors
<ul style="list-style-type: none">• annual process for identification and assessment of material ESG factors• quarterly monitoring of progress toward ESG targets and trends in ESG-related KPIs• annual reporting to the board of directors on progress toward ESG targets• reporting of exceptions or deviations from stated policies and/or standard practices to the board	<ul style="list-style-type: none">• review annual updates on material ESG factors (i.e., changes in ESG materiality assessment)• review annual reporting from management on progress toward ESG targets• review and approval of external disclosures of material ESG factors• annual update on trends (e.g., investor engagement and ESG priorities, proxy voting guidelines, new regulations)

(Keyes. (2001). P.15)

Group Activity – The Fairy Creek Blockade

Read the article

Part A - Identify relevant ESG Factors (Step 1)

Part B - What would be some ESG-related KPIs suitable for a Balanced Scorecard?

Part C – Suggest a vision and mission statement to complement your Balanced Scorecard.
Would they integrate elements of ESG?

Part D - How should the company monitor the performance of its ESG strategy? (Step 5)

<https://www.theglobeandmail.com/canada/british-columbia/article-fairy-creek-blockade-2021-what-you-need-to-know-about-the-anti-logging/>

Additional Resources for Instructors

[Integrating ESGs: Guideline and case study | CPA Canada](#)

REFERENCES

Keyes, Sarah. (2011). Integrating ESG to Long-Term Value: Five Steps to Developing an ESG Strategy.

<https://www.cpacanada.ca/en/business-and-accounting-resources/management-accounting/organizational-performance-measurement/publications/management-accounting-guidelines-mags/performance-management-measurement/integrating-esgs-guideline-case-study>