

# Sustainability Planning, Accounting, and Reporting Project

Recommendation Report  
December 2020



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## Acknowledgements

The project team acknowledges the many individuals and organizations who participated in the development of the Project Report. The time, effort, and commitment to the City of Mississauga's sustainability progress are greatly appreciated.

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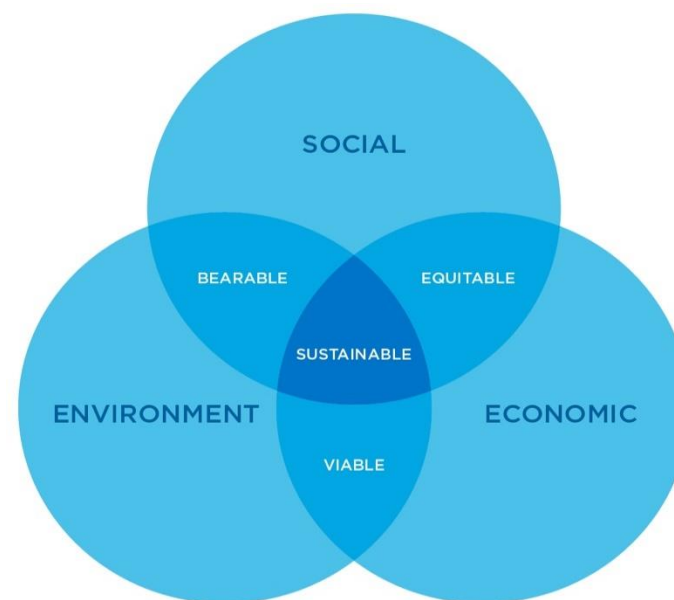
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The project team would also like to thank the following individuals and organizations:

Helen Slinger, Accounting for Sustainability  
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Source: Wikipedia



## Executive Summary

2020 has challenged Mississauga, and the rest of the world to come together, while staying apart, to help each other and adopt new ways to safely live, learn, work and play. The City of Mississauga remains committed to the community it serves, and the partners that work together, to make the city outstanding.

And while much has changed, the City of Mississauga's Vision Statement remains the same.

*"Mississauga will inspire the world as a dynamic and beautiful global city for creativity and innovation, with vibrant, safe and connected communities; where we celebrate the rich diversity of our cultures, our historic villages, Lake Ontario and the Credit River valley. A place where people choose to be."*

The Sustainability Planning, Accounting, and Reporting Project (referred to as the SA Project) was initiated by Finance early in 2020. Its purpose was to develop recommendations to implement sustainability enterprise-wide, as part of annual financial cycle activities, for enhanced City communication and service provision. The SA Project began with the following working definition of sustainability:

*"Sustainability: an organization's efforts to balance social, environmental and governance/economic factors (or people, planet and prosperity) today, without compromising tomorrow's resources and opportunities."*

Sustainability is not new to the City of Mississauga. The City, along with its vendors and partners, embraced sustainable procurement in 2018. This working definition of sustainability honours the terminology articulated in the City's Sustainable Procurement Policy, and its related processes. For organizations, sustainability can be a strategy of consideration and analysis leading to purpose-driven actions, which create value today, without sacrificing opportunities for future generations.

Sustainability involves consideration of opportunities, as well as challenges. The City's residents, businesses, employees and partners continue to rise to the two most significant sustainability challenges in recent history: climate change and the COVID-19 pandemic. Together, we have been harshly reminded that the wellbeing of our people, economy, and environment are closely linked. Faced with these sustainability challenges, the world is racing to identify and implement those actions that will restore our quality of life for today, and tomorrow. It is these sustainability challenges that create a sense of urgency, and inspire the City's continuing sustainability work.

The SA Project has been successfully completed by an interdepartmental project team that was joined by subject matter experts and contributors, from the City and around the world, as well as an engaged project steering committee.

The project team created three subteams to gather and analyze sustainability information, before developing recommendations. Subteam A has completed internal analysis activities, and identified many of the City's current sustainability-related initiatives, including strategies, policies, plans, supporting actions, projects, and programs. These initiatives may not have necessarily been planned as sustainability initiatives, but have been identified retrospectively as such using the working definition. Subteam B has completed an external analysis of relevant sustainability frameworks, guidelines, and standards, as well as benchmarking discussions with early adopter municipal government organizations, to further the City's sustainability planning, accounting, and reporting activities. Subteam C has completed a ground-breaking international survey, involving municipal government organizations

across five countries, to identify the maturity of enterprise-wide sustainability adoption within these public sector organizations.

The following recommendation report represents the conclusion of the SA Project. It contains ten recommendations and multi-year implementation considerations, for enterprise-wide sustainability adoption at the City of Mississauga. The order in which the recommendations are listed is a path to:

- formalize the City's commitment to sustainability,
- establish supporting processes for sustainability planning, accounting, and reporting, and
- strengthen the City's existing sustainability partnerships and contributions.

The report's ten recommendations are summarized in the following table.

<b>Sustainability Accounting, Planning and Reporting Project Recommendations Abbreviated Summary Table</b>		
<b>Number</b>	<b>Key Terms</b>	<b>Recommendation</b>
1	Sustainability Policy	Develop and adopt a Sustainability Policy for the City.
2	Strategic Plan	Include sustainability within the City's Strategic Plan as part of the next update.
3	Sustainability Initiatives Inventory	Build on the project team's initial list of sustainability-related initiatives and use it for periodic internal and external sustainability communication and performance reporting.
4	Risk Management Initiatives	Support Internal Audit's implementation of Risk Management Initiatives at the City.
5	Green Infrastructure Program	Support Parks, Forestry and Environment's implementation of a Green Infrastructure Program as identified in the Climate Change Action Plan.
6	Sustainability Business Planning and Budgeting	Support Finance's decision to incorporate sustainability into annual business planning and budgeting processes.
7	Sustainability Accounting	Partner and actively contribute to the development of sustainability accounting theory, guidelines, processes, and best practices in order to implement auditable sustainability entries and notes in the City's future financial statements.
8	Sustainability Reporting	Adopt a blended SDG/GRI/IR framework for sustainability reporting. This framework may also be helpful for future reporting specifically related to the sustainability challenge of the COVID-19 pandemic.
9	TCFD Climate Change Reporting	Adopt the TCFD framework for communicating the City's progress on climate change action. Reporting using this framework supports the City's Climate Change Action Plan (2019).
10	Public Sector Sustainability Leadership	Continue to partner to advance sustainability at the City, and its related organizations, for the purpose of creating value for stakeholders through intentional actions with measurable positive impacts.

The report is intended to highlight that our past, present, and future includes sustainability. By sharing the great things that the City and its partners are doing, and can do, we can realize the City's Vision to make Mississauga a place where people choose to be.



Erindale Park, Wikipedia Commons

## Introduction

Traditionally, public and private sector organizations have relied upon financial reporting and accounting to communicate performance to internal and external stakeholders. Over the last 20 years, stakeholders, including employees, investors and customers, have demonstrated to organizations across the globe that the environmental and social impacts of their activities, in addition to economic impacts, are increasingly important considerations, when evaluating performance. These three considerations are often referred to as the pillars of sustainability.



The City of Mississauga's Strategic Plan contains the following principles (values) that guide organizational activities.

Mississauga is a city that values clean air and healthy lifestyles through the promotion of transit as a preferred, affordable and accessible choice.

Mississauga is a city that thrives on its social and cultural diversity. Mississauga is a city that nurtures a unique quality of life within each neighbourhood, where residents value the beauty and variety of the natural environment, engage in active transportation and support a rich, healthy and prosperous social and cultural mosaic through all stages of the life cycle. Mississauga is a city that values a strong global business future, fostering a prosperous and sustainable economy that attracts and grows talent.

Mississauga is a city that values its shared responsibility to leave a legacy of a clean and healthy natural environment.

Although not explicitly stated, the City of Mississauga's Strategic Plan principles are synergistic with sustainability.

The Sustainability Planning, Accounting and Reporting Project's purpose is to recommend actions to implement sustainability enterprise-wide, within the City's Business Plan and Budget, Financial Statements and Annual Financial Report, for enhanced communication and delivery of City services. Recognizing climate change as a global sustainability challenge, climate change-related reporting falls within the project's scope. The project is well-positioned to deliver on its purpose with an interdepartmental project team, a six month project duration, and an engaged project steering committee comprised of Finance Leadership Team members, for good governance.



Source: Getty Images

## Method

The core project team is comprised of members from Corporate Performance & Innovation, Culture, Environment, Finance, Human Resources, Internal Audit, Materiel Management and Risk Management.

The team divided into subteams A, B, and C to complete internal analysis, external analysis and benchmarking, and external survey tasks, respectively.

### Subteam A – Internal Analysis

#### Work Plan:

- a) Identify/analyze current Sustainability-supporting Strategic documentation, Reporting, Accounting, Governance, and Infrastructure



- b) Identify/analyze recent supporting Actions (ex. Climate Change Emergency declaration)
- c) Identify/analyze how we assess Risk and Materiality and how we could apply this to Sustainability-related financial disclosures (ex. Asset Management)

### Subteam B – External Benchmarking, Frameworks, and Guidance

#### Work Plan:

- a) Identify/analyze current Sustainability Reporting and Accounting Frameworks, Principles, Standards
- b) Seek Best Practice Guidance from professional and professional service associations (ex. CPA Canada and KPMG)
- c) Identify/analyze Benchmark organizations and their Sustainability-related tools, reporting, accounting and financial disclosures

Subteam C – Consider what other municipalities are currently doing (International Survey and Targeted Discussions)

#### Work Plan:

- a) Distribute, and analyze results from, International Survey
- b) Organize and complete Targeted Discussions with interested municipalities to share results and identify additional opportunities



Source: Getty Images

## Results

Together, the core project team and the project's steering committee bring significant City experience to the project. They function as a working group, individually and collectively contributing time, effort and expertise. The team's initial findings suggest that thought leaders, academia, organizations and industry contributors often focus on the environmental aspects of sustainability and/or use the term interchangeably with others such as corporate social responsibility. One of the challenges for the working group has been sustainability's relative immaturity as a business concept for Finance departments or divisions, within Canadian public- and private-sector organizations. The team recognizes an opportunity to define and democratize sustainability within the Canadian business community for greater collaboration.

The team began work on the project by agreeing to utilize the following working definition of sustainability, as adapted from the UN's 1987 Brundtland Report:

*"Sustainability: an organization's efforts to balance social, environmental and governance/economic factors (or people, planet and prosperity) today, without compromising tomorrow's resources and opportunities."*

The team's decision about the working definition of sustainability has been informed by the following insights:

- 1) the UN's sustainability has a future impact orientation, for the wellbeing of future generations, when considering actions to meet today's needs,
- 2) the positive correlation of the UN's sustainability definition to the triple bottom line concept, an accounting framework with three parts: social, environmental and financial, and attributed to John Elkington in 1994. The triple bottom line (TBL) term, concept, and theory suggest that organizations committed to value creation should focus equally on social, environmental, and prosperity considerations when making decisions and evaluating performance. Some organizations have used this framework to evaluate their plans and performance in a quest to create greater business value.
- 3) the working definition's focus is on the individual organization (rather than a nation or group of nations) and the impacts of purpose-driven and intentional organizational activities,
- 4) the often-mentioned pillars of sustainability are referenced as factors, to avoid confusion with the City's Strategic Plan that currently references five Pillars for Change that are connected to the principles mentioned earlier in this document, and

- 5) the terminology and spirit of the definition are congruent with the City's existing definition of Sustainable Procurement as documented in the Sustainable Procurement Policy (2018). Sustainable Procurement is defined as considering social and environmental factors in the procurement process, in addition to traditional factors such as price, quality and service. It addresses both the sustainability factors related to specific Goods or Services and the practices of suppliers along the supply chain. Sustainable Procurement considers total costs (e.g., purchase, operating/maintenance, disposal or recycling costs) and supports 'Best Value' procurement.

Using this working definition, Subteam A began to examine how sustainability is currently embraced by the City. Subteam B focussed efforts on analyzing current climate change- and sustainability-related frameworks, benchmarking, and obtaining input from industry contributors, academia and professional service organizations. Subteam C launched a survey for municipal and regional government organizations to learn more about the prevalence of sustainability in organizational activities, accounting and reporting in Canada, Australia, New Zealand, the U.S., and the U.K.

## Key Findings:

### 1. Sustainability is not defined in the City's current Strategic Plan

In early discussions, Subteam A identified that the City does not explicitly include sustainability in its Strategic Plan as a pillar for change or related direction, principle, and strategic goals. However, the City's Strategic Plan, as published in 2009: includes the term sustainability,

- a) mentions a future Sustainability Plan and
- b) references sustainability-related documentation from the Association of Municipalities of Ontario (AMO) and City of Vancouver.

### 2. Sustainability is not new to the City

- a) **Sustainable Procurement** is an integral part of the City's services. The Sustainable Procurement Policy (Reference # 03-06-09) was enacted in January 2018, along with a three-year implementation plan involving training, staff and other resources, to embrace sustainable procurement processes enterprise-wide for greater transparency and accountability. The policy applies to all Goods and Services acquired by the City.

Implementation activities and application of the policy at the City have yielded examples of the positive impact of intentional sustainability actions, and their ability to create value. Materiel Management uses the Sustainable Leadership Questionnaire (SLQ), which evaluates bidders' internal sustainable practices in scored procurements or Requests for Proposals (RFPs). The questionnaire includes not only environmental practices, such as waste reduction and carbon and greenhouse gas emissions details, but also social practices. Bidders are scored on social practices such as providing training, mentorship or apprenticeship opportunities, running or supporting community development programs, and making efforts to employ individuals from minority or underserved groups. Additionally, a bidder will disclose whether their organization is a social enterprise or a not-for-profit and will be scored accordingly. Responses to these and other category questions contribute to a bidding organization's sustainability score, which forms part of the evaluation for potential contract award by the City.

In 2019, Materiel Management used the SLQ (questionnaire) and associated sustainability consideration processes to award a third party contract for City-wide patrols by security guards to an organization that provides employment for Canadian Armed Forces veterans (a traditionally underserved group for employment).

**b) Every City Department already has identifiable sustainability-related initiatives underway.**

Initially, Subteam A used the working definition and quickly identified prominent sustainability-related actions and initiatives by the City such as:

- enactment and implementation of the Sustainable Procurement Policy mentioned above,
- adoption of the Workforce Diversity and Inclusion Strategy that was developed in September 2017, and
- approval by Council of the first Climate Change Action Plan in December 2019.

Further discussion about these and other initiatives challenged the Subteam to focus on its criteria for inclusion as a sustainability-related initiative. The Subteam decided that sustainability-related initiatives could be policies, strategies, plans, projects, programs, standards and actions that somehow create value, in accordance with the three factors or pillars included in the sustainability definition, for the City's stakeholders.

To reduce the subjectivity of such a criterion assessment on a given candidate initiative, the Subteam endeavored to identify each initiative's:

- traceability to a City Department and, in some cases, Strategic Plan Pillar,
- Inputs/Resources,
- Outputs and Impacts. Particular attention was paid to capturing quantifiable Output and Impact metrics or where possible, key performance indicators.

By engaging subject matter experts, extended project team members and other interested employees across the City; Subteam A has been able to share its sustainability definition. Together, the subteam and contributors have been able to identify over one hundred sustainability-related initiatives (file available upon request) that create value for the City's stakeholders (see Appendix A for data).



Source: Getty Images



Sample of Appendix A:

### Subteam A – Internal Analysis (Sustainability Initiatives)

INITIATIVE	SUSTAINABILITY PILLAR(S)	DEPARTMENT	INPUT DATA	OUTPUT DATA	IMPACT DATA
<b>Small Business/ MBEC</b>	Social, Economic	CMO	Budget allocated Staff involved Time allocated	New Business Started New Scale-Ups Assisted	GDP GDP per capita City satisfaction survey result
<b>Indigenous Reading Circle</b>	Social	CMS	Staff Indigenous community	Adult programming Virtual programming	<ul style="list-style-type: none"> <li>Participants are invited to enhance their understanding of the importance of building and deepening relationships with Indigenous People</li> <li>Elder Criger uses traditional Indigenous teachings and philosophies to facilitate an intercultural dialogue</li> </ul>
<b>Culture Master Plan</b>	Social, Economic	CMS	Budget, time allocated (weeks/ months), staff requirement	Data available for: <ul style="list-style-type: none"> <li>Recommendations, strategies and projects implemented</li> <li>Number of people engaged</li> </ul>	Data available for: <ul style="list-style-type: none"> <li>attendance</li> <li>grant funding</li> <li>ongoing engagement (surveys, social media, resident engagement)</li> <li>facility usage</li> <li>program participation</li> <li>expansion of programs/events/access based on feedback</li> </ul>
<b>Sustainable Purchasing Policy</b>	Social, Environment, Economic	CPS	Budget allocated Staff involved Resources deployed	Number of procurements using sustainable procurement policy provisions	Behaviour change in staff conducting procurements? Behaviour change in buyers managing procurements? Increased use of local vendors?
<b>Community Outreach and Engagement (ex. MiWay, Environment)</b>	Social, Environment, Economic	CPS	Budget allocated Resources allocated Staff involved Volunteer hours	Events conducted People reached Increased awareness Change in behaviour	Decrease in GHGs Increased resilience Increase in energy efficiency Increase in targeted behaviour

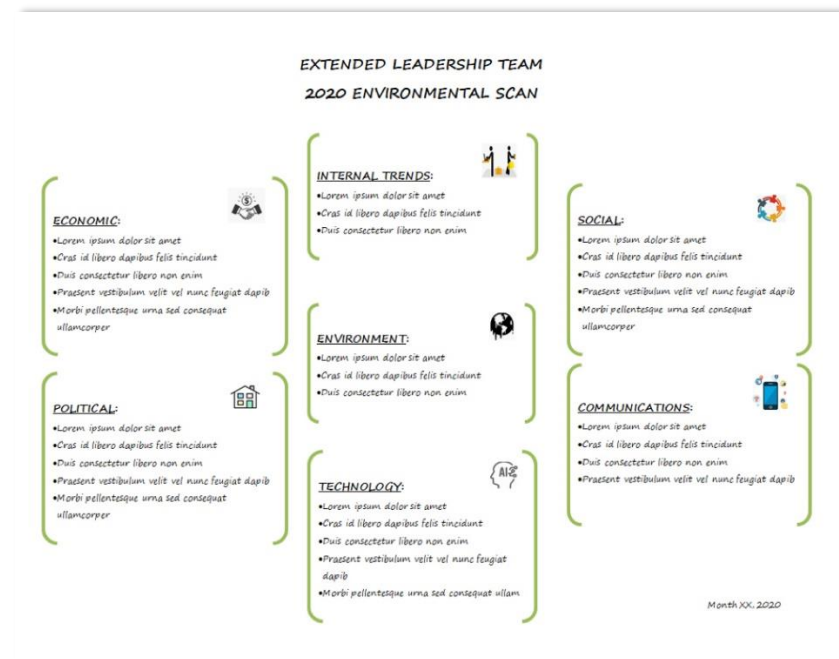
3. Sustainability involves a process of continuous internal assessments and informed decision-making across the organization.

a) **Materiality Assessment.** Early in the project, Subteam members acknowledged that a shift from identifying sustainability-related initiatives retrospectively to prospective approval of sustainability-related initiatives will necessitate the development of enterprise-wide evaluation criteria. Members also identified the need to develop enterprise-wide materiality or prioritization standards when selecting which sustainability-related initiatives to implement, as well as which sustainability issues the City may decide to address. For clarity, sustainability materiality consideration in this context is a non-financial term that is intended to assist in decision-making when selecting sustainability initiatives and related details to communicate in all City reporting, including financial and non-financial reports.

Subteam members acknowledged external guidance from Global Reporting Initiative (GRI) that involves a matrix method for materiality assessment whereby proposed initiatives/issues are ranked based upon the subjective assessment of their impacts on and importance to the City's stakeholders. Additionally, Subteam members

considered the City's current internal processes, such as the City's Annual Environmental Scan that is completed by Extended Leadership members.

This process could be expanded to include prioritizing sustainability issues and initiatives. Subteam members recognize the importance of sustainability materiality assessments and options for developing a materiality assessment methodology for the City. The figure below is for illustration purposes only, to share the output of the City's annual Environmental Scan process. It contains illegible text beneath each heading.



Source: City of Mississauga

**b) Risk Assessment.** Subteam members discussed how risk management influences the City's decisions and actions. Today, our Risk Management team manages risk through analysis and external considerations of regulatory compliance and insurance liability. Internal Audit is embarking on a complementary group of Risk Management Initiatives, over the next several years, to internalize and share risk assessment, mitigation and management activities within the City.

**c) Asset Management.** The City has an interdepartmental working group and team of additional contributors progressing Finance's multi-year Asset Management Plan. This program is compliance-driven and is acknowledged by Subteam A as a sustainability-related initiative. It addresses many facets of the infrastructure gap whereby the City, like other municipal organizations in Ontario, is working to address aging assets with high replacement costs while maintaining safe service provision. For the City's assets, such as roads, bridges, and buildings, replacement costs are estimated to be \$12.4 billion. Part of this program involves implementing enhanced data capture and supporting software to obtain a holistic view of the City's assets for risk and opportunity management, prioritization and informed

decision-making, budgeting, and forecasting. Today, Green infrastructure, involving city-owned natural assets (ex. forests), enhanced assets (ex. city trees) and engineered assets (ex. green roofs), is not explicitly included in the City's Asset Management Plan, as the scope of this initiative is slightly different.

The City's Climate Change Action Plan details an action to develop a Green Infrastructure Program that includes these types of city-owned assets and other sustainability-related deliverables. This action has not yet begun, but will likely involve an interdepartmental working group and additional contributors for implementation.

#### 4. Organizations are beginning to incorporate sustainability into enterprise-level planning and budgeting.

**a) External Engagement for Business Planning and Budget Prioritization.** Subteam B members acknowledged that the City consults with external groups and stakeholders, including residents, throughout the year to learn about service priorities and opportunities. Similarly, the City does solicit input from individual community members, anecdotally, into its annual business planning and budget processes. The team's benchmarking activities revealed that, through a formal partnership with community groups

committed to furthering identified sustainability goals, actions and performance, Bristol City Council has purposefully incorporated sustainability into its annual planning and budgeting processes and prioritized various initiatives.

- b) Internal Engagement for Business Planning and Budget Prioritization. The City has a robust system of internal engagement, training, and consultation that empowers service areas to work with Finance to develop annual business plans and budgets for subsequent collation, and later, approval by City Council. Part of this process involves the development of budget requests and business cases, for both operating and capital expenditure initiatives. These requests are evaluated and approved by members of the City's Leadership Team prior to inclusion in the finalized business plan presentation and budget that is submitted for approval by City Council. Benchmarking activities identified municipal organizations that are using internal engagement to incorporate sustainability into business planning and budgeting activities.



The City of Saskatoon's Triple Bottom Line (TBL) policy was approved by their Council in 2019, and subsequent implementation accomplishments have been identified by Subteam members as best practices. Subteam members have learned that this policy's implementation is not limited to Saskatoon's business planning and budgeting processes. It involves enterprise-wide training, support and commitment to use a custom scorecard-style Excel tool to evaluate the social, environmental, and economic impact of any proposed expenditure. As at the time of this report's publication, Saskatoon's Sustainability team has:

- refined the decision-making tool,
- developed an approved Administrative Procedures and a How-To-Guide,
- offered training for service areas, and
- launched an internal TBL website with information and resources.

And Saskatoon is in the process of recording a series of on-demand training videos. Saskatoon has quickly embraced sustainability and triple bottom line expenditure assessments are becoming business-as-usual for their City staff.

- c) **Carbon data is being used for sustainability-related decisions and budgeting.** Accounting for Sustainability (A4S), a project established by HRH The Prince of Wales in 2004, works with Finance leaders and professionals across the globe to make sustainable decision-making business as usual. Together with leading organizations, including municipal governments, A4S has used their Academy, organizational case studies and other learning resources to share various methods that business is using to embed sustainability into their decision-making and accounting. One of these methods involves the use of a Shadow Price or theoretical/notional value of the carbon impact of a proposed or implemented activity for decision-making or accounting in financial statements. A shadow price of carbon is intended to reflect the activity's future direct carbon costs.

Some governments, such as those in the UK have monetized the cost of carbon emissions to society by providing a shadow price. Additionally, some governments, including Canada's federal government,

have aggregated carbon emissions data and shared carbon forecasts of the social and economic costs of carbon. This data has been used in lower-tier government decision-making, and project funding considerations for initiatives associated with public transportation and infrastructure programs. MiWay has used this type of data for fleet analysis activities. Project team members identified the City of Oslo as a pioneer in its commitment to becoming a low carbon city. In 2017, Oslo provided its first climate budget using a specified limit of allowable carbon emissions that would advance the city's progress on climate action while continuing to provide exemplary service for its stakeholders. Over time, Oslo's budgeting processes have matured and the city is using updated carbon emission equivalent statistical data to inform its decisions.

Through Subteam C's International Survey, the team also learned that the City of Edinburgh Council has made a commitment to becoming a net-zero carbon city by 2030. Edinburgh's Finance team is using a net-zero approach to its climate-related budgeting this year. Additionally, the team learned that the City of Edmonton has proposed its first ever carbon budget to 2050 with a cap of 137 Mega tonnes of CO<sub>2</sub> equivalent, and associated carbon budgeting processes that align with the Edmonton's current financial budgeting cycle. Additionally, the City of Edmonton is planning to use a carbon budgeting decision-making tool that includes



the use of a carbon price when costing large initiatives with a climate impact (ex. transit projects). These processes involve the use of a Carbon Accounting Framework and Climate Lens reporting, with support from external consultants. These actions reflect Edmonton's commitment to climate change action, emissions reduction, and carbon neutrality.

**5. Little guidance, and few benchmarks and examples, exist of sustainability accounting in Canadian municipal organizations.**

The rationale for including sustainability accounting in financial statements is to provide a more holistic view of the organization's value creation and impact. This view can be achieved by including monetized externalities to inform performance evaluation, and manage the risk associated with some externalities becoming internalized as future taxes, potential liabilities, penalties, or fees (ex. Canada's carbon tax for organizations).

**a) Balance Sheet, Notes, and Challenges.**

Subteam B members embarked on a thorough review of the current state of sustainability accounting. Subteam members have determined that sustainability accounting is an evolving area and there is no definitive guidance for recording sustainability accounting financial disclosures in financial statements. Subteam members have

found that increasing demands from shareholders have facilitated private sector's inclusion of balance sheet financial disclosures associated with sustainability such as green infrastructure, including natural assets and contingent liabilities (ex. a liability associated with a future brownfield litigation outcome). Likewise, some public and private sector organizations have included sustainability-related financial disclosures in the notes to financial statements. Some challenges associated with these types of financial disclosures in the financial statements are: accuracy, completeness, coverage, verifiability, comparability, and monetization method for identified and quantified green infrastructure or even natural assets.

Additionally, as mentioned to Subteam B members by the City's auditing services organization, KPMG, the City would incur a significant increase in annual financial statement audit fees if KPMG was required to review these financial statement disclosures. A possible alternative is to include sustainability accounting financial disclosures as unaudited sections within, or notes to, the financial statements. However, Subteam members confirmed that the City's Finance division practises a conservative and measured approach to financial disclosures without a significant amount of

supplemental disclosures to those specified in the PSAB guidelines.

Of significance to the Subteam is that the District of West Vancouver has begun a multi-year journey toward identifying, quantifying and monetizing its natural assets by including this information as a supplemental section in the district's annual financial report.

- a) **Capitals Accounting.** Accounting for Sustainability has offered several case studies, tools and guides for including social, human, and natural capitals in an organization's financial statements. Of particular interest to Subteam members is the PwC and wbcSD example using a fictitious company (see Appendix B for example). Capitals can be understood as stocks or groups of resources, which are utilized or affected by an organization, as it attempts to create value through production or service provision.



### Financial Statements of the Future?

Interactive Workshop Exercise v1.1

**Key**

User input fields
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Calculated field (societal or societal & financial)

**Return to intro page**

### Statement of Profit or Loss

(Flows of benefits and costs to the business and society due to one year's activities)

	Private value Million CAD	Public / societal value Million CAD	Total private and societal value Million CAD
Societal benefits of products & services			-
Societal costs of products & services (enter as -ve)			-
<b>Revenue</b>			-
Cost of sales (enter as -ve)	(10,000)		(10,000.0)
<b>Gross profit</b>	(10,000)	-	(10,000.0)
<b>Administrative expenses (enter as -ve)</b>	(5,000)		(5,000.0)
Societal benefits from operations			
Training		0.9	0.9
Philanthropy and CSR		0.1	0.1
Land holdings		-	-
Societal costs from operations			
Climate change		-	-
Air pollution		-	-
Water consumption		-	-
Land use		-	-
Injuries		(3.9)	(3.9)
Changes in value of societal assets			
Net human capital depreciation / appreciation		12.9	12.9
Change in societal value of land		-	-
<b>Operating profit / (loss) and societal benefit / (cost)</b>	(15,000)	10.1	(14,989.9)
<b>Finance costs (enter as -ve)</b>			-
<b>Share of profits from associates and JVs</b>			-
<b>Tax (enter as -ve)</b>			-
Tax: value to society		-	-
<b>Net profit / (loss) and societal benefit / (cost)</b>	(15,000)	10.1	(14,989.9)

#### Organisation level inputs (units)

**Enter non-financial data**

Preferred reporting currency (pick from list) CAD Canadian dollar

Unskilled / semi-skilled employees (number) 1,000

Technical / skilled employees (number) 200

Professional / management employees (number) 55

Technical training provided (total days) 1,200

Technical employee turnover (%) 8%

Professional training provided (total days) 780

Professional employee turnover (%) 3%

Major injury (number recorded) 9

Moderate injury (number recorded) 11

Philanthropic and external CSR spending (million CAD) 0.0

CO2e (metric tonnes, net of offsetting)

PM2.5 in urban areas (metric tonnes)

PM2.5 in rural areas (metric tonnes)

PM2.5 - area unknown (metric tonnes)

Water consumed in water stressed areas (m3)

Water consumed in non-water stressed areas (m3)

Water consumed - area unknown (m3)

Own land-use: built up or paved (hectares)

Own land-use: agricultural (hectares)

Own land-use: natural / semi-natural (hectares)

Own land-use: other land uses (hectares)

Own land improved in year (hectares)

Own land degraded in year (hectares)

#### Supply chain inputs (units)

**Enter non-financial data**

Supply chain: Employees (number)

Supply chain: CO2e (metric tonnes, net of offsetting)

Supply chain: PM2.5 (metric tonnes)

Supply chain: Water consumed (m3)

Supply chain: Land-use (hectares)

#### IMPORTANT NOTICE

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Source: Accounting for Sustainability (A4S)

KPMG confirmed that they offer a similar capitals methodology for sustainability accounting called the True Value Method. KPMG describes their method as a mechanism for combining financial earnings data with monetized externalities data and the likelihood that those monetized externalities could influence financial earnings. Upon investigation, KPMG assured Subteam members, on several occasions, that sustainability accounting is in its infancy, that they cannot recommend any Canadian municipal clients as benchmark or best practice organizations, and that KPMG is committed to sharing sustainability accounting progress with the City as the practice evolves.

#### 6. Many climate change and sustainability frameworks exist to support sustainability reporting.

Subteam B members analyzed many climate change and sustainability-related frameworks including:

- Environmental Financial Accounting (EFA),
- Triple Bottom Line (TBL) Accounting,
- Canadian System of Environmental-Economic Accounting (SEEA),
- Climate Disclosure Project (CDP),
- Sustainable Development Goals (SDG),
- Global Reporting Initiative (GRI),
- Integrated Reporting (IR),
- International Standards Organizations (ISO),

- Task Force for Climate-related Financial Disclosures recommendations (TCFD).

Recognizing that financial reporting at the City is compliant with, and informed by, Canadian Public Sector Accounting Board (PSAB) guidelines, Subteam members also examined the board's latest guidelines related to climate change, sustainability reporting and financial disclosures (see Appendix C for external analysis data).

- a) **Some frameworks are conceptual and/or lack refinement for practical application to financial reporting.** While focussed on connecting environmental transactions and impacts to financial accounting and reporting, EFA, CDP, and the Canadian System of Environmental-Economic Accounting have been determined to be of limited value. The City seeks a framework that can inform financial disclosures in the City's financial statements and/or annual financial report that are associated with each sustainability pillar (environmental, social, and economic/financial). Subteam B members are interested in the concept of TBL Accounting as it aspires to capture social, environmental and economic performance in financial reports.

However, without standards or agreements on common units of measure for both social and environmental performance, or a method for monetizing those units for financial accounting and reporting, there is currently no practical application of TBL Accounting for the City to adopt.

- b) Some frameworks have been more widely adopted by public and private sector organizations, and offer options to enhance the City's financial reporting.
- **PSAB, IR, SDG, GRI, ISO 26000.** Subteam B members completed the significant task of analyzing sustainability-related frameworks that could be helpful for the City's financial reporting. Of particular interest is the finding by the Subteam that many frameworks can enhance reporting, but no single framework is a suitable fit for the City.
  - **PSAB.** Canada's Public Sector Accounting Board provides guidance and sets standards of financial reporting for use by all public sector organizations. Upon investigation, Subteam members learned that nothing authoritative exists today, but PSAB acknowledges that its grey infrastructure guidance may be relevant when municipal organizations are considering how to account for green infrastructure/natural assets (ex. marshes, forested areas, ponds). Additionally,

PSAB has initiated discussion groups to develop future guidance on climate change and sustainability-related financial disclosures.

- **Integrated Reporting (IR).** Developed by the International Integrated Reporting Council in 2012, the Integrated Report is intended "to explain to providers of financial capital how an organization creates value over time." Integrated Reporting uses the concept of "capitals" which are defined as "stocks of value that are increased, decreased or transformed through the activities and outputs of the organization" (IIRC). These capitals include financial, manufactured, intellectual, human, social and relationship, and natural capitals. While not specific to sustainability reporting, Subteam members have found that the IR framework, and its six capitals, provide suggested content elements and guiding principles that can facilitate sustainability reporting within the City's annual financial report.
- **Sustainable Development Goals (SDG).** The United Nations has identified 17 Sustainable Development Goals that are high-level goals for the world's population. These goals are intended by the UN to be adopted by countries that want to contribute to global sustainability.



- Accompanying these goals are 169 targets. These goals and targets are intended by the UN to be achieved by 2030. Subteam members determined that not all of the goals and targets are applicable to City's actions and service commitments. The subteam determined that those SDGs that may not be deemed applicable to the City could be adapted or localized to form a City Goal with an associated target.



Source: United Nations

- Global Reporting Initiative (GRI).** GRI is a set of standards that represent global best practice in sustainability reporting. Subteam members learned that the standards are designed to be used by public and private sector organizations

that want to report about how its actions contribute to realization of the SDGs, and communicate the impacts (both positive and negative) of those actions. Subteam members acknowledge that GRI can be helpful to the City by enhancing reporting on sustainability-related initiatives, including those already identified by Subteam A. Subteam B members confirmed earlier findings by Subteam A around the need for the City to develop a method of materiality assessment (ex. GRI-specified or repurposing existing City prioritization/planning processes) to communicate sustainability-related initiatives with the greatest value creation and impact on sustainability. Subteam B discovered that there is a third party professional service review and fees associated with utilizing, adopting, and referencing GRI standards, in their entirety, in annual sustainability reporting.

- ISO 26000 Social Responsibility.** This set of standards provides guidance to help organizations act in a more socially-responsible way, resulting in more sustainable environmental, social, economic development. Subteam members find significance in ISO 26000's uniqueness because it identifies how an organization can contribute to the full spectrum of sustainable development through socially responsible behaviour. Subteam members acknowledge that social responsibility is

becoming a critical measure of performance by stakeholders across many public and private sector organizations, globally. Subteam members have noted that the City already maintains platinum level ISO 37120 Sustainable Cities and Communities certification at significant annual time, effort, third party review and fees, as well as opportunity costs, for unspecified communication value to stakeholders. Subteam B confirmed that there would be third party review and fees associated with adopting and maintaining annual ISO 26000 certification.

## Subteam B – Frameworks/Principles/Standards Analysis

FRAMEWORK	SUSTAINABLE DEVELOPMENT GOALS (SDG)	GLOBAL REPORTING INITIATIVE (GRI)	INTEGRATED REPORTING (IR)
<b>What is it?</b>	17 Globally-oriented Sustainability Goals and 169 High Level Targets from the UN	Specific guidance to make Sustainability Reporting standard practice for all types of organizations	Holistic Reporting Format for Financial Reports that uses 6 Capitals and 7 Principles to assess Value Creation/Degradation/Preservation
<b>Purpose</b>	Promote Global Sustainability by providing a plan of action of goal attainment by 2030 for people, planet and prosperity	Communicate social and environmental impacts, strategies and goals	Explain to providers of financial capital how value is created over time
<b>Scope of Framework</b>	Economic prosperity, including Decent Work and Economic Growth Environmental, including Climate Action Social, including Sustainable Cities and Communities	Economic Environmental Social, including labour practices, human rights and broader societal influences Governance	Organizational overview and external environment Governance Business model Risks and opportunities Strategy and resource allocation Performance Outlook Basis of preparation and presentation
<b>Identified Benefits</b>	Adoption Ease and Speed, Esteemed Affiliation	Flexible Implementation Options (ex. Universal Stds and Topic-specific reporting, including Energy & Emissions Report for CC Action), Focus on Quantification: KPIs, Global Best Practice for Sustainability Reporting, Supports Performance Measurement and Comparison	Flexible Implementation Options, Holistic: inspired by TBL, GRI and Sustainability Reporting principles
<b>Identified Costs/Considerations</b>	Internal Resourcing, Identification of applicable SDGs	Internal Resourcing, Subscription, Assessment, Professional Services	Internal Resourcing, Systems Thinking, Professional Services

c) **TCFD.** Subteam members appreciate the scope, magnitude, and positive impact to be realized from progressing the City's Climate Change Action Plan. Subteam members examined the recommendations provided by the Task Force on Climate-related Financial Disclosures.

- Early in the project, CPA Canada provided a helpful presentation on climate change and sustainability reporting to the project team. CPA Canada and Accounting for Sustainability support the implementation of the TCFD framework for climate change-related financial reporting by Canadian organizations, as well as formal commitments by organizations towards net zero (similar to carbon neutrality). The City's CFO has recently signed a Statement of Support indicating the City's commitment to TCFD.
- Cities of Montreal, Toronto, and Vancouver are Canada's first municipal government organizations to adopt the TCFD recommendation framework in their financial reports. This framework involves climate change-related financial disclosures about an organization's governance, strategy, risk, and metrics surrounding climate change action. The table below summarizes each

recommended disclosure. Subteam members appreciate the time, lessons learned, and expertise shared by each of the aforementioned municipal organizations regarding TCFD and implementation considerations. The project team has determined that the TCFD framework can complement the City's Climate Change Action Plan and its progress.

## Recommendations and Supporting Recommended Disclosures

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended Disclosures	Recommended Disclosures	Recommended Disclosures	Recommended Disclosures
a) Describe the board's oversight of climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	a) Describe the organization's processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	b) Describe the organization's processes for managing climate-related risks.	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

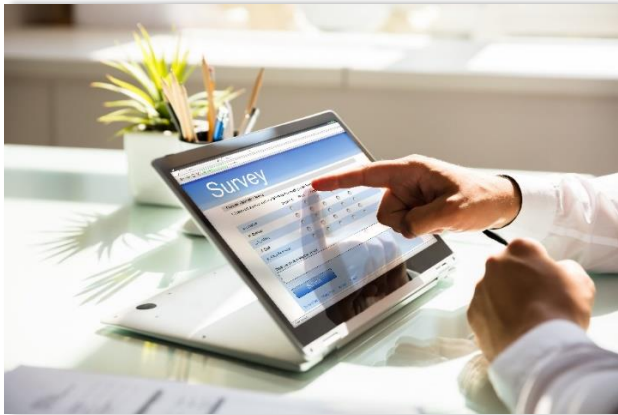
Source: Task Force on Climate-related Financial Disclosures (TCFD)





- Quantification Remains a Challenge: several organizations identified quantification of impacts, related to climate change, sustainability, and associated actions, as a challenge

Subteam C's survey and subsequent analysis was completed prior to the work of Subteam A and Subteam B. Findings from these subteams appear to validate Subteam C's findings.



Source: Getty Images

## Opportunities

Project team members recognize that the City has a significant opportunity to formalize its existing commitment to sustainability. After completing benchmarking and analysis activities, reviewing the City's Sustainable Procurement Policy (2018), and working with our Strategic Communications division, the project team developed the following Sustainability

Vision Statement for the City to consider using in future documentation:

*Mississauga is a leader in sustainability, delivering services in a manner that considers the impacts on society, the environment and the economy.*

The project team acknowledges the opportunity of enterprise-level strategic communication to provide clarity of purpose, and assist in the marshalling of resources during uncertain times, particularly as the City transitions from pandemic response to recovery with its Build Back Better strategy. Together, formal communication of the City's sustainability commitment, along with leadership support, can facilitate dialogue and better decisions amongst the City's stakeholders for exemplary service provision and a change in organizational culture. This cultural change provides the City with an opportunity to move towards a systems theory approach whereby the City focuses on its interactions and relationships, both internally across departments and divisions, and externally with community members and other stakeholders. This approach facilitates integrated decision-making, using shared values, for greater efficiencies, reduced waste, and better performance. A formal sustainability commitment with leadership support can enhance organizational culture and enable the City's employees to work more closely together to make more-informed decisions. Most importantly, the project team

recognizes the opportunities for growth, positive impact, enhanced wellbeing, and improved quality of life that the City's sustainability actions can bring to Mississauga and surrounding area residents and business, City employees, vendors, partners, and other stakeholders.

been approved by the project's steering committee as summarized in the table below.



## **Recommendations and Proposed Implementation**

After consultation and discussion, the project team developed the following 10 recommendations that have

<b>Sustainability Accounting, Planning and Reporting Project Recommendations Summary Table</b>				
<b>Number</b>	<b>Key Terms</b>	<b>Recommendation</b>	<b>Multi-Year Implementation (Yes/No)</b>	<b>Suggested Responsibility</b>
1	Sustainability Policy	Develop and adopt a Sustainability Policy for the City.	No	Environment with Interdepartmental Team
2	Strategic Plan	Include sustainability within the City's Strategic Plan as part of the next update.	TBD	City Manager's Office
3	Sustainability Initiatives Inventory	Build on Subteam A's list of sustainability-related initiatives and use it for periodic internal and external sustainability communication and performance reporting.	Yes	Finance
4	Risk Management Initiatives	Support Internal Audit division's implementation of Risk Management Initiatives at the City.	Yes	Finance
5	Green Infrastructure Program	Support Parks & Forestry (Environment) division's implementation of a Green Infrastructure Program as identified in the Climate Change Action Plan.	Yes	Finance
6	Sustainability Business Planning and Budgeting	Support Finance (Business Planning) division's decision to incorporate sustainability into annual business planning and budgeting processes.	Yes	Finance
7	Sustainability Accounting	Partner (ex. with PSAB, Cities of Toronto/Vancouver/Montreal) and actively contribute to the development of sustainability accounting theory, guidelines, processes, and best practices in order to implement auditable sustainability entries and notes in the City's future financial statements.	Yes	Finance
8	Sustainability Reporting	Adopt a blended SDG/GRI/IR framework, with inclusion of aligned sections of ISO 26000 standards, as a Made-in-Mississauga method, for sustainability reporting.	Yes	Finance with Interdepartmental Team

Sustainability Accounting, Planning and Reporting Project Recommendations Summary Table				
Number	Key Terms	Recommendation	Multi-Year Implementation (Yes/No)	Suggested Responsibility
9	TCFD Climate Change Reporting	Adopt the TCFD framework for communicating risk associated with climate change and the City's progress on climate change action as articulated in the Climate Change Action Plan.	Yes	Finance with Environment
10	Public Sector Sustainability Leadership	Continue to partner to advance sustainability at the City, and its related organizations, for the purpose of creating value for stakeholders through intentional actions with measurable positive impacts.	Yes	Finance, Environment, Material Management, other areas

Project team members have supplemented the recommendations with proposed implementation details for consideration. Where possible, the year has been specified to identify a potential scheduled start for implementation. Otherwise Year 1, 2, and 3 has been used to identify potential duration across related implementation activities.

**Recommendation 1:** Develop and adopt a Sustainability Policy for the City.

**Proposed Implementation:** By linking with the revise/replace cycle of the City's Environmental Principles Policy, project team members suggest that the City may be able to start work on a Sustainability

Policy in early 2021. The project team suggests that the policy could include references to:

- a) the City's current state of sustainability commitment,
- b) existing City sustainability policies, plans and documentation (ex. Sustainable Procurement Policy and Environmental Principles Policy) and
- c) a plan by the City to develop and implement sustainability-related tools and processes.

**Recommendation 2:** Include sustainability within the City's Strategic Plan as part of the next update.



**Proposed Implementation:** The project team recognizes that the City's Strategic Plan will be updated at a date yet to be determined. The project team proposes the following Plan update and communication considerations:

- a) include sustainability either as a pillar, direction, or principle (value) or perhaps even a framework for the Plan itself,
- b) ensure the spirit and terminology associated with sustainability are congruent with existing City sustainability policies, plans and documentation (ex. Sustainable Procurement Policy).
- c) incorporate United Nations and Triple Bottom Line concepts into relevant glossary, terms of reference and/or commitments that may be included in the Plan.
- d) develop and share internal communications and training resources for internal stakeholders, with attention to change management principles (ex. Prosci's ADKAR) to build a culture of sustainability, and
- e) execute a strategic communications program for external stakeholders.

**Recommendation 3:** Build on Subteam A's list of sustainability-related initiatives and use it for periodic internal and external sustainability communication and performance reporting.

**Proposed Implementation:** The project team suggests that continued work on the list could resume in early 2021. The project team proposes the following sustainability initiative data and process implementation considerations:

- a) Develop a database in Year 1 to capture, and report, sustainability-related initiatives.
- b) Develop an intake process and related training materials to permit employees from each service area to share their own sustainability-related initiatives prospectively.
- c) Incorporate sustainability-related initiative output and impact performance measures into the database and intake process in Years 2 and 3.

**Recommendation 4:** Support Internal Audit division's implementation of Risk Management Initiatives at the City.

**Proposed Implementation:** The project team understands that this multi-year group of initiatives is in-progress at the planning stage and will involve enterprise-wide risk management training, risk register development and division or section-specific actions based upon completed risk assessments. The project team recognizes the value of Internal Audit's risk management activities to the City, and potential synergies with climate change action and sustainability reporting. Support for Internal Audit's initiatives could

include collaborative interdepartmental development of sustainability-related risk impact and mitigation scenarios, quantification and metrics, as well as related actions identified in the approved Climate Change Action Plan.

**Recommendation 5:** Support Parks & Forestry (Environment) division's implementation of a Green Infrastructure Program as identified in the Climate Change Action Plan (CCAP).

**Proposed Implementation:** The project team understands that this multi-year program has been approved as part of the actions and initiatives identified in the City's CCAP, but has not yet begun. The project team recognizes potential synergies between this program and sustainability accounting and reporting. Support for Environment's program could include collaborative development of a definition for City-owned green infrastructure and a lexicon to articulate relevant terms, goals, targets, indicators and metrics associated with different types of green infrastructure. Support could enhance existing inventories (ex. City-owned trees) and lead to a comprehensive green infrastructure inventory. Additional teamwork and collaboration could eventually lead to the development of a tool to calculate the estimated sustainability benefits of natural, enhanced, engineered green assets, if desired, to assist City planning, decision-making, accounting, and reporting.

**Recommendation 6:** Support Finance (Business Planning) division's decision to incorporate sustainability into annual business planning and budgeting processes.

**Recommendation 7:** Partner (ex. with PSAB, Cities of Toronto/Vancouver/Montreal) and actively contribute to the development of sustainability accounting theory, guidelines, processes, and best practices, in order to implement auditable sustainability entries and notes in the City's future financial statements.

**Proposed Implementation:** The project team recognizes the opportunity to work with other leading municipal government organizations toward the standardization of sustainability accounting in Canada. Partnership could include remaining engaged with professional service and guidance, academia and other associations. Additional activities could include working with KPMG to learn more about financial statement sustainability accounting options and opportunities and contributing to the development of sustainability accounting standards and guidelines through the City's participation in PSAB's discussion paper consultation groups. While working toward sustainability accounting standard development, project team members recognize an additional opportunity to implement usage of unaudited notes to the financial statements beginning with 2020 financial statements in order to identify and quantify the City's sustainability commitment and performance.

**Recommendation 8:** Adopt a blended SDG/GRI/IR framework, with inclusion of aligned sections of ISO 26000 standards, as a Made-in-Mississauga method, for sustainability reporting.

**Note:** Project team members, with support from the project's steering committee, have validated the fit and practical application of the recommended blended framework for sustainability reporting by using a selection of sustainability-related initiatives identified by Subteam A members along with the framework findings by Subteam B members (see Appendix E for details of table shown on the next page).

**Proposed Implementation:** The project team recognizes the opportunity to develop resources and implement training in early 2021 to build sustainability framework familiarity, knowledge, and skill enterprise-wide for interpretation and application by the City. The project team proposes the following blended SDG/GRI/IR framework implementation considerations, over a multi-year period:

- a) Beginning with the 2020 Annual Financial Report, include a supplemental section to communicate sustainability-related initiatives,

and perhaps risks and opportunities, using the blended framework.

- b) Include industry-informed City performance indicators and dataset references to substantiate reporting about the outputs and impacts of sustainability-related initiatives for interorganizational and industry knowledge-sharing, benchmarking, and year-over-year internal performance comparison, perhaps in Year 2 or 3 of implementation.

### Validation of SA Project Team's Blended SDG/GRI/IR Framework Recommendation (Subteam B) using Sample of City's current Sustainability-related Initiatives (Subteam A)

Sustainable Development Goal (SDG)	Adapting SDG to a City Goal: developed in-house or perhaps Global Reporting Initiative and/or ISO Core Subjects Inspired	Origin of Sustainability-related Initiative	Sustainability-related Initiative (ex. Strategy, Policy, Plan, Program, Project)	Initiative's quantifiable Key Performance Indicators: In-house or GRI-inspired	City's Sustainability Reporting: Integrated Reporting (IR) in the Annual Financial Report for Year 1
Goal Number and Brief Description	Localized Goal	City Department	Common Name and/or Acronym	Performance Indicators	Description of Method/Content
<b>8: Decent Work &amp; Economic Growth</b>	The City will support the development of business, and promote inclusive and sustainable economic growth in Mississauga.	CMO	Small Business/MBEC Program	# of new businesses started and # of new scale ups assisted by City in a year	Narrative under an IR-specified content element/heading (ex. Performance) or a related heading/section that already exists in the City's Annual Financial Report that: summarizes the initiative, identifies its related SDG(s), and reports progress/performance. Metrics or KPIs could be included, depending upon availability/reliability/validity.
<b>13: Climate Action</b>	The City will ensure that it is prepared and ready to respond to future climate events while remaining focused on efforts to transition to a low-carbon economy by reducing our greenhouse gas emissions, curbing our use of single-plastics and implementing green technologies.	CMS	Climate Change Action Plan	# of stakeholders, community members participating and decrease in GHG emissions, increase in LID features, # of projects undertaken in year	
<b>12: Responsible Consumption &amp; Production</b>	The City will make informed choices when it comes to buying products and services from external vendors by considering the sustainable practices of a vendor during the procurement process.	CPS	Sustainable Procurement Policy	# of compliant suppliers/# of suppliers evaluated in a year (or %) or # of procurements using policy provisions as part of evaluation in a year	
<b>10: Reduced Inequalities</b>	The City will create a workplace that: fosters a culture of diversity and inclusion; attracts and retains a diverse workforce with unique skills and abilities to create a workforce with a competitive advantage; supports leaders in modelling and promoting behaviours of a diverse and inclusive workplace; and creates and aligns processes, policies, plans, practice programs and services that meet the diverse needs of those they serve.	CPS	Workplace Diversity & Inclusion Strategy	# of employee hires, # of employee turnover, # of employees by employment type, # of employees by employment contract, # of employees by remuneration grade and # of hours of employee training segmented by gender, age, employee category in a year	
<b>11: Sustainable Cities &amp; Communities</b>	The City will lead and encourage environmentally responsible approaches, including the utilization of technologies and tactics to conserve energy and water, reduce emissions and waste, improve our air quality, and protect our natural environment.	PB	Green Development Strategy	# of sustainability-related changes to new development plans (walkability, more energy efficiency in planned buildings), decrease in GHG emissions, increase in LID features in a year	
<b>7: Affordable &amp; Clean Energy</b>	The City will lead a change in behaviours to support a more responsible and sustainable approach to the environment through, including responsible energy choices and consumption, that will minimize our adverse impact on the environment and contribute to reversing climate change.	TW	Transition to Biodiesel Program	Decrease in GHG (tCO <sub>2</sub> e) emissions, \$ savings in a year	

**Recommendation 9:** Adopt the TCFD framework for communicating risk associated with climate change and the City's progress on climate change action as articulated in the Climate Change Action Plan.

**Proposed Implementation:** Beginning with the 2020 Annual Financial Report, project team members suggest that a supplemental section could be included to communicate climate change and related actions using the TCFD framework's recommendations and format. The project team proposes the following TCFD framework implementation considerations, over a multi-year period:

- a) Include climate change and sustainability-related targets, metrics, and performance indicators, where possible.
- b) Make sure that all climate change reporting is congruent with other City communications on Climate Change Action Plan progress.
- c) Nurture relationships with early TCFD adopters and best practice leaders including the Cities of Montreal, Toronto, and Vancouver, as well as professional associations such as CPA Canada and Accounting for Sustainability.

**Recommendation 10:** Continue to partner to advance sustainability at the City, and its related organizations, for the purpose of creating shared value for stakeholders through purpose-driven and intentional actions with measurable positive impacts.

**Proposed Implementation:** Finance, Environment, Materiel Management and other City areas already participate in sustainability knowledge-share groups and association activities. The project team recognizes the value of both internal and external partnerships and suggests the following implementation considerations:

- a) Maintain a form of internal Sustainability Working Group at the City at least for 2021, as the project team and other initiatives have experienced success with this format for progressing growth and change.
- b) Consider opportunities to partner with upper tiers of government in 2021 to advance sustainability through initiative funding (sustainable finance), standardized reporting for shared performance communication and future opportunity realization.



- c) Consider opportunities to initiate a global sustainability network and knowledge-share group of interested Finance members from municipal government organizations to further sustainability adoption and progress in 2021.
- d) Contribute to academia and professional organizations' (ex. University of Waterloo, ICLEI, USDN, CPA Canada, Accounting for Sustainability) continuing work to refine sustainability decision-making, planning, budgeting, accounting, and reporting globally for public and private sector organizations.



Source: Harvard Business School

## Conclusions

The Sustainability Planning, Accounting and Reporting Project's purpose is to recommend actions to implement sustainability enterprise-wide. Over six months, the project team has learned that sustainability is an organizational business strategy. When incorporated holistically into the annual financial cycle (business planning through to financial reporting), sustainability allows organizations to demonstrate operational transparency, which builds trust among organizational employees, residents and other stakeholders.

The project team feels that sustainability can lead to better service provision, engagement and overall performance at the City. Through the kindness, effort, and generosity of project contributors both within the City, and externally, the project team has been able to deliver on the project's purpose by providing a concise set of informed recommendations and proposed implementation considerations.

Additionally, through this project, team members have strengthened their project management skills and contributed to positive transformational change at the City. The project team hopes that this report will serve as a catalyst for cooperative action toward global sustainability objectives.



Source: Getty Images

## Glossary

### Accounting

Accounting is the measurement, processing, and communication of both financial, and non-financial, information of an organization.

### Annual Financial Report

An annual financial report is a comprehensive report about an organization's activities throughout the preceding year. These reports are intended to give stakeholders information about an organization's activities and financial performance.

### Asset Management

According to the City of Mississauga's Asset Management Policy, Asset Management is the coordinated activities of an organization to realize optimal value from its assets. It involves balancing costs, opportunities and risks against the desired performance of assets to achieve the City's objectives.

### Budgeting

A process of developing a financial plan, for a defined period. Budgets are documents that may include revenues, resource quantities, costs and expenses, assets, liabilities and cash flows.

### Business Planning

A coordinated process of identifying the goals, strategies, and actions that key internal stakeholders plan to take over a period of time to ensure an organization's survival, prosperity, and growth.

### Climate

The prevailing weather conditions including temperature, precipitation, and wind patterns in an area over a long period of time.

### Climate Change

Climate change refers to any change in climate over time, whether due to natural variability or as a result of human activity. Climate change is any systematic change in the long-term statistics of climate elements (such as temperature, sea level, precipitation, humidity, or winds) sustained over several decades or longer.

### Corporate Social Responsibility (CSR)

Corporate Social Responsibility is often associated with private sector organizations. It reflects and organization's commitment to manage the social, environmental and economic effects of its operations in a responsible manner and in accordance with public expectations.

### Externality

An externality is the cost or benefit from an organization that affects a third party who did not

choose to incur that cost or benefit. When governments impose a tax on polluting organizations, the externality of pollution has become internalized as a penalty and expense for the polluting organization. Enterprise risk management and capitals accounting can involve anticipating externalities that may impact an organization in future by becoming internalized through regulation.

### **Financial Capital**

Financial Capital is the stock of monetized assets, including cash and cash equivalents, funds, grants, reserves, and investments, that can be utilized by an organization to produce goods or provide services to create value.

### **Financial Reporting**

Financial reporting is the disclosure of financial results and related information to management and external stakeholders, about an organization's performance, over a specific period of time.

### **Financial Statement Disclosures**

Financial statement disclosures provide internal and external stakeholders with additional information regarding an organization's operations. Types of disclosures can include, accounting changes, accounting errors, asset retirement, insurance changes, and any significant events. Organizations may decide

to provide these disclosures in the form of audited or unaudited Notes to Financial Statements.

### **Financial Statements**

Financial statements are formal records of the financial activities and position of an organization. Relevant financial information is presented in a structured manner for ease of communication and understanding. Financial statements are often presented as a bundle of the following: Balance Sheet, Income, Cash Flows and Shareholders Equity/Retained Earnings statements.

### **Greenhouse Gas (GHG)**

Greenhouse gases are a set of gases that absorb infrared radiation that can trap in heat from the sun's rays, which contributes to warming of the earth. Greenhouse gases are naturally occurring and are created by the burning of fossil fuels: gasoline, diesel fuel, natural gas, or propane. The key GHGs of concern are carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

### **Green Infrastructure**

An infrastructure asset consisting of natural or human-made elements that provide ecological and hydrological functions and processes and includes natural heritage features and systems, parklands, stormwater management systems, street trees, urban

forests, natural channels, permeable surfaces and green roofs (Per Ontario Regulation 588/17).

### **Human Capital**

Human Capital is the stock of competencies, experience, motivational level, knowledge, social and personality attributes embodied in the ability to perform labour so as to produce or create value. Human capital differs from any other capital. Organizations rely on human capital to achieve goals, develop and remain innovative. Human, Intellectual, and Social Capital are related concepts.

### **Intellectual Capital**

Intellectual Capital is the stock of organizational knowledge and competence that is utilized to create value. It includes internal business processes and collective expertise that the organization relies upon to achieve goals. Intellectual, Human, and Social Capital are related concepts.

### **KPMG**

KPMG International Limited is a multinational professional services network, which provides Audit, Tax and Advisory services. It is considered one of the Big Four accounting firms, along with Deloitte, EY and PwC.

### **Manufactured Capital**

Manufactured Capital is the stock of physical, material and technological assets of an organization for it to utilize in production or the provision of services to create value.

### **Natural Capital**

Natural Capital is the stock of natural assets which include geology, soil, air, water and all living things. It is from this natural capital that humans derive a wide range of services, often called ecosystem services, which make human life possible and can influence quality of life.

### **Net Zero**

Net zero refers to the balance of either energy consumption or emissions production in a community or building. For energy consumption it is achieved when the consumption of energy is balanced by renewable energy production. For the production of emissions, it is achieved when total production equals zero or greenhouse gas emissions are removed or offset.

### **PwC**

PricewaterhouseCoopers is a multinational professional services network of firms, operating as partnerships under the PwC brand. PwC is currently the second-largest professional services network in the world. It is



considered one of the Big Four accounting firms, along with Deloitte, EY and KPMG.

### **Resilience**

Resilience is the capacity of a system, be it an individual, a forest, a city or an economy, to deal with change, while continuing to develop and adapt. It is about the capacity to use shocks and disturbances like a financial crisis, climate change or indeed a pandemic to spur renewal and innovative thinking. For a city or other type of organization, this could involve having the resources and leadership structures in place to help cope with, and recover from, a natural disaster, while continuing to provide services.

### **Risk Assessment**

Risk assessment is a term used to describe the overall process or method of identifying hazards, adverse conditions and risk factors that have the potential to cause harm, and then analyzing and evaluating the associated risk.

### **Risk Management**

Risk management is the identification, evaluation, and prioritization of risks followed by planned application of resources to minimize, monitor, and control the probability or impact of adverse events or to maximize opportunity realization.

### **Risk Register**

A risk register is a document used by organizations as a risk management tool, and/or to fulfill regulatory compliance obligations. The risk register acts as a repository for all risks identified and includes additional details about each risk, such as its type, relevance to the organization, and owner or mitigating organizational unit, and suggested mitigation or adaptation measures.

### **Social Capital**

Social Capital is the networks, relationships and connections between people, communities and institutions that organizations rely on, and contribute to, through their activities. Social, Human, and Intellectual Capital are related concepts.

### **Sustainability (United Nations, 1987)**

Sustainable development, also known as sustainability, is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

### **Sustainability Working Definition (Project Team, 2020)**

Sustainability is an organization's efforts to balance social, environmental and governance/economic factors (or people, planet and prosperity) today, without compromising tomorrow's resources and opportunities.

### **Sustainability Reporting**

Sustainability reporting is a process that includes an assessment of an organization's social, environmental, and economic/governance performance. It aims to communicate how an organization's values, priorities and action plans for sustainability are linked to its strategy.

### **Sustainability Report**

A sustainability report is a report published by an organization about the economic, environmental and social impacts caused by its activities and initiatives. A sustainability report is an important platform for communicating sustainability performance and impacts – whether positive or negative.

### **Systems Theory**

Systems theory is a conceptual framework based on the principle that the component parts of a system can best be understood in the context of the relationships with each other and with other systems, rather than in isolation. For organizations, systems theory refers to the method by which a part of an organization interacts with the organization as a whole.

### **Triple Bottom Line**

The triple bottom line (TBL) theory expands our traditional accounting framework to include two other performance areas: the social and environmental impacts of an organization. These three bottom lines

are often referred to as the three P's: people, planet, and profit/prosperity. The TBL term, concept, and theory suggest that organizations committed to value creation should focus equally on social, environmental, and prosperity (also referred to as economic or financial) considerations when making decisions and evaluating performance.

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## Appendix A – Subteam A Internal Analysis (Sustainability Initiatives) data

Subteam A members, along with contributors and subject matter experts across the City, identified a significant group of sustainability-related initiatives already underway, from each City Department.

Subteam members worked to identify initiatives by Sustainability Pillar, City Department and Strategic Plan Pillar. In keeping with guidance provided by the City of Mississauga's audit services firm, KPMG, Subteam members also captured details about initiatives' Input, Output, and Impact. These details are the beginnings of a sustainability initiatives database for future City sustainability reporting.

<https://www.mississauga.ca/wp-content/uploads/2021/05/06132904/Appendix-A-Subteam-A-Internal-Analysis.xlsx>

## Appendix B – Capitals Accounting Interactive Example by PwC and wbcscd

PwC and the World Business Council of Sustainable Development (wbcscd) developed the attachments below as part of an interactive example of how Capitals Accounting can be applied to Financial Statements as potential "Financial Statements of the Future".

Accounting for Sustainability (A4S) uses this example to reinforce the concepts and influence of monetized human, natural, and social capital. Note: Please feel free to utilize the fictitious example by entering the data from the Mock Investor information PDF (or other data)

into the FSOTF Excel file (case sensitive password: FSOTF) to see the impact of the capitals on financial statements. The City of Mississauga is not considering adoption of Capitals Accounting at this time, but the example demonstrates how sustainability can be incorporated into an organization's accounting and financial statements.

<https://www.mississauga.ca/wp-content/uploads/2021/05/06132906/Appendix-B-Mock-Investor-Information.pdf>

<https://www.mississauga.ca/wp-content/uploads/2021/05/06132905/Appendix-B-Blank-FSOTF.xlsx>

## Appendix C – Subteam B External Analysis (Frameworks/Principles/Standards Analysis) data

Subteam B members, along with contributors and subject matter experts outside of the City, completed research and gathered information about many sustainability frameworks. Subteam members worked to identify a framework or set of frameworks that could be used by the City of Mississauga to plan, complete and report on its sustainability initiatives and activities. Subteam members used the framework's identified purpose, area of expertise or focus, sustainability coverage, and alignment with the City's Strategic Plan, Pillars and guiding documents (master plans, strategies, policies) as criteria when developing their recommendations. As a result of Subteam B's analysis,

a recommendation to adopt TCFD for climate change reporting and a blended SDG/GRI/IR framework for sustainability reporting were accepted by the project steering committee.

[https://www.mississauga.ca/wp-content/uploads/2021/05/06132907/Appendix-C-Subteam-B\\_External-Analysis.xlsx](https://www.mississauga.ca/wp-content/uploads/2021/05/06132907/Appendix-C-Subteam-B_External-Analysis.xlsx)

## **Appendix D – Subteam C Survey Questions and Findings Summary**

Subteam C members, along with contributors and subject matter experts, both inside and outside of the City, participated in the development and completion of an international sustainability accounting survey. The purpose of the survey was to gauge sustainability's presence, practice and accounting at municipal and regional government organizations in Canada, Australia, New Zealand, the U.S., and the U.K. The City of Mississauga appreciates the kindness and interest of the 41 organizations that participated. The data has assisted the City of Mississauga, and its partner organizations, in efforts to share knowledge, plans and potential best practices.

<https://www.mississauga.ca/wp-content/uploads/2021/05/06132908/Appendix-D-City-of-Mississauga-Survey-Questions.pdf>

<https://www.mississauga.ca/wp-content/uploads/2021/05/06132909/Appendix-D-City-of-Mississauga-Survey-Results.pdf>

## **Appendix E – Blended SDG/GRI/IR Framework Validation**

Project team members validated the fit and practical application of the recommended blended framework for sustainability reporting by using a selection of sustainability-related initiatives identified by Subteam A members along with the framework findings by Subteam B members. The team established that the blended framework is fit for purpose and can support the City of Mississauga's future sustainability planning, accounting and reporting activities.

[https://www.mississauga.ca/wp-content/uploads/2021/05/06132910/Appendix-E-Applying-SDG\\_GRI\\_IR-Framework.xlsx](https://www.mississauga.ca/wp-content/uploads/2021/05/06132910/Appendix-E-Applying-SDG_GRI_IR-Framework.xlsx)