



ESG IN CANNABIS

# Driving stakeholder value with ESG

Solutions that nurture expansion and reduce compliance risk.

## ESG programs for cannabis

In today's world, **environmental, social, and governance (ESG)** a core pillar of value creation for organizations of all sizes. Due to an evolving set of expectations from stakeholders and pending regulatory requirements, ESG is no longer a discussion—it's a necessity.

In the cannabis sector, global spending on legal cannabis is expected to grow 230% to \$32 billion in 2022, compared to \$9.5 billion in 2017<sup>1</sup>. To attract consumers, investors, and top talent, cannabis companies need to integrate ESG into their business operations.

## ESG issues specific to the cannabis industry

Every industry has different driving forces behind the development of ESG Programs. The following issues are material to the cannabis industry:

### 1. Access to capital:

As cannabis companies look to raise institutional capital through public listings, cannabis producers need to consider the ESG factors and start mapping out their ESG journey.

### 2. Governance issues:

Ethics, anti-corruption, and money laundering are top issues in the industry. Having a strong governance structure will be important for the sector to maintain its market share.

### 3. Regulatory compliance:

Many class action lawsuits in Canada and the US relate to misrepresentation and disclosure concerns. These issues are related to a failure or perceived failure around the governance process of the cannabis sector at large.

### 4. Emissions management:




Upcoming regulation on public companies to disclose and report on their greenhouse gas (GHG) emissions will put pressure on the entire supply chain to map out their carbon footprint. The cannabis sector will need to innovate its business model to reduce its carbon footprint due to high energy consumption.

### 5. Responsible consumption and community involvement:

Cannabis organizations are under increased pressure to demonstrate how they are giving back to the communities in which they operate when creating new businesses.

## How BDO's sustainability services can help

Our ESG specialists and services can support you regardless of where you are in your sustainability journey.

<p>Strategy</p> 	<p>Implement and optimize</p> 			<p>Measure</p> 
<p>ESG strategy and program development (full and light).</p> <p>Climate change strategy and risk.</p>	<p>Technology innovation and transformation.</p>	<p>Technology enablement.</p> <p>Program implementation and management.</p> <p>ESG technology selection and system implementation.</p> <p>Process risks and controls implementation.</p> <p>GHG emission and carbon management.</p>	<p>Social performance measurement.</p> <p>Governance performance management.</p> <p>Supply chain risk and traceability management.</p> <p>Sustainable finance.</p> <p>M&amp;A sustainable finance: M&amp;A ESG due diligence, ESG investment portfolio, integration, and impact assessment.</p>	<p>ESG target setting.</p> <p>ESG reporting.</p> <p>ESG assurance.</p> <p>Third-party assurance.</p>



## What our leading specialists say

"Investing in an ESG program is more important now than ever. The cannabis sector needs to be aware of the increased pressure to measure and report on ESG metrics and demonstrate impact on issues that matter. Forming an effective, sustainable ESG strategy and leveraging technology to support your ESG journey will optimize growth and set your organization for long-term success."

– Pierre Taillefer, National Sustainability & ESG Leader, BDO Canada

## Benefits of investing in ESG programs for the cannabis sector:



Early integration of an ESG program strategically positions your organization for long-term success.



Avoidance of regulatory violations.



Supply chain optimization considering ESG imperatives.



Brand reputation.



Access to capital.



Talent attraction and retention.



Operational efficiency and innovation.



Customer acquisition.



Partnership opportunities.

1. <https://icrinc.com/insights/esg-lessons-for-the-cannabis-industry/>

## TO LEARN MORE, PLEASE CONTACT

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## ABOUT BDO

BDO is a leading provider of professional services, delivering a range of assurance & accounting, tax, and advisory services. Complemented by continuously advancing technology expertise, ESG focus, and 100+ years of being connected to local communities, we're proud to cultivate ongoing relationships with clients and employees across Canada and beyond.

Our people-first approach to our talent experience has earned us multiple awards, including a spot among Canada's Top 100 Employers for 2022.

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