

# REPORT ON BUSINESS

**JUST RIGHT**



**INSIDE CANADIAN TIRE'S PUSH TO LAUNCH 12,000 NEW PRODUCTS**  
(INCLUDING THE PERFECT TOASTER)







# YOUR MOVE

**This is our Oyster bracelet, with its unique and exceedingly robust three-piece links.** It is the mark of foundational values and alliances found in all our work. Those of function and form, rigour and fluidity, comfort and elegance. Developed in the late 1930s, it epitomizes the original intuition of Hans Wilsdorf, who foresaw the wristwatch as a tool

capable to meet the complexities of an increasingly modern world. Rolex did not only develop watch calibres which surpassed the standards of watchmaking. It created new ones for the bracelet and gave it its own identity and language. Hence, the Oyster bracelet does not simply adapt to one's movement. It carries its own.

*#Perpetual*







**1/3 OF BSS GIRLS STUDY  
STEM AT UNIVERSITY.**

**SOME EVEN DANCE THEIR WAY THERE.**

LEARN MORE.



**BSS**

ABOUT EVERYTHING.



## 4 EDITOR'S NOTE

## 7 FEEDBACK

## 9 NEW RULES

The March Break crowds at airports are a sign the travel business is back—and more chaotic than ever

## 10 THE EXCHANGE

Is Live Nation Entertainment now an out-of-control behemoth? Canada's Arthur Fogel, head of global touring, would beg to differ

## 14 BIG IDEA

Yes, better governance helps improve social and environmental performance, but you also need fresh board expertise

## 16 WHAT YOU CAN LEARN

Rush's Geddy Lee is 70 and just released his memoir, *My Effin' Life*. And the kid is still a prog-rock phenom

## 18 DECODER

Some of the highest-paid CEOs run companies that have racked up huge losses. What gives?

## 19 FOR YOUR CONSIDERATION

Methanex isn't Canada's biggest company, but it's a true global champion. And why is turning a profit in streaming getting harder?

## 20 SMART MONEY

Robert Cohen is an engineer and a money manager, so he knows every facet of precious metals investing

## 48 TURNING POINT

As Meridian CEO Jay-Ann Gilfoy explains, credit unions have the ethos and the agility to get to yes faster for small businesses and other outsiders



# 22

## REINVENTING THE TIRE

Canadian Tire is on a quest to build a better toaster, raccoon-proof garbage can and thousands of other new private-label items in a bid to boost profits and compete with the likes of Amazon and Walmart.

/By Susan Krashinsky Robertson

# 30

## NOWHERE TO HIDE

An eruption of new online industries like gambling and streaming has also made it much trickier to track down and nab cyber-lawbreakers. No wonder Vancouver's GeoComply is growing so fast.

/Simon Lewsen

# 36

## TIPPING POINT

Canada has wrestled with many of the most contentious issues related to climate change and finance, but still lags other countries in acting. How do we catch up—and fast?

/By Jeffrey Jones

## ON THE ROAD TO NET ZERO

Introducing the Morningstar Sustainability Low-Carbon Transition Rating for Canada's largest corporations



## The measure of a plan

I sometimes wonder if the climate crisis has been allowed to get to this critical point because of a branding error. When the earliest activists first started sounding the alarm on global warming, the rallying cry became, “Save the planet!” Here’s the thing, though: It’s not Earth that’s in trouble—it’s been spinning for 4.5 billion years and will continue right on doing so. What’s truly at risk is humanity (which, it should be noted, has been around for just 0.004% of the planet’s history).

The irony is that the Big Bad in this scenario is us, of course. We’re running headlong toward our own destruction, embracing present prosperity at the expense of future safety. Sure, we have a national goal of net zero emissions by 2050—but in the meantime, the plan seems to be to keep pulling fossil fuels out of the ground and count on carbon capture technology—which will cost tens of billions of dollars to implement at scale and *doesn’t even exist yet*—to somehow save us.

Never mind the fact that all those billions could be redirected now toward

proven low-carbon technologies, building retrofits and other initiatives that would get us far closer to net zero—creating jobs and growth along the way. (Promisingly, investments in renewables have now surpassed those directed to fossil fuels.)

Yes, the transition to a no-carbon world is going to be painful. And absolutely, it’s going to be expensive. But what’s the alternative? What we need right now—what we needed two decades ago—isn’t more magical thinking. It’s bold leadership from corporations, yes, but also from governments and regulators. Industry needs guardrails. Oil producers, for instance, cannot be allowed to continue boasting about their march toward net zero without having to account for Scope 3 emissions—those produced when their products are actually consumed and which account for 85% of the industry’s total emissions.

So, where do we start? Well, as the famous (if somewhat flawed) saying goes, “You can’t manage what you can’t measure.” That’s what Morningstar Sustainability is attempting to do with its Low-Carbon Transition Rating (LCTR), which crunches scores of metrics to determine which companies are aligned with the global goal of limiting climate change to 1.5°C above preindustrial levels. So far, they’ve rated 8,000 companies globally, including 260 publicly traded outfits here in Canada—and not a single one of them are on track. Part of the problem here is a lack of reporting requirements: Many companies have no plan on how to reach net zero because regulators haven’t required them to draft one.

We’re focusing on leadership, highlighting Sustainability’s analysis of companies that are making progress at least in terms of disclosing key management indicators around the low-carbon transition and their climate investment plans. It’s far from perfect—you can read more about that on page 36. But we wanted to be both constructive and instructive: What are companies doing right, and where do they need to improve? If you’re in the early stage of your net zero journey, consider it a guide on how to get started.

/Dawn Calleja

Send feedback to  
robmagletters@globeandmail.com

### Editorial

Editor **DAWN CALLEJA**  
Senior Editor **JOHN DALY**  
Editors-at-Large **JOE CASTALDO**,  
**JASON KIRBY**, **TAMAR SATOV**  
Copy Editor **SUSAN NERBERG**  
Research **CATHERINE DOWLING**,  
**EMILY LATIMER**

### Art

Art Director **DOMENIC MACRI**  
Associate Art Director  
**BRENNAN HIGGINBOTHAM**  
Director of Photography  
**CLARE VANDER MEERSCH**

### Contributors

**JAMES BRADSHAW**, **TREVOR COLE**,  
**FIONA COLLIE**, **ROSEMARY COUNTER**,  
**TIM KILADZE**, **JOHN LORINC**, **ALEX**  
**MLYNEK**, **KYLE SCOTT**, **SEAN SILCOFF**,  
**SHIRLEY WON**

### Advertising

Vice-President, Revenue  
**JONATHAN DENEAU**  
Managing Director, Creative Studios  
and Ad Innovation  
**TRACY DAY**  
Senior Manager, Special Products  
**ANDREA D'ANDRADE**  
Product Manager  
**RYAN HYTEAD**

### Production

Vice-President, Print Operations  
**SALLY PIRRI**  
Production Co-ordinator  
**ISABELLE CABRAL**

### President and CEO

**ANDREW SAUNDERS**  
Editor-in-Chief, *The Globe and Mail*  
**DAVID WALMSLEY**  
Managing Director, Business  
and Financial Products  
**GARTH THOMAS**  
Editor, Report on Business  
**GARY SALEWICZ**

*Report on Business* magazine is published 7 times a year by The Globe and Mail Inc., 351 King Street E., Toronto M5A 0N1. Telephone 416-585-5000.

Letters to the Editor:  
robmagletters@globeandmail.com.  
Copyright 2024, *The Globe and Mail*.  
Indexed in the Canadian Periodical Index.

### Advertising Offices

Head Office, The Globe and Mail,  
351 King Street E., Toronto M5A 0N1  
Telephone 416-585-5111 or toll-free  
1-866-999-9237  
Branch Offices  
Montreal 514-982-3050  
Vancouver 604-685-0308  
Calgary 403-245-4987  
Email: advertising@globeandmail.com  
United States and countries outside of  
North America: AJR Media Group,  
212-426-5932, ajrmediagroup@  
globeandmail.com

Publications mail registration No. 7418.  
The publisher accepts no responsibility  
for unsolicited manuscripts,  
transparencies or other material.  
Printed in Canada by Transcontinental  
Printing Inc.

*Report on Business* magazine is electronically available through subscription to Factiva.com from Factiva, at factiva.com/factiva or 416-306-2003.

**tgam.ca/r**



**Scotia** Wealth Management.



# IT'S TIME TO MAKE A PLAN FOR HAVING MORE TIME.

Life expectancies are getting longer, and that's a beautiful thing because it means we get more opportunities to build the lives we've always envisioned.

At Scotia Wealth Management, a team of specialists will work with you to create a plan that accounts for all aspects of your post-work life – including your long-term health and wellbeing.

**START CREATING YOUR TOTAL WEALTH PLAN WITH  
SCOTIA WEALTH MANAGEMENT TODAY.**

[SCOTIAWEALTHMANAGEMENT.COM](https://www.scotiawealthmanagement.com)



® Registered trademark of The Bank of Nova Scotia, used under licence. Scotia Wealth Management® consists of a range of financial services provided by The Bank of Nova Scotia (Scotiabank®); The Bank of Nova Scotia Trust Company (Scotiabank®); Private Investment Counsel, a service of 1832 Asset Management L.P.; 1832 Asset Management U.S. Inc.; Scotia Wealth Insurance Services Inc.; and ScotiaMcLeod®, a division of Scotia Capital Inc. Scotia Wealth Insurance Services Inc. is the insurance subsidiary of Scotia Capital Inc., a member of the Scotiabank group of companies. When discussing life insurance products, ScotiaMcLeod advisors are acting as Life Insurance Agents (Financial Security Advisors in Quebec) representing Scotia Wealth Insurance Services Inc. Scotia Capital Inc. is a member of the Canadian Investor Protection Fund and is regulated by the Canadian Investment Regulatory Organization. For more information on the services provided by these business lines, visit [www.scotiawealthmanagement.com](https://www.scotiawealthmanagement.com).

© Copyright 2024 The Bank of Nova Scotia. All rights reserved.

# Congratulations to these recent appointees

Andrew Saunders, President and CEO of The Globe and Mail, extends best wishes to the following individuals who were recently featured in the Report on Business Section of The Globe and Mail newspaper. Congratulations on your new appointments.



*A. Saunders*



**Dominique T. Hussey**  
to CEO  
Bennett Jones



**John M. Mercury**  
to Executive Chair  
and Chair of the Board  
Bennett Jones



**Rory MacLeod**  
to Executive VP,  
Operations  
Cadillac Fairview



**Brian Salpeter**  
to Executive VP,  
Development  
Cadillac Fairview



**Janice Myers**  
to CEO  
The Canadian Real Estate Association



**Mikio Takagi**  
to President and  
CEO  
Canon Canada Inc.



**Frédéric Martel**  
to President and  
CEO  
Claridge Inc.



**Reggie Hedgebeth**  
to Executive VP,  
External Affairs and  
Chief Legal Officer  
Enbridge Inc.



**Maria Hooper**  
to Board of Directors  
Gibson Energy Inc.



**Khalid Muslih**  
to Board of Directors  
Gibson Energy Inc.



**Craig V. Richardson**  
to Board of Directors  
Gibson Energy Inc.



**Bob Armstrong,**  
ICD.D  
to Board of Directors  
The Institute of  
Corporate Directors



**Mary-Ann Bell**  
to Board of Directors  
The Institute of  
Corporate Directors



**Tom Woods,**  
ICD.D  
to Board of Directors  
The Institute of  
Corporate Directors



**John Clarke**  
to CEO  
Multi-Health  
Systems



**Todd Craigen**  
to COO and President,  
Corporate Services  
PCL Construction



**Chris Gower**  
to Deputy Chief  
Executive Officer  
PCL Construction



**Holger Kormann**  
to President and  
CEO  
Symcor



**Adam Burke**  
to Board of Directors  
Trillium Health  
Partners



**Carmine Nigro**  
to Board of Directors  
Trillium Health  
Partners



**Gregory Smith**  
to Board of Directors  
Trillium Health  
Partners



## Recent Appointees —



**Jumoke Fagbemi**  
to Board of Directors  
Trillium Health  
Partners Foundation



**Stephen Farnham**  
to Board of Directors  
Trillium Health  
Partners Foundation



**Veni Iozzo**  
to Vice Chair,  
Board of Directors  
Trillium Health  
Partners Foundation



**Graham King**  
to Board of Directors  
Trillium Health  
Partners Foundation



**Patrice Rouse**  
to Board of Directors  
Trillium Health  
Partners Foundation



**Paul Sabourin**  
to Chair,  
Board of Directors  
Trillium Health  
Partners Foundation



**Mark Segal**  
to Board of Directors  
Trillium Health  
Partners Foundation



**David W. Shouldice**  
to CEO  
USC Consulting  
Group

MARCH 2024 ■

To make arrangements for an Appointment Notice, please call 1-800-387-9012 or email [advertising@globeandmail.com](mailto:advertising@globeandmail.com)

## Feedback

## Look who's 40

This year marks *Report on Business* magazine's 40th birthday. To celebrate, we wrote about 40(ish) of the people who shaped Bay Street.

I am nearly 60, and this brought back a whole bunch of memories. Mandatory reading. There needs to be a test at the end. —**Amiable Expressive**

A great history lesson on greed, leverage and overpromising. —**Glen107**

I entered corporate and government banking at BMO in 1987. So this article is like hearing the soundtrack to my career. At a capital markets meeting in Chicago in the mid-'90s, Matt Barrett started smoking on stage, and when one bright-eyed young banker started a question by introducing himself as, "Hi, I'm Randy..." Matt replied, "Me too." Folks, really. And ah, the Bronfman clan. Banked them, too. All this to be able to change the starting graphics to Universal films for a little while. Hey, we did get a special screening to some dinosaur film, though. —**SWIZ3**

### Bank on it

*Jason Kirby profiled CEO of the Year Darryl White, who pulled off a \$16-billion U.S. takeover.*

I wish them well. BMO has been behind in the U.S. market compared to RBC and TD. The stock performance of these two has also been much stronger. This being said, the U.S. is a fragmented, lower-margin business. It will not be as accretive on margin as BMO's Canadian business. —**PJE5**

"Where he's really shown strategic thinking was in lining up the operations, lining up the regulatory relations and getting everything ready for when this opportunity showed up." This is such a key aspect to deal-making. So many times, deals get done and then just thrown to the ops people to figure out. As someone who has worked in operations their whole career, it's nice to see that level of strategic thinking ahead of time rather than as an afterthought. I imagine it saved a lot of headaches. —**Fishyguy**

### On the rails

*Newcomer of the Year, CN CEO Tracy Robinson, drew lots of contrasts to her predecessor—in a good way.*

Hate him or hate him, Hunter Harrison changed railroads in Canada for the better. Just took a few of his successors to smooth things out. —**john l gee**

It rather sounds like Robinson's first move was to repair the damage Harrison did. Good for her. —**D\_Knight**

### LETTER WITH NO CONTEXT

*Chris Hadfield for transport minister, please! (And Carney for prime minister, please!)*  
—**B.S.H.**

### P3 (aka price, price, price)

*John Lorinc's column on public-private partnerships had readers digging in.*

Canadians are easily misled, especially by governments determined to sabotage all good solutions. Public-private projects are a no-brainer for housing, transportation,

health care and educational facilities. A key problem is that government doesn't know the enormous value of government assets, lands, goodwill, etc., and is easily tricked by clever businesses. —**Westerlies44**

P3 = Pilfer the Public Purse. —**CLKH**

Even in the unlikely event that a project is completed on time and on budget without legal fights, P3 will always be a much more expensive way to build infrastructure. The private investment will be financed at the higher interest rate of private companies, and the perpetual payments to the private partner will exceed what a government would have paid in interest to finance it. There will always be real risk that a completed project will be sold off on the cheap by a "conservative" future government trying to make its books look better (e.g. 407 ETR). If the project does go off the rails, and the private partner bails, the government is still on the hook to get the job done. —**athowler**

Have feedback? Email us at [robmagletters@globeandmail.com](mailto:robmagletters@globeandmail.com) or tweet us @robmagca

27 carefully considered residences, coming soon to Summerhill.

Exceptional suites from the \$4Ms.

Full-floor residences available.



# ONE ROXBOROUGH WEST



Private appointments  
now underway.

Presentation Gallery  
(by appointment only):

1080 Yonge Street  
416.800.7738  
[info@oneroxboroughwest.com](mailto:info@oneroxboroughwest.com)

## NORTHDRIVE

Prices and specifications subject to change without notice.  
Illustrations are artist's concept only. E.&O.E. January 2024.



**Paul Johnston**  
unique urban homes



# 03/24

## NEW RULES

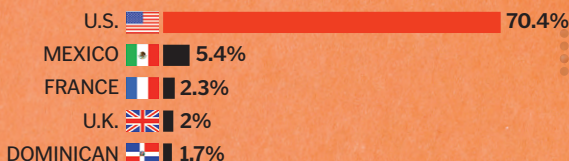
## Flying high

'Tis the season for getting out of town, otherwise known as March Break. Last year, roughly 125,000 passengers per day passed through Toronto's Pearson International Airport as the break kicked off. That was 85% of pre-pandemic volume, even with airports like Pearson curtailing flight volumes, so you can bet this year will be even busier. Our advice: In addition to the sunscreen and ski goggles, pack your patience, because things could get messy.

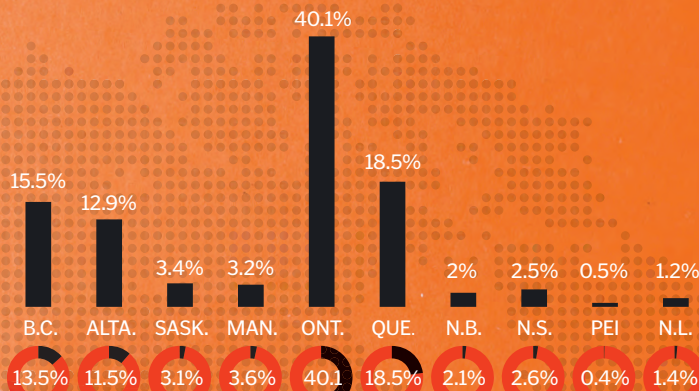
TOTAL OUT-OF-COUNTRY TRIPS CANADIANS TOOK IN 2022

# 23,506,000

TOP FIVE DESTINATIONS



TRAVEL SPENDING BY PROVINCE



PERCENTAGE OF CANADIAN POPULATION

TOTAL SPENT BY CANADIANS ON TRAVEL TO CANADA, THE U.S. AND OVERSEAS

# \$101.1 BILLION

WE OFFICIALLY LEARNED NOTHING FROM THE PANDEMIC

# 56%

Increase in spending on cruises between Q2 2019 and Q2 2023 (\$185.2 million)

4.3 BILLION

Number of bags checked by airlines globally each year

25 MILLION  
Number that end up lost or misdirected

**REVENGE TRAVEL CONTINUES**  
According to a survey by insurer Global Rescue Traveler in late 2023, **80%** of the world's most experienced travellers took as many or more trips in 2023 than at any time pre-pandemic.

TOP 10 NORTH AMERICAN AIRLINES RANKED BY PUNCTUALITY

ON-TIME ARRIVALS

TOTAL FLIGHTS

No. 1  
DELTA

84.7%

1,635,486

No. 7  
WESTJET

69.3%

182,296

No. 10  
AIR CANADA

63.2%

376,451

TOTAL AVERAGE ON-TIME ARRIVALS FOR THE TOP 10

2023 74.5%  
2022 74.3%

TOTAL FLIGHTS

# 8,412,060

**\$35** Airport improvement fee charged to travellers at Pearson —up from \$5 before COVID-19

## THE EXCHANGE

# Stage hand

Over the past few years, Arthur Fogel has had a hand in creating blow-your-mind tours for artists like Beyoncé, U2, Sting and Madonna. How did a kid from Ottawa become the king of the global tour—a business that generated US\$13.5 billion for Live Nation last year?

BY TREVOR COLE

As a high school kid in Ottawa, Arthur Fogel dreamed of a career in the music business. Little did he know that U2 frontman Bono would one day call him “clearly the most important person in live music in the world.” All those globe-hopping mega stars—Taylor Swift, Madonna, Lady Gaga, Beyoncé and the rest? They can thank Fogel, in very large part, for redefining what a concert tour could be. He did it first, 35 years ago, with The Rolling Stones. Working at Toronto’s CPI, he took a group that even then many considered over-the-hill, bought up all the tour dates and turned them into major events. The 1989 Steel Wheels tour spanned 20 countries, grossed US\$170 million and became the biggest tour of all time. Later, at Live Nation, Fogel did it again (Madonna’s Sticky and Sweet tour, 2008-09, US\$408 million gross) and again (U2’s 360 World Tour, 2009-11, US\$750 million gross), and along the way he took many other artists to new heights. What does Live Nation’s president of global touring now think of all that he has wrought? We spoke to him via Zoom at his office in Los Angeles, overlooking the Hollywood Hills.

**People say you’re the guy who made global touring a proper business. What was it about touring that you changed?**

I certainly can’t claim all the credit. When I was working for Michael Cohl at CPI, (1) there was a lot of discussion and strategizing about how to grow us as a company. And as a Canadian, there’s a limited marketplace. So it was a question of, how do we take it beyond, into a global reality? The global touring model came from that strategizing.

**At the time, the business was more localized. Promoters had regional fiefdoms.**

Absolutely. And it was very controversial and difficult trying to move out of that model into a different model. But the globalization of the music business has evolved unbelievably. When we started,

there were 15 to 20 countries in play on an itinerary for an artist, and now there’s 70-plus. The development that you’ve seen in Latin America, Southeast Asia, the Middle East, Eastern Europe, has really opened up what a global tour is in 2024.

**Last year, Live Nation did about 100 global tours. How many of those were you involved in personally?**

Basically, I wear two hats. One is that I oversee the touring for a handful of long-term clients. (2) The other hat is a sort of 10,000-foot watch over all of the company’s touring activity. When Live Nation was born in 2005, there were basically two paths. One was global touring acquisition and execution, and the other was building out a local infrastructure around the world where we now have, I don’t know, 70 offices. So we captured

1. Concert Productions International

2. In the past few years, Fogel has been personally involved in tours for U2, Lady Gaga, Beyoncé, Madonna, Sting, Peter Dinklage and Neil Young.

3. Live Nation owns or manages 338 venues. In 2022, it promoted shows or tours for 7,800-plus artists. Its concerts segment (the others are ticketing and sponsorship & advertising) generated US\$13.5 billion, roughly 80% of total revenue.

both sides of the business—the touring side of the business, and also the still vibrant local business that remains a part of the live reality. (3)

**For the handful of tours you oversee, how involved are you? What do you get into?**

Minutiae. I have a staff of people who’ve developed a great expertise in executing these global tours. But I wanted to get to a point in my career where I could sit with an artist and talk about a touring strategy and be able to talk about Sydney the same way I could Montreal or Chicago or Amsterdam. There are incredible big-picture advantages to a global deal for artists. Everything from the financial stability and the ability for us to make artists more money, but also from a marketing, profile-raising perspective with the great assets that we have. They look to us to provide a consistency and an execution on a global basis, as opposed to having to go to different people a hundred times over the course of a tour.

**I want to drill down into some of the minutiae. Merchandise—how much of a revenue generator is that at concerts?**

It can vary dramatically depending on the artist and the fan base, but it is a significant part of revenue potential for an artist on tour, no question.

**Did you recently give local venues a piece of the merchandise revenue stream?**

No. What we recently did was, in our clubs and small venues, we eliminated the merchandise fee. To help deliver more bottom-line revenue to young developing touring artists, who in many cases are struggling financially on tour.







**For a big tour like, say, Madonna's recent Celebration tour, how many people are out there working for you?**

In terms of the actual tour execution via marketing, ticketing, production, probably a dozen people. Within the Madonna touring organization in terms of crew and staff, you're talking about 150 to 200 people on tour.

**How do you determine whether a show will work financially?**

The foundation of any show or tour deal is, what do we want to charge? When I say "we," I mean the artist. And then it's a question of, how many tickets are you going to sell? You're laying down the bet every day, multiple times. Now, one would say there's not much of a bet for Taylor Swift or Beyoncé or, pick the superstar, because she's going to sell every ticket. But there's a whole level of activity where there is risk. And if you sell 8,000 tickets instead of 10,500 tickets, times the ticket price, we can all do that math. And when you apply that to a tour deal, you multiply it by 80 shows or 100 shows. So if you're wrong 80 or 100 times, it can be very material.

**I've seen figures that suggest touring now represents about 70% of an artist's revenue.**

**Is that roughly accurate?**

To be honest, I don't know. I'm not that in tune with the economic reality of streaming. But I don't think there's any question that the live part of an artist's career is by far the biggest piece of revenue and revenue potential.

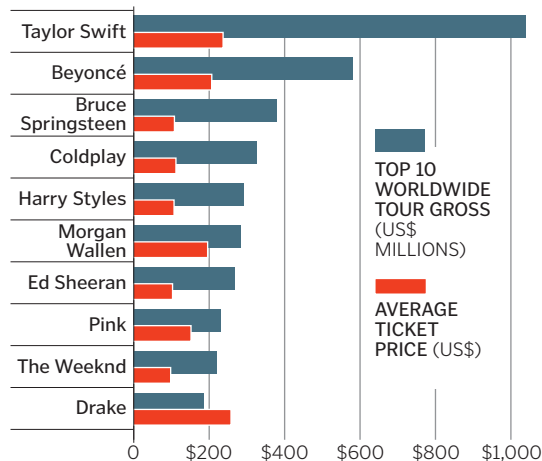
**Roughly speaking, how much of the revenue from a global tour goes to the artist?**

That varies depending on ticket pricing, and the size and scale of a show. But I would say, in a general sense, it's 50% to 60%.

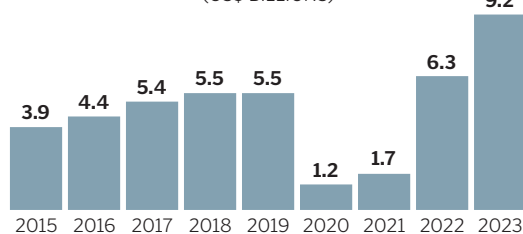
**What is it about you, and the way you deal with artists, that makes them want to work with you?**

In the simplest form, I'm right a lot more than I'm wrong.

#### BIG ACTS, BIG TICKETS



#### WORLDWIDE TOP 100 TOURS TOTAL GROSS (US\$ BILLIONS)



**[Laughs]** Because I think I do have a sensibility and an understanding of the artist's side, but if you don't deliver, that doesn't go down so well. And I've always played long. A lot of my personal artist relationships are based on that. As opposed to the quick-buck notion of old-school promoters. And ultimately, working to the artist's agenda has always been top of my list, as opposed to any other agenda. I think that's appreciated.

**Bill Zysblat, David Bowie's manager, said that when it comes to artistic issues for a show, "Arthur just caves." Is that accurate?**

It's pretty accurate. Listen, I've always believed in "the show." Performing live is its own art form. The reason people keep coming back, obviously, is the music, but it's also the presentation, the show. So I would never sit there and go, "Well, why would you do that? You can get away with less." An audience can feel what's gone into creating a spectacle and the joy that comes from that. I've always believed that's paramount to the live success.

**Not every leader works with**

**4.** In 2015, U2 was scheduled to perform two arena concerts in Paris that were cancelled in the wake of the Nov. 13 terrorist attacks that killed 130 people, including 89 at the Bataclan music hall.

**5.** In 2022, the average ticket price for a Live Nation concert was US\$108.20

**6.** Live Nation and Ticketmaster merged in 2010. In November, 2022, when tickets for Taylor Swift's Eras Tour went on presale, the online system crashed, many fans were booted from the virtual queue, and Swift pronounced the whole mess "excruciating." Even so, some 2.4 million tickets were sold in one day, an all-time record.

**artists, but many deal with talented, temperamental people. What's your key to getting the most out of them?**

Honesty, I would say. What you find in that world of big-time artists and celebrities is there's always a lot of people around who just nod their heads or agree, not necessarily because it's right, but because they're concerned about their positioning. But I've always been the opposite. You never want to be caught out for having agreed for the sake of agreeing to pacify. You want to have stated your view so that it was on the table. And if something went wrong or somebody asked the question, "Why was it like that?" Well, I was honest and forthright about why it didn't make sense.

**You've said you love the action of the road and you love troubles. Why?**

It keeps you sharp to have to deal with the unexpected. It can be anything from weather to security issues, to health and safety issues, to personnel issues. There's all kinds of scenarios.

**What's the worst trouble you've had?**

Probably the worst situation I found myself in was in Paris with U2 during the terrorist attacks. **(4)** It was a very difficult situation that required an enormous amount of adjustment for a lot of people. Things like that happen that nobody can predict. So while it all seems glitz and glamour, there is an underbelly of things that can go wrong, that can be very serious.

**Let's talk about ticket prices. Why have they gotten so crazy—\$1,500 to see a show at Scotiabank Arena?**

I think generally there's an acceptable pricing model for shows. There's no question some tickets are very high, but also some tickets are very cheap and affordable, and as with anything in life, you can make that choice. I have always believed we are underpriced as an industry. You want anybody to be able to afford a ticket, but artists deserve to



make a living and a profit. These productions are incredibly expensive to mount and operate on a weekly basis. There's this perception that a high ticket price means outrageous profit margins, and the truth is, it doesn't. (5)

**In 1970, someone I know went to a show at the Ottawa Civic Centre that featured Yes, Black Sabbath and Alice Cooper. The ticket cost \$15. How does a young music fan today get an experience like that?**

I think there's a lot of shows that fall into that pricing reality. Maybe today it's \$25 or \$30. The aim of the pricing model is to satisfy the range of buyers. The top-price ticket always gets the headline, right? But that \$15 ticket—I can't imagine what it cost to run that show back then, but probably not very much.

**What's your view on resellers?**

Outlaw them. That's my view. But in the true definition of capitalism, it probably never happens. Part of the reason ticket pricing has gotten higher is because artists, rightfully so, have demanded a bigger piece of that vig, if you will. Because you have these sophisticated broker networks and scalpers buying up tickets, and reselling them for a much higher price, but the artists have no sharing position in that vig, which is fundamentally unfair. And so you have this vicious cycle.

**I know you don't represent Ticketmaster, but do you have any insight into what happened with the Taylor Swift ticket debacle? (6)** My sense, from what I've heard or witnessed myself, was you had the perfect storm of supply versus demand. The demand far exceeded the supply, and in the mix of all that you had very sophisticated broker networks, bot networks, that were attacking a ticketing system to grab inventory. But the controversy of supply versus demand doesn't really address the fundamental problem, which is, not everybody's going to get a ticket to some shows because



**7.** In 2019, the U.S. Department of Justice alleged Live Nation had violated an anti-competition decree it signed when it merged with Ticketmaster. Several class actions have accused it of anti-competitive ticket practices, and in November, the U.S. Senate subpoenaed Live Nation to provide records as part of a months-long probe.

**8.** During testimony in early 2023, Mickelson told the Senate Judiciary Committee: "Jam's most profitable segment... was the shows the company produced in indoor arenas. Live Nation has effectively eliminated this part of our business."

**9.** U2's 40-show run at Sphere ends March 2.

there just aren't enough.

**The past few years, Live Nation has been the target of some legal action. (7) What's your response to people who accuse the company of being a monopoly?**

Oh, I think the facts clearly support that's not true in the slightest. There's no question we're a big company, and we're successful. But we're really good at what we do. Maybe others need to get better at what they do, to come at us better. It's not something I spend a lot of time thinking about.

**What would you say to Jerry Mickelson, CEO of Jam Productions, who said Live Nation drove them and other independent producers out of the sector? (8)**

I think we created a business model that is very attractive to artists and their managers and representatives. We're really good at maximizing ticket sales and artists' revenue, and catering to their needs and supporting them when they need it. Why was there Wayne Gretzky and a bunch of other people you don't remember from that era? It's not about intentionally going out to squash Jerry Mickelson or anybody else. It's simply working

out our agenda as well as our business plan.

**A lot of the shows you've done recently—U2, Madonna, Sting, Peter Gabriel, Neil Young—feature artists in their 60s or 70s. Is the global tour business aging out?**

No, it's the opposite, actually. There's a younger generation of headline artists that fill arenas and stadiums, different genres—the Latin world, comedy, country, K-pop—that have developed and exploded. The audience has expanded. And if you look at any of these legendary artists, whether it's the Stones or U2, they have also regenerated their audience. If you go to an AC/DC show, I guarantee you're going to see a lot of kids there. So the business has never been healthier.

**Is there anything about live shows as they're constructed now that you would change, if you could get everybody to do one thing?**

As an industry, I think we need to do a better job with sustainability. The mass of a show—more trucks, more planes, more this, more that—is part of what creates the issue. That's why Sphere in Las Vegas, and the venue concept, is so exciting. Because it's about the venue and how the venue is constructed technologically, as opposed to bringing tons of shit to create the experience. The U2 show is brilliant. (9) But on that level, it's exciting because it really changes the dynamic of show presentation in a responsible way.

**You like the idea of a big show that stays in one place.**

It has tremendous advantages logistically, financially, experientially.

**Except a kid in Ottawa can't see that show.**

No, you have to go to Vegas.

**This interview has been edited and condensed.**

---

*Trevor Cole is the author of five books, including the novel Practical Jean, which won the Stephen Leacock Medal for Humour.*



## BIG IDEA

## Why good governance is greener

Fresh eyes on corporate boards tend to see environmental risks and opportunities in a new light

Judging by the high-level metrics alone, Fortis Inc., the energy distribution giant, would appear to be a model of good corporate governance. Twelve of its 13 directors are independent. The chair isn't the CEO. There's a mandatory retirement age (72) and a term limit (12 years) to keep things fresh. Directors must be elected by a majority of votes cast—a proxy measure institutional investors like because it lets them replace directors they don't like. Lastly, Fortis is that unicorn of publicly traded companies—a firm where women make up more than half the board. On gender, in fact, Fortis has come a long way, especially for a utility. In 2013, there was only one female director.

As for the “E” in the company's environmental, social and governance (ESG) record, in recent years Fortis has scaled back its use of coal-fired generating plants, increased its renewable generating assets and cut its Scope 1 emissions by almost 30% (since 2018). Last year, ESG research and rank-

ing firm Morningstar Sustainalytics gave Fortis a rating of 28.8, indicating a medium level of risk among utilities. That score is comparable to several of its closest competitors. (For more about Sustainalytics and its Low-Carbon Transition Rating, see “On the road to net zero,” page 42.)

Such examples raise a question, which is not new: Does good governance deliver better environmental performance, not just because reducing a firm's carbon footprint is the right thing to do in a climate crisis, but because hard-headed risk management demands it?

A large-scale Canadian-American-Italian study, published last year in the *Journal of Accounting Research*, concluded that the answer is yes. The researchers analyzed 3,293 publicly traded firms in 41 countries and concluded that “board renewal mechanisms are associated with significantly higher future environmental performance.” In particular, the study found that companies whose boards appointed more women directors and use majority voting rules to respond to activist investors tended to be more proactive when it came to the environment.

The reason? Fresh eyes.

“Think of the BlackRocks of this world,” says Alexander Dyck, a co-author of the study and a professor of finance and economic analysis and policy at the University of Toronto's Rotman School of Management. “An indispensable item of their activism is to replace board members, because they don't think it's enough to create pressure on firms. They actually think they need to change the people in order to embed that new way of thinking on environmental performance.”

There's a vast library of academic research on how, or if, corporate governance affects the way senior executives respond to wider societal pressures to do things like drive down workplace accidents, eliminate the use of child labour in the supply chain or retire polluting plants. The results haven't always been conclusive and, in some cases, it's not so clear which way the arrow of causation is pointing. Does good governance make companies greener, or are environmentally responsible firms simply better governed?

Take, for example, a 2012 study published in *Strategic Management Journal* led by sustainability management scholar Judith Walls, then a professor at Concordia's John Molson School of Business. It found that Fortune 500 firms with poor



environmental performance tended to have higher-paid CEOs and large, monochromatic boards. Written a decade before peak ESG and BlackRock CEO Larry Fink's call for a "revolution in shareholder democracy" that could transform corporate governance, the paper zeroed in on the quicksilver question of whether boards were doing the bidding of investors or senior managers, and how to know which is the case.

With mounting concern over climate change, and an accumulation of quantifiable evidence that companies in climate-exposed sectors like property insurance are getting walloped, the more detailed results of recent research by Dyck and his colleagues strongly suggest that the era of doubt is, or should be, coming to a close.

Still, the recent boom-bust cycle of suspect ESG labelling on investment products, plus attacks by conservative politicians in the U.S. on "woke" companies, have muddied the waters. "I don't care what [Florida Governor] Ron DeSantis has to say about it," Dyck says. "Boards have a fiduciary obligation to pay attention to material risks. Eventually, carbon will be repriced. This is a material risk you've got to pay attention to. It's a lot easier and lower-cost to pay attention to it now than down the road."

Boards that bring on new directors—either on their own or in response to investor pressure—may also be more attuned to the opportunity side of environmental performance, such as finding emerging business lines that capitalize on macro trends like the energy transition. But to achieve that level of corporate self-awareness, boards need to inject not only new blood, but also directors with genuine climate *bone fides*.

"We need climate-competent boards," argues Sarah Keyes, CEO of ESG Global Advisors, who teaches sustainable finance for the Institute of Corporate Directors. Indeed, directors with environmental expertise are a rare breed: A 2023 global survey of almost 900 directors on ESG and governance by executive search firm Spencer Stuart noted that less than 1% of 110,000 corporate directors worldwide have any sustainability experience. "Board renewal provides an opportunity for the diversification of perspectives around the boardroom table that are arguably required in this new world as we go through a low-carbon transition," she says.

Obviously, board games and inves-



"Investing for the long term requires taking a long-term view of what will impact returns, including demographics, government policy, technological advancements, and the transition to a low-carbon economy. For years now, we have viewed climate risk as an investment risk. That's still the case."

—Larry Fink, CEO of BlackRock

tor activism aren't the only drivers of change. Firms must respond to regulatory changes and will also be considering how to take advantage of lucrative government programs, such as the Inflation Reduction Act, meant to stoke the green economy in the U.S. And unless executive compensation is tied to environmental performance, it won't be a priority for CEOs and CFOs.

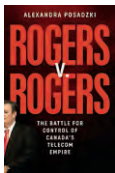
Governance and ESG experts also point to shifts in corporate disclosure. For years, environmental reporting was not only discretionary but also not standardized: Numerous coalitions—of large firms, accounting bodies or investor coalitions—came up with their own reporting protocols. But in January, they coalesced around two widely recognized international reporting standards that can be formally audited and therefore compared, just like audited financial statements.

Dyck and other experts predict this change will have a significant impact. "It's important that we have this standard set of tools, and then we can compare one company to the other on the same basis and on the same level," says lawyer Alison Babbitt, a partner and Canadian co-head of responsible business and sustainability at Norton Rose Fulbright Canada. "From a stakeholder and investor perspective, you're getting some certainty."

Norton Rose partner Heidi Reinhart, who also practises in this area, adds that large investors may choose to flex their institutional muscles in an entirely different way. "Not all of them are going to wage a proxy fight. But they will put their money into certain investments based on ESG criteria," she says. "If you're not paying attention to that, I think you will start to lose out on opportunities."

In the final analysis, investors, boards and senior executives—however their reporting relationships are configured—will only take action on firms' environmental track record if they can recognize a material risk approaching in the middle distance, and then figure out how to either minimize or take advantage of it. "Ultimately, it's about the bottom line and how you make the best return for your investors and stakeholders," says Babbitt. "Intrinsically, the risks associated with the 'E' and the 'S' actually have been proven to have that financial component."

/John Lorinc



## 7-WORD BOOK REVIEW

**Rogers v. Rogers: The battle for control of Canada's telecom empire** by Alexandra Posadzki

*Explosive family drama, blackouts, butt-dials, \$20-billion acquisition*

03/24

### WHAT YOU CAN LEARN FROM...

## Geddy Lee

If you're a music lover, chances are you fall into one of two categories: Either you hate Rush or you will love their prog-rock hearts till your last breath. There's no arguing with the band's success: After The Beatles and the Stones, the trio from Toronto has more consecutive gold and platinum records than any other rock band. At the end of last year, 70-year-old front man Geddy Lee (born Gershon Eliezer Weinrib) released his long-awaited memoir, *My Effin' Life*.

/Dawn Calleja

### 1 Play to your strengths

Until 1974, when drummer Neil Peart joined Rush, Lee and guitarist Alex Lifeson split songwriting duties. But they quickly realized Peart's fantastical and far-out words perfectly suited their sound, and they anointed him official lyricist. Lee was a bass master, and that screechtastic voice was one-of-a-kind. Lifeson was unparalleled on guitar. Both were smart enough to recognize that Peart's words held the key to their success, and for four decades, they gave him the space to do what he did best.

### 2 Don't compromise

In 1975, Rush released *Caress of Steel*, featuring sprawling concept songs that landed with a thud among fans, critics and the band's record label.

The label gave them another shot but demanded they generate some radio-worthy hits. Instead, Rush made *2112*, possibly the biggest nerd/concept album of all time (the title track ran 20 minutes, divided into seven sections, and took up the entire A side). *2112* was a critical and commercial hit, and it cemented the trio's popularity.

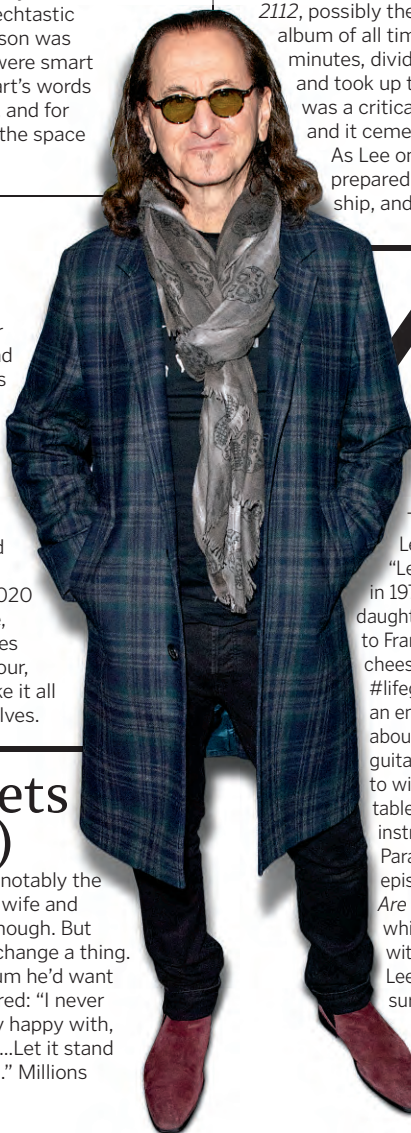
As Lee once said, "We were prepared to go down with the ship, and we almost did."

### 3 KEEP COOL

Ego can make or break a band, and the list of groups torn apart by backstage drama is very, very long. Not many can claim the longevity of Rush, which happily played together for just over 40 years, until tragedy-plagued Peart retired in 2015 to spend more time with his family. (He died in 2020 of brain cancer.) All that time, the trio considered themselves equal partners in the endeavour, and they worked hard to make it all about the music, not themselves.

### 5 No regrets (almost)

Sure, Lee has regrets—most notably the time he spent away from his wife and kids while on the road. Fair enough. But professionally, Lee wouldn't change a thing. When asked which Rush album he'd want to rerecord, he wisely answered: "I never finished a record I was totally happy with, but I think it's a fool's errand....Let it stand for what it was, warts and all." Millions of fans would agree.



### 4 Live your best life

The "personal life" entry on Lee's Wikipedia page begins: "Lee married Nancy Young in 1976. They have a son and a daughter. He takes annual trips to France, where he indulges in cheese and wine." If that's not #lifegoals, nothing is. Lee is also an enthusiastic collector of just about everything, from bass guitars to baseball memorabilia to wine. He wrote a coffee table book about his chosen instrument, and in late 2023, Paramount+ dropped four episodes of *Geddy Lee Asks: Are Bass Players Human Too?*, which features him nerding out with other four-stringers. Yes, Lee—the child of Holocaust survivors—has suffered plenty of loss. But he knows he'd be a fool not to embrace what joy he can and hold on tight.



### ASK AN EXPERT

"Two of my employees clearly don't get along. Should I intervene?"

Say there's palpable friction between accountant Jim and Susan in marketing. It's none of the boss's business—until it affects the work. "If the relationship is slowing progress, impeding the team's ability to work together, or if you're not hitting goals, then it's time to intervene," says workplace conflict expert Edward J. Beltran. Take each worker aside separately and start with something like: "Susan, I notice you and Jim aren't at the level of collaboration I expect. What's happening?" Focus on the work, not the personalities, as "often people have misplaced stress, and the relationship isn't the issue at all." If they're squabbling because roles aren't clear or the workload's too much, that's an easy fix. If they're squabbling because Susan thinks Jim's a slacker and Jim thinks Susan's a micromanager—that is, fundamental personality differences—there's work to be done. "The first thing I'd say is, 'Have you had this conversation?' Because they almost certainly have not, and you'll want to coach them through it." But Jim and Susan should focus on observable behaviours with the goal of bettering their relationship—because that's non-negotiable. "You don't have to like your coworkers," says Beltran, "but you do have to be respectful to them." /Rosemary Counter





Experts at Land and Sea

TICO 50015708

**CLARKSON TRAVEL**

**1.866.919.2111**

[www.clarksontravel.ca/globe](http://www.clarksontravel.ca/globe)



Walled city of Dubrovnik

**September 3 to 16, 2024**

# **Adriatic Adventure**

**From Ljubljana, Slovenia To Dubrovnik, Croatia**

**14-Day Tour with 7 Days Aboard a Chartered Yacht**

Travel along the Dalmatian Coast on a 14-day cruise tour on a private chartered yacht with up to 38-like-minded fellow travellers hosted by our agency owners, Joe and Zaneta Rochemont.



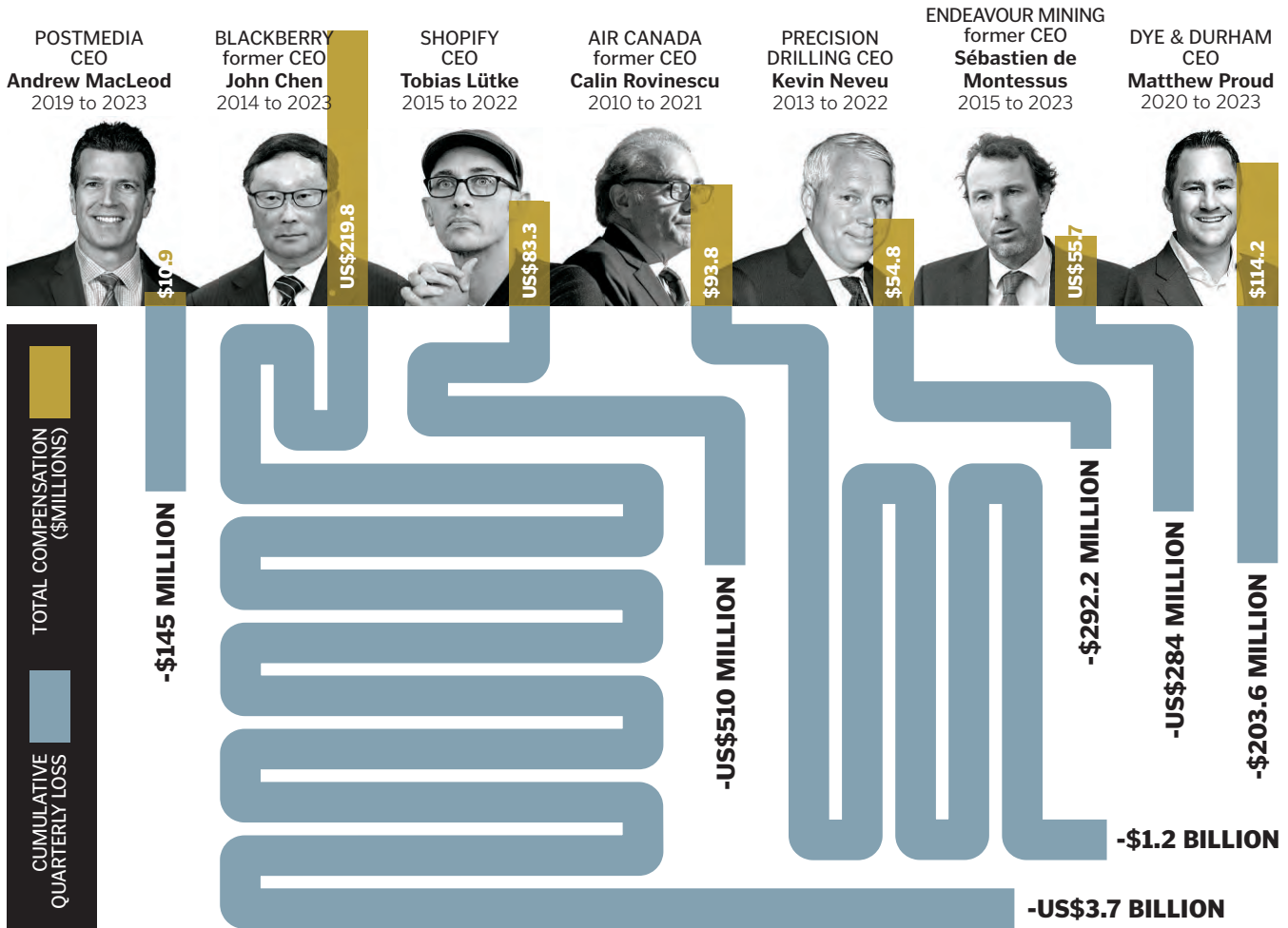


## Be careful what you wish for

When Bjørn Gulden took over as CEO of Adidas last year, he gave out his mobile number to all 60,000 employees, "to wake up the people who didn't understand we were losing." For a while, he was getting 200 calls a week



### CEO COMPENSATION VS. CUMULATIVE LOSSES



## DECODER

### UNDERACHIEVERS

**T**his past October, John Chen declared his 10-year turnaround of once-mighty BlackBerry a success and hastily retired four days later. The company's long-suffering investors were in less of a back-patting mood, with BlackBerry's share price down 25% from where it was when Chen took over back in 2013. Along the way, the struggling tech firm racked up loss after quarterly net loss, interspersed with only the occasional quarter where BlackBerry ended in the black. Despite the company's poor financial performance, Chen's total reported compensation over his time as CEO added up to nearly US\$220 million.

As the chart shows, Chen is hardly alone in out-earning the company he ran. This isn't a complete list of all the CEOs who out-earned their organizations, but a selection from across a number of industries. We looked at the cumulative quarterly net income—in other words, we added up all net

profits and losses—from when a CEO took the helm to either the last quarter covered by the company's compensation disclosure documents or the last quarter when the CEO held the post. And while it's true that one or two outsized quarterly losses can dent a company's profit picture in the short term, even when CEOs were on the job for years, the cumulative losses piled up.

A CEO's total compensation reported in a company's annual proxy filings with regulators isn't necessarily what was paid out in salary. It also includes bonuses, as well as equity rewards like stock options, restricted stock units and performance stock units that only vest if certain conditions are met. But total compensation does reflect the value a company's board places on its CEO and speaks to the perceived worth of a chief executive over time—including, perhaps, minimizing the losses in a less-than-profitable sector. **/Jason Kirby**

SOURCES: S&P CAPITAL IQ, STOCKWATCH AND COMPANY REPORTS; (MACLEOD) PETER J. THOMPSON/NATIONAL POST; (CHEN) CHRIS WATTIE/REUTERS; (LÜTKE) JUSTIN TANG/CP; (ROVINESCU) CHRIS YOUNG/CP; (NEVEU) JEFF MCINTOSH/CP; (MONTESUS) ISSOUF SANOGO/GETTY; (GULDEN) ROY ROCHLIN/GETTY



## FOMO INVESTING

5 things we learned from  
**JUSTIN KRIEGER**

Streaming is such a normal way of watching movies, bingeing series and listening to music that it's hard to believe it's only been around since 2007 or so. As businesses mature, they get more competitive. We asked Justin Krieger, senior analyst and director of technology, media and entertainment, and telecommunications at audit, tax and consulting firm RSM Canada, where the sector is headed. **/JD**

**1.** Consumers and investors often look at Netflix Inc. as a proxy for the sector, and its stock price peaked at US\$691.69 in 2021, then sank in 2022 as it lost subscribers, but has climbed again since then. "There currently is a very clear industry-wide emphasis on profitability," Krieger says. That includes boosting revenue by running ads and raising prices, curbing password sharing and containing content costs.

**2.** Subscriber levels remain important, but Krieger looks at other metrics, too. One is pricing. "If you abruptly increase pricing, it may lead to a loss of subscribers. It's vital to consider that trade-off," he says. Then there's content. Costs dropped in 2023, but largely due to Hollywood strikes. How much does content actually cost and will it retain long-term appeal?

**3.** Another sign of a mature business: no hot new players. "We haven't really seen any new incumbents in the space" for some time, Krieger says. In Canada, the most popular video streaming services are Amazon Prime, Netflix and Crave, and Spotify, Apple Music and SoundCloud for music. That raises challenges for investors: Many platforms are not stand-alone companies.

**4.** How come old-style ads have crept in? Krieger says they're better ads—for advertisers and for users. "It's a more targeted model allowing advertisers to more precisely seek out their customer," he says. Users benefit from fewer commercials per hour than traditional TV, ads that appeal to their tastes rather than random ones, or no ads at all if they pay extra.

**5.** If streamers are competing for the same customers, content libraries and content producers, how will any one platform get ahead? Krieger says two interesting areas are sports and entertainment rights, and the push beyond mobile gaming to cloud gaming. "What that's showing me is that these streaming channels are still thinking about the future," he says.



## FOR YOUR CONSIDERATION

**METHANEX CORP.**  
VANCOUVERREVENUE (2023) **\$3.7 BILLION**PROFIT **\$174 MILLION**THREE-YEAR SHARE PRICE GAIN **45%**P/E RATIO (TRAILING) **17**

Depending on your point of view, Methanex either falls through several cracks or fills a number of intriguing niches. It's not an Alberta oil patch play. It's not one of Canada's largest companies—it has just 1,500 employees. But it's something rarer: a true global leader, the world's No. 1 producer and supplier of methanol.

"We're this company with a big global reach, but we're small, which makes us agile in our decision making," says CEO Rich Sumner, 49, who's been with Methanex for 20 years and assumed the top job in January 2023. And he says the company's new Geismar 3 processing plant in Louisiana, which is coming onstream

this year, will be a game changer in an industry poised for the energy transition and strong demand growth. "I think there's lots of opportunities there."

First, though, a bit about what methanol is. It's basically a specialty chemical, derived from natural gas, that goes into products such as clothing, carpets, phone screens, paints and acrylics. It's also

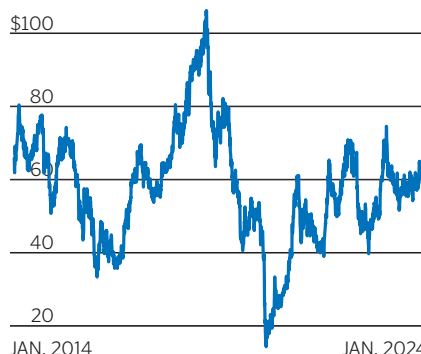
a promising marine fuel. About a decade ago, Methanex and Germany's Man Energy developed a dual-fuel engine for ships (methanol and diesel). Methanex runs 19 of its own 30 tankers on methanol, Danish logistics giant Maersk ordered a dozen new dual-fuel container ships in 2022, and Disney has ordered a dual-fuel cruise ship.

Methanex is now operating 10 plants in Canada, the United States, Egypt, Trinidad and Tobago, New Zealand and Chile. Its largest markets are China, Europe, the U.S. and South Korea. Natural gas costs are the biggest factor in deciding where to build new plants, and Sumner says that for the past decade, Methanex has been "capitalizing on the shale gas revolution in North America."

True, there were fits and starts in constructing G3. Methanex halted the project in 2020, then restarted it in mid-2021, having procured long-lead items before inflationary pressures took hold. "That helped us," Sumner says. He's also proud that it will have one of the lowest carbon emissions profiles in the industry.

Methanex's revenues and profits have been mostly solid over the past decade, yet its share price is lower than it was. But two factors that loom large for investors are prices for methanol and natural gas, and despite occasional surges, both are also lower.

Looking at the potential of G3 and the methanol market, however, Sumner sees "a pretty big gap in terms of the intrinsic value of the company versus where we're trading today." Besides, he says, "I'm the CEO, so I'm naturally inclined to say that we're undervalued." **/John Daly**

**METHANEX CORP.**  
10-YEAR SHARE PRICE ON TSX







## SMART MONEY

## ROBERT COHEN

VICE-PRESIDENT AND PORTFOLIO MANAGER  
SCOTIA GLOBAL ASSET MANAGEMENT

As a teenager, Robert Cohen's bonding time with his dad often took place at a Vancouver Island gold mine. Tagging along with the elder mine engineer and geologist, he'd go underground, shovelling blasted rock into rail carts and even running a bulldozer. Over time, he got hooked. After studying to become a mining and mineral processing engineer, he worked for copper producers before joining the investment industry in 1998. Cohen now runs several funds, including the \$485-million Dynamic Precious Metals Fund, whose F series has outpaced the S&P/TSX Global Gold Total Return Index since its inception in 2007. He also runs Dynamic Strategic Gold Class, which invests in bullion and stocks. We asked the 55-year-old manager how his fund has beaten the index and why he likes K92 Mining.

**What is your strategy to outperform?**

We are not index huggers. The gold index tracks producers and royalty companies, but we invest in senior and mid-cap producers, as well as exploration and development companies. We don't see explorers as risky. We have the technical side covered with my background, as well as that of my co-manager, Nawojka Wachowiak, who is a geologist. We are usually the largest and first institutional manager in exploration plays, and have had about 80 takeovers in the fund. We do in-house research and usually own about 25 companies. Australian-listed companies make up over 30% of the assets.

**What is your outlook for the gold price?**

With the U.S. Federal Reserve signalling three possible rate cuts this year, that is positive for gold, especially if inflation doesn't go away. I believe that gold is headed higher over time. If you look back 10 years, gold was about US\$1,200 an ounce, but has since climbed to the US\$2,000 range. Loose monetary and fiscal policy around the world will push gold higher, and a major financial crisis or geopolitical event could cause it to move up even faster. But whether gold is up or down, we can still make money by picking good stocks.

**Gold is seen as a hedge against inflation, but the**

**commodity price barely budged in recent years. Why?** During the COVID-19 pandemic, governments globally were printing money to pay people who were in lockdowns. When western governments expanded their money supply, the gold price moved up immediately. Gold doesn't wait for the price of eggs at the store to rise.

**Is there a major gold miner that you like?**

I prefer to own a basket of three smaller senior producers. One is Kinross Gold, whose Great Bear Resources acquisition I think will prove to be the next Hemlo. Great Bear's Ontario gold mine is one of the biggest in Canadian history. Another is Alamos Gold. It operates the Mulatos mine in Mexico and has embarked on a major expansion at its Island Gold mine in Ontario. The third is Agnico Eagle Mines, which has made smart acquisitions in Quebec and northern Ontario.

**Royalty and streaming companies provide miners with cash up front in exchange for a percentage of the metal produced. Do you like them?**

We don't tend to own them because they are typically expensive and trade at premiums compared with miners. People like royalty plays because they think they don't represent operational risk, but they can run into problems. One of Franco-Nevada's royalties is on the Cobra Panama copper mine in Panama. When its owner, First Quantum Minerals, was ordered to shut down its mine recently by a court ruling, Franco-Nevada's stock tumbled.

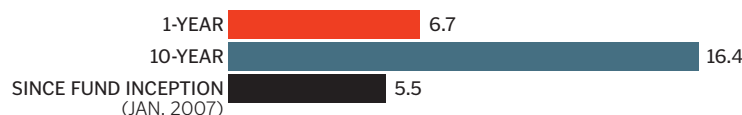
**K92 Mining is a bit under the radar. Why do you like it?**

K92 operates the low-cost, high-grade Kainantu gold mine in Papua New Guinea and has been ramping up production in phases. Its total resources measured in gold-equivalent ounces (since it has copper, too) are 7.1 million and growing. It faced labour challenges during the pandemic and had problems getting equipment. We believe that has been ironed out, and it will meet its targets in 2024. K92 has two more phases to ramp up, and it will eventually produce well over 400,000 ounces of gold a year. That would put it in the top tier of producers globally by about 2026.

/Shirley Won

**DYNAMIC PRECIOUS METALS FUND (SERIES F)**

ANNUALIZED % TOTAL RETURN\*

**S&P/TSX GLOBAL GOLD TOTAL RETURN INDEX**

\* RETURNS TO DEC. 31, 2023. SOURCE: MORNINGSTAR DIRECT



# RE- INVENTING THE TIRE

CANADA'S ICONIC WE-SELL-EVERYTHING RETAILER

IS LAUNCHING THOUSANDS OF NEW PRODUCTS

AS IT FIGHTS FOR CUSTOMERS IN A FLAGGING ECONOMY.

WE GO INSIDE THE LAB WHERE IT ALL HAPPENS

BY SUSAN KRASHINSKY ROBERTSON

PHOTOGRAPHS BY JON LAYTNER





A trio of product developers work on the electrical interface for a new recumbent bicycle developed for individuals with cognitive or physical disabilities



# THE RACCOONS REFUSED TO COOPERATE

This, in Toronto, is not unheard of. For anyone who thinks humans run the city, these fuzzy miscreants have a retort—in the form of a colonized balcony, a bellicose swagger through a backyard party, nocturnal shrieks from a nearby treetop, or the stinking wreckage of a looted garbage bin. But for raccoons to refuse to eat trash? That was a new one.

And it was particularly frustrating for Brennan Chiu, a product development designer at Canadian Tire Corp. His mission was to test a design he'd been working on for months, one of thousands of new and revamped products the company is launching as part of a strategy to increase sales of its higher-margin private brands. The contraption was designed to raccoon-proof garbage and compost bins, with a handle that screws into the bin's lid and pulls synthetic rubber straps taut to keep it closed.

Chiu and his team believed this device would be easier to use and more effective than competing products already on the market. They'd done the customer research, built multiple prototypes and figured out the pricing—\$29.99. Now, they needed to test it in the field.

Chiu had even sweetened the deal, placing open tins of sardines inside a bin, smearing the rim with peanut butter and poking holes in the plastic sides to let the aroma through. But when he left the bait in his (very tolerant) parents' backyard, with a motion-activated camera trained on it...crickets. Next, he tried a friend's place, adjacent to a ravine—a *ravine!*—and still, nothing. He even talked to some rescue centres to see if they'd be willing to test it out with resident raccoons. No dice. The next step would be to distribute samples to co-workers, friends and family members for feedback. And if one of those testers had an existing raccoon problem—since the pesky critters tend to return to sites where they've had luck before—all the better.

After all, Canadian Tire's mantra is "Tested for life in Canada"—and an unmolested trash bin certainly doesn't reflect that reality. Would the mint additive in the straps deter varmints from chewing through them? Would the durometer strength be sufficient to prevent little paws from flipping the handle and loosening the mechanism? There was only one way to know for sure. But with the clock ticking toward launch day, "unfortunately, we didn't get much interest," Chiu says incredulously.

The possibly-raccoon-proof bin accessory is just one of many items the company has been testing at its product development labs in Toronto and Calgary before shipping them to Canadian Tire stores and those of its other banners, including SportChek and Mark's. The push is part of a sweeping four-year strategy launched in 2022, to improve

operations and increase sales. The plan, dubbed "Better Connected," was designed to bring the century-old retailer into the future, with investments in e-commerce, digital technology in stores, added warehouse capacity and automation, and expansion of the Triangle loyalty program. And it's all happening as Canadian Tire, like many retailers, fights for scarce consumer dollars against major players who are competing fiercely on price and convenience.

Private-label products are a major part of the plan, too. When Better Connected was first announced, after two years of pandemic-fuelled buying that boosted sales of home-improvement and recreation products, the goal was to launch 12,000 stock-keeping units, or SKUs, by the end of 2025. (In total, the chain sells nearly 200,000 products already.) Some of these would be brand-new items, like the raccoon guard, while others would be refreshes of existing items to keep the assortment relevant. Canadian Tire set a target for its owned brands—a business with \$5.7 billion in sales in 2022, including Noma lighting, Mastercraft tools, Canvas decor, Paderno kitchenware and more—to account for 43% of sales by the end of next year, up from 38% in 2022.

Uncooperative trash bandits haven't been the only complication. Canadian Tire has been forced to revise its ambitious plan, slowing down investments and cutting more than 200 corporate jobs, as the economy sputters and consumers pull back on non-essential spending in the face of rampant inflation. Those revisions include slowing the pace of product launches. With existing merchandise not selling at the expected rate, the company has to manage its current inventory first before stocking the shelves with new stuff.

Still, in the long term, these hurdles don't change Canadian Tire's goal for its owned brands to gradually take over a bigger share of every shopping cart. "A bit of that you can do through driving more sales of what you have," says Bobby Singh-Randhawa, Canadian Tire's senior vice-president of consumer brands. "And some of it is going to be, we're going to continually add product where it makes sense."

Being able to do that has required a major change in how one of Canada's biggest retailers approaches its products—not to mention building far more robust design and development teams, a process that began more than seven years ago.

"Canadian Tire didn't have—and I would say most retailers don't have—a true design and development function," says Anthony Wolf, vice-president of product development and innovation, standing in the consumer brands department at the company's Toronto headquarters. "This whole capability has been years in the making."



Clockwise from top left: A prototype of what's meant to be an anti-raccoon device for waste bins; testing the new Vida by Paderno toaster; items in the in-house FWD apparel line; and a new stackable pot set under the Paderno label







# WITH SO MANY PRODUCTS IN THE HOPPER,

Canadian Tire's Toronto offices are cluttered with items at every phase of development. There's a slew of products they're responsible for: The company's owned brands sell everything from air fryers to antifreeze, Christmas lights, cornhole games, dinnerware, dehumidifiers, jumper cables and jujubes, to mention just a sliver of the inventory. On one afternoon, in a dedicated 3-D printing room, a humming machine was churning out a black plastic prototype of a toolbox organizer, while across the hall, an array of can openers was spread out on a table for the kitchen team to compare rival products to their own designs. (A bottle-opener attachment, which might seem like a "nonsense add-on," Wolf says, proved surprisingly important in customer research.) The department is a warren of cubicle dividers separating the various category teams: In one area, designers milled around a whiteboard covered in Post-it notes under the headline "Project Nitty Gritty," brainstorming gaps in the market for sandpaper. Down the hall, a bucket sat on a table, a piece of tarp draped loosely over the opening and clamped to the rim. The tarp held a shallow pool of water, a test of the water-proof repair tape covering a rip in the material. The product passed—the water didn't leak into the bucket, and the tape will be sold this summer under the Certified brand.

The department also has a separate room—specially ventilated and soundproofed to spare colleagues the cooking smells and noise—where it tests products like kitchen appliances, tools and electrical components. Inside, a counter was littered with toast—18 pieces, to be exact, lined up in gradations of colour from a barely sun-kissed ecru, through shades of toasty gold and charred russet—the result of trials on a toaster in the Paderno line, a brand Canadian Tire bought the rights to in 2017. The toaster launched a couple of years ago, but recent changes to its heating element meant it was back to the test lab in Toronto to make breakfast for no one. "We just want to validate that we're getting the results we need," says Wolf.

The retest was relatively straightforward, especially compared to when the toaster was first being manufactured. Testing the product back then meant hauling some unusual luggage to the factories in China. "We were carrying suitcases full of North American bread," Wolf recalled, "to make sure we got the right results. Bread in those regions isn't the same—not the same moisture, the bread size is different." So naturally, the baked goods racked up some serious air miles. Canadian Tire employees took more than 30 loaves of white Wonder Bread over the course of five trips to China, and retested with dozens more loaves in Canada to check that their results were consistent.

This toaster is more than just a small appliance, though: It's a window into how Canadian Tire's product strategy has shifted over the past decade.

First, it's an example of a brand the company didn't even own just a handful of years ago: Canadian Tire's acquisition of Paderno was one of several investments the retailer

has made to build out its portfolio. It acquired the Woods camping-gear brand in 2014; both the Helly Hansen outdoor apparel line and Sher-Wood Athletics Group's hockey trademarks in 2018; the Canadian rights to Muskol insect repellents in 2019; and the exclusive rights to Canadian production and distribution for bike brands such as Raleigh and Diamondback, also in 2019.

Second, at \$125 a pop, this toaster is an illustration of Canadian Tire's efforts to improve the quality of its own products and to push into a wider range of price points.

The retailer's owned brands cover more than 200 categories across its store banners, and they vary in price and quality. Executives refer to the three tiers of their products as "good," "better" and "best"—marketing speak for discount, mid-priced and somewhat spendy. "We were traditionally playing at the 'good' level architecture," says Canadian Tire CEO Greg Hicks.

In the past, that meant "quality wasn't necessarily our strength," chief brand and customer officer Susan O'Brien said during an appearance at a Scotiabank conference this past September, recalling the state of the product lines when she joined Canadian Tire in 2008. Since then, the chain's buyers have been challenged to bring in better products. And particularly in the past few years, the private-label brands have been looking at ways to improve.

"Do you really want to sell a \$10 toaster with a really high product-defect rate?" says Hicks. "Or do you want to adjust that low-level architecture—work on the features and the benefits and the technical specifications that drive more quality into the 'good' level?" (Master Chef, the company's "good" brand, prices its toasters at roughly \$35 and up.)

Motomaster, Canadian Tire's oldest brand, with more than 1,400 products, has also undergone a full relaunch. Some categories were added, others discontinued, and quality standards were improved.

The other side of that strategy is what's referred to internally as a "push to premium," launching products on the higher end of its assortment where big brands—which Canadian Tire also sells—have traditionally dominated.

In the Toronto office, Wolf points to samples of products launching this year under the Vida by Paderno line. Electric kettles and toasters will come in Pantone shades of Vanilla Bean, Matcha and Blue Fin, with matte finishes. The line is designed for customers looking for a more stylish, "Instagram-worthy" aesthetic, he says.

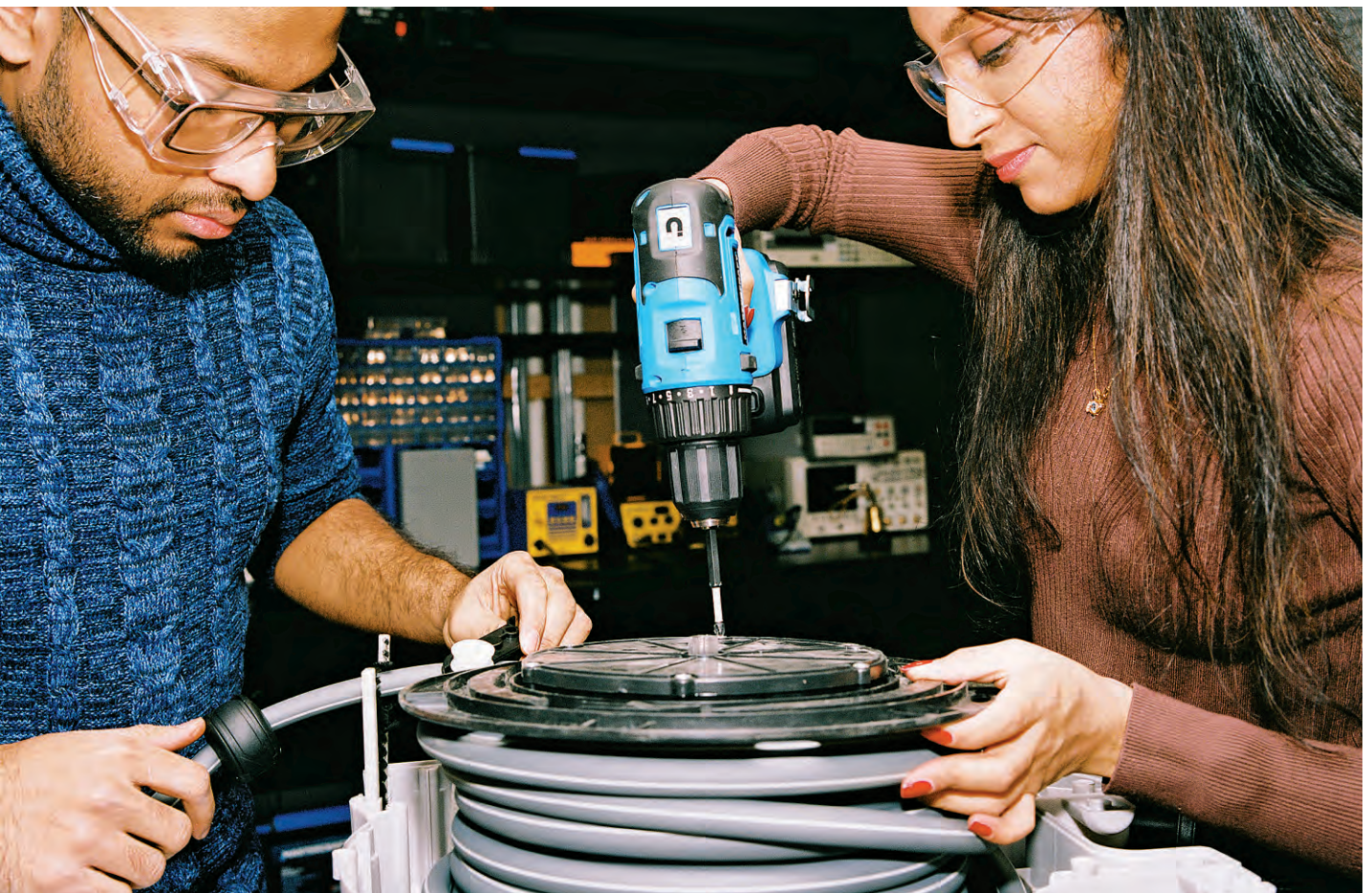
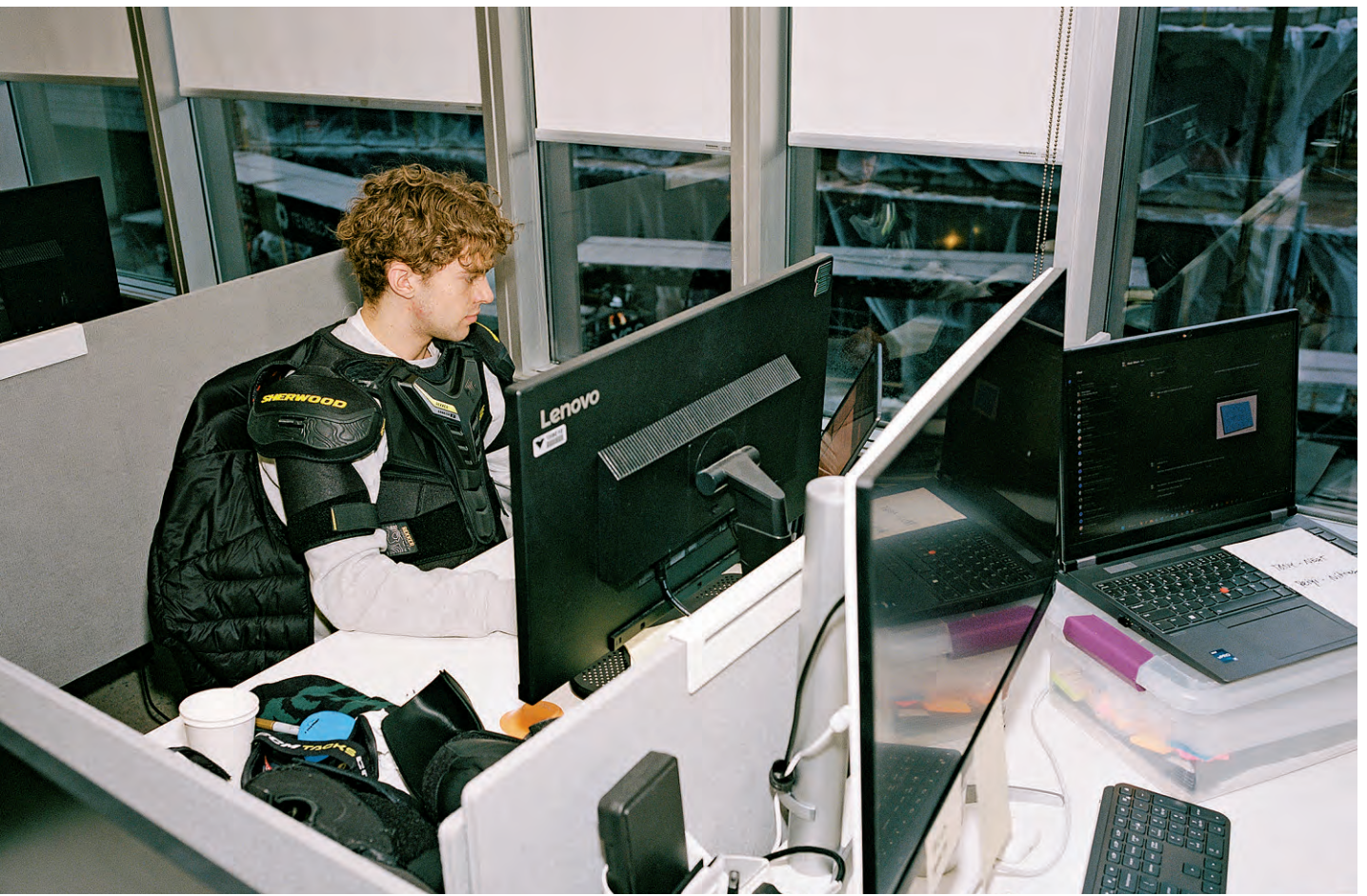
At a time when consumers have been feeling the sting of inflation and higher interest rates, which have squeezed household budgets, the idea of selling more premium products might seem out of touch. But Hicks believes having items at a range of prices serves the retailer well. "We certainly still lean heavily into our high-low model," he says. "So there is opportunity for Canadians to save money."

Improving the quality of Canadian Tire's own products has also had an effect on the kind of big brands that consider selling their products there. Hicks says he couldn't imagine



Top: An industrial designer in the hockey division chills in some Sherwood gear.  
Bottom: Engineers work in the product development lab's electrical testing room







that five years ago, a brand like retro-chic kitchen appliance maker Smeg would have considered Canadian Tire as a sales channel for items such as a \$350 drip coffee maker or a \$250 kettle. “But that evolution of the product quality—and that range, and our positioning and the strength of our owned brands, and the market-share appreciation that has come with that type of assortment strategy—has led national brands to really think differently about Canadian Tire.”

## IF THEY THINK ABOUT STORE BRANDS AT ALL,

many shoppers probably associate them with the off-brand products on grocery shelves—the box of generic Os next to the Cheerios or the not-quite-Coca-Cola.

Such generic products are good for retailers in a couple of ways: They can attract customers to your store looking for a deal, for one. And even at a lower price, these store-brand items often yield a bigger profit margin. That’s because there’s no big-brand supplier to take a cut of each sale—the retailer controls the manufacturing. And a private brand doesn’t have to spend as much on advertising: The shelf is the billboard. In a recent survey by McKinsey & Co., procurement leaders reported plans to increase private-label purchase volume over the next one to three years by 21%. Private-label products can yield as much as double the gross profit margin of national brands, according to McKinsey.

“The fundamental rationale behind the strategy was margin accretion. We were trying to build a bigger margin profile than the national brands,” Hicks says of Canadian Tire’s primary focus in its owned-brand business in the past. It’s still part of the picture, but in recent years, he adds, the approach has become “much more sophisticated.”

Part of that is due to the work the team has done on quality, but also, as Canadian Tire has made acquisitions, the line between private-label and name-brand products has blurred. And the company has been expanding on the brands it has bought. Helly Hansen is launching products in new categories such as footwear, as it aims to triple its business in Canada and expand its market share internationally. Paderno, which was a relatively narrow cookware line when the company acquired it, has branched out into myriad gadgets and small appliances. Across the Canadian Tire chain, the line is doing roughly 20 times the sales it had pre-acquisition, Singh-Randhawa says. Sherwood Hockey has also been working to modernize its products. Last August, the brand got a major boost, signing an exclusive deal with star player Connor Bedard; the Chicago Blackhawks centre and No. 1 pick in last year’s NHL draft now plays exclusively with Sherwood’s sticks and gloves. And in the Toronto offices, a mannequin is decked out in the newest line of Sherwood protective gear designed specifically for women’s bodies, an effort led by a female product development manager, Nicole Wiart, and brand manager Charmaine To. Part of the testing has involved gathering feedback from high-level female players on products such as shoulder pads and hockey pants.

None of this means that big-name brands are going anywhere—they still make up the majority of Canadian Tire’s sales. But those categories are competitive. Shoppers can get that Dyson vacuum, Coleman tent, Cuisinart kettle or DeWalt drill elsewhere. They don’t have to go to SportChek

for a North Face jacket or to Mark’s for a Sorel boot. But if customers like a store brand that they can only find in one place, it provides some competitive insulation.

“It has to do with customer loyalty and driving traffic to the store,” says Kyle Murray, a retail consultant and marketing professor at the University of Alberta. Canadian Tire may be a large Canadian retailer, but it’s still dwarfed by the likes of Amazon and Walmart, rivals that compete fiercely on price and marketing. “Retailers would prefer not to be in a race to the bottom on margin. If Amazon can’t sell your tent, you can’t get price-shopped to death in the same way,” he says.

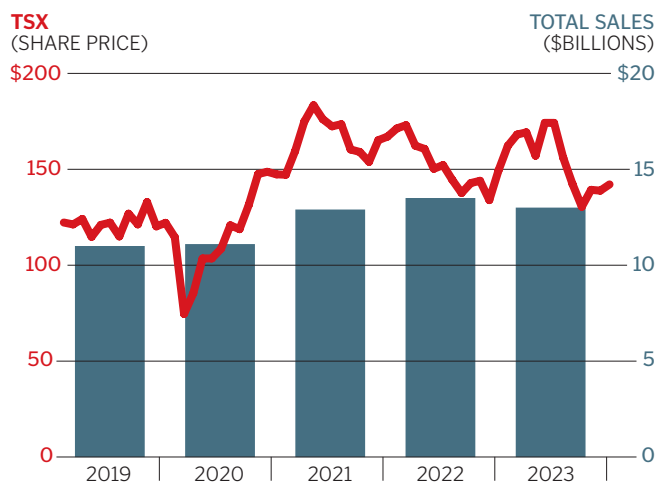
SportChek was one banner in need of more products exclusive to its stores. “They were very national brand-dominated,” Wolf says. The company launched its first activewear line, FWD (or Forward With Design), in 2019, starting with bags and accessories, and expanded into apparel in 2022. The products, which now span 800 SKUs, are designed to appeal to athleisure shoppers, often at a 15% to 30% discount compared to brands like Under Armour (which the stores also sell) or Lululemon and Athleta (which they don’t).

Moisture-wicking “commuter pants” with zippered pockets have performed well for FWD. A high-support bra required two years of development, multiple sample trials with prospective customers and “countless design iterations” before launch, says Sharon Kumar, Canadian Tire’s associate vice-president of lifestyle, beauty and wellness. Women’s active swimwear will launch this year, starting in Quebec-based Sports Experts stores. FWD is now one of the company’s biggest owned brands and is among the top 10 apparel lines by revenue at SportChek.

Eventually, Wolf would like to see FWD become a kind of name brand itself, selling in other countries through stores the company doesn’t own. Very few of Canadian Tire’s brands do this. Helly Hansen, which was already a global brand when the company bought it, is one. Others, such as Mastercraft, Paderno and Motomaster, have limited sales in the U.S., mostly as a placeholder to maintain their trademarks in that market. Theoretically, if FWD were to take that leap, the company could make use of Helly Hansen’s distribution network, which has global connections to similar customers.

“I’m very bullish, because I really do believe there’s more to unlock,” Wolf says, though he admits the move would be a big change. “You’ve got a whole infrastructure for dealers and merchants, and now...you’re the vendor on the outside.”

STILL RIDING THE PANDEMIC WAVE







There was just one final test it had to pass, one more group of tough customers to plan for. “They’re quite crafty,” Chiu says. “And they have opposable thumbs.”



Having control over manufacturing is a benefit for many private-label brands, but it can also expose retailers to commodity-price fluctuations—a challenge in recent years when supply chains were volatile. That's a factor in the prices stores can offer to inflation-weary shoppers. From 2019 to 2021, during the height of complications related to COVID-19, the price of cold-rolled steel—used in everything from metal toolboxes to trampoline frames, car jacks to basketball nets—rose 47%. As a result, quotes from vendors who make





We are driven by  
a culture of curiosity  
and learning.





# NO WHERE RE TO HIDE

PHOTOGRAPHS  
BY DINA  
GOLDSTEIN

BY SIMON LEWSEN

If you place a bet at an online casino outside your jurisdiction, you're breaking the law by virtue of your location—a huge problem for the multibillion-dollar industry. **GeoComply** found a way to stop it, and it has plenty of other applications, too

# W

hen Anna Sainsbury and David Briggs first started dating in 2009, they bonded over a shared—if nerdy—fascination for consumer protection. They’d met in the gaming industry, where both of them worked as consultants: her for governments around the world, him for private enterprises in place like Vietnam and Macau.

Over dinner, they’d get into debates over the pros and cons of external regulation. Briggs, who’d previously worked for the British gaming giant Ladbrokes, believed that companies could be relied upon to police themselves: They knew their business, and they had a vested interest in safeguarding customer data, since a breach could tank their reputation. Sainsbury thought Briggs was being naïve. “There are all sorts of shady companies out there,” she’d say. “Somebody external needs to set the bar somewhere.”

Soon, the arguments over regulation turned into discussions of a possible business opportunity. The United States was about to legalize online gaming, a move that would bring it in line with France, Italy and the United Kingdom. At the time, Nevada, which had an exemption to federal gambling laws, was the only U.S. state to offer such services, albeit in the most limited way imaginable: You could place bets on a tablet owned by a casino, so long as you were inside the building itself. “The U.S. was leading the digital revolution across everything, from watching movies to buying stuff online,” says Briggs. “But when it came to gambling, it was like the internet didn’t exist.”

That situation was finally about to change. Unlike its European counterparts, though, the U.S. was going to enforce regulations stringently. In Europe, it was technically illegal to place an online

bet outside of your country, but standards were lax. If you had a French IP address, you were assumed to be in France. And if you were really in Belgium using a VPN to obscure—or “spoof”—your location? Well, nobody was looking too closely.

The U.S. wasn’t going to make things so easy. State sovereignty would be sacrosanct, and online casinos would be expected to uphold the rules. If people placed out-of-state bets on a given platform, the platform operators—and the companies that processed the payments—would be held responsible. The CEOs could even wind up in jail.

But could casino operators really police such things? How could they ascertain an online user’s location with any kind of certainty? Sainsbury and Briggs reasoned that whoever answered those questions stood to make a lot of money. The couple married in 2010. Two years later, in Las Vegas, they founded GeoComply. Its business: helping companies uphold the law by locating internet users, not just in cyberspace but in physical space, too.

Today, GeoComply is headquartered in Vancouver, Sainsbury’s home city, where she and Briggs are raising their two kids. Sainsbury is CEO, and Briggs is director of special projects. He explains his role like this: “If Anna has a problem and she wants me on it, then I make myself available.” Right now he’s involved in searching for acquisitions, getting ready for a potential IPO and building out new verticals, among other things.

Growth has been brisk. GeoComply has ballooned to more than 550 employees in 10 cities. It has attracted hundreds of clients, including gaming giants like DraftKings, Caesars and BetMGM. Its investors include Blackstone, Atairos, Norwest Venture Partners and Arctos Partners, a private equity firm specializing in professional sports.

Compliance, it seems, isn’t just an industry for pointy-heads and squares; it’s a good place for growth-minded entrepreneurs. GeoComply is currently valued in the low billions, but that number could easily grow. The U.S. gaming industry alone represents a total accessible market of US\$20 billion a year. And GeoComply is now moving into content streaming, crypto and fintech—industries with a combined market of US\$80 billion. All of this is a big deal. But the company’s most significant achievement is changing how the internet works, for better or for worse.





When you place a bet at an online casino that isn't licensed in your jurisdiction, you're breaking the law by virtue of your location. Any U.S. casino operator that fails to stop you is breaking the law by virtue of its negligence.

GeoComply's early clients were the major gaming companies in New Jersey, the first U.S. jurisdiction, after Nevada, to permit online gambling. Sainsbury and Briggs reasoned that, to provide a worthwhile service in the Garden State—a region where the four biggest cities are all practically within walking distance of the New York border—they'd have to offer extraordinary levels of location accuracy. "We immediately started thinking about the different waterfalls of data we'd need just to do our job," says Sainsbury.

They had to be ready to go from day one. When the first online gambler logged on to a New Jersey gaming site to place a bet, that individual would be subject to GeoComply's digital verification process. The company would analyze the many signals the user's device gave off. IP addresses were only the starting point. GeoComply's technology also relies on GPS; cell-tower triangulation, a system that estimates a



In certain respects, the problem of crime is a problem of jurisdiction. Criminals are often mobile; crime fighters are often bounded to specific geographic locales. In the days of the Old West, bandits would abscond to Mexico or the wilds of Oklahoma, where U.S. law enforcement rarely ventured. The creation of the Interstate and Trans-Canada highway systems led to a new era of itinerant, fast-moving criminals, including the infamous "freeway killers" who haunted the motorways of Texas, Southern California and British Columbia. Criminologists have found that even prosaic offences like burglary tended to rise in tandem with the expansion of the highways. The possibility of a speedy getaway to a far-off locale makes crime an enticing prospect.

The advent of the internet further complicated matters. Suddenly, it became possible for criminals to put vast amounts of distance between themselves and their victims: Think of scam artists in New Delhi, Lagos or Laukkai who pursue marks on the other side of the world. Sometimes on the internet, the geography itself is the crime.

person's whereabouts based on their proximity to cellular towers; and WiFi positioning, whereby a user's available WiFi networks are checked against both private and public location databases. GeoComply can even source data on barometric pressure or altitude in the user's surrounding environment. (Yes, your phone picks up on that stuff, too.)

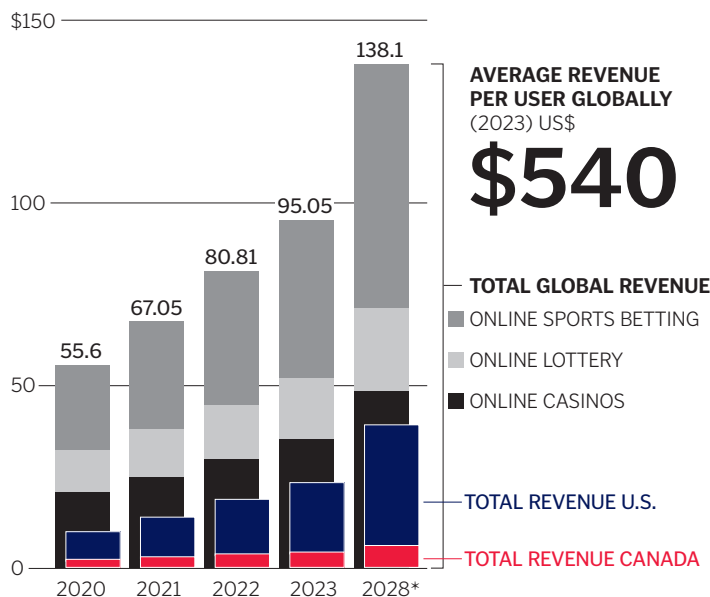
Hundreds of data points are cross-correlated to ensure a coherent picture. If the picture is incoherent—if your IP address and GPS signal put you in Delaware, a low-altitude state, but you're at 6,000 feet above sea level—then you're going to be blocked from placing a bet. In many cases, GeoComply can even spot evidence of location-spoofing software on your device. If you live in Pennsylvania but plan on placing a bet remotely via a friend's laptop in New Jersey, GeoComply can identify the program that gives you access to your buddy's computer.

New Jersey's online gaming enterprise was slated to go live at 6 p.m. on Nov. 21, 2013, at which point operators across the state would be deluged with bets. The pressure on GeoComply was intense. Briggs, Sainsbury and a group of developers holed up in a rented house near Atlantic City, where they worked 18-hour days. At one point, Briggs accidentally set fire to a barbecue outside the building, but the developers were so focused on their laptops that they didn't notice the blaze outside.

GeoComply had been awarded the New Jersey contracts not because it was a legacy business—it certainly wasn't that—but rather because it was the only game in town. "Technology like ours didn't really exist," says senior vice-president of compliance Lindsay Slader. "People thought, *Either we hire a startup, or we've*

## ONLINE GAMBLING REVENUE (US\$ BILLIONS)

\*PROJECTION



got nothing.” Everybody at GeoComply knew that if their servers crashed, New Jersey would grind to a halt mere seconds after starting up, in which case the company was probably toast. “The first minutes of the launch, we were still holding our breaths, wondering, *Is this going to work? Are we going to pull this off?*” Slader recalled in an online video commemorating the 10-year anniversary of the event.

Ultimately, the rollout went off without a hitch. New Jersey launched a new industry that, over the next decade, generated US\$1 billion in tax revenue. In an instant, GeoComply went from scrappy startup to trusted brand.



Following the New Jersey launch, people in the gaming industry predicted that many other U.S. states would soon have launches of their own. But the pace of change remained sluggish. Land-based casinos, wary of online competition, lobbied state regulators to slow-walk reform. GeoComply picked up contracts in Nevada and Delaware—by 2014, they were turning a profit by charging a fee for each location check—but then movement stalled, and the company started seeking clients in other industries.

Even when she was still in Las Vegas, Sainsbury was in regular contact with her Vancouver friends and colleagues, who often remarked during trips to the U.S. that Netflix was so much better there than it was back home. Sainsbury learned that it was commonplace for Canadians to use VPNs to access content from outside their country. Another business opportunity had presented itself. Soon, GeoComply was providing location-verification services for major streamers, including BBC iPlayer and Amazon Prime.

Then, in 2018, the U.S. Supreme Court ruled that the Professional and Amateur Sports Protection Act—a law that effectively prohibited sports betting across most of the country—was in violation of states’ rights and therefore unconstitutional. Sports betting had already become a multibillion-dollar industry thanks to the runaway success of Fantasy Sports, a skills-based game that existed in a legal grey area. As the 2010s drew to a close, consumer demand coupled with the end of legal prohibition brought a flurry of regulatory reform. Now 29 U.S. states—as well as

seven Canadian provinces—allow online sports betting, and GeoComply has clients in almost all of them. Super Bowl Sunday in February has become the company’s biggest day of the year: Its technology validates the overwhelming majority of online Super Bowl bets.

Chad Hutchinson, a partner at the private equity firm Arctos, explains that he and his colleagues wanted to invest in GeoComply because of its impact on professional sports. As a minority owner in more than 20 teams—including the Houston Astros, the Chicago Cubs and the Golden State Warriors—Arctos supports initiatives that drive fan engagement. GeoComply’s work may seem peripheral to the business of swinging at fastballs or kicking for field goals, but the opposite is true. Compliance enables legal betting; betting leads to greater interest in sports; interest drives profitability. “We want to drive additional revenue for our teams,” says Hutchinson, “and by allowing teams to comply with the rules around sports betting, that’s exactly what GeoComply is doing.”

The sports-betting bonanza has catapulted GeoComply to unicorn status. It’s now leveraging its clout to move into other domains, including the crypto industry, whose leaders, in the wake of recent criminal trials and SEC investigations, may finally decide it’s time to grow up. “If crypto wants to clean up its act and prove that it’s compliant, it has to have money-laundering-prevention tools,” says Briggs. “The geolocation piece is important. If you’re a crypto exchange, how do you know someone’s not coming in and buying coins from Iran or North Korea?”

The firm is interested in banking and fintech, too. Briggs notes that Apple’s new iOS operating system includes stolen-device protection, a feature that prohibits people (likely thieves) from making changes to your phone if they’re situated outside a trusted location, like your workplace or home. Surely banks should have something similar. “GeoComply’s hypothesis is that, in the future, location will be the most trustworthy biometric,” says Briggs. “When you log into your banking account or use e-transfers, the bank should be getting proper location data—not just IP addresses—and using it to see that you are who you say you are. For us, this is a big opportunity.” GeoComply’s current financial-service clients include the payment provider Sightline Payments and the inter-



## TOTAL ONLINE GAMBLERS IN 2023

GLOBALLY

176.3 MILLION

CANADA

18.1 MILLION

national crypto exchange Luno, and Briggs and Sainsbury hope to grow that roster exponentially.

As part of its corporate social responsibility initiatives, the company is helping investigators catch online sex offenders. When a social-media user posts suspicious content—attempts to solicit or sell sex with a minor, or to distribute child pornography—the platforms typically report the posts to an anti-child-exploitation group, such as the Child Rescue Coalition (CRC), which can alert local law enforcement. But these reports are of little utility unless the CRC can ascertain the location of the user in question. To that end, GeoComply leases its tech for free to CRC and similar non-profits.

Elizabeth Cronan, GeoComply's VP of government relations, argues that this co-ordinated approach helps get around jurisdictional barriers to crime prevention. When a person attempts to solicit sex with a minor online, it is both everybody's problem (insomuch as we all have a common interest in preventing such behaviour) and nobody's problem in particular (since no single law-enforcement agency can be expected to monitor the entire internet).

With its technology, GeoComply is bridging the global realm of cyberspace with the jurisdictional realm of law enforcement. "We're connecting the digital footprint of a bad actor to their actual physical location," says Cronan.



o put it another way, GeoComply is bringing internet geography in line with the geography of the physical world. It's placing borders on the internet. In doing so, it's changing the way the internet itself works. And it's undermining what was once a foundational dream of early internet pioneers:

that cyberspace would be borderless, self-governing and beholden to no state authority.

In 1996, John Perry Barlow, the famed political activist and cyber-libertarian, published "The Declaration of the Independence of Cyberspace," an internet manifesto. "Governments of the Industrial World," he wrote, "you weary giants of flesh and steel, I come from Cyberspace, the new home of Mind. On behalf of the future, I ask you of the past to leave us alone." Barlow's vision was radical, with overtones of mysticism. "Cyberspace does not lie within your borders," he added. "Do not think that you can build it, as though it were a public construction project. You cannot. It is an act of nature and it grows itself through our collective actions."

Barlow's vision hasn't aged well. "Many of the agreements and regulatory rules we have in our society are geographically based," says Michael Geist, a Canada Research Chair at the University of Ottawa and a specialist in digital privacy law. "Individual countries may seek to impose rules. Parties may seek to divide up the world to license their content. There's myriad reasons why people online might want to use the same borders that exist offline."

Sainsbury concurs. She finds Barlow's vision to be not just utopian but risible. It fails to answer some key questions: What happens when you impose a borderless internet onto our decidedly bordered world? And in a future where anybody, at any moment, can escape into a digital domain where their actions are unaccountable, how might lawmakers enforce the rule of law? Can governments still have sovereignty over the people they were elected to serve?

These questions have become ever more relevant as the internet has become ever more enmeshed in our lives. The more we shop and bank online, the more we expect the same level of consumer protection that we currently enjoy in the brick-and-mortar world. And as crime—from illegal gambling and content theft, to bank fraud and sexual exploitation—increasingly migrates to the digital realm, we naturally want our governments to do something about it.

The debate over whether the internet should be borderless and anarchic, or bordered and policed, has raged on since Barlow's manifesto, but Sainsbury believes her company is helping bring it to the only resolution that was ever tenable: The internet must be integrated into the structures of the offline world. That's not the only longstanding argument she thinks has been settled in her favour.

Over a decade into the life of her company, Sainsbury feels she can safely claim victory in her disagreement with Briggs over the necessity of regulation. Would gambling operators across the U.S. really have employed GeoComply—taking a risk on pricey technology from an untested startup—if regulators hadn't forced them to do so? Even Briggs acknowledges the answer is doubtful. "David and I have a successful company with the word 'Comply' right there in its name," Sainsbury says. "It's safe to say that I won our regulation debate."







Canada is lagging when it comes to real climate action, particularly on the finance side. How do we catch up before it's too late?

# TIPPI NG POINT

**Sustainable finance** in 2024 is a study in contrasts when what we need more than ever is solidarity.

There's never been greater urgency for business to align on reducing emissions on the path to net zero. The numbers tell the story: Last year was the hottest on record, **[1]** and climate scientists say a global imperative to keep temperatures to no more than 1.5°C above preindustrial levels looks more elusive than it was just a year ago, despite massive increases in renewables. **[2]** And the effects are being felt globally in the form of ever-more-devastating floods, wildfires and other calamities. **[3]**

Despite this, Canada's quest for leadership on the climate file is getting bogged down. Still highly dependent on fossil fuels, we're considered a climate laggard in many areas, rather than a forceful global leader like the Scandinavian countries.

Even so, many sectors and companies in Canada are pioneering innovative technologies. Just one example: Carbon Engineering, the Squamish, B.C.-based startup that devised a scalable way to suck carbon straight from the atmosphere using off-the-shelf equip-

**1.** Earth's average land and ocean surface temperature in 2023 was 1.18°C above the 20th-century average, the highest global temperature recorded since 1850. And it beats the next-warmest year, 2016, by a record margin of 0.15°C.

**BY JEFFREY JONES**

ILLUSTRATIONS BY  
DUSHAN MILIC

NET ZERO

ment. Last year, Occidental Petroleum, the U.S. oil giant, bought the company for US\$1.1 billion. That shows it's much more than a science project. The deal is good for Carbon Engineering and its long-time backers, and it's a vote of confidence for Canadian know-how. But it transfers ownership of another promising Canadian technology to the U.S., which is offering hundreds of billions of dollars in green subsidies.

Canadian expertise is also making its mark in finance. Montreal serves as the North American headquarters for the International Sustainability Standards Board (ISSB), which is charged with aligning the finance world on reporting climate and other environmental factors. In the private sector, a large group of institutional investors, under the banner of Climate Engagement Canada, is taking matters into its own hands by cajoling large publicly traded emitters to meaningfully reduce greenhouse gas emissions. [4]

Government policies to permanently raise the price of carbon and promote energy alternatives are taking hold, as well. Ottawa's new Canada Growth Fund has started to plow taxpayer dollars into geothermal energy and carbon capture, utilization and storage (CCUS). It's also providing carbon contracts for difference—essentially taxpayer-backed carbon-price guarantees to give project developers financial stability—and has bought carbon credits so companies will invest in CCUS developments. This is aimed at making sure no future government will scuttle plans for reliably rising carbon prices.

Not everyone is pleased. Environmentalists complain that a dependence on CCUS will only provide cover for the oil and gas industry to increase fossil fuel production, which they say must be phased out if there's any chance of achieving net zero by 2050 and preventing the worst effects of climate change.

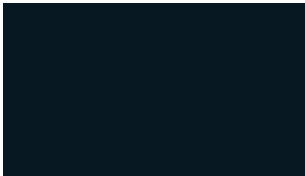
In an ominous move, the Trudeau government blinked on its policy to apply carbon levies equally across the country, giving Atlantic Canadians a break on paying the tax for heating oil as prices for the fuel surge. [5] That triggered revolts from provincial governments elsewhere seeking similar treatment, and added fuel to already smoldering anti-carbon-tax move-

**2. 510 GIGAWATTS**  
Total global renewable energy capacity in 2023—more than three times Canada's total power capacity. Three-quarters of that was solar, according to the International Energy Agency, with China accounting for the largest increase.

**3. US\$120 BILLION**  
Total insurable losses globally in 2022 due to climate-related disasters.

**4. CEC represents 43 participants, including asset managers, pension funds, insurers and shareholder advocacy groups.**

**5. The federal carbon tax on home heating oil, used almost exclusively in Atlantic Canada, was supposed to be 17.38¢ per litre. The reprieve will save the average Atlantic Canadian household about \$261 this year.**



ments in Alberta and Saskatchewan. Alberta Premier Danielle Smith is feuding with federal Environment Minister Steven Guilbeault over Ottawa's plan to cap oil-patch emissions and transform the power grid to a carbon-neutral network. She has vowed to keep fighting.

The banks tout their sustainable finance programs, setting net-zero targets, announcing plans to devote hundreds of millions of dollars to climate-related debt and equity financing, establishing in-house research institutes, and vowing to push corporate clients to decarbonize. The Big Five say they'll dedicate \$2 trillion to the efforts, but climate-focused shareholder advocates accuse them of greenwashing. [6] The advocacy group Investors for Paris Compliance started off the year by lodging a complaint with securities regulators, accusing institutions of providing financings under green and transitional banners that, at times, have actually increased emissions.

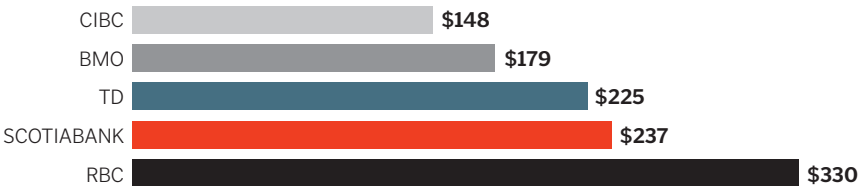
Canada should be a leader in making a dent in the climate crisis, rather than flinching when change starts to hurt. Yes, there are logjams to break through, but there are options we haven't tried yet. Some initiatives we can steal from other jurisdictions. Others that we've tried to implement so far without success need to get back on track. Here are some ideas for taking the next steps to direct capital at the climate crisis.

Double materiality

Canadian companies and regulators are focused on disclosure standards that deal with risks to investors. That is, upcoming requirements to pump out enough data and analysis so that financial experts can judge whether climate, and companies' strategies for dealing with tougher policies, offer promise or peril in buy-or-sell decisions.

Under guidelines developed by the ISSB, that info will be presented alongside financial filings. The standards, which started coming into force globally at the beginning of this year, call for disclosure of material information about sustainability-related financial, market and legal risks. These include risks tied to the transition to lower-carbon energy and physical damage to company assets from natural disasters, as well as opportunities that arise from technological advances. Companies will eventually be required to report data

6. The Big Five's fossil fuel financing since 2016 (billions)



SOURCE BANKING ON A BETTER FUTURE





on all three scopes of emissions. [7]

Regulators in other jurisdictions are already moving forward. California is requiring companies with annual revenues of more than US\$1 billion to report their Scope 3—or value-chain-derived—emissions by 2027. Europe is moving even faster, with a first group of companies required to report more complete emissions data for their current fiscal year.

We're not there yet, but securities commissions and other regulators are waiting for the related Canadian Sustainability Standards Board (CSSB) to recommend how to tailor ISSB's growing list of international climate-related criteria to our economy. The CSSB has said that it's studying how the standards will affect Canada's large proportion of small and medium-sized enterprises and natural-resource extraction companies. It's not yet known if that means regulations that could be less stringent than those being adopted around the world. If regulators are, say, giving fossil fuel producers a pass on some aspects, that will add more fuel to the long-running debate over the commitment of business to adequately reduce climate risk.

A big question remains, though: Does the minutiae of sustainable finance go far enough if its main reason for being is to protect the investing public and not society at large?

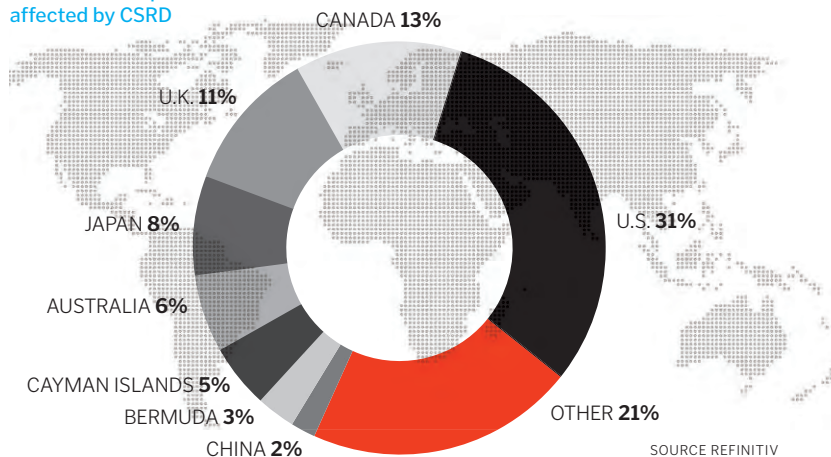
The Europeans say the rules are inadequate and have taken the next step: demanding corporations

**7. Scope 1: Carbon emissions from a company's own operations.**

**Scope 2: Emissions from the energy a company buys to power its buildings and factories.**

**Scope 3: Emissions along a company's value chain and from the end use of its products.**

**8. Non-EU companies affected by CSRD**



also disclose their impact on the environment and society. Yes, investors should be kept up to speed on material climate-related developments that could influence securities prices. Now, the environment and communities affected by corporate operations will also loom large in reporting requirements, under the banner of double materiality. For instance, the impacts of a cement company's emissions on the climate, a chemical producer's management of hazardous waste on the surrounding community, or an oil and gas producer's conservation of fresh water could all be part of such "inside-out" disclosures. Many of those could also affect the value of a corporation ("outside-in") if it's hit with legal or regulatory penalties, or makes a donation of land that improves its reputation.

It didn't come easy—some members of the European Parliament fought against the move, arguing it only meant heaping more regulatory burdens on business. But at the start of 2024, the European Union put the Corporate Sustainability Reporting Directive, or CSRD, into force. It will eventually require up to 50,000 companies to provide spreadsheets' worth of details about how their operations are affecting the world around them—the good and the bad.

Not all those affected by the regulation are based in Europe. Because they have operations or subsidiaries there, a great many companies from outside the continent will have to report as well. According to Refinitiv, more than 1,300 Canadian companies could be affected. [8] Some have a head start. A lot of domestic corporations,

## NET ZERO

especially those in natural resource sectors, already compile much of this data, though they don't yet present it in a uniform format. Perhaps it's time to start. This is an opportunity to benefit from a positive feedback loop.

### Putting your money where your mouth is

Many of Canada's largest corporations have led the way in reporting their emissions using the Task Force on Climate-Related Financial Disclosures (TCFD) framework, the accepted global standard. That's good, because at some point, it's going to be mandatory. According to the sustainability consultancy Millani, the number of companies listed in the S&P/TSX Composite Index that had adopted the framework by the end of 2022 had more than doubled in four years, to 64%. [9]

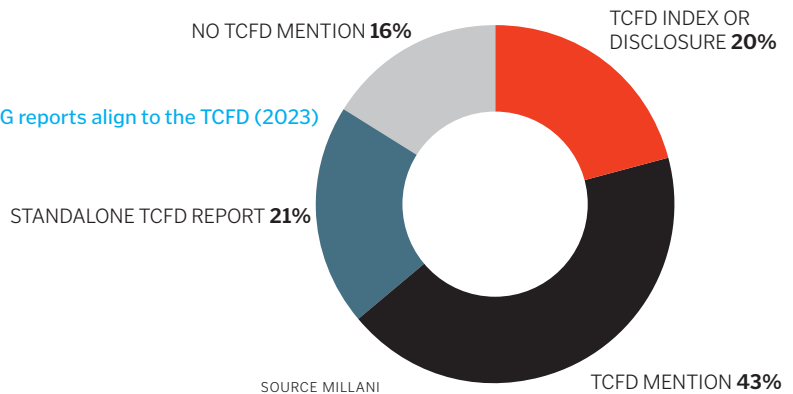
Billionaire and former New York mayor Michael Bloomberg and former Bank of Canada and Bank of England governor Mark Carney led the effort to standardize climate risk reporting for investors, lenders, insurers and others. The framework deals with governance, risk management, strategy, targets and scenario analysis, and a host of subcategories within those. It also requires forward-looking disclosure about climate plans and future impact.

The new ISSB standards borrow heavily from TCFD, and executives from the banking and pension industries have called on the government to institute mandatory climate-related reporting—and soon—calling it an urgent issue that could leave Canadian business at a competitive disadvantage if they don't comply. As it stands, 81% of Canadian companies do not quantify their climate-related risks, according to a recent survey by PricewaterhouseCoopers that also showed a wide gap between large and small corporations.

Analysis provided to us by Morningstar Sustainalytics, a ratings firm focused on ESG and corporate governance (more about them in the pages that follow), shows that TD Bank, Power Corp. of Canada and TransAlta Corp. are among those that excel at disclosing climate-related risks, while Restaurant Brands International is in the process of bolstering its efforts.

But a frequent complaint among climate-minded investors is that regulators aren't forcing companies to

### 9. How ESG reports align to the TCFD (2023)



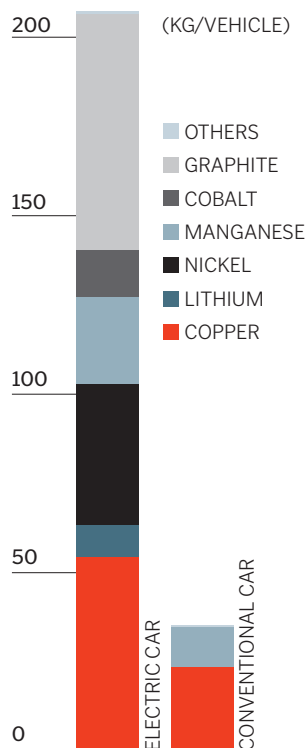
take the next step—actually reducing emissions. Activists have called on the Office of the Superintendent of Financial Institutions (OSFI), which regulates banks and insurers, to go beyond disclosure by mandating cuts, as well. OSFI, in turn, has said that's not its job. Even in the EU, which has led the way on climate regulation, 92% of emissions disclosed by companies are in the Scope 3 category, and just 37% of those are being targeted with decarbonization measures, according to CDP, formerly the Carbon Disclosure Project.

Many companies trumpet strategies to get to net zero by 2050. Why shouldn't they back their public proclamations with a little green? One coalition of large and small institutional investors is urging just that. Climate Engagement Canada (CEC) members—including AGF Management, TD Asset Management, RBC Global Asset Management, Alberta Investment Management Corp., University Pension Plan Ontario, Manulife Investment Management and several others—manage a total of \$5.2 trillion in assets. The group says none of the 41 largest emitters in the country has gone so far as to devote capital spending to emission-reduction targets. That will be the true measure of corporate Canada's commitment to shifting to a low-carbon economy, says the Responsible Investment Association, a founding member of CEC.

For some, notably the country's biggest oil sands developers, a commitment to shovel tens of billions of dollars into carbon reduction is predicated on taxpayers footing a large part of the bill. A \$16.5-billion carbon capture project is planned to be in service by 2030, and that will put the companies on a path to net zero for Scope 1 and 2 emissions by 2050, according to their coalition, the Pathways Alliance. But environmental activists say the outlay won't deal with the largest source of emissions—end use by consumers—and will lock the country into a carbon-intensive activity.

CEC, which released its inaugural benchmark study into its focus companies' emission disclosures and strategies late last year, also pointed out that just 41% of emitters tied portions of CEO and senior-executive pay to meeting specific climate targets. Our Sustainalytics analysis highlights CIBC, RBC, Stantec Inc., CN Rail, Gildan Active-wear and, yes, oil sands producer Suncor Energy for linking executive pay incentives to climate and other environmental goals. The trend has picked

### 10. Minerals used in electric cars compared to conventional cars





up steam in recent years, but to keep it going, shareholders—the ultimate owners—must convince boards of directors that dealing with climate risk is as important as meeting sales and cost targets when it comes to bonus pay in the C-suite. Nothing says priority quite like making part of the paycheck dependent on it.

### Indigenous partnership

A major part of decarbonizing the economy involves electrifying energy and transport. It will be a multidecade, multibillion-dollar effort that starts with going right to the source—extracting the critical minerals like nickel, copper, lithium and graphite that go into batteries. [10] That means developing mines and processing facilities, and none of that can be done without building roads, mines and processing plants through and on traditional Indigenous territories.

The First Nations Major Projects Coalition (FNMPC) has 145 members, from the Lax Kw'alaams Band on B.C.'s Pacific Coast to Miawpukek First Nation in Newfoundland, and as far North as the Inuvik Native Band in the Northwest Territories. The group, which seeks long-term economic benefits for member communities, has been laser-focused on the issue of critical minerals. It has looked at markets, supply sources, future demand and potential roadblocks to development. A major one is the inability of developers and First Nations, Métis and Inuit communities to agree on real participation. That means bringing Indigenous communities in as project partners right from the planning stage.

There are sad examples in this country of large energy projects that faced staunch opposition, or that were stopped in their tracks, over failure to properly consult with communities or where courts decided that efforts to ensure consent weren't taken seriously enough. [11] But there's a right way to do it, and it involves taking the principles of free, prior and informed consent to heart. Key to that is equity ownership, says Mark Podlasly, the FNMPC's chief sustainability officer.

To open the door to such partnerships, First Nations want supportive financing that allows them to access capital at competitive interest rates, and government backstops are one way of doing it. It seems like a fair trade-off if access to critical minerals to get to net zero is at stake. There's no reason the original stewards of the land shouldn't reap benefits from the shift to a new economy, when they were denied them before.

### Green taxonomy

Okay, this was actually a 2022 trend, but Ottawa has been dragging its feet on this important initiative. Other jurisdictions are zooming past us, and that's not a good thing as competition for capital in climate-change-fighting technology heats up.

The corporate and investment worlds have been

**11. The \$7.9-billion Northern Gateway oil pipeline proposal was stalled before it even got started when Enbridge failed to win support from several B.C. First Nations. The Federal Court of Appeal quashed its federal approval in 2016, ruling the Conservative government of the day failed in its duty to properly consult and accommodate First Nations. Enbridge cancelled the plan and took a \$373-million writedown.**

clamouring for a formal guidebook that spells out which investments are considered green and which are deemed necessary for the energy transition. The providers of capital answer to investors who are putting their money to work for that express reason. But the federal government has been slow to take the advice it ordered two years ago to advance the cause. For more than a year, it's had in hand an innovative road map for implementation—a made-in-Canada approach to directing private investment dollars to reaching the country's net-zero emissions targets.

We're talking major coin. The government-appointed Sustainable Finance Action Council, or SFAC, which is in charge of the effort, says Canada needs an additional \$115 billion a year in targeted investment capital to get to net zero by 2050. Late last year, the federal Liberals gave the group \$1.5 million to continue its work but has yet to commit to implementation.

Here, green investments aren't the holdup. Non-emitting activities that respect Indigenous rights and avoid other environmental harms are eligible for investments within that category, according to the taxonomy. The tricky part is, what constitutes activities that are part of the low-carbon transition? For instance, there needs to be agreement on how long an energy source or carbon abatement technology is eligible for such a label before greener alternatives emerge to take their place.

Ottawa is facing pressure from Western provinces to include natural gas in its transition category. Backers of the gas industry say the fuel will lower emissions if it replaces dirtier sources such as coal. Opponents argue that including it would lock in reliance on the fossil fuel beyond scientifically agreed limits. They also insist there's no ban on financing such energy production—it just shouldn't get the seal of approval provided by a taxonomy.

At the COP28 climate summit late last year in Dubai, "transition finance" was heralded as the next big wave in climate-focused investment. Still, SFAC leaders have been frustrated that other jurisdictions, including the EU, Association of Southeast Asian Nations and Australia, have pushed ahead with taxonomies, with Australia using Canada's work as a guide. It's past time to put the work into action.

# ON THE ROAD TO NET ZERO

**Introducing the Morningstar Sustainalytics Low-Carbon Transition Rating, a guide to understanding how Canadian companies are managing the shift to a net-zero future**

## **What is TCFD?**

The Taskforce on Climate-related Financial Disclosures is the gold standard for climate-related risk reporting, created by the Financial Stability Board to help investors, lenders, underwriters and other stakeholders assess the risks and financial impacts of climate change. The disclosures—around governance, strategy, risk management and metrics—have been embraced by governments and were incorporated into the International Financial Reporting Standards' International Sustainability Standards Board (ISSB) framework for reporting on climate risk.

## **What's an internal carbon price?**

That's the price of emissions businesses and other organizations use to weigh options, and it's key to ensuring that future carbon costs are considered when making investments and operating decisions. It will also serve to discourage putting capital into high-carbon ventures. Companies are less likely to invest in highly carbon-intensive activities when the carbon price is fully accounted for.

**We're committed** as a society to reaching net zero by 2050. Companies know what the end goal is—reducing their emissions enough to align with a 1.5°C rise above pre-industrial temperatures—but do they have realistic plans to get there? To start answering that question, Morningstar Sustainalytics created the Low-Carbon Transition Rating (LCTR), comprised of two components: a company's exposure to specific carbon risks and opportunities, and its management of those risks. What it boils down to is this: If a company were to continue on its current emissions path to 2050, how likely is it to hit that 1.5°C goal?

Sustainalytics' analysts sift through thousands of data points to calculate the LCTR score, and so far it has rated 8,000 companies globally, including 260 publicly traded corporations in Canada.

It's not perfect, however, because of incomplete reporting on greenhouse gas emissions. This stems in part from Canada's regulatory environment, which is less rigorous than other jurisdictions—meaning some relatively benign companies score poorly on the exposure-to-risks component, and vice versa. Why? Consider this: Without mandatory reporting requirements, many Canadian oil and gas producers neglect to account for the emissions created when end users actually burn their fossil fuels. By focusing only on the operating emissions released when pulling the resources out of the ground, these companies distort their total impact, since operating emissions account for just 15% of the industry's total. That yields a list that in some cases rates oil producers higher than a company making metal drawer pulls.

The sad truth is that corporate Canada is still at the beginning of the decarbonization process,

so companies with executives who are taking credible steps to get closer to net zero are the leaders we need now. We decided to focus on the management portion of the overall LCTR—"a measure of how much of the company's exposure can be managed, based on its investment alignment to net zero and our assessment of the company's transition preparedness," as Sustainalytics puts it. It comprises two equal parts: transition preparedness, based on the company's disclosure of key management indicators, and investment alignment, based on disclosure of its climate investment plans.

Sustainalytics looks at up to 85 management indicators—among them emissions targets, carbon-price integration and pay incentive plans tied to emissions—which are used in different combinations depending on industry. Banks, for instance, are assessed on how much of their lending portfolio is allocated to green investments; oil and gas companies, meanwhile, are assessed on things like methane emissions management.

But it's important to note—lest we be accused of greenwashing—that having a high management score doesn't mean a business is environmentally friendly or a sustainable investment: Suncor, which gets a "strong" management rating, scours the earth for fossil fuels, and all of the Big Banks, also rated "strong," continue to finance the global oil industry even as they tout their strides toward net zero. It does, however, indicate that a company has the governance structures and management programs in place to address the transition risks it's exposed to. In other words, the companies that rank "strong" in this category are doing better than their peers at adhering to Canada's existing regulatory requirements and moving in the right direction. By no means does it mean they'll achieve their net-zero targets or be sustainable in the long run.

But accountability has to start somewhere, and in this case, it's in the data. In the following pages, we list the 30 Canadian companies that ranked "strong" on the management portion of the LCTR, highlighting what they're doing right and where they're falling down. Hopefully this will be a guide for others as they begin the urgent process of shifting to a low-carbon future.



## COMING ON STRONG

Why these 10 companies scored high(ish) on management of the low-carbon transition

### Scotiabank | 73.2

BANK (TORONTO)

**BEST PRACTICES:** Scotiabank is seen as a leader in managing risk, using comprehensive target setting and scenario analysis—predicting how its business will fare under a range of climate-related regulatory, policy and economic changes. Its actions are aligned with a 1.7°C temperature rise, which is above the most ambitious target under the Paris Agreement, but close. It also employs a well-defined internal carbon pricing system, which will help assess future costs and opportunities. The bank has committed to following TCFD standards, achieving full reporting within the framework, and it links sustainability factors to executive pay. Scotiabank also has a program to help clients set and achieve emission reduction targets, key to cutting its Scope 3 emissions—those stemming from companies it finances.

**NEEDS IMPROVEMENT:** The bank is exposed to sizeable risks from the high-emitting businesses of some of its clients, which could leave it vulnerable to future economic and policy shifts as carbon gets drained from the economy. Meanwhile, it should take steps to further integrate climate issues into its overall strategy.

**FROM THE COMPANY:** “Scotiabank is here to support our clients in the transition to a low-carbon economy. Through our voluntary reporting, we strive to provide insight into the bank’s approach to addressing climate change, including our efforts to reduce our own emissions, and how we are helping our clients as they navigate climate-related challenges, risks and opportunities.”  
—Meigan Terry, chief sustainability, social impact and communications officer

### CP Rail | 69.8

RAIL TRANSPORT (MONTREAL)

**BEST PRACTICES:** The result of a merger completed last year between Canadian Pacific and Kansas City Southern, CPKC has set new targets since

Sustainalytics assessed its disclosures last year. The railway aims to reduce emissions from its locomotives (per gross ton-mile) by nearly 37% by 2030, as compared to 2020. Sustainalytics praised CP for aligning its emissions targets with the Business Ambition for 1.5°C campaign of the Science Based Targets Initiative.

**NEEDS IMPROVEMENT:** CP has only set targets to reduce its Scope 1 and 2 emissions, and the company hasn’t revealed details about how it incorporates low-carbon innovations into its operational processes.

**FROM THE COMPANY:** CPKC points to a program introduced in 2022 to retrofit freight locomotives with hydrogen fuel cells and batteries. Two locomotives have been transformed to date and are being tested out of Calgary—including in temperatures below -40°C. CPKC has also begun installing hydrogen production and fuelling facilities—part of its efforts to test their operational performance.

### BCE Inc. | 69.5

TELECOM (TORONTO)

**BEST PRACTICES:** BCE follows best practices in setting climate targets by covering all scopes of emissions and aligning its targets to the 1.5°C pathway. The company has relatively strong performance in achieving its targets, has set a specific target aimed at reducing supply-chain emissions, and actively discloses pertinent upstream Scope 3 emissions. BCE’s board has committed to reducing emissions within the supply chain, and its policy explicitly addresses and outlines measures for targeting, monitoring and measuring supply chain emissions. Finally, the remuneration structure for the CEO and board is tied to emissions reductions and broader climate-related targets. Specifically, a segment of the short-term incentives for its top executives, including the chief executive, is directly linked to hitting ESG objectives, particularly such environmental goals as reducing waste and achieving a lower carbon footprint.

**NEEDS IMPROVEMENT:** BCE hasn’t defined an internal carbon price or doesn’t disclose the price it uses. It has also not disclosed its affiliation with an organization or group of companies advocating for science-based climate policy. Additionally, there is no disclosure regarding BCE explicitly expressing support for pro-climate policy.

**FROM THE COMPANY:** “BCE welcomes the increased demand for transparency regarding our climate-related risks and opportunities. We take seriously our responsibility to disclose our performance and initiatives. BCE linked remuneration for the CEO and board to its ESG objectives to ensure those objectives are embedded into the overall strategy. We are exploring internal carbon pricing. We are members of the Business Ambition for 1.5°C campaign, and we also supported the Action Declaration on Climate Policy Engagement at COP27.”

### Power Corp. of Canada | 66.5

FINANCIAL (MONTREAL)

**BEST PRACTICES:** Power Corp. has pledged support for TCFD, as have its three subsidiaries: Great-West Lifeco, IGM Financial (which also appears on this list) and Groupe Bruxelles Lambert. The conglomerate is using six scenarios within the framework set out by the Network for Greening the Financial System. The NGFS scenarios help central banks, supervisors and other financial players explore various potential outcomes of climate change and the transition to low-carbon energy, from orderly to disorderly to “hot house,” or well above a 2°C threshold. Power discloses its process for identifying and managing risks, and says none significantly impacts its business strategy, financial planning or resource allocation.

**NEEDS IMPROVEMENT:** Power has not disclosed information about its low-carbon transition investments or green bonds and loans, and these investments are seen as key to a 1.5°C and net-zero pathway. In addition, it has not disclosed fossil fuel investment management. Financial institutions that invest in high-emitting companies have the power, with investments in emitting companies, to demand decarbonization. Simultaneously, climate-focused

## NET ZERO

institutions drive the momentum for further decarbonization.

**FROM THE COMPANY:** “While at the holding company level our environmental footprint is very limited, and we do not invest in companies involved in fossil fuels, our publicly traded operating companies are active participants in the global climate transition movement. They are investing significant resources toward meeting their climate ambitions, which include, as applicable, net zero commitments for operations and investments, science-based targets, and participation in the Net Zero Asset Management initiative.”  
—*Stéphane Lemay, vice-president, general counsel and ESG lead*

### Manulife Financial | 66.2 INSURANCE (TORONTO)

**BEST PRACTICES:** Manulife has been a supporter of the TCFD since 2017 and has disclosed comprehensive data as per recommendations. In 2021, it committed to Business Ambition for 1.5°C, a global initiative led by the Science Based Targets Initiative, along with the UN Global Compact and We Mean Business Coalition. Due to the company’s vast holdings of forests globally, Manulife says its operations are net zero, and it has committed to reducing absolute Scope 1 and 2 emissions by 40% by 2035.

**NEEDS IMPROVEMENT:** Manulife hasn’t reported on the Low-Carbon Transition Resilience Program, and has not provided disclosure about the scenario analysis through which the company explores the potential range of low-carbon transition risks, opportunities and implications. This analysis serves as an important tool for financial institutions to reduce transition risk in their investments and support the transition to a low-carbon economy.

**FROM THE COMPANY:** “As the world’s largest investor in natural capital, 100% of our global forests continue to achieve third-party sustainability certifications for the way we address biodiversity, water access and quality, forest health and conservation value, and Indigenous people’s rights to training and education.” —*Sarah Chapman, global chief sustainability officer*

### Bank of Montreal | 65.8 BANK (TORONTO)

**BEST PRACTICES:** BMO has committed to a net zero target that includes all emissions scopes, disclosing both absolute and intensity-based emission-reduction goals. This shows transparency in emissions accounting. The bank’s program aligns with a 1.8°C increase in global temperatures. It has strong adherence to the TCFD framework, with an 86% sufficiency score. Governance is rated as robust. The bank links sustainability to executive pay, and it takes into account ESG factors in investment decisions. Importantly, BMO is transparent with its policy and government lobbying activities.

**NEEDS IMPROVEMENT:** BMO has yet to report on its internal carbon price projections and low-carbon lending, especially for renewable energy projects and for small and mid-size business. It should compare these disclosures to industry benchmarks.

**FROM THE COMPANY:** “We are pleased that BMO’s strong climate-related management approach was recognized in the Sustainalytics analysis. We will continue to play our part to support our clients and manage climate risks, as part of our climate ambition to be our clients’ lead partner in the transition to a net zero world.”

—*Michael Torrance, chief sustainability officer*

### TD Bank | 64 BANK (TORONTO)

**BEST PRACTICES:** TD has implemented detailed policies and standards tailored to its credit and loan business, which shows a sophisticated approach to risk management. It has also set a holistic net zero target, including all emissions scopes, using both absolute and intensity-based reduction metrics. The bank has shown a commitment to TCFD standards and employs qualitative scenario analysis to explore how a range of low-carbon transition risks and opportunities would affect its long-term business prospects. It assists fossil fuel producers and companies that are big greenhouse-gas emitters making the transition to lower-emitting operations, and it links sustainability targets to executive compensation.

**NEEDS IMPROVEMENT:** There’s room for TD to bolster its board and management oversight of climate-related issues. It could also integrate climate factors more fully into overall strategy.

**FROM THE COMPANY:** “As outlined in our climate action plan, we are focused on supporting our clients to help them meet the needs of today while building the resilience to succeed in the economy of tomorrow. We reference a variety of industry benchmarks and guidelines, as well as our own analysis, as we seek to further integrate sustainability considerations across the bank, striving to enhance our reporting as per industry standards.”

—*Janice Farrell Jones, senior vice-president, sustainability and corporate citizenship*

### IGM Financial | 63.7 WEALTH AND ASSET MANAGEMENT (WINNIPEG)

**BEST PRACTICES:** IGM has been a supporter of the TCFD since 2019 and has been implementing its disclosure recommendations over the past several years. Since 2013, it has been reporting to CDP, the global not-for-profit formerly known as the Carbon Disclosure Project. IGM also measures and reports Scope 1, 2 and 3 emissions. The company has set Scope 1 and 2 targets to reduce emissions by 100% by 2030, from a 2013 baseline.

**NEEDS IMPROVEMENT:** IGM has not yet defined an internal carbon price or disclosed the price it uses, and has reported via CDP that it does not anticipate doing so within the next two years.

**FROM THE COMPANY:** IGM’s senior vice-president of enterprise sustainability and financial risk, Andrea Carlson says the company has a “longstanding” commitment to responsible management and sustainability. For example, its asset and wealth divisions, Mackenzie Investments and IG Wealth Management, both follow the Principles for Responsible Investment and have launched several climate-focused products, such as its Greenchip funds and IG Climate Action Portfolios. Carlson says Mackenzie is also a signatory to the Net Zero Asset Managers initiative and has committed to manage 24% of assets under management



Used to Play  
video Games.



Now makes them.



yorkschoo.com

THE **YORK** SCHOOL  
the curious go beyond



Check out our new  
strategic plan.

NET ZERO

in line with net zero, and has a target to increase the amount of committed assets with validated science-based targets to 50% by 2030.

**TransAlta Corp.** | 63.2  
ELECTRICITY POWER GENERATOR  
(CALGARY)

**BEST PRACTICES:** GHG risk management is overseen at the highest level—by the president and CEO, and the board of directors. And the executive team reviews and reports on climate-related issues and targets each quarter. TransAlta’s various business units also collaborate closely to figure out climate-related risks and opportunities. TransAlta’s reporting on its climate change management has been guided by the TCFD recommendations since 2018, which helps facilitate discussions and provide context on how climate change affects its business.

**NEEDS IMPROVEMENT:** TransAlta has not yet defined an internal carbon price or disclosed the price it uses, which is crucial to ensuring it avoids investing in highly carbon-intensive activities. Additionally, the company hasn’t disclosed information on carbon offsetting, which should only be used as a final step in a carbon-reduction strategy to mitigate residual emissions.

**FROM THE COMPANY:** “It is accurate to say that TransAlta has not yet disclosed an internal carbon price. However, we have undertaken scenario analysis that included a net-zero-by-2050 scenario, which contemplated a carbon price of US\$205/tonne CO<sub>2</sub>e. We will assess deployment of nature-based or engineered solutions to neutralize unabated gas-fired generation where appropriate. Additionally, we will neutralize residual emissions from gas-fired generation through fuel switching, new technologies or nature-based solutions as part of our transition plan.”

**National Bank of Canada** | 62.8  
BANK (MONTREAL)

**BEST PRACTICES:** National Bank taps into the knowledge of internal and external experts to understand how its business model will be transformed by climate-related factors. Some of its board members and senior executives are among

THE REST OF THE BEST

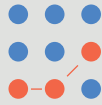
Read Sustainalytics’ analysis of the other 20 companies that rated “strong” on its management rating at [tgam.ca/netzero](https://tgam.ca/netzero)

COMPANY NAME	SECTOR	RANK
Stantec	ENGINEERING	62.4
Sun Life Financial	LIFE AND HEALTH INSURANCE	61.4
Emera Inc.	UTILITIES	61.2
CN Rail	RAIL TRANSPORT	61.1
Royal Bank of Canada	BANK	59.4
Gildan Activewear	APPAREL	59.0
Telus Corp.	TELECOM	58.8
Loblaws Cos.	FOOD RETAIL	58.7
CIBC	BANK	57.9
Thomson Reuters	NEWS AND DATA	57.7
Restaurant Brands International	RESTAURANTS	57.4
Celestica Inc.	ELECTRONICS	57.3
Suncor Energy	INTEGRATED OIL & GAS	57.1
Rogers Communications	TELECOM	57
Gibson Energy	OIL & GAS STORAGE AND TRANSPORT	56.9
Maple Leaf Foods	PACKAGED FOODS	56.7
Cogeco Communications	CABLE AND SATELLITE	56.5
Eldorado Gold	MINING	56.3
First Capital REIT	REAL ESTATE	56.2
Keyera Corp.	OIL & GAS STORAGE AND TRANSPORT	56.1

those with climate expertise. The bank set a goal to reduce its carbon footprint annually, with an interim target of cutting all emission scopes by 25% by 2025 from 2019 levels. This is an absolute, science-based target that aligns with a 1.5°C warming limit, rather than an intensity-based target. The distinction is important, as intensity targets can have a lower overall impact if revenues,

or other economic units the reductions are measured against, climb at a faster rate than greenhouse gases fall. National Bank has been a TCFD supporter since 2018 and is implementing its recommendations.  
**NEEDS IMPROVEMENT:** The bank has yet to set an internal carbon price and has reported to CDP that it may not do so in the next two years.





# THE CONFIDENT BOARD

## 2024 ICD NATIONAL DIRECTOR CONFERENCE & FELLOWSHIP AWARDS GALA

METRO TORONTO CONVENTION CENTRE | JUNE 4-5, 2024

Join Canada's director community at the  
2024 National Director Conference &  
Fellowship Awards Gala. Gain valuable  
insights from over 25 world-class speakers  
and engage in enriching peer-to-peer  
networking opportunities.

## 2024 ICD FELLOWSHIP NOMINEES



### J. IAN GIFFEN

FCA, FCPA, CF

Chair, Kinaxis Inc.,  
Lead Director, D2L Inc., and  
Director, CSA Group, and  
Stratford Festival



### NANCY E. HOPKINS

KC, (Hon) CPA, ICD.D

Chair, Arthritis Society Canada,  
and Director, Canada West  
Foundation



### ISABELLE MARCOUX

CM

Executive Chair of the Board,  
Transcontinental Inc., and  
Director, Power Corporation  
of Canada



### POONAM PURI

LSM, LLM, ICD.D

Chair, Holland Bloorview  
Hospital, and Director, Colliers,  
DRI Healthcare Trust, Propel  
Holdings, Solaris Resources,  
and Canada Infrastructure Bank

## ICD NATIONAL DIRECTOR CONFERENCE & FELLOWSHIP AWARDS GALA SPONSORS

### PREMIUM



### CONFERENCE PATRON



### GALA PATRON



REGISTER TODAY AT [CONFERENCE.ICD.CA/2024](https://conference.icd.ca/2024)



## Just say yes

Why Meridian Credit Union's CEO, **Jay-Ann Gilfoy**, opted to pay her employees a living wage

If you look at the ethos of credit unions—where we come from—the idea was people who didn't have access to money coming together to form an alliance so they could finance the things they needed. That ethos is still very much needed in Canada and around the world. We believe we need to be financing people who have not been part of the economy that we've all benefited from. So, we're rolling out new products and services around personal banking for newcomers to Canada and access to capital for entrepreneurs who maybe haven't had the opportunities they need to have. We've partnered with Business Development Bank of Canada to provide financing for all entrepreneurs, but with an added focus on women-led businesses, Black-owned businesses, Indigenous-owned businesses, businesses that are being created by LGBTQ+ communities. There are 300,000 to 400,000 entrepreneurs in Canada who come from those communities.

Canadian credit unions have something like 20% of the financing of small businesses. We can get to yeses quicker because we're different. Since our co-operative values include things like members helping members, we can think longer term, we can

**100+**

Branches across  
Ontario

LIVING HOURLY  
WAGE BY REGION

**GTA**

\$25.05

**Hamilton**

\$20.80

**Ottawa**

\$21.95

**North**

\$19.80

**Southwest**

\$18.65

# Our purpose—to help people achieve their best life—also applies to our employees

think more holistically about that member. It allows us to say yes to things that maybe others wouldn't say yes to. It's about how we make sure we've got that local economy growing and businesses thriving. And because we're rooted in community, it helps create that environment where we help you, you help us, and everybody wins.

Our purpose—to help people achieve their best life—also applies to our employees. So, we decided to become a Certified Living Wage Employer—which means we pay our 2,300 employees the living-wage rate for their region. The program makes employees feel like they're more valued and leads to stronger retention. In fact, I had one employee in a branch a few weeks ago who said, "I tell all my friends, 'Wow, look what this organization is doing,' and they all want to come work for us."

We're always looking at how can we be a high-performing organization where people feel like they belong. Given the past few years, there's been a heightened awareness of employees' mental health and making sure we're doing all we can for them. Last year, we increased our mental health benefits so people could go to counsellors more often and not have to worry about the cost. We're also giving all our managers mental health training to help them lead in an environment where people are feeling a higher level of anxiety.

Many people don't realize Meridian is a full-service financial institution. We have business banking, wealth, retail banking, payment platforms and a credit card. We follow the same rules as other chartered banks, so we're safe and we're sound, but we're different in our design. We're democratically owned: one member, one vote. The board of directors is elected. Because of all that, we have more flexibility to respond to the unique needs of members than a large international financial institution. I think it's an important thing for Canadians to have a choice.

/Interview by Alex Mlynek



The Residences at  
**Central Park**

**WINNER – Project of the Year**  
Ontario Home Builders' Association – People's Choice



Where the urban and natural worlds connect

Under construction  
in the Bayview Village neighbourhood

[centralparktoronto.com](https://centralparktoronto.com)

1200-1208 Sheppard Avenue East | Toronto | Canada | 416 252 3000

**AMEXON®**

The Residences at Central Park is a trademark of Amexon Development Corporation. Renderings are artistic impressions only and are subject to change. E. & O. E.



# Where business loves to bank



Get personalized advice from experts who truly care about getting your business on the track to success and keeping you there. That's why business owners love banking with us. It's why you'll love it here, too.

Now open in Toronto's Financial District  
at York and Adelaide.

[CWBANK.COM](http://CWBANK.COM)



Canadian  
Western Bank

OBSESSED WITH YOUR SUCCESS™