

FEI April Breakfast Seminar Series
April 2008

The Greening of Corporate Finance

Developing Long Term Corporate Sustainability



Agenda

- Understanding Corporate Sustainability
 - What – Corporate Sustainability
 - Why – The Financial Case
 - How – Implementing a Sustainability Advantage
- The Issues e.g. Climate Change
- Concluding Thoughts



PwC Sustainable Business Solutions (SBS)

PricewaterhouseCoopers is a global leader in providing sustainability services.

- 500 practitioners in over 40 countries
- Serving 50 of the Fortune 100 companies
- Created by business people for business people
- Canada (Toronto, Edmonton, Calgary, Vancouver, Montreal)
- Global base in Switzerland

In Pursuit of the Sustainable Business

**Economic + Environmental + Social Sustainability =
The Sustainable Business**

“...meeting the needs of present generations without compromising the ability of future generations to meet their needs”

“...a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are all in harmony and enhance both current and future potential to meet human needs and aspirations.”

1987, *Our Common Future*, World Commission for Environment and Development (WCED)

Defining Corporate Sustainability

A sustainable business:

- Incorporates **social, environmental** and **economic** concerns into corporate values, governance, culture, decision-making, strategy, operations and products;
- Establishes **better practices** that create wealth and **improve society**;
- Enhances **long-term shareholder value** by satisfying all the needs of stakeholders throughout the core business functions; and
- Delivered through **corporate responsibility, triple bottom line** and **extra-financial** strategies.

Defining Corporate Sustainability

The Acronyms

- CR
- CSR
- Triple Bottom Line
- Sustainability
- ESG
- SRI / RI

Section One

- Understanding Corporate Sustainability
 - **What – Corporate Sustainability**
 - Why – The Financial Case
 - How – Implementing a Sustainability Advantage
- The Issues e.g. Climate Change
- Concluding Thoughts

“It takes 20 years to build a reputation, and five minutes to ruin it. If you think about that, you’ll do things differently.”

Warren Buffet, CEO, Berkshire Hathaway

Sustainability Drivers

Increasing stakeholder pressures

- CSR is not just about company actions but how they are perceived by stakeholders impacting a company's reputation
- Reputation **exists in the minds of others** – limited control
- The minds of others becomes a battleground of opinions, perceptions, rumors, and occasionally facts



Sustainability Drivers

Issues of the day

Profit

- Revenue Growth
- Cost Management
- Profits
- Operational Efficiency
- Risk Management
- Reputation / Brand Value

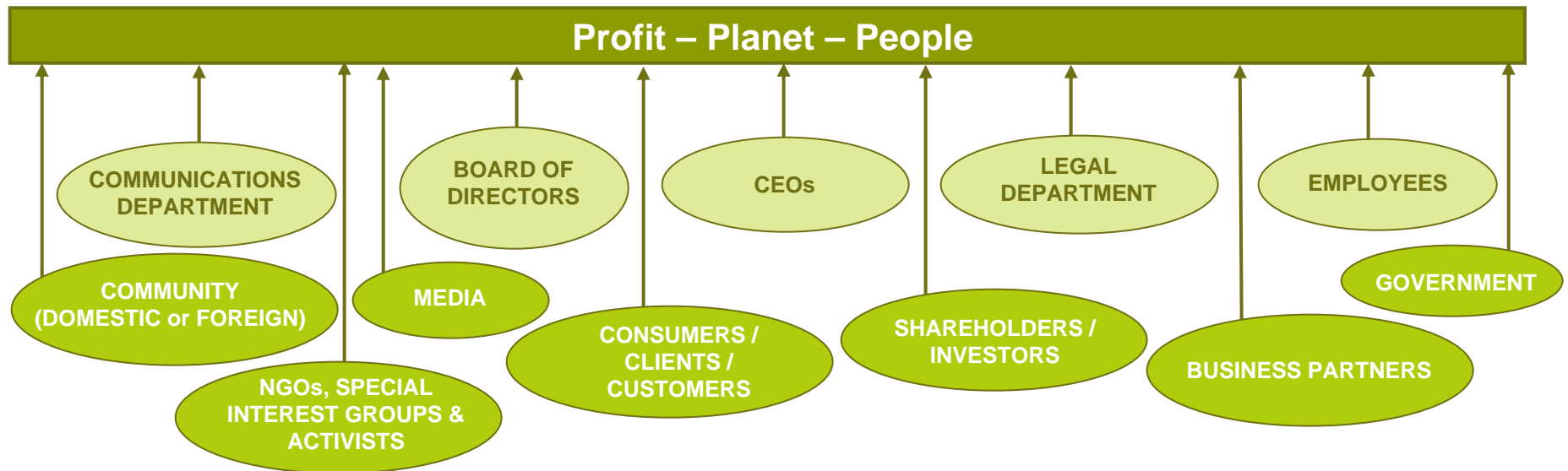
Planet

- Environmental Footprint
- Climate Change and Carbon Management
- Power Supply, Demand and Conservation
- Alternative Energy Sources (e.g. Biofuels, Hydrogen)
- Supply Chain Transparency and Accountability
- Use of Resources (Renewables and Non-Renewables)
- Biodiversity and Conservation

People

- Social Footprint
- Diversity
- Outsourcing / Offshoring
- Labour Relations

Who Put These Issues on the Agenda?



Both external and internal stakeholders are applying pressure on companies to raise the profile of the sustainability through corporate social responsibility or *triple bottom line*.

Section Two

- Understanding Corporate Sustainability
 - What – Corporate Sustainability
 - **Why – The Financial Case**
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Pressure from NGOs: Understanding How You Are Viewed Risks of not knowing or being prepared



Integrating CR in Fundamental Business Models

- Societal and customer expectations
- Powerful new ESG performance and disclosure legislation for companies and investors
- Pressure from NGOs with unprecedented resources, sophistication, communications capability, and influence
- Fresh attention from sell side analysts when valuing your company



Your investors...

New legitimacy for ESG issues for fiduciaries.

Dramatic growth in institutional investor activism on ESG issues.

Concrete actions by leading public funds.

Sometimes used as a proxy for management quality...

Dow Jones Sustainability Indexes **Aug-99 – Dec-07 EUR, Total Return Index**



“We believe ESG factors when managed well, can generally have a positive influence on financial performance, though they often play out over the medium to long-term.”

**David McCann, Head of Relationship Investments, CPPIB
October, 2007**

“We are convinced that in a more globalised, interconnected and competitive world the way that environmental, social, and corporate governance issues are managed is part of the companies’ overall management quality needed to compete successfully.

Companies that perform better with regard to these issues can increase shareholder value.”

**Goldman Sachs, Morgan Stanley, et al.
June, 2004, “Who Cares Wins” Report**

Section Three

- Understanding Corporate Sustainability
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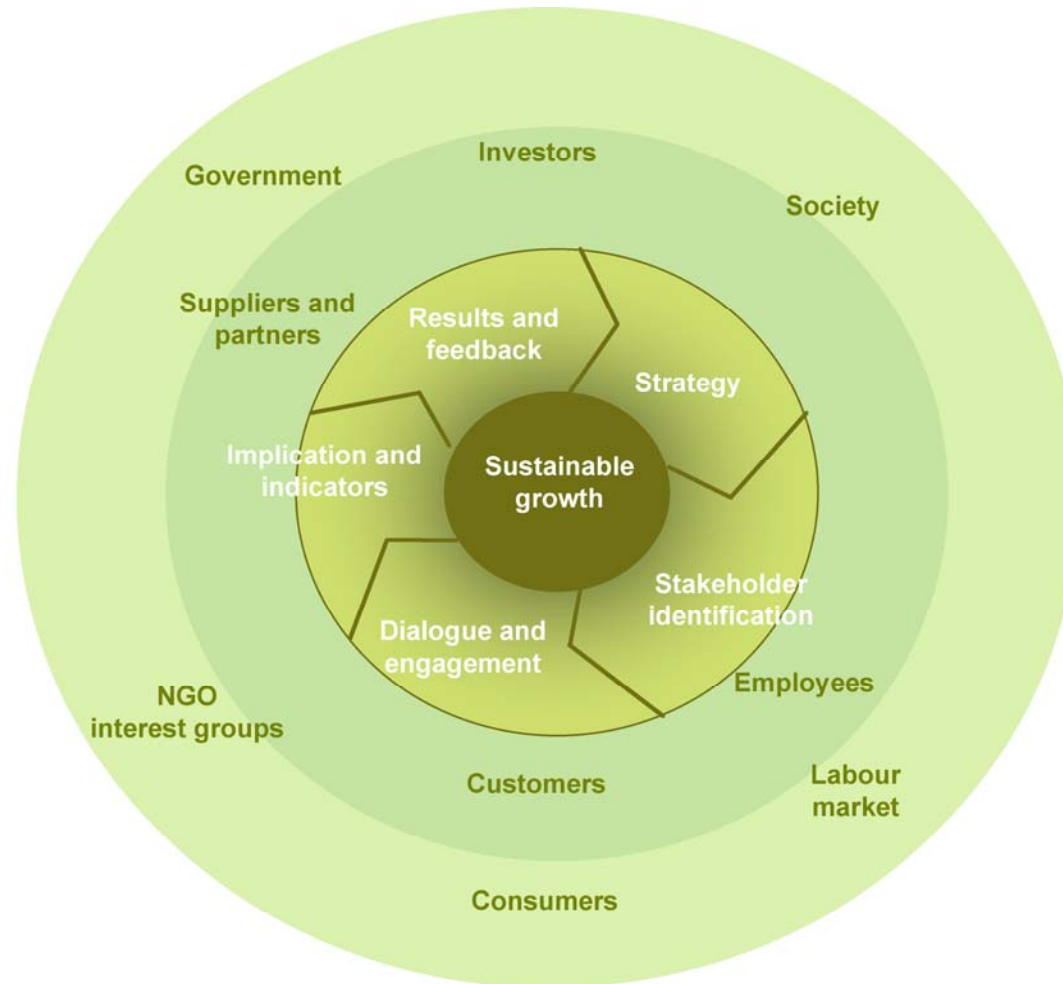
Building a Sustainability Advantage

What it means for you...

- A mainstream management paradigm
- Environmental and social aspects are factored into fundamental business management
- Applicable to all sectors and all sizes of companies
- Applicable to all stages of a company – start-up, growth, expansion, consolidation, acquisition, down-sizing, closure

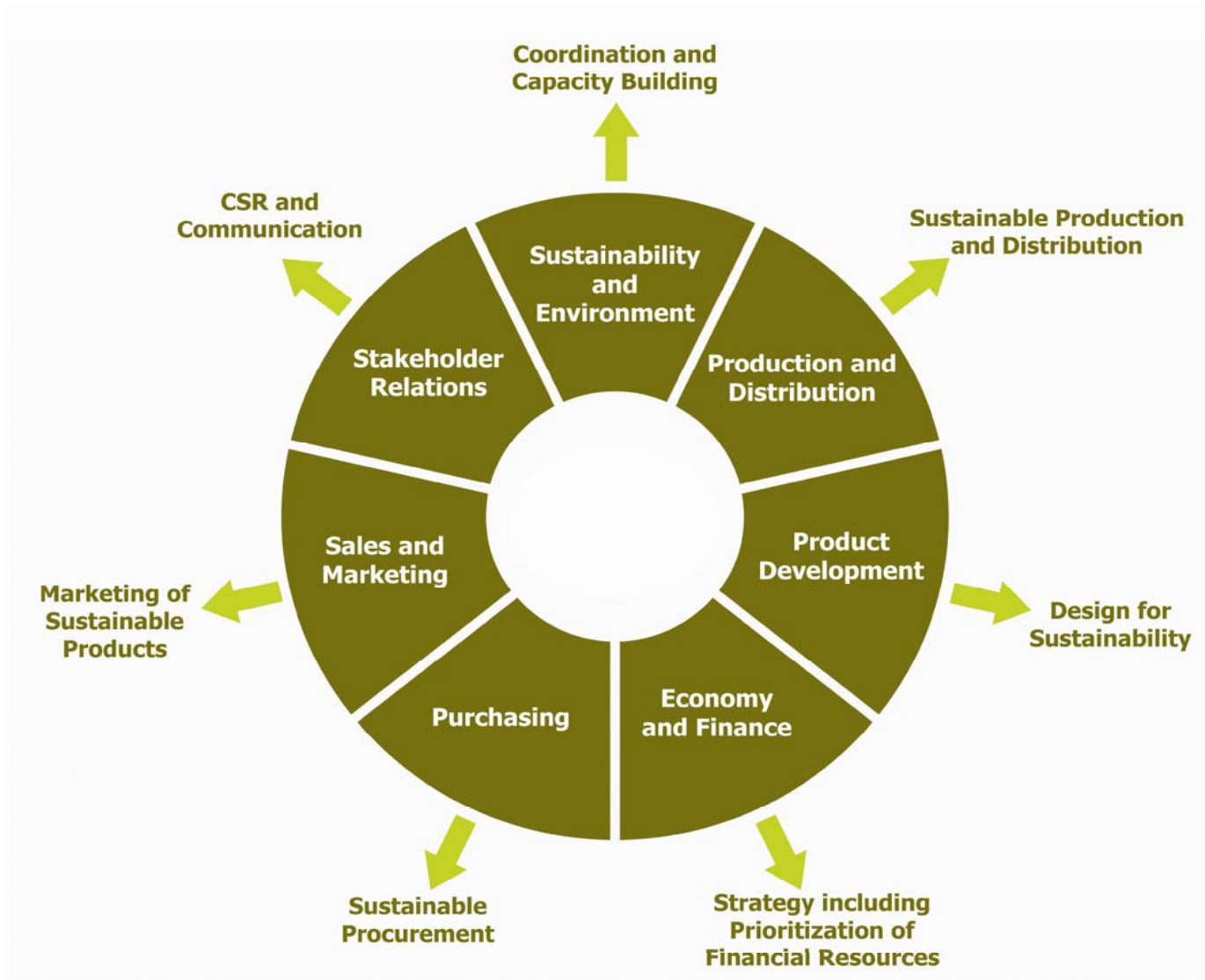
Building a Sustainability Advantage

Knowing your stakeholder community



Building a Sustainability Advantage

Remember to cover all facets of the business



Building a Sustainability Advantage

A strategic approach

Understand sustainability for your company and sector

- Benchmarking / market trends / stakeholders
- Training, awareness and communication

Define Business Success

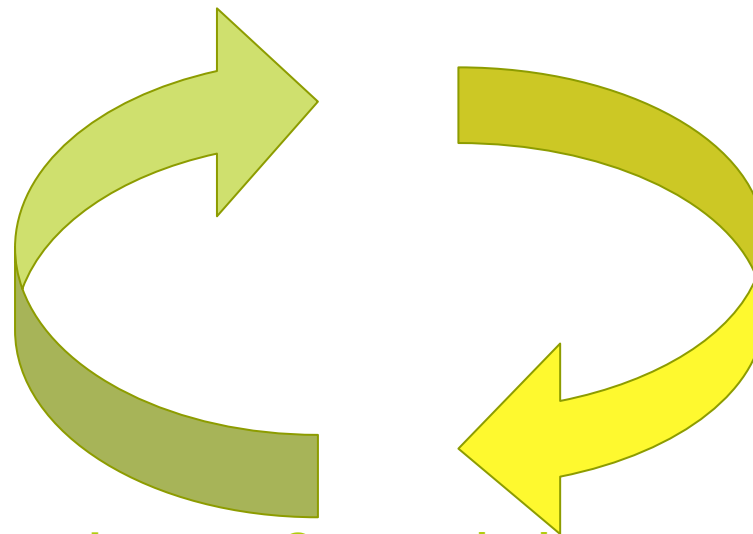
- Monitor business performance
- Continuous improvement strategic guidance

Turn Understanding into Opportunity

- Gap assessments
- Preliminary risk review
- Strategic road map

Integrate Opportunity into Strategy

- Strategy communication and awareness
- Scope and risk assessments
- Stakeholder engagements
- Program development / response plans
- Reporting (Global reporting initiative)



Best Practices: Sustainability Reporting and Assurance

Telus

2005

2006



2004
corporate social
responsibility report

auditors' report

To: The Board of Directors and Management of TELUS Corporation

We have been asked to audit selected quantitative performance information presented in the TELUS 2004 Corporate Social Responsibility Report (the Report) for the year ended December 31, 2004, marked with the symbol (A). We did not attempt to audit all information included in the Report. Preparation of the Report is the responsibility of TELUS management. Our responsibility is to express an opinion as to whether the selected information is fairly stated.

Scope and criteria

We examined TELUS' performance assertions for the year 2004 relating to community investments; charitable donations; environment; health and safety; workplace diversity; employee relations; and other areas as marked with the symbol (A). We did not examine the narrative sections of the Report except insofar as they supported the selected quantitative performance information. Our audit criteria were based on the 2002 version of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, relevant regulations, TELUS management definitions, and industry standards.

The economic performance information presented on pages 16 to 20 was extracted from TELUS' audited financial statements for the year ending December 31, 2004. This information was excluded from the scope of our audit.

Description of our assurance process

TELUS management selected to audit certain assertions by management regarding the company's 2004 corporate social responsibility performance and to provide a report setting out our conclusions. Our work was carried out at TELUS' offices in Vancouver, Edmonton and Calgary. The audit team comprised professionals with background and experience in corporate sustainability management and assurance.

Methodology

Our audit was completed in accordance with the International Standard on Assurance Engagements (ISAE) 3000 developed by the International Federation of Accountants. We planned and performed our work in order to provide reasonable, rather than absolute, assurance with respect to the information we examined. We believe our work provides a reasonable basis for our opinion.

Our audit procedures included examining, on a test basis, evidence supporting the selected information in the Report, examination of internally and externally generated documents and records, and such other procedures as we considered necessary in the circumstances.

Opinion

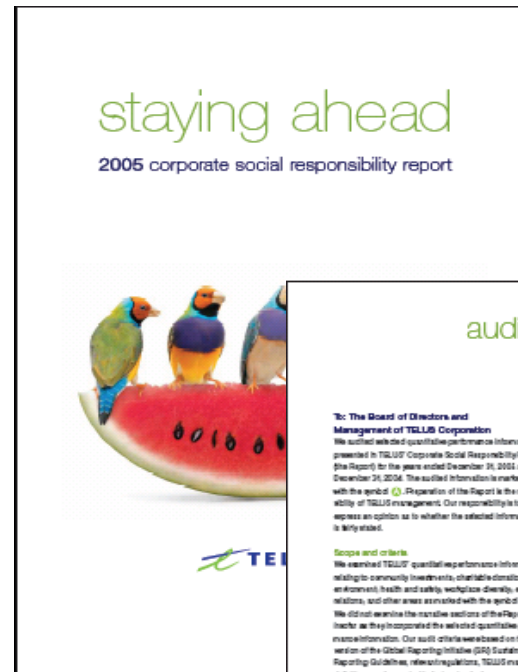
In our opinion, the selected information set out in this Report marked with the symbol (A) is fairly stated in all material respects.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Vancouver, British Columbia, Canada
March 7, 2005

During our audit we obtained, examined and evaluated evidence using a variety of procedures, including:

- interviews with relevant TELUS management and staff and relevant third parties;
- evaluation of relevant data management systems and processes;
- examination of internally and externally generated documents and records, including correspondence with external parties; and
- testing and re-calculation of performance data on a sample basis where appropriate.



staying ahead
2005 corporate social responsibility report

auditors' report

To: The Board of Directors and Management of TELUS Corporation

We audited selected quantitative performance information presented in TELUS' Corporate Social Responsibility Report (the Report) for the years ended December 31, 2005 and December 31, 2004. The audited information is marked with the symbol (A). Preparation of the Report is the responsibility of TELUS management. Our responsibility is to express an opinion as to whether the selected information is fairly stated.

Scope and criteria

We examined TELUS' quantitative performance information relating to community investments, charitable donations, environment, health and safety, workplace diversity, employee relations, and other areas as marked with the symbol (A). We did not examine the narrative sections of the Report except insofar as they supported the selected quantitative performance information. Our audit criteria were based on the 2002 version of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, relevant regulations, TELUS management definitions, and associated industry standards.

The economic performance information presented on pages 20 to 26 was extracted from TELUS' audited financial statements for the year ending December 31, 2004. This information was excluded from the scope of our audit.

Methodology

We conducted our audit in accordance with the International Standard on Assurance Engagements (ISAE) 3000, developed by the International Federation of Accountants. This Standard requires that we plan and perform an audit in order to obtain reasonable, but not absolute, assurance that the information we examined was free from material error. We believe our work provides a reasonable basis for our opinion.

Our audit procedures included examining, on a test basis, evidence supporting the selected information in the Report, examination of internally and externally generated documents and records, and such other procedures as we considered necessary in the circumstances.

Opinion

In our opinion, the selected information set out in the Report marked with the symbol (A) is fairly stated in all material respects in accordance with the relevant criteria for the years ended December 31, 2005 and December 31, 2004.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Vancouver, British Columbia, Canada
March 9, 2006

Best Practices: Sustainability Reporting and Assurance

Office Depot

THE NATURE OF BUSINESS™
Office DEPOT

2004 Environmental Stewardship Report

Environmental Paper Procurement Policy and Vision Statement Supporting Initiatives - 2003 Year in Review






Auditors' Report

To the Board of Directors and Management of Office Depot, Inc.

We have been asked to audit selected information presented in Office Depot's Environmental Stewardship Report ("Report") for the year ended December 31, 2003, marked with the symbol . We did not attempt to audit all information included in the Report. Preparation of the Report is the responsibility of Office Depot management. Our responsibility is to express an opinion on the reliability of the selected information, based on the audit work described below.

Scope

We examined Office Depot's 2003 performance assertions relating to sales and use of paper with post-consumer waste content, off-site recycling of waste paper and printer cartridges, corporate donations to environmental organizations and causes, participation in environmental awareness and initiatives, implementation of environmental policies, and other areas marked with the symbol . We did not examine Office Depot's statements of belief, commitments and future objectives, or the calculations presented in the tables entitled "Environmental Benefits".

Audit Methodology

Our audit was completed in accordance with the International Standard on Assurance Engagements (ISAE) 3000, developed by the International Federation of Accountants. We planned and performed our work in order to obtain reasonable, rather than absolute, assurance with respect to the information examined. We believe our work provides a reasonable basis for our opinion.

Our audit procedures included examining, on a test basis, evidence supporting the selected information in the Report marked with the symbol , examination of internally and externally generated documents and records and such other procedures as we considered necessary in the circumstances.

Opinion

In our opinion, the selected information set out in this Report marked with the symbol  is supported by appropriate underlying evidence and is fairly stated in all material respects.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Vancouver, British Columbia, Canada
November 22, 2004

Office DEPOT.




Independent Reviewer's Report

To the Board of Directors and Management of Office Depot® Inc.

We have been asked to review selected quantitative performance information presented in Office Depot's Sustainable Value Report ("The Report") for the years ended December 31, 2004 and December 31, 2005, as indicated in the table on page 37 and referenced in the Report. Preparation of the Report is the responsibility of Office Depot® Management. Our responsibility is to express a conclusion as to whether anything has come to our attention to suggest that the selected performance information is not presented fairly in accordance with relevant criteria.

Scope

We reviewed Office Depot's 2004 and 2005 performance assertions relating to sales and use of paper with post-consumer waste content, office recycling of paper, cardboard and printer cartridges, energy use and associated greenhouse gas emissions, corporate donations, and other indicators presented in the table on page 37. We did not review the narrative sections of the Report, except where they incorporated the selected quantitative performance information.

Methodology

Our review was completed in accordance with the International Standard for Assurance Engagements (ISAE) 3000, developed by the International Federation of Accountants.

As such, we planned and performed our work to provide limited, rather than absolute, assurance with respect to the selected performance information. Our review criteria were based on the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines (2002 version), relevant regulations, Office Depot definitions as noted in the Report, and generally accepted industry and sustainability reporting standards. Our review procedures consisted of analytical testing of the performance information and related documentation and records, and interviews with relevant Office Depot personnel, external contractors, and service providers. We believe our work provides a reasonable basis for our conclusion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the quantitative performance information for the years ended December 31, 2004 and December 31, 2005, presented in the table on page 37 is not presented fairly in accordance with the relevant criteria.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
July 14, 2006
Vancouver, British Columbia, Canada


Office Depot is committed to transparency in sustainability reporting. We recently became Organizational Stakeholders of the Global Reporting Initiative (GRI) in support of the goal of global standardization of sustainability metrics. We are monitoring the development of GRI's third generation (G3) guidelines, which are expected to be finalized in October 2006. While we have not reported "in accordance" with the GRI guidelines, we have referred to them in the development of a number of the metrics in this report. We plan to incorporate more of the GRI G3 reporting framework into future Office Depot sustainability reports.



2 Sustainable Value Report 2004 - 2005

"Investors appear to be asking for more and improved disclosure of environmental matters. And they seem to be taking these matters into greater consideration when making investment decisions."

Jo-Anne Matear, Ontario Securities Commission, discussing the OSC's February 27, 2008 report, which states that the commission wants corporate reporting and disclosure of environmental risks and liabilities beefed up.

Building a Sustainability Advantage

Measuring and managing externalities

- Environmental and social footprint
- Climate change / carbon management
- Tightening disclosure requirements
- Power supply, demand and conservation
- Alternative energy sources (e.g. biofuels, hydrogen)
- Supply chain transparency and accountability
- Use of resources – renewables and non-renewables
- Biodiversity and conservation
- Obesity, tobacco, advertising
- Reputation / brand / risk management

Section Four

- Understanding Corporate Sustainability
 - What – Corporate Sustainability
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- **The Issues e.g. Climate Change**
- Concluding Thoughts

“Climate change is one factor that is a concrete business risk and opportunity for some industries and an emerging issue for others. Researching how well companies are prepared for a lower-carbon world is common sense when looking at long-term investment. Investors of all stripes are beginning to price this into their decisions.”

**David Blood, Managing Partner
Generation Asset Management
18 Sept 2006**

Building a Sustainability Advantage

Climate change management strategic capabilities

- Industry sector
- Energy intensity and fuel source mix
- Geographic locations of production facilities
- Product mix
- Company-specific marginal abatement cost
- Technology trajectory
- Company specific carbon risk management capability
- Company specific capacity to identify and capture upside opportunities

Section Five

- Understanding Corporate Sustainability
 - What – Corporate Sustainability
 - Why – The Financial Case
 - How – Implementing a Sustainability Advantage
- The Issues e.g. Climate Change
- **Concluding Thoughts**

Concluding Thoughts

Some myths about sustainability

- It is only for “big” businesses
- It is only for companies that source from overseas
- It is all about how much you give to charity
- It is going to change the way I do business
- My products don't hurt people or the environment, we don't need it
- Does anyone really care?
- It is the “flavour of the month”

“Every product, brand, company and service will soon be telling a story - and they all need to be good.”

Based on the Kingfisher, CSR Report

PwC Thought Leadership

www.pwc.com/ca/sustainability

Technology Point of View
IT and Sustainability

IT and sustainability:
Is IT part of the problem
or part of the solution?



Advisory Services
Climate Change

the forecast*

Evolving Canadian Business Regulations and
Incentives Regarding Climate Change
Issue 3: March 2008



Industry views

Going green:
Sustainable growth strategies*

Technology executive connections
Volume 5



Thank you.