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PRESS RELEASE

Best 50 Corporate Citizens set pace on sustainable investments and carbon cuts

Economy-wide assessment, however, signals insufficient broader progress toward key climate, equity and other ESG (environmental, social and governance) objectives

Toronto, Canada, June 28, 2023 – The 22nd edition of Corporate Knights' ranking of the Best 50 Corporate Citizens in Canada highlights companies that outperform their peers on sustainable investments, sustainable revenues and a range of other ESG indicators. Collectively, these metrics define performance that is consistent both with global carrying capacities in areas such as carbon emissions and with principles of equity and economic circularity.

The Best 50 Corporate Citizens are identified from among Canadian corporations with at least \$1 billion in annual revenues, across all company types and sectors. The underlying analysis therefore provides a window of insight on performance trends within the Canadian economy as a whole and on the sufficiency of the pace of current progress.

Economy-wide performance on carbon emissions, for example, is at least somewhat encouraging and indicates we have begun to achieve the crucial decoupling of emissions from economic growth. But corporate Canada continues to fall well short of widely accepted benchmarks of the magnitude of reductions needed to avoid calamitous climate change impacts.

Other economy-wide performance trends indicate sluggish progress or even regression on key elements of corporate citizenship. Diversity at the board and executive levels is improving gradually in Canada but is years away from parity, and while economic disparities have been recognized as a significant societal concern, the gulf between CEO and average worker compensation continues to widen.

The top three spots on this year's Best 50 Corporate Citizens ranking are all occupied by renewable-energy players. Quebec-based Innergex Renewable Energy – whose revenues come entirely from products and services categorized as sustainable under the Corporate Knights Sustainable Economy Taxonomy – moves up from number two to top spot. Brookfield Renewable Partners moves from third to second place, with Hydro-Québec dropping from number one to third.

Key economy-wide performance trends

Sustainable investments and revenues – Half of each company's score in the Best 50 ranking is tied to the percentage of its investments and revenues that qualify as sustainable,¹ and this was one of the metrics on which there was an especially large divergence between the Best 50's performance and that of the other companies assessed.

On average for the 2022 Best 50 Corporate Citizens, 33.8% of investments qualified as sustainable (\$19.8 billion), rising substantially to 49.7% in the 2023 cohort (\$36.3 billion). Among the full universe of large Canadian companies that reported data for each of 2019, 2020 and 2021, total sustainable investment rose from \$17.1 billion in 2019 to \$38.3 billion in 2021, a 124% increase.

Sustainable revenues for the Best 50 cohort, similarly rose substantially from 36.8% (\$97.8 billion) in 2022 to 46.3% in the 2023 (\$122.1 billion). Among the full universe of large Canadian companies that reported data for each of 2019, 2020 and 2021, total sustainable revenue rose from \$101 billion in 2019 to \$136.9 billion in 2021, a 36% increase.

Carbon productivity – Carbon performance is assessed based on revenues earned per tonne of carbon emitted. The clearest broad trend relates to average performance on the part of the full universe of large Canadian companies that reported data for 2019 to 2021. Encouragingly, their carbon productivity rose from \$0.7 to \$1 million in that period.

However, this reflects in part the influence of inflation on revenues and record profit levels for the carbon-heavy oil and gas sector. From 2019 to 2021, there was a 4% annual reduction in absolute Scope I and II carbon emissions, from 269 million tonnes to 247.9 million tonnes – well short of the 5% annual reduction benchmark defined as necessary by the UN Climate Change secretariat.

Equity-related metrics – Historically high compensation gaps between CEOs and average workers continued to widen even on the part of the Best 50 Companies – coming in at a ratio of 108:1 for 2023. The same trend is seen relative to average performance on the part of the full universe of companies reporting data for 2019 to 2021, where the average CEO pay rose from \$6.2 million to \$7.3 million, an 18% increase, compared to only a 4% rise in the average employee pay, from \$96,887 to \$100,432. The telecommunications sector was a particular driver of this trend.

Cash taxes paid (as a percent of EBITDA) is another metric on which performance worsened on the part of the Best 50 Corporate Citizens in 2023 relative to 2022, a trend also observed within the full universe of companies reporting data for 2019 to 2021. Corporate profits increased from \$354 billion in 2019 to \$617 billion in 2021, a 74% increase compared to only a 33% rise in cash taxes paid, from \$38.6 billion to \$51.3 billion.

Economy-wide trends with respect to gender and racial diversity at the board and executive levels were favourable from 2019 to 2021, although at the current pace, executive gender parity will not be achieved until 2043, and executive representation consistent with the proportion of the Canadian population made up of visible minorities² will have to wait until 2050.

Quotes

“Sustainable revenues and investments are key indicators of which companies will perform well in the cleaner economy of the future. This year's Best 50 are showing impressive leadership, and trend lines are encouraging across the full universe of companies assessed. Even without a defined framework to guide such investments in Canada, companies are

¹ Investments in assets categorized as sustainable, and revenues derived from products and services categorized as sustainable, in accordance with the [Corporate Knights Sustainable Economy Taxonomy](#).

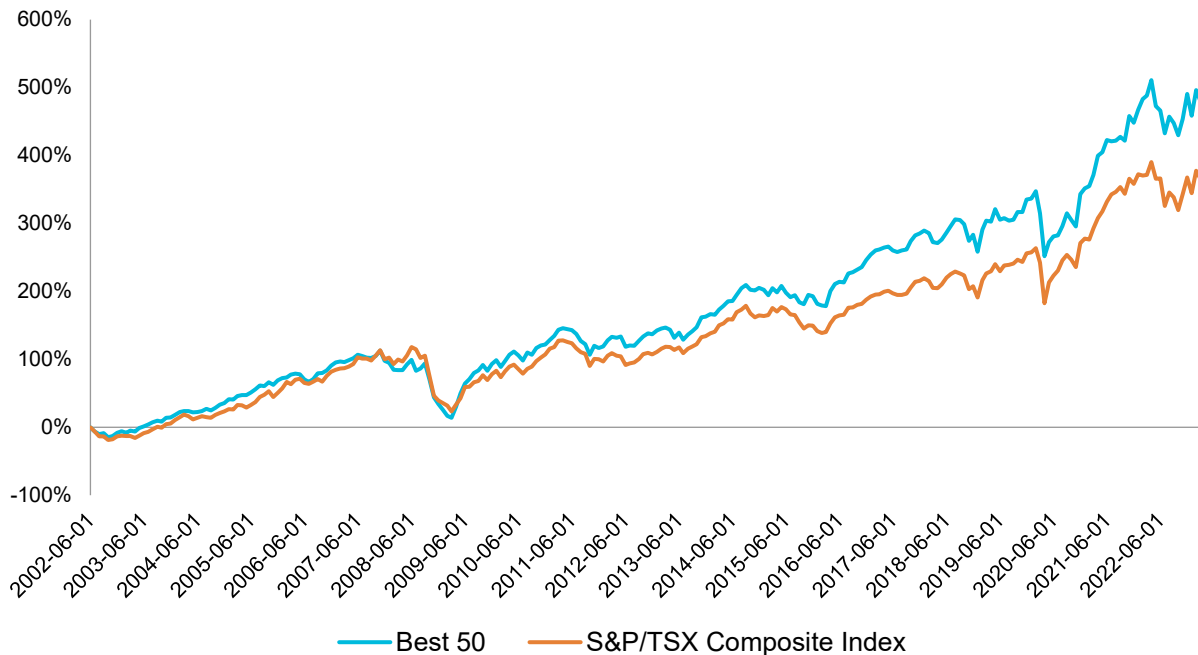
² 26.5 per cent as per the 2021 census.

clearly moving in the right direction.” —Corporate Knights CEO Toby Heaps

“The year’s analysis suggests that earnings inequities are on track to keep getting worse. The pressure for ever-higher profits – in part to fund share buybacks and dividends – is no doubt a driver of the growing gap between executive and worker pay, and also of what the data suggests is an increase in corporate tax-avoidance efforts.” —Corporate Knights CEO Toby Heaps

Financial returns: Best 50 vs. S&P/TSX Composite Index

On a total returns basis, the Best 50 Corporate Citizens’ stock market performance has outpaced that of its peers, earning 496% gross return since it was first launched in June 2002, versus 368% for S&P/TSX Composite.



About the Best 50 Corporate Citizens

Inaugurated in 2002, this annual ranking is based on an assessment of all Canadian publicly traded, privately owned and Crown corporations with gross annual revenues of at least \$1 billion.³ Each is evaluated on a set of up to 25 key performance indicators. All companies are scored on applicable metrics relative to their peers, with 50% of the weight assigned to sustainable investment and sustainable revenues. Nine of the indicators have fixed weights; the rest are assigned weights according to each industry’s relative impact in relation to the overall economy. The ranking relies on publicly available

³ There are some additional inclusions (e.g. 10 largest credit unions by assets under management), and some exclusionary screens (e.g. companies operating in the adult entertainment industry) – a total of 286 companies were eligible for the 2023 Best 50 ranking.

information and is distinguished by its transparent and quantitative methodology. A digital version of the ranking and further contextual and methodological information is [available here](#).

A separate ranking, released concurrently, identifies the Top International Corporate Citizens in Canada. These are companies with a Canadian subsidiary with revenues of at least \$1 billion, and who ranked highest on Corporate Knight's previously released [Global 100 Most Sustainable Companies in the World](#).

About Corporate Knights

Corporate Knights Inc. is an independent media and research B Corp. Its media division publishes the award-winning sustainable-economy magazine *Corporate Knights*, circulated in *The Globe and Mail*, *The Washington Post* and *The Wall Street Journal*. Its research division produces sustainability rankings, research reports and financial product ratings based on corporate sustainability performance. Learn more at corporateknights.com.