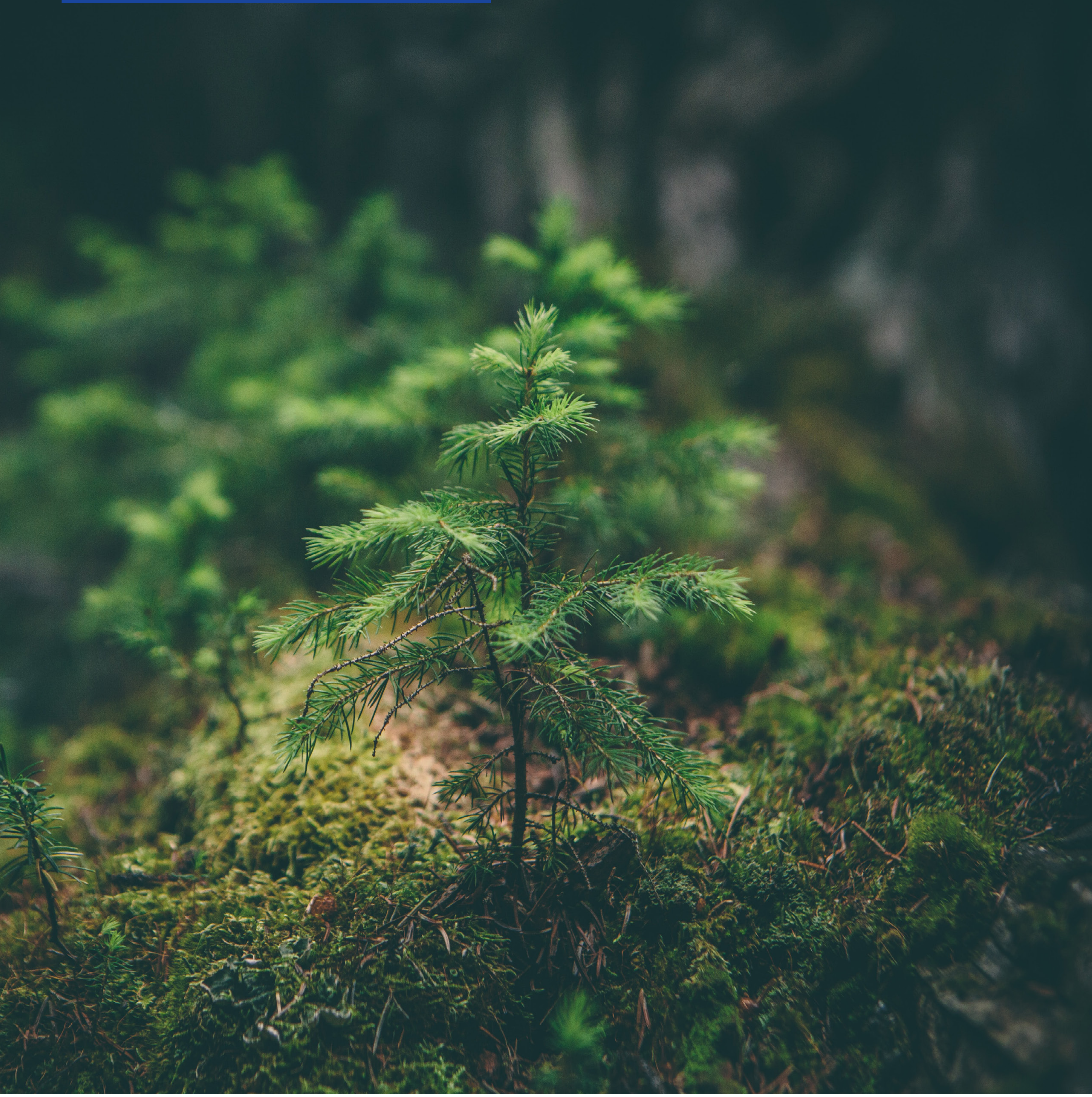
SUSTAINABILITY SIMPLIFIED



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WHY BUSINESSES CAN'T IGNORE SUSTAINABILITY

CPA ONTARIO

As some of the largest capital providers and companies in Canada gear up for mandatory sustainability disclosures, it is expected that they will be affected by decisions made by regulators nationally and abroad.

Though these decisions appear to impact the larger, regulated companies, smaller businesses should be prepared for the ripple effects from the larger companies that serve as their customers, clients or suppliers.

As value-chain disclosure requirements become more prevalent, smaller businesses will be asked to supply sustainability information to their larger, regulated suppliers and partners.

ONE OF THE MOST COMMON DISCLOSURE REQUIREMENTS, from the value chain, whether in Canada, the U.S. or the E.U., is the Scope 3 emissions (indirect emissions occurring in the value chain) that will impact unregulated small businesses.

That's why businesses that fall within the value chain of larger companies may face tangible risks:

LOSS OF BUSINESS RELATIONSHIPS

As larger entities need to make sustainability-related value-chain disclosures, they may sever ties with smaller suppliers or partners that do not supply satisfactory sustainability information. Beyond just retaining existing business relationships, suppliers that prioritize sustainability reporting may be more attractive for new business partnerships. They often find themselves in a favourable position when larger companies scout for new partners aligned with their sustainability vision.

HIGHER COST OF CAPITAL

As capital providers recognize the genuine business risks associated with sustainable business operations, they will be seeking transparent disclosures about the sustainability-related risks and opportunities the business faces. Companies that are not prepared to supply such disclosure may find themselves at a disadvantage in getting new capital and potentially face higher capital costs.

MISSED OPPORTUNITIES TO INNOVATE

By embracing sustainability, many companies are discovering ways to innovate as well as growth opportunities, including new markets, products and services. In taking a methodical look at their sustainability-related risks, businesses are less likely to miss these opportunities.

REGULATORY SURPRISES

While current regulations might seem more focused on larger, regulated companies, regulatory landscapes can change swiftly. Smaller businesses that are already aligned with sustainability practices and disclosures will find it easier to adapt to future regulatory shifts.

> In today's interconnected business world, sustainability is not just a fleeting trend – it's the bedrock of future success. **Every business, no matter its size, plays a role in a larger ecosystem**.

Sustainability and sustainability reporting is not just about ticking the box to appease larger, regulated companies' disclosure requirements. It's about recognizing the seismic shift in global business priorities and ensuring your company's place within it. Failure to act now could jeopardize your company's future viability.

> In acting today, you can ensure that as the world moves forward, **your business moves with it**.

NOT SURE WHERE TO START?

Check out our article, "**Where to Start with Sustainability Reporting.**"