12th Annual

ALBERTA POWER SYMPOSIUM

Ensuring Transparency in Reporting and Disclosure

Sustainability Requirements for Energy

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Stakeholder-Driven Voluntary Standards Organizations Consolidating Efforts

- Climate Disclosure Standards Board – CDSB
- Value Reporting Foundation – VRF
- International Integrated Reporting Council – IIRC
- Sustainability Accounting Standards Board – SASB
- Task Force for Climate-Related Financial Disclosure – TCFD
- International Sustainability Standards Board – ISSB
- Global Reporting Initiative – GRI
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- Global Reporting Initiative – GRI
- Not to be confused with voluntary ratings and rankings organizations, eg. CDP, MSCI, S&P, Sustainalytics

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Capital Power Reporting & Disclosure
Historical Overview

Integrated Annual Reporting

Our report aims to engage stakeholders on material financial and non-financial aspects of our business

Transparency in reporting material topics:

- Climate Change / emissions
- Sustainable Sourcing / Water Management
- Innovation
- Community Investment
- ED&I

Alignment with Frameworks

Aligning our reporting with evolving best practices

Current:

- GRI
- SASB
- TCFD

Future:

- International
- Sustainability Standards Board (ISSB)

Disclosures

Continued commitment to CDP for Climate Change and Water

- Climate Change: A-
- Water: B

Climate Change Disclosure Report (CCDR)

- Continued alignment with TCFD, which outlines the resiliency of our current strategy

Rating Agencies

Increased transparency in integrated reporting improves accuracy of information used in ratings

Rated in line with peers:

- Sustainalytics
- MSCI
- ISS
- Bar has been raised, expectations of rating agencies has increased

Stakeholder-Driven Voluntary Standards Organizations Consolidating Efforts

- International Sustainability Standards Board – ISSB

- Global Reporting Initiative – GRI

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Mandatory Disclosure – Where are we?

- Canadian Securities Administrators **Proposal** – October 2021
- OSFI – Guideline B-15 – federally regulated domestic systemically-important banks and internationally active insurance groups headquartered in Canada
  - Climate-related risks and opportunities governance, strategy, risk management, scenario analysis, scope 1, 2 and 3 absolute emissions for 2024 financial year (scope 3 2025 – includes financed emissions)
- Modern Slavery Reporting Federal Law – May 31, 2024 initial reporting deadline
- ISSB Standards – S1 and S2 (June 2023) **(not mandatory)**
- CSSB Proposals – March 2024 **(not mandatory when finalized)**
- SEC Rules – **voluntary stay** pending litigation

Proposed National Instrument 51-107 Disclosure of Climate-related Matters

- **Disclosure Requirements:** Based on the four pillars of the TCFD recommendations

  1. Governance
  2. Strategy
  3. Risk Management
  4. Metrics and Targets

- **GHG emissions disclosure:** "*Comply or explain*" approach to disclosure of Scope 1 and Scope 3 emissions

- **Key Differences from TCFD Recommendations:**

  1. No requirement to disclose scenario analysis
  2. No mandatory GHG emissions disclosure
  3. GHG emissions can be reported using a standard other than the GHG Protocol

- **Location of Disclosure –** circular (governance), AIF or MD&A (strategy, risk management, metrics and targets)

- **Phased-In Implementation –** over one year for non-venture issuers and over three years for venture issuers

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Where Are We Going - ISSB Proposals

- Similar, but slightly more detailed climate risk governance-related disclosure
- Disclosure with annual financial information
- Disclosure Scope 1, Scope 2 and Scope 3 emissions
- GHG Protocol for calculating emissions
- Use scenario analysis to evaluate resiliency of strategy to climate-related changes and uncertainties
- Standard to apply in first reporting period beginning on or after January 1, 2024
- In the first annual reporting period no requirement to disclose Scope 3 emissions

Where Are We Going - CSSB Proposes to Adopt ISSB Standards and Transition Relief

- Anticipated to be finalized before the end of 2024
- Standard to apply in first reporting period beginning on or after January 1, 2025
- In the first two annual reporting periods no requirement to disclose Scope 3 emissions

Canadian Securities Administrators' Response to International Developments

- October 12, 2022: it was "actively considering" the impact of international developments, in particular recent developments from the SEC and ISSB, on its proposed climate-related disclosure rule

- July 2022: support for the development of a "global baseline of sustainability disclosures" to improve reporting and provide reliable, clear and comparable information for investors

- July 5, 2023: intention to conduct further consultations to adopt disclosure standards based on the ISSB Standards, with appropriate modifications for the Canadian context

- March, 13, 2024: welcomed the launch of the CSSB consultation on new standards, noting that feedback may help inform revisions to the CSA's proposed climate-related disclosure proposal. When CSSB standards are complete:

    - CSA anticipates seeking comment on a revised climate-related disclosure rule (not sustainability disclosure generally)

    - Modifications may be made to CSSB standard to reflect Canadian capital markets

    - Seeking comment on scope of application and need for additional guidance

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What Organizations are Impacted?

- Public and Private
- All

The integration of sustainability and public disclosure of ESG information is evolving at Capital Power, driven by:

1) Changing regulatory landscape

2) Standardization

3) Greenwashing concerns

Disclosure to Avoid – Greenwashing, Bill C-59

- Bill C-59 tabled November 2023 proposes amendments to the *Competition Act* which explicitly prohibit product-based environmental claims that are not based on an adequate and proper test

- In March 2024, the Commissioner for Competition recommended studying whether the reverse onus approach could be expanded to require that all environmental claims to promote a product or business interest be supported by adequate and proper substantiation

- Language was amended at second reading in May 2024 to respond to Commissioner's comments

Disclosure to Avoid – Greenwashing, Bill C-59

Prohibitions:

- making a representation to the public in the form of a statement, warranty or guarantee of a product's benefits for protecting or restoring the environment or mitigating the environmental, social and ecological causes or effects of climate change that is not based on an adequate and proper test, the proof of which lies on the person making the representation

- making a representation to the public with respect to the benefits of a business or business activity for protecting or restoring the environment or mitigating the environmental and ecological causes or effects of climate change that is not **based on adequate and proper substantiation in accordance with internationally recognized methodology**, the proof of which lies on the person making the representation; or […]

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Disclosure to Avoid – Greenwashing, Bill C-59
Pre-Competition Act Amendments Jurisprudence

- Conveying a **false impression** or providing **misleading information** about how an organization is environmentally sound, or has a greater positive environmental impact than it actually does

- Of particular concern are **claims about products, services, operations, securities law disclosure or other public disclosure, and supply chains**

- Government regulators, shareholders, employees and consumers examine ESG claims and are on the lookout for exaggerated, overstated and unsubstantiated claims

Disclosure to Avoid – Greenwashing, Bill C-59

- The Competition Bureau has set out the following tips for businesses to comply with the new greenwashing legislation:
  - **Be truthful, and not false or misleading:** Claims must be true both in their literal meaning and in the general impression they create regarding any environmental benefits. Include all key information necessary for consumers not to be deceived by a representation
  - **Ensure claims are properly and adequately tested:** All claims regarding the environmental performance, efficacy or life of a product must be based on adequate and proper testing
  - **Comparative claims – be specific about what is being compared:** When making comparisons, be specific about what is being compared and the extent of the difference between what is being compared
  - **Avoid exaggeration:** Be careful not to exaggerate environmental claims or create an impression that the business pollutes much less than it actually does
  - **Avoid vague environmental claims in favour of clear and specific ones:** Be clear and specific about the environmental benefit being advertised, including whether the claim applies to the whole or a part of a good, service, business or production process. Avoid broad claims like “eco-friendly” which may convey the impression that a product is beneficial for the environment through its entire lifecycle
  - **Avoid aspirational claims about the future:** For forward-looking goal statements (e.g., net-zero targets), be sure to have a concrete, realistic and verifiable plan to accomplish the objective with interim targets, and ensure that there are meaningful steps underway to accomplish the plan

Disclosure to Avoid – Greenwashing, Bill C-59

Steps to take:

- Disclaimers a two-edged sword
- Review environmental-related disclosure
- Consider internationally recognized methodology
- Consider basis of substantiation of claims
- Monitor consultation process
- Consider intent of legislation in addition to literal words
- Proper use of forward-looking qualification language
- Consider location of environmental-related representations

HAVE A QUESTION?

Q&A