Embracing ESG for a sustainable future

Environmental, social and governance (ESG) is a framework to assess the three central factors in assessing the sustainable, responsible and ethical structure of an organization.

ESG reporting

From reducing an organization's carbon footprint, to committing to diversity and inclusion in the workforce and increasing transparency, investment into and reporting on ESG criteria has gained prominence as a measure of an organization's ability to manage risk and boost value.

ESG considerations

Instituting and reporting on ESG criteria reflect an organization's proactive strategies on material issues that drive sustainability and competitive advantage in cost leadership, product differentiation and intellectual capital.



Environmental – encompasses how an organization is exposed to and manages risks and opportunities related to climate, natural resource scarcity, pollution, waste management, biodiversity management and other environmental factors.

Social – considers an organization's values and business relationships which include labor and supply-chain standards, employee attraction and retention, employee health and safety, product quality and safety, diversity and inclusion, customer data privacy, social acceptability of projects and organizational culture.

Governance – incorporates information on the structure and diversity of the board of directors, executive compensation, critical event responsiveness, corporate resiliency, cybersecurity, reliable financial disclosure, and formal policies and positions on topics such as lobbying, political contributions, including bribery and corruption.

ESG drivers

There are a growing number of drivers pushing companies to strengthen ESG performance. ESG today adopts a more robust approach than the historic use as a marketing tool, which enabled corporate inaction through the making of largely symbolic gestures.

- · Securities commissions are studying minimum thresholds for mandatory integrated reporting.
- Accounting standard-setting bodies are developing international corporate reporting requirements on sustainability issues.
- Governments are weighing in on desired disclosures; the United Kingdom is the first to mandate climate-related financial disclosures across the entire economy by 2025.
- More investors are using ESG information to inform their decisions.
- Regulators are beginning to embed sustainability measures into decisions, rate structures and new capital-intensive infrastructure projects.

As corporate ESG integration upsurges, the risks for less ESG-mature businesses grow.

ESG is being driven by multiple forces...

EMPLOYEES

Attraction and retention of skilled workers linked to corporate positioning on sustainability issues across the ESG spectrum.

SECURITIES COMMISSIONS

Driving expectations for standard disclosures across all publicly listed entities with a focus towards integrated reporting.

ACCOUNTING STANDARD SETTING BODIES Evolving from guidance for enhanced

adoption of sustainability criteria to mandatory reporting.

BANKING & INVESTORS

Access to and deployment of capital including cost of capital.

SUPPLY CHAIN Influencing participants within the full business cycle – upstream and downstream.

GOVERNMENT

Public policy to influence action by organizations to reduce carbon footprint, including conditions associated with pandemic relief funding.

REGULATORS

Embedding sustainability measures regulatory decisions and approvals for new projects / capital deployment.

CUSTOMERS

Greater activism by customers impacting with whom they do business including whom they influence through social media.

Value of ESG Reporting

Financial reporting captures only a portion of a company's value creation potential and organizational risks. ESG reporting is critical to communicate the urgency your organization places on sustainability, as well as quantification and validation of your sustainability efforts. Well formed ESG reports deliver:

- Integrated reporting by providing a fuller picture of your value creation potential and enterprise risk landscape.
- Commitment to driving sustainability and competitive advantage among dimensions of cost leadership, product / service differentiation, and intellectual capital development.
- Disclosure of intangible yet financially material factors such as strategy, innovation, capacity, reputation management, commercial risk mitigation and resource efficiency.
- Enhanced performance by strategically embedding certain risks, uncertainties, challenges and trends that may affect financial performance and long-term sustainability.

How MNP can help

MNP has authored a sustainability maturity model to help our clients begin addressing the changing needs for sustainability leading from identification of material issues through to ultimate reporting. No matter where you are on your ESG journey, our team can assess where you are and help to define where you want to be regarding adoption and implementation.

As people understand more about their place in an interconnected world, the demand for your organization to act in a more responsible, equitable and sustainable way is becoming ever louder. The key is to undertake this journey in a meaningful way that still makes for profitable and innovative business decisions.

MNP Service Offerings

O Baseline

- Initial assessment of operational footprint, products, services, customers, markets and geographic locations
- Inventory of existing disclosures
- Maturity assessment
- Create business case for ESG adoption

- Stakeholders
- Identify and inventory internal and external stakeholders
- Conduct stakeholder consultation
- Compile listing of E, S & G issues
- Benchmark and market research for industry comparison

issues for actioning

• Conduct impact assessments

Prioritize impacts to identify key

Q Impact

for ESG issues

Build organizational capabilities

C Framework

- Select relevant ESG frameworkCreate management system
- and data integrity for information gathering
- Establish materiality thresholds
- Assist with setting ESG targets
- Train board and management

Reporting

- Reporting format, content
 and disclosure medium
- Integrated reporting
- Compliance with regulatory and legislative requirements
- Qualitative and quantitative information

Assurance

- Independent, third-party validation of ESG disclosures
- Testing and validation of management systems, data, and disclosure controls and procedures

To find out more, contact:



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STRATEGIC VALUE

MNP's Sustainability Maturity Model



Stakeholders: Regular engagement with all key stakeholders; company "brand" is **Operations:** Process improvements connected to sustainability permeate full business model; achieving significant advantages; metrics 2 identified, measured and benchmarked Governance: Sustainability is incorporated into risk and opportunity analysis and directly impacts strategy Stakeholders: Internal and external making and decisions by the board of stakeholders identified, and ongoing Operations: Policies being developed to dialogue regarding improvement directors; the organization is an industry change how things are done; some and thought leader, positively targets and progress benchmarking and selective metrics influencing regulators and regulations identified and tracked Governance: Robust discussions on links on emerging issues and core **Operations:** Some ESG factors and 0 sustainability topics with strategy and risk program; metrics Stakeholders: Initial stakeholder metrics identified tracked via a balanced scorecard on a consultation undertaken and increased Strategy: Sustainability is part of the regular basis rigor of information gathering Stakeholders: Little or no engagement company's Purpose and is a cornerstone **Operations**: Focused on compliance of business strategy and decision-Strategy: A critical area of focus in Governance: Occasional tracking of Governance: Initial discussions at strategic planning and decision-making; making; it is fully incorporated into risk sustainability issues for management Stakeholders: Minimal engagement management level to build awareness; consider long term impacts via scenario and opportunity analysis; Organization and external advisors can identify internal responsibility has clearly defined sustainability values planning Governance: Minimal discussion; no one Strategy: Integration of ESG factors into "responsible" Strategy: Strategic planning may refer to Reporting: More comprehensive, Reporting: Robust reporting on strategic planning and implementation sustainability, but not direct link defined measures and in-line with indicators pertinent to the organization Strategy: Not addressed and stakeholders; information is industry leading practices; third-party **Reporting**: Partial reporting on select Reporting: Largely focused on validated by independent third parties validations part of risk management issues and indicators in reporting; some Reporting: Limited external reporting, regulatory compliance; initial efforts on a routine basis process third-party validations carried out risk of "green-washing" around CSR reporting AD HOC INITIAL DEFINED INTEGRATED OPTIMIZED

Source: MNP

MATURITY

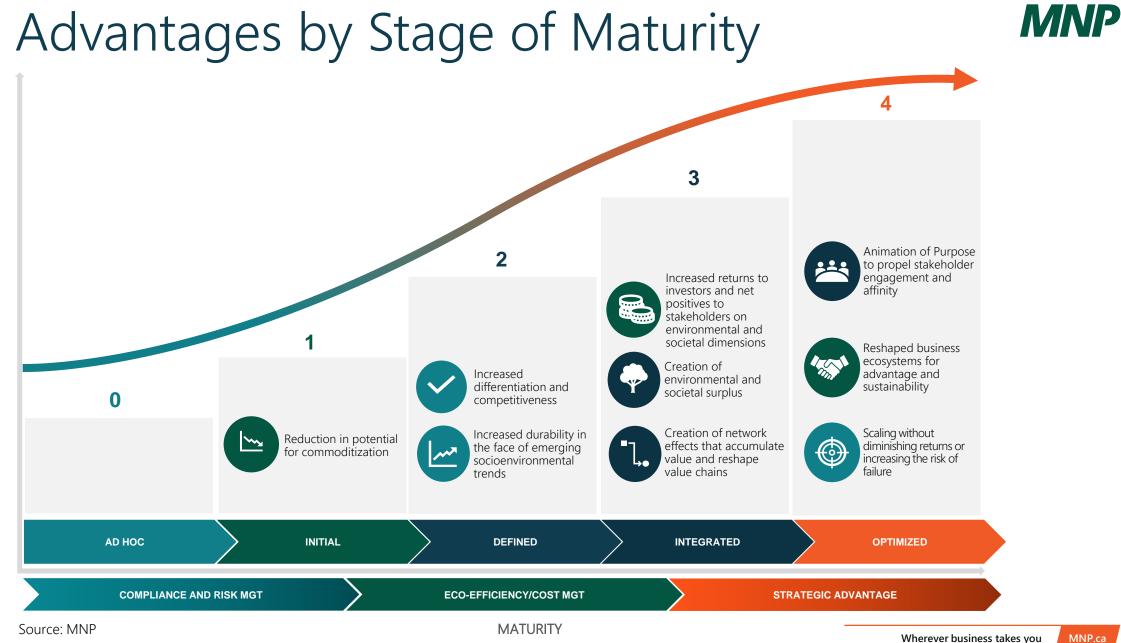
Operations: Sustainability is a core part of corporate culture and drives process and product innovation; full disclosure

including leading practice for metrics

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Wherever business takes you

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