

Audit Committee Report

DATE: Monday, November 24, 2025

WARD(S): ALL

TITLE: ENVIRONMENTAL, SUSTAINABILITY AND GOVERNANCE
(ESG) AUDIT

FROM:

Kevin Shapiro, Director of Internal Audit

ACTION: FOR INFORMATION

Purpose

To communicate the findings from the ESG Audit.

Report Highlights

- ESG stands for Environmental, Social and Governance and refers to a set of standards used to measure an organization's environmental and social impact.
- The City of Vaughan is committed to fostering a sustainable community that will continue to enhance the quality of life for all residents, businesses and visitors.
- Environmental Sustainability is one of seven Strategic Priorities in the City's 2022 – 2026 Term of Council Strategic Plan.
- Overall, the City demonstrated a shift from ad-hoc practices toward more structured and repeatable processes, particularly within the "Defining" and "Adopting" stages. This indicates efforts to lay foundational strategies while welcoming organizational change.
- The assessment highlights that while the City is building structured mechanisms for managing sustainability, certain areas still require significant development to meet its long-term sustainability objectives.

Recommendations

1. That the Internal Audit Report on ESG and Presentation Material (Attachment 1), be received.

Background

The objective of the audit was to conduct a comprehensive review of the City's ESG Program to ensure that it has efficiently and effectively implemented ESG initiatives, and that it aligns with the City's Term of Council strategic priorities, supports comprehensive and consistent ESG reporting, and builds a sustainable and equitable future.

The audit scope included:

- Conducting an in-depth current state assessment of the City's ESG Program.
- Developing options to consider for a desired state that will seek to identify gaps and areas for improvement within the City's current ESG program, while ensuring that proposed recommendations are in alignment with industry best practices and Council's strategic priorities.
- Proposing recommendations for improvement based upon assessments that will build and support a sustainable and equitable program.

This audit was co-sourced with KPMG, who were the successful bidder after a competitive procurement process (CPA24-490).

Previous Reports/Authority

Not applicable.

Analysis and Options

ESG stands for Environmental, Social and Governance and refers to a set of standards used to measure an organization's environmental and social impact. Environmental refers to whether the City is operating as a steward of the environment and covers environmental issues like climate change, greenhouse gas emissions, deforestation, carbon emissions, waste management and pollution. Social refers to the impact the City has on people, culture and communities and looks at the social impact of diversity, inclusivity, human rights and supply chains. Governance refers to how the City is directed and looks at corporate governance factors like compensation, diversity and management practices.

The City is committed to fostering a sustainable community that will continue to enhance the quality of life for all residents, businesses and visitors. Environmental Sustainability is one of seven Strategic Priorities in the City's 2022 – 2026 Term of Council Strategic Plan. The goal is to protect the environment and foster a sustainable future through social and economic initiatives. The objectives include Advance Stewardship of Green Infrastructure, Support Community and Corporate Sustainability Initiatives and Invest in Climate Change Mitigation and Resilience.

Financial Impact

There are no direct economic impacts associated with this report.

Operational Impact

Management has assessed any operational impacts as part of their management action plan development and implementation.

Broader Regional Impacts/Considerations

Not applicable.

Conclusion

Overall, the City demonstrated a shift from ad-hoc practices toward more structured and repeatable processes, particularly within the "Defining" and "Adopting" stages. This indicates efforts to lay foundational strategies while welcoming organizational change. The assessment highlights that while the City is building structured mechanisms for managing sustainability, certain areas still require significant development to meet its long-term sustainability objectives. These include:

1. **Accountability Sustainability Programs:** The City currently shows a low maturity level in terms of Sustainability programs. Opportunities exist to:
 - Conduct a Materiality Assessment with relevant stakeholders and employees to identify and prioritize sustainability issues that are most significant to the City's operations and community.
 - Establish clear ownership of sustainability initiatives by designating specific individuals or teams responsible for different aspects of the sustainability framework.
2. **Operational Performance:** The effectiveness and efficiency in achieving sustainability goals are categorized as laying the foundation. While some leading practices are embedded into the City's operations the integration can be done more consistently. Opportunities exist to:
 - Conduct regular training sessions that equip City employees with knowledge and tools to integrate sustainability principles into their daily work, fostering a culture of environmental stewardship.
 - Create a system for monitoring and reporting sustainability metrics.
3. **Stakeholder Centricity:** The maturity level is also at the foundational level, indicating a need for better stakeholder engagement across several sustainability initiatives. Opportunities exist to:
 - Conduct Stakeholder Mapping and prioritize engagement efforts based on their influence and interest.
 - Collaborate with stakeholders to design and implement sustainability initiatives.

- Create shared responsibility for sustainability goals, ensuring stakeholders are involved in tracking progress and measuring outcomes.
4. **Sustainable Culture:** The current practices suggest an emerging culture that promotes sustainability; however, there's room for more integration into the core values and employee engagement. Opportunities exist to:
 - Actively champion key initiatives through public commitments and regular updates (e.g. newsletters, social media posts, internal 'green' awards) on progress.
 5. **Reporting and Communication:** The structured approach the City uses to convey its sustainability performance, initiatives, and impacts to stakeholders. Opportunities exist to:
 - Develop a framework that aligns sustainability performance metrics with existing reports (e.g. Green Directions Vaughan), providing a cohesive narrative across all City communications.
 - Cities can voluntarily report their sustainability and climate disclosures using several established frameworks.

For more information, please contact: Kevin Shapiro, Director of Internal Audit, ext. 8293

Attachments

1. Presentation Materials

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