KPMG

Toronto Parking Authority

ESG Project Overview

March 2024

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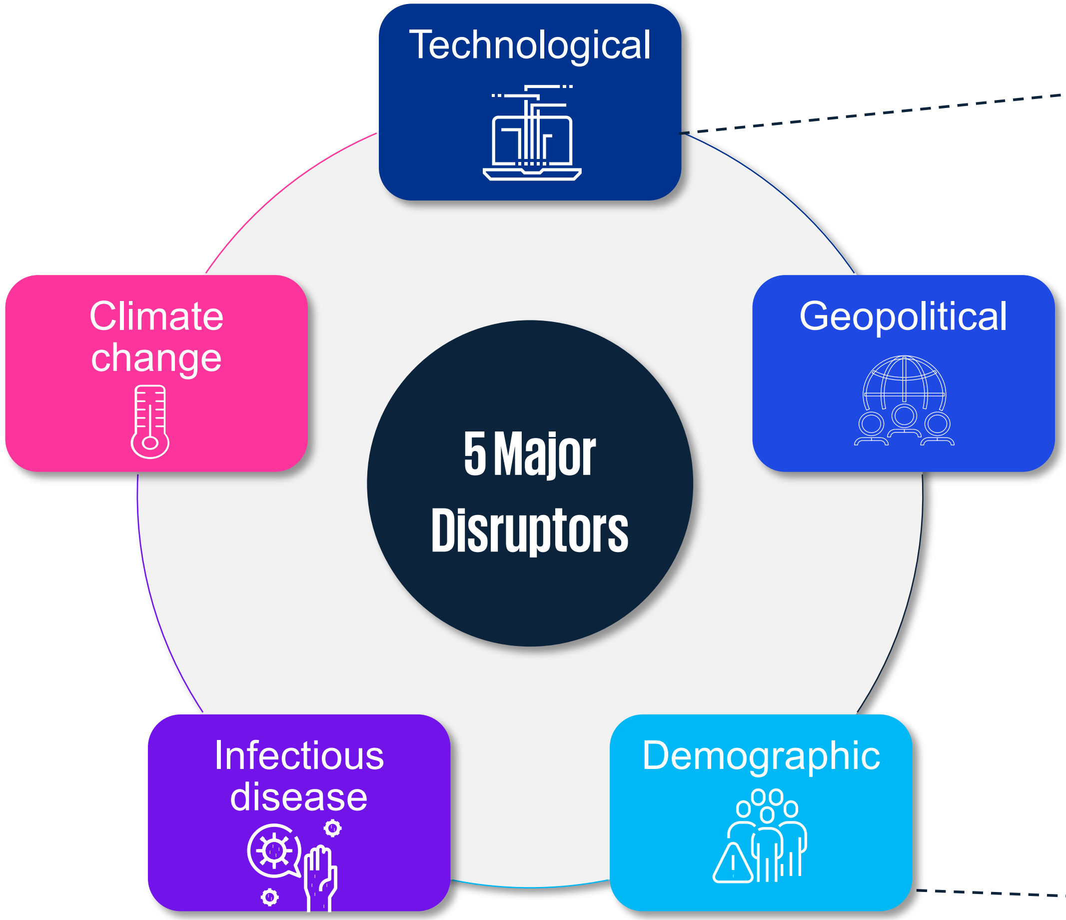
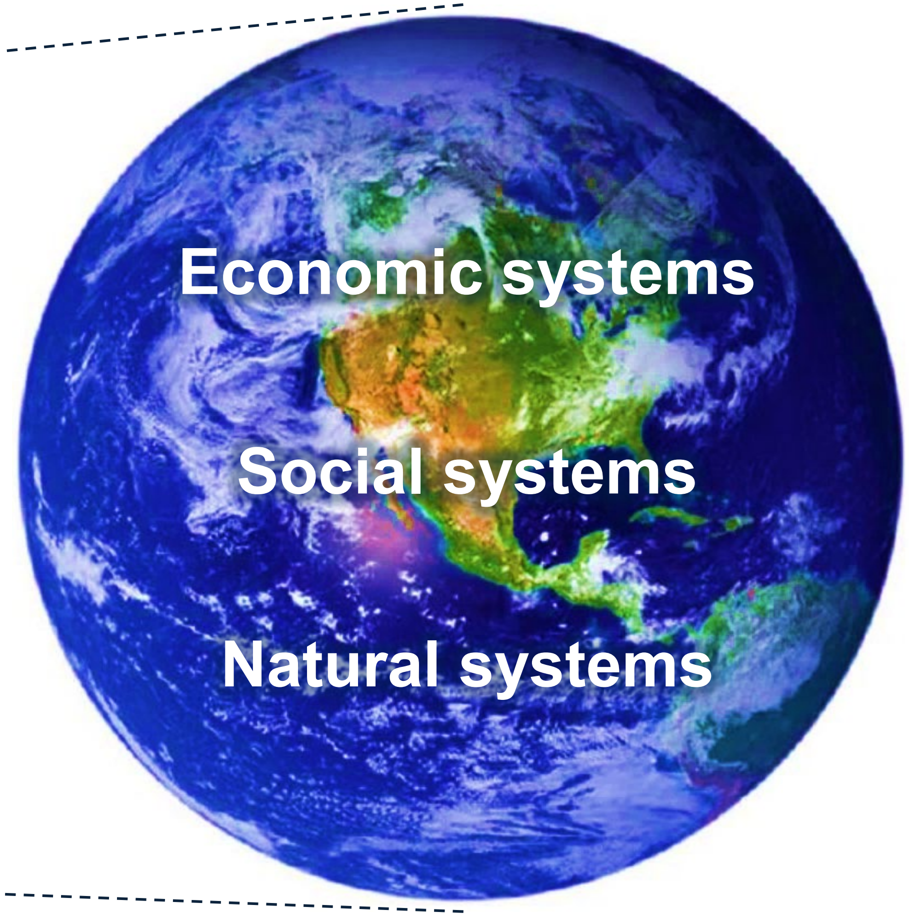
Five Major Disruptors are Shaping the 21st Century

In today's fast changing world, organizations are facing a wider range of pressures that are reshaping the business landscape, affecting **financial performance** and **long-term business success**.





An Expanded View of Business Issues is Required

Economic and Environmental, Social and Governance (EESG) issues form a universe of topics that businesses must address more broadly from a governance, strategy, risk management and reporting perspective:

Economic

- Macroeconomic conditions and trends
- Fiscal policies and trends
- Economic value creation
- Capital access and optimization
- Competitive positioning
- Financial performance
- Financial reporting
- Corporate taxes (including tax transparency)
- Responsible procurement
- Operational resilience

Environmental

- Air and water pollution
- Climate change risks and opportunities
- Energy efficiency
- Management and disposal of hazardous materials
- Land degradation
- Biodiversity
- Resource depletion
- Waste management
- Impact on water scarce areas

Social

- Customer satisfaction
- Data protection and privacy
- Diversity and equal opportunities
- Employee attraction & retention
- Employee engagement
- Government/community relations
- Human capital management
- Human rights
- Indigenous reconciliation
- Labour standards
- Product safety and liability
- Supply chain management

Governance

- Anti-competitive behavior
- Audit committee structure
- Board composition
- Bribery and corruption
- Business ethics
- Compliance, incl. fines and other sanctions
- Executive remuneration
- Lobbying
- Political contributions
- Access to whistleblower and grievance mechanisms

Understanding Stakeholder Perspective on ESG Issues

Stakeholders are increasingly becoming focused on an organization's ESG strategy and performance. Organizations are expected to make more informed and balanced choices regarding ESG initiatives and strategies:

C-suite and board buy-in

ESG has evolved from a topic that is primarily owned by sustainability experts and teams, to C-Suite and Board.

Access to capital

Investors increasingly factor in ESG considerations when making investment decisions.

Regulatory developments

ESG reporting is moving from a mainly voluntary-oriented approach to a regulatory-focused one with significant expectations to develop and refine ESG disclosures over time.

Reporting standards

Measurement and reporting of ESG-related information is maturing rapidly and offers an opportunity to communicate the social and environmental value generated from actions.

Evolving stakeholder expectations

Stakeholders increasingly scrutinize companies' ESG performance and transparency, affecting project approval, brand acceptance and consumer demand.

Climate change

Companies are considering climate change as a significant risk. Recent physical climate risk impacts such as wildfires and heatwaves are becoming more prevalent, emphasizing the importance of managing it.

Enhanced risk management & investment returns

ESG integration within investment analysis has become an investment norm, and organizations are increasingly focused on integrating ESG factors within their risk management frameworks.

Workforce of the future

ESG has become a key factor in attracting and retaining top talent, with a particular focus on addressing Diversity, Equity and Inclusion within employee matters and practices.

TransformTO Net Zero Strategy

In 2019, City Council declared a climate emergency and shifted Toronto's focus to align with the Intergovernmental Panel on Climate Change (IPCC)'s recommended pathway - net zero GHG emissions by 2050 or sooner. **The Toronto Parking Authority has an opportunity to play a pivotal role in helping the City achieve its Net Zero goal.**

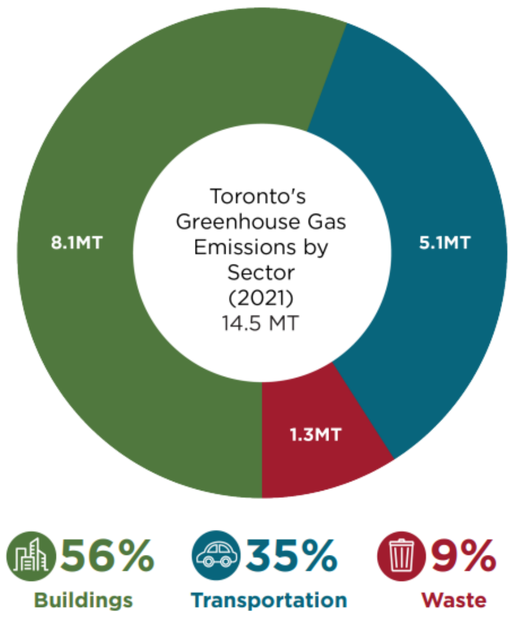
1990

Baseline year from which GHG emissions will be measured

Climate Advisory Group (CAG)

26 members were selected for a three-year term to act as advisors, champions, and reviewers of the policies, programs, and initiatives

City of Toronto – GHG Emissions Breakdown



Contributing Strategies

The Net Zero Strategy is supporting by several existing City plans:

Buildings:
- Toronto Green Standard
- Net Zero Existing Buildings Strategy
- Net Zero Carbon Plan

Waste:
- Long Term Waste Management Strategy
- Working Towards a Circular Economy

Natural Systems:
- Ravine Strategy
- Strategic Forest Management Plan

Transportation:
- EV Strategy
- Sustainable CoT Fleet Plan
- RapidTO
- ActiveTO
- TTC Green Bus Program

Emission Reduction Targets (from 1990 Levels)

- **45%** reduction in community wide GHG **by 2025**
- **65%** reduction in community wide GHG **by 2030**
- **Net Zero GHG emissions community-wide by 2040**

Operational Levers

- Establishing a carbon budget for its own operations and the community
- Significant reduction in NG use
- Establish performance targets for building across Toronto
- Increasing access to sustainable modes of transportation
- Increase use of local renewable energy

Source: TransformTO Net Zero Strategy – City of Toronto

TPA's ESG Project Objectives

1. Gain an understanding of TPA's ESG Environment

Increase internal awareness of how TPA can use ESG to create long-term value and contribute to the City of Toronto's Net Zero Strategy.

2. Create alignment on ESG priorities

Facilitate integration of ESG aspects into TPA's strategy and operations.

3. Enhance Stakeholder Relationships

Provide confidence to stakeholders by proactively identifying ESG priorities and disclosing performance.

TPA's ESG Project Plan and Timeline

We will be working with the TPA Leadership on this project **(Phases 1 - 2)** over **15 weeks**.

Phase 1: ESG Orientation
(February to May)

- Identify 3 relevant peer organizations to facilitate a comparative benchmarking analysis.
- Conduct interviews to gather insights on TPA's ESG aspirations and current practices.
- Identify key stakeholders (internal or external) to be engaged throughout the project.
- Perform a comparative gap analysis between TPA and selected industry peers in order to understand ESG landscape and potential improvement opportunities.
- Identify and provide assistance to prioritize key ESG focus areas and opportunities for improvement.
- Facilitate the development of TPA's ESG objectives to be aligned with the organization's core values and stakeholder expectations.

Phase 2: Initial ESG Reporting
(June to July)

- Based on understanding of TPA's initiatives, relevant ESG metrics, and information gathered during meeting cadences, provide guidance to support the development of a draft ESG report that is in alignment with TPA's key ESG focus areas.

TPA's ESG Project Key Outcomes

Our Objectives	*1. Gain an understanding of TPA's ESG Environment*	*2. Create alignment on ESG priorities*		*3. Enhance Stakeholder Relationships*

1. TPA Peer ESG Benchmarking

- **Outcome:** A summary presentation outlining the ESG reporting practices disclosed by three relevant peers
- **Value:** An understanding of relevant practices/industry norms will help TPA to understand the ESG landscape and identify areas of improvement, set realistic goals, and ultimately drive innovation to stay ahead of its peers.

2. TPA Key ESG Focus Areas

- **Outcome:** An overview of the ESG focus areas will be presented for approval to the TPA Leadership Team.
- **Value:** The identification of key ESG focus areas will help TPA to channelize efforts, resources, and strategies to the most critical areas of sustainability.

3. TPA ESG Objectives

- **Outcome:** Based on the overview of the ESG focus areas in Step 2, high-level ESG objectives will be identified and prioritized along with the TPA Leadership team.
- **Value:** Formally articulated ESG objectives will help to drive consensus between stakeholders on how TPA should integrate sustainability considerations into operations.

4. TPA ESG Report

- **Outcome:** Guidance to support the development of an ESG report that aligns with objectives and key ESG focus areas.
- **Value:** TPA will be able to communicate effectively organization's practices related to environmental sustainability, social responsibility, and corporate governance to its stakeholders

Next Steps: Understanding TPA's ESG Vision & Practices

We will be meeting with selected stakeholders in order to obtain their feedback / insights. Some of the areas to be discussed include the following:

- Overall ESG vision, ambition and objectives for TPA;
- Specific areas within ESG (e.g. environmental impact, social equity, corporate governance) that TPA may wish to prioritize;
- Existing ESG-related policies and initiatives that TPA has undertaken; and

Next Steps

We are currently working with the TPA Leadership Team to identify and schedule our interactions with stakeholders (e.g. Board, Leadership Team Members, and other relevant internal or external individuals).

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