What is the National Statistical Offices' role regarding ESG data?

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Delivering insight through data for a better Canada

ESG and Beyond GDP

- Environmental, social and governance (ESG) refers to non-financial information that can be used to inform the long-term risk and return of an investment.

- Beyond GDP aims to measure economic success by incorporating environmental and social information in addition to consumption and productivity.

- There is alignment between both concepts and ESG can support Beyond GDP by providing environmental, social and governance information at the industry or company level, thereby illustrating the impact of different economic sectors on Beyond GDP.

Canadian context

Patchwork of emerging regulations

- Canadian Securities Administrators
- US Securities Exchange
- European Union

Growing demand for ESG information

- Growing pressure for enterprises to report on ESG have led to a **proliferation of voluntary disclosures and commercial ESG ratings.**

Non-standardised reporting

- Voluntary disclosures and ratings are not reported in a standard way and are **measured using different concepts** and methodologies which **affects the public trust and confidence in the ESG rating results.**

Critical Questions

- Accounting principles are mandatory in the preparation of financial statements (IFRS), but there are no equivalent standards for non-financial reporting.

- Raises the following questions:
  - How to measure ESG in a standardised way?
  - How to verify ESG information to avoid greenwashing?
  - Can the necessary legislation be put in place to support mandatory reporting, standardisation and verification?

StatCan Initiative

- First in Government of Canada to pilot the development of an ESG product
  - Initially focused on natural resource industry but recently expanded to other major contributors to the economy, employment and GHG emissions such as transportation, construction, manufacturing and utilities.
  - Explored knowledge and data gaps around ESG and Indigenous Peoples
- Leveraged unique access to economic, social and environmental data to develop indicators based on common frameworks such as ISSB and GRI
- Objective is to support the transition from traditional financial performance reporting to the inclusion of sustainability reporting, and provide a transparent source of information and benchmarking tool for enterprises

Preparatory Work

Understanding existing ESG landscape

- Review of existing ESG and sustainability frameworks e.g. ISSB, GRI, TCFD, EFRAG etc.
- Review of company ESG and/or sustainability reports
- Consultations with interested parties from government, business and industry

Understanding ESG needs and gaps

- Engagement activities, including some specific to ESG and Indigenous Peoples

Current State - Experimental ESG Dashboard

Social

Age distribution measures the proportion of workers per age group and can provide information relevant to future recruitment needs within an industry.

Employment composition measures the proportion of selected Employment Equity groups among employed persons. This could reflect an industry's ability to attract and retain diverse talent.

Industry

Mining and quarrying

Year

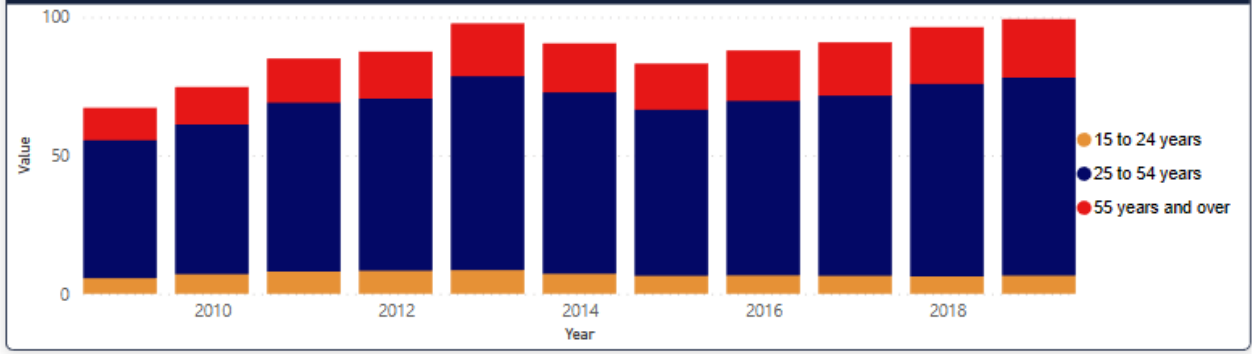
2009 2019

Estimates for the Agriculture industry, which are from the Labor Force Survey (LFS), measures the number of employees, and includes self-employed workers. Alternately, estimates for the other industries are from the Natural Resources Satellite Account Human Resource Module (NRSA HRM) and measures the number of jobs, which excludes self-employment. The labour statistics produced by the NRSA HRM are the result of the integration of data from a variety of surveys and statistical programs.

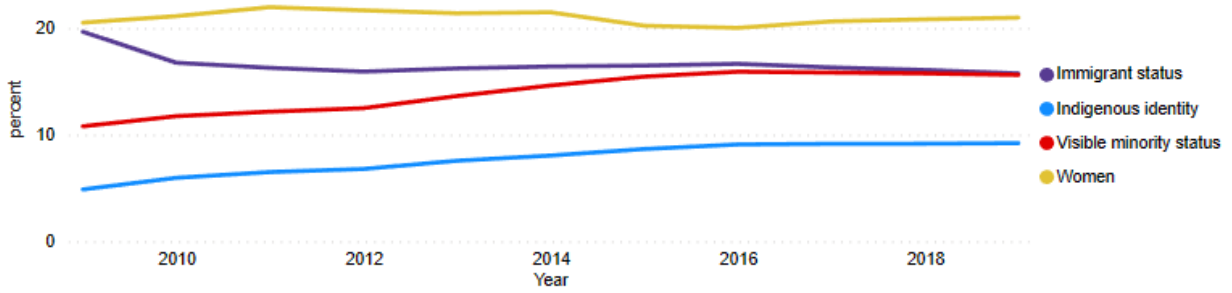
Due to these conceptual differences, the industry totals in the NRSA HRM may not match the LFS levels, but should trend in the same direction.

Employment composition | Job quality | Gender wage ratio | Breaches of privacy | Job vacancy rate

Employment, by age group and industry



Share of employment, by Employment Equity group and industry



Values for some employment equity groups for the agriculture industry are not available. For more information, refer to the data tables 14-10-0023-01 and 36-10-0653-01 from Statistics Canada. For definitions, data sources and methods related to the Labour Force Survey, refer to survey number 3701 and for Natural Resources Satellite Account Human Resources Module.

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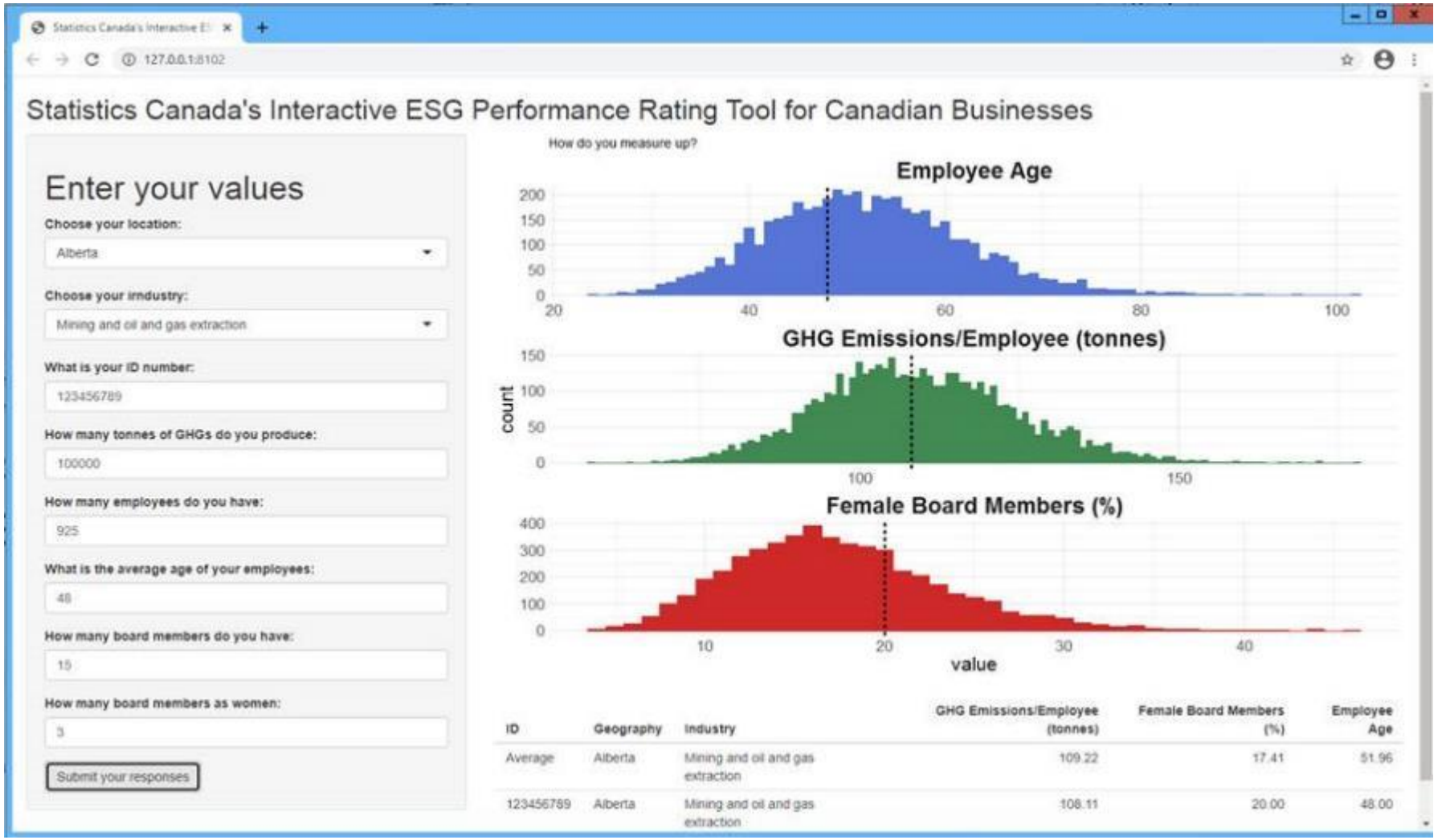
Possible Next Steps

- Additional ESG information related to company decision-making, employment composition and environmental impacts and risks
- Tools for data users:
  - ESG microdata file: Enable more sophisticated analysis by linking ESG and financial data in a file that would be available to data users
  - Benchmarking tool and company profiles: Interactive tool which could (i) compare a company's performance to its peers for a variety of ESG indicators, or (ii) generate a report showing average non-financial performance of a company by industry
- ESG and Indigenous Peoples:

  Provide data to inform the relationship between Canadian industries and Indigenous Peoples and explore options to make data more accessible to users

Mock up of Benchmarking tool*



- Interactive feature to select industry, province etc.
- Shows distribution within the industry and locates company on the distribution

*Shown populated with synthetic data

Discussion

- What role can National Statistical Offices (NSOs) play in supporting the transition to sustainability reporting?
  - How can we better integrate economic and social statistics to provide information to support this transition?

- Framework fatigue requires collaboration between major standard setters to align frameworks to simplify reporting requirements. Is there a role for NSOs to play in facilitating or supporting this collaboration?