

## Opinion on sustainability

### Summary



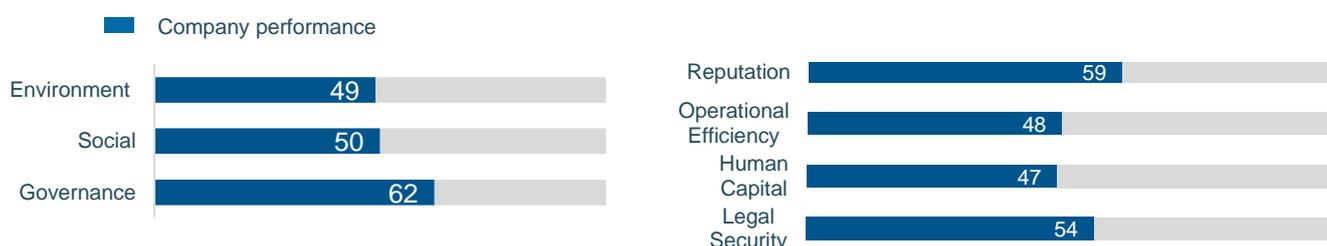
ESG Reporting Rate	87%
Sector Average	68%

*Preliminary note:* We assessed Nouveau Monde Graphite, Inc. at its request in line with our methodology of unsolicited rating. This assessment results in an absolute score of 52/100. Since Nouveau Monde Graphite, Inc. is not part of our listed issuers universe, this assessment does not result in a ranking against other listed companies. The A2 Rating serves an indicative purpose only. This position against sector components should not be used for legal reporting or legal valuation purposes.

As of December 2021, Nouveau Monde Graphite, Inc. receives an A2 rating, based on an overall score of 52/100. The company displays willingness and capacity to integrate ESG factors into its strategy, operations and risk management, exhibiting robust performance on issues related to reputation and legal security and limited performance on human capital and operational efficiency.

Nouveau Monde Graphite, Inc. (Nouveau Monde) is an integrated mineral exploration company with all its activities based out of Quebec, Canada. The company operates in acquisition, exploration, and evaluation of mining property; and manufacturing of graphite based lithium-ion battery materials. The company is in its development stage and currently progress with its wholly-owned Matawinie graphite mining project and its Bécancour battery material plant.

#### ESG AND RISKS MANAGEMENT PERFORMANCE (././100)



#### STRENGTHS

- ▶ Outstanding efforts to promote health & safety of direct and indirect workforce
- ▶ Advanced management of impacts on biodiversity
- ▶ Advanced promotion of the involvement of local communities and local economy

#### AREAS OF IMPROVEMENT

- ▶ Lack of current collective agreement or employee representatives
- ▶ Relatively weak implementation of measures to promote career management

#### KEY TAKEAWAYS

**Impacts:** Nouveau Monde is currently in development stage and hence causes only limited impacts. However, as the company completes the construction of its Matawinie mine and battery material plans, it will be able to make a major contribution to some UN sustainable development goals, based on the expectation that the company's supply of anode materials for lithium-ion batteries will in turn be used into electric vehicles (EVs) and renewable energy storage system. On the other hand, the company shows mixed trends on social indicators.

**Risks:** Nouveau Monde's risk management system appears robust but lacks relevant external audits and certifications. The company displays robust capacity to safeguard its legal security and reputation, and limited capacity to support its operational efficiency and human capital.

**Management:** Nouveau Monde appears to pro-actively integrate ESG factors into its strategy and operations. Its approach is supported by wide-covering commitments, however, the company does not display strong intention to entail quantitative objectives in majority of the commitments. Robust means and processes could address the most material challenges, from V.E's view. Meanwhile, the absence of controversy strengthens V.E's assurance on the company's management of its relationships with stakeholders.

## Impacts

### VALUE CREATION AND SHARING

<p><b>Share of investments in activities creating sustainable value</b> [Major, Significant, Limited, None]</p>	<p><b>Major</b></p>	<p>Nouveau Monde stated to V.E that expenses associated to the completion of the Matawinie graphite mining project and its Bécancour battery material plant were the following:</p> <ul style="list-style-type: none"> <li>▶ Circa CAD175 million were dedicated over the last five years to fund its working capital, exploration expenses and capital expenditure in the company's two projects: Matwinie mine and Bécancour battery material plant. The company aims, by the completion of the mine in 2024 and battery material plant in 2025, to supply anode battery materials with its integrated mine to lithium-ion battery manufacturers. The company reported an exploration and evaluation expenses related to the Matawinie property of CAD10.3 million, and expenses related to developing the Bécancour plant of CAD2.9 million over 2020.</li> <li>▶ As of November 2021, the company had completed construction of the phase-1 Bécancour purification facility on budget, and that construction of the Matawinie mining project's nearly 8-km access road was on time and on budget, with works completed at 70%. The progress added comfort that the company is on track to create value, if completed, from the capital invested, while the company indicates to V.E that a further CAD1.1 billion will likely be required to be spent in the next 2-3 years. In 2020, the company issued a CAD15 million three-year convertible bond with Pallinghurst and further issued shares with net proceeds of CAD114 million in the first nine months of 2021, which will support its future investments.</li> <li>▶ The company also mandated Hydro-Quebec for the development, installation, and operation of a 120-kV power line to enable electrification of its operations, where the company will pay around CAD9.5 million for the engineering and the construction.</li> </ul> <p>V.E's assessment of major share of investments creating sustainable value is based upon the expectation that the majority of anode battery materials produced will be used by battery makers in EVs and renewable energy storage systems, thereby contributing to the decarbonisation or electrification of the sectors. Nevertheless, V.E notes that the visibility of generating such prospective revenue streams has not been clearly backed by order backlog to date, while the company states it has been in talk with the key battery and car makers.</p> <p>Nouveau Monde plans to commence its operations by 2025 with an expected capacity of 100,000 tonne per annum of natural graphite flake in its Matawinie mines and 45,000 tonne per annum of anode material and purified jumbo flake, and plans to further expand its production beyond 2025.</p>
<p><b>R&amp;D investments</b> [Increase, Stable, Decrease, Unclear]</p>	<p><b>Unclear</b></p>	<p>Nouveau Monde does not report specifically for its R&amp;D expenses: as it is currently in its development stage, the company reported its expenses related to the Matawinie mine under exploration and evaluation and expenses related to the Bécancour plant under battery material plant project expenses.</p> <p>According to the company, it intends to spend a ballpark of 3% of its revenues in R&amp;D as the company fully ramps up its operations, which would roughly in line with the industry.</p> <p>Nouveau Monde has partnered with Hydro-Québec to research and develop graphite anode material used in lithium-ion batteries. Hydro-Québec's Centre of Excellence in Transportation Electrification and Energy Storage is developing technologies for EVs and other energy storage applications. The company indicates that its planned investments in innovation including its advanced tailing system to improve water</p>

		discharged and waste management, and Artificial Intelligence to improve the efficiency of its mine and power plant.
<b>Ratio of shareholder dividends vs employee wages and benefits</b> [Increase, Stable or No Clear Trend, Decrease]	<b>No dividends distributed</b>	In line with its development stage, Nouveau Monde has not paid any dividends to its shareholders over the past 5 years. The company expects that dividends will not be a priority until 2025 upon completion and ramp up of its mine and battery material plant.
<b>Transparency on tax payments</b> [Major, Significant, Limited, None]	<b>Significant</b>	Nouveau Monde reports significantly on taxes paid. The company disclosed a tax credit as a reduction of its costs and cash flows of tax credits and grants. The company also reported tax credit receivable. The company is only present in one country, Canada.
<b>Operations in offshore financial centres (OFC), including non-compliant OECD jurisdictions</b> [No Operation in OFC, Justified Operations in OFC, Unjustified Operations in OFC]	<b>No Operation in OFC</b>	Nouveau Monde is based and operates only in Canada, which is not considered by the IMF as 'offshore financial centres' and/ or by the OECD as not compliant enough on tax transparency rules.

## SOCIAL & ENVIRONMENTAL IMPACTS

### Environmental impacts :

Nouveau Monde's carbon footprint, as estimated by V.E, is considered low and the company receives therefore a grade A (the best carbon footprint score on V. E's 4 level-rating scale) in this regard Nouveau Monde obtains an energy transition score of 43/100. This performance reflects the company's efforts to enhance its production processes to reduce its environmental impacts, but rather limited efforts to manage its environmental impacts from transportation. Nouveau Monde's energy transition score is significantly above the sector average of the Metals and Mining North America sector (21/100), composed of 56 companies. At the same time, V.E notes that the scores are indicative given the development stage of the company and that the company may face challenges to maintain a relative low footprint as operations grow.

<b>CO2 emissions (Scope 1&amp;2)</b> [Increase, Stable or Unclear, Decrease or Undisclosed]	<b>Decrease</b>	The company's GHG emissions (direct and indirect), normalised to exploration and evaluation expenses, decreased to 5.7 metric ton per million CAD in 2020 from 7.1 in 2019.
<b>Energy consumption</b> [Increase, Stable or Unclear, Decrease or Undisclosed]	<b>Decrease</b>	The company's energy consumption, normalised to exploration and evaluation expenses, decreased to 406 MWh / million CAD in 2020 from 488 in 2019.

### Social impacts:

<b>Organic growth of employment</b> [Positive, Stable, Undisclosed]	<b>Positive</b>	The number of employees has been multiplied by more than 5 between 2017 and 2019, from 13 to 67, and amounted to circa 100 as of November 2021. The company did not proceed with any acquisition or divestment over that period.  Of note, the company expects to continue to grow its employment by 400 in 2025 as the company ramps up and expand its production.
<b>Percentage and trends of women in management</b> [Increase, Stable or Unclear, Decrease or Undisclosed]	<b>Decrease</b>	Nouveau Monde's share of women in management positions decreased by 13 percentage points over the last three years to 17% in 2020 from 30% in 2017. The

		percentage of 23% in 2019 is slightly more advanced than the sector average of 19% (composed of 11 companies).
<b>Injury frequency rate</b> [Decrease, Stable or Unclear, Increase or Undisclosed, None]	<b>Stable</b>	<p>Nouveau Monde's lost-time injury between 2018 and 2020 reported to be 0 except its peak of 2.53 in 2019. As part of the company's Sustainability Action Plan 2021-2023, the company has its target Occupational Safety and Health Administration (OSHA) incident rate of 2.</p> <p>On the other hand, the total recordable injury frequency rate (TRIFR) reported to be 0 between 2018 and 2020, except it peaked at 20.24 in 2019.</p> <p>Nouveau Monde's current performance of the indicators is indicative and not directly comparable to industry average because the company has only operated in demonstration unit.</p>
<b>Annual training hours</b> [Increase, Stable, Decrease or Undisclosed]	<b>Increase</b>	<p>The number of training hours per employee has increased significantly by 276% between 2018 and 2020, to 128 hours per employees in 2020, which is high in V.E's view. The company's training programme entails the training facilities within the demonstration plant enabling training for technical aspects, cohorts of on-the-job training as part of the Diploma of Vocational studies, training for operators on topics notably health and safety, and internship programme for administrative staff.</p>

## IMPACTS OF PRODUCTS & SERVICES

Nouveau Monde is currently in development and exploration phase and has no current established production, resulting in no meaningful impact of its products and services. Prospective revenues have not appeared to be sufficiently backed by order backlog to date either despite an off-take agreement announced for flake graphite concentrate and the company's indication that it is in talks with the key battery makers and car makers. The company plans its production of 45,000 tons of anode materials per annum in 2025. The company intends to benefit from the current strong demand momentum for electrification, and the local automotive manufacturers' willingness to diversify their suppliers, to provide a solution particularly in North America. V.E considers that if the overwhelming majority of Nouveau Monde's revenues is to be generated from selling anode materials to key battery makers for EVs and renewable energy storage systems, the company's contributions of the company's products to the UN Sustainable Development Goals would be considered major (the highest position on V. E's rating scale). This would translate the company's contribution to the UN Sustainable development Goals N°9 (Industry, Innovation and Infrastructure), 11 (Sustainable Cities and Communities) and 13 (Climate Action).

Furthermore, the company expects the impact of its products to be supported by an increasing market share of natural graphite over the next five years at the expense of synthetic graphite. The company argues that its intended production of natural graphite would also be comparatively less energy intensive. This would, when fully operational, to some extent strengthen its contribution to the aforementioned SDGs.

## Risks

### RISK FACTORS

Nouveau Monde's material risk and opportunity factors relate to:

- Board of Directors
- Business Ethics (Corruption)
- Impacts on local communities (respect for human rights standards, labour rights and promotion of social and economic development)
- Impacts on natural resources (Environmental management, biodiversity, water)
- Energy use and climate change
- Health and safety and working conditions of direct and indirect workforce

V.E's analysis reveals that Nouveau Monde has adequately addressed most of these challenges.

### **Board of Directors**

*The composition of the Board of Directors (including the diversity, independence and competency level of its members), as well as its functioning rules (including board members' training and performance evaluation, the frequency of their elections, etc.) could impact its ability to exercise control over the management and foster the company's long terms competitiveness and profitability.*

Nouveau Monde's ability to manage risks linked to its Board of Directors appears Advanced. V.E positively notes that the roles of chairman and CEO (General manager) are separated, although the chairman is not considered independent as he represents the major shareholder. V.E. further positively notes that the majority of the Board (6 out of 9-member) are considered independent. While the members have a robust operational experience related to Nouveau Monde's activities, they do not demonstrate clear CSR expertise. Nouveau Monde has exhibited a proven track record of systematically discuss CSR issues at Board level, including the approvals of various policies e.g., Whistleblower policy, Anti-bribery and Anti-Corruption policy, updates on engagement with First Nation, and presentation of environment and human capital impact report. At the same time, it was not clear to V.E whether the board's functioning and performance has been evaluated regularly. Furthermore, V.E notes that only two women sit at the Board, which may reduce the company's ability to showcase its willingness to promote diversity throughout its operations.

### **Business Ethics (Corruption)**

*Nouveau Monde's projects involve negotiations with public entities to develop land related to its mine and manufacturing plants and must respect planning schemes controlled by national and local legislations. The company's ability to showcase a solid business ethic culture could be a strong asset for its future development projects. Anti-competitive practices are not applicable to Nouveau Monde as it is in its development phase and has made no sales.*

Nouveau Monde displays a robust performance with regards to the prevention of corruption and money-laundering, supported by a commitment formalised in its Anti-Bribery and Anti-Corruption Policy, although it does not clearly cover all the company's responsibilities. V.E takes note of the company's committed compliance to the Canada's Corruption of Foreign Public Officials Act (Canada's corruption perception index by Transparency International is of 77/100 in 2020). Meanwhile, V.E observed some reporting systems including the possibility to contact the legal department and presence of a confidential hotline in line with its Whistleblower Policy in place at Nouveau Monde to prevent, detect and report on corruption and any related issues, somewhat counterbalanced by the lack of evident external audits or verification in place. No incident related to corruption has been reported over the past three years.

### **Impacts on local communities (respect for human rights standards and promotion of social and economic development)**

*Nouveau Monde is developing the Matawinie mine and Bécancour battery material plant with long term impacts on local communities. The Matawinie mine is located on the municipal territory of Saint-Michel-des-Saints, situated in the large traditional Atikamekw Indigenous region, the Nitaskinan, and The Bécancour plant is located on Ndakinna, the traditional Abenaki Indigenous territory, 5 km from the Wôlinak First Nation reserve. As such, the respect for human rights of communities surrounding projects and contribution to local social and economic development may impact its licence to operate.*

Nouveau Monde's performance to manage human rights standards is Robust in V. E's view, which is in turn supported by a formalised commitment to respect and promote human rights in society. Nouveau Monde is currently developing a Human Rights Policy aiming to further embed human rights principles into its internal policies and culture to influence business partners, customers, and end-users of its advanced graphite materials. The company has implemented a grievance mechanism and held information events including public sessions, consultations and open-house events. Nouveau Monde further shows commitments regarding indigenous engagement in relation to the Matawinie project, the company engaged with the Atikamekw First Nation and in relation to the Bécancour project the company is committed to learning and addressing any concerns from the Wôlinak First Nation. Additionally, V.E positively takes note of the formation of an Accompanying Committee comprising of local citizens, First Nation members, business representatives and local organisations in 2017, which aims to address concerns related to environmental issues and communities of the mining project. The committee intends to adopt a monitoring role as the project transitions to operations. The absence of allegation found strengthens V. E's assurance on the company's ability to preserve its reputational asset from stakeholders' criticism in this respect.

Nouveau Monde achieves an Advanced performance with regards to socio economic development. The company's commitment is comprehensive as it covers its main responsibilities, such as promoting local employment, and optimising the impacts of its operations on the local economy. The company has implemented advanced measures to promote the socio-economic development of local communities, including initiatives to train and

hire local workers, together with information sessions about training, job and business opportunities, and has signed a collaboration and benefit-sharing agreement with the municipality of Saint-Michel-des-Saints, where it is headquartered. Nouveau Monde's support to local businesses is reflected by its disclosure of the amount of contracts awarded to local suppliers and service providers, which represented 42% of total procurement budget in 2020, up from 25% in 2018. The company also reported that in 2020, 37.5% of jobs were filled by local candidates and that 16 new jobs were created at the demonstration sites.

However, Nouveau Monde's absence of formal structure of employees' representatives and labour union somehow limits its willingness and capacity to respect freedom of association and the right to collective bargaining, in V.E view. The company indicated that it has not been under pressure regarding formation of a labour union. Meanwhile, V.E takes comfort that Nouveau Monde issued a formalised commitment to such right and to the compliance of the Québec's Labour Code and Québec's Charter of Human Rights and Freedoms, and has somewhat displayed preparedness for the formation of a union.

### **Impacts on natural resources (Environmental management, Biodiversity, Water)**

*Mining activities and construction of battery material plants generate significant and long-term impacts on local ecosystems and are subject to stringent environmental regulation. The implementation of efficient environmental management systems and systematic measures to mitigate operations' impacts on biodiversity are therefore key to preserve the company's license to operate. Also, water is used in high quantities both as an ingredient and a cooling agent in mines and manufacturing plants. Reduction of water use can have competitive advantages and ensure procurement security, in a context of competition with other water users.*

Nouveau Monde's commitment to protect biodiversity has been formalised, supported with relevant measures in its operations. Nouveau Monde demonstrated comprehensive measures, in V. E's view, as reflected in an environmental baseline study and project design through Environmental and Social Impact Assessments (ESIA) for the Matawinie mine, and the implementation of biodiversity management guidelines to avoid sensitive forest habitats, high ecological value wetlands, high and middle-quality fish habitats as well as to avoid tree cutting during nesting season for birds and bats. The company reported that it will select species that promote the rapid return of a resilient and sustainable native ecosystem, limit wind and water erosion, and develop progressive land reclamation. These measures form part of the company's environmental manual specifying procedures and responsibilities and environmental surveillance and monitoring program, but V.E notes that the company has not obtained independent external certification or audit nor appears to conduct specific training to site managers and subcontractors. The overall performance is also constrained by the lack of publicly disclosed biodiversity indicators on its sites of operations.

Nouveau Monde demonstrates comprehensive research work, in V.E view, on a water management system for the Matawinie mine, including environmental baseline studies, geochemistry characterisations, laboratory and field tests, water modelling, and technical reports. V.E also positively recognises its effort on stakeholder consultation to integrate and address specific concerns, such as potential dam failure risks. The company develops an alternative tailings management approach that avoids the use of dams and an integrated water management system to be used throughout all stages of the operation (construction, operation, and closure) aiming to minimise the use of freshwater. Precipitation from both the mining site and from the dewatering pit will be prioritised as the water source for the concentrator. Although the company's water consumption - normalised to its exploration and evaluation expenses - (x 1000 m<sup>3</sup>) / M CAD has decreased over the last two years to 0.85 in 2020 from 1.18 in 2019 (the normalisation is indicative as the production has not started yet).

### **Energy use and climate change**

*Mining activities and manufacturing facilities are large consumers of energy and CO<sub>2</sub> emitters. Leadership in the reduction of energy use and GHG emissions can have competitive advantages and ensure better procurement security.*

Despite Nouveau Monde's current exploration stage, V.E positively notes that the company is tracking current energy consumption at its demonstration facilities and integrating data into its Climate Action Plan to assess projected levels at the commercial production stage. V.E views that the company's management strategy demonstrates a clear focus on fulfilling its goal of an all-electric fleet and infrastructure. In November 2020, the company issued a call for pre-qualification to constitute an initial fleet of 60 vehicles. Nouveau Monde has further mandated Hydro-Québec - a state-owned enterprise that generates, transports and distributes electricity in Québec from renewable hydro resources - to carry out the development, installation and operation of a 120-kV electrical line that will supply its Matawinie mine site, where the company will pay around CAD9.5 million for



the engineering and the construction. However, V.E notes that the implementation is not yet fully in place at this stage. V.E further views that Nouveau Monde's lack of quantified target on energy use and GHG emission, and unclear trends of the consumption once the mines and facilities in full operations could to some extent constrain its current overall performance on managing risks associated with energy use and GHG emissions.

### **Health and Safety and working conditions of direct and indirect workforce**

*Nouveau Monde's development of mines and construction of battery material plant and operations involve significant operational and legal risks related to working conditions of direct and subcontracted workforce. Hazards associated to the construction and maintenance include working from height, hazardous substances, exposure to high temperatures, manipulating heavy loads, etc. Any accident on a worksite could lead to project delay or fines. Nouveau Monde bears also the responsibility for social standards applied on construction sites (including direct and subcontracted employees' working conditions, as well as respect for basic labour and human rights). Criticism in this respect could severely harm the company's brand image and license to operate.*

V.E views that Nouveau Monde's commitment toward health and safety is comprehensive, addressing all its responsibilities and covering its employees as well as its contractors. The commitment is to a large extent supported by measures including training and awareness raising on occupational health and safety and regular internal monitoring and H&S audits. Daily toolbox meetings are held before each shift at the operational level and employees have to fill a safety analysis booklet before starting a new task. An employee representative interviewed by V.E confirmed the high level of attention paid by the company to these issues. As a result, the company's lost-time injury between 2018 and 2020 reported to be 0 except its peak of 2.53 in 2019. As part of the company's Sustainability Action Plan 2021-2023, the company has communicated its target Occupational Safety and Health Administration (OSHA) incident rate of 2. V.E expects the company to continue to take preventive measures in order to comply with its target rate, but the company has not obtained external certifications for its health and safety management system, which could constrain its V.E assessment of health and safety performance.

### RISK MANAGEMENT

Nouveau Monde's risk management system appears robust.

- ▶ Nouveau Monde has disclosed company-wide risk mapping/materiality in its annual report. The company mandated an external consulting firm to conduct a desktop assessment of material topics, feeding on documented recent extensive stakeholder consultations, interviews, third-party analysis of its projects and other development initiatives in its communities, benchmarking, and review of main disclosure frameworks. The assessment identified and weights ESG topics by 'very high', 'high' and 'moderate' importance to stakeholders and significance of ESG impacts. Such risk mapping covers nearly all of the CSR risks relevant to the company's activity except social standards in supply chain, transportation and responsible lobbying. In particular, Climate Action, Water Management, Energy, Community Participation, Governance & Compliance are identified to be 'very high' in both parameters. The company indicates its intention to continue collecting feedback from stakeholders to further refine its key ESG topics and conduct an update the risk mapping helped by the consulting firm; however, formal processes or methodologies of internal audit, external audit and involvements of other stakeholders appear not be clearly outlined.
- ▶ The company has come up with the Sustainable Development Strategy 2021-2023 Action Plan addressing nearly all topics identified in the risk management mapping. For each of the action plan, the company assigned dedicated lead (i.e head of the respective departments) and contributors (i.e various cross functional teams and occasionally the top executives), who are made responsible for implementing mitigation measures and reporting on related achievements. Such information is frequently presented to the CEO, CFO and the Board of Directors. Also, Vice President, Communications and ESG Strategy, reporting to the CEO, is dedicated to coordinate among various departments and to closely monitor the implementation of the mitigation measures.
- ▶ V.E views that the company's risk management system is limited by the fact that it has not yet to date obtained external certifications in relation the management of areas such as environment issues and health and safety. Nevertheless, in relation to the development of the Matawinie mine, the company filed the Environment and Social Impact Assessment (ESIA) following its analysis by 25 provincial agencies and ministries, and a public examination of the project's benefits and impacts, design criteria, and integration within the community. In February 2021, the company obtained the environmental decree by the Québec Government authorising the construction of the Matawinie mining project, which indicates agreement by the government's environment experts on several the company's environment measures such as water management system, tailings co-disposal, progressive land reclamation and biodiversity protection.
- ▶ The company's Audit Committee comprises of all four independent and non-executive boards members responsible for overseeing the company's financial reporting, external auditing, compliance, disclosure, internal controls, and risk management.
- ▶ The company's ESG, Community, Sustainability, and Diversity Committee comprises of two independent non-executive board members and the Chaire of the board responsible for overseeing ESG initiatives, policies, standards, and programmes.
- ▶ A whistleblowing system to report confidentially on complaints that may rise from non-compliance or misconduct has been implemented and covers both internal and external stakeholders, which may further strengthen the robustness of this system.

## REPUTATION

REPUTATION (/100)	
Social and economic development	59
Shareholders	81
Biodiversity	80
Fundamental human rights	70
Corruption	53
Executive remuneration	53
Local pollution	41
	36

## OPERATIONAL EFFICIENCY

OPERATIONS (/100)	
Board of Directors	48
Audit & internal controls	80
Energy	74
Water	52
Environmental strategy	51
Social dialogue	46
Responsible lobbying	24
	12

## HUMAN CAPITAL

HUMAN CAPITAL (/100)	
Health and safety	47
Non-discrimination	76
Fundamental labour rights	44
Career management	34
	34

## LEGAL SECURITY

LEGAL SECURITY (/100)	
Pollution prevention and control	54
	65
Waste	42

Weak: from 0 to 29

Limited: from 30 to 49

Robust: from 50 to 59

Advanced: from 60 to 100

## Management

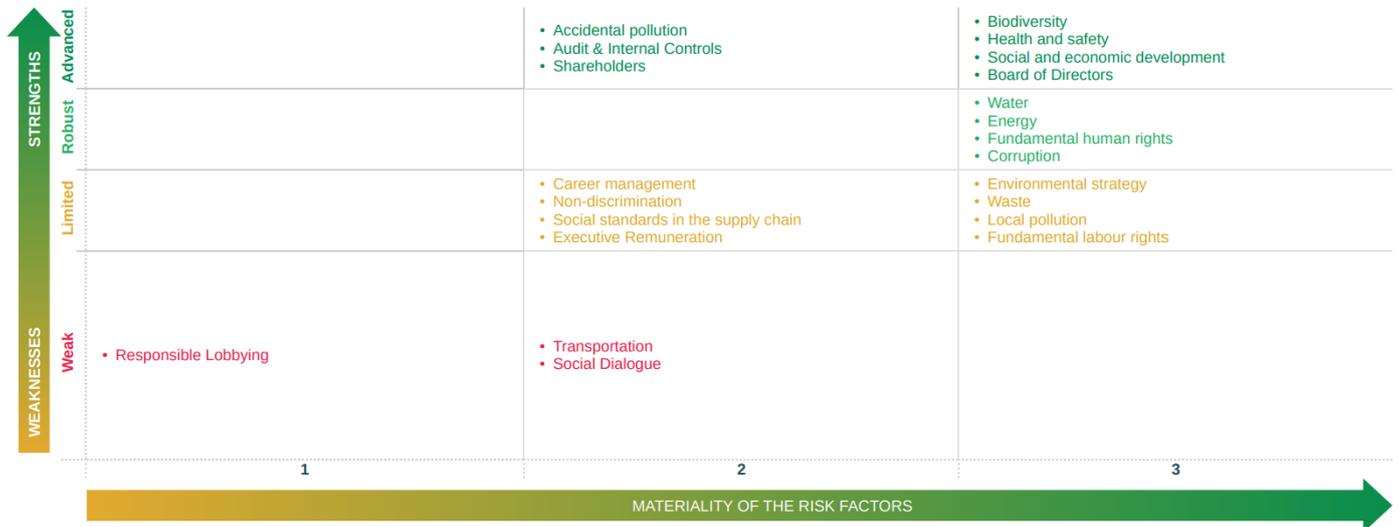
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### INTEGRATION OF ESG FACTORS INTO CORPORATE GOVERNANCE

ESG factors appear to be an integral part of the company's strategy although not fully integrated into its governance structure owing to lack of variable remuneration linked to CSR objectives.

- ▶ **The Board of Directors** is responsible for overseeing the company's sustainability performance.
  - CSR topics are substantially discussed at Board meetings and include continuous improvements of social and environmental impacts, contribution to social development, human rights, business ethics and biodiversity.
  - Reporting on CSR risks is done by the Vice President, Communications and ESG Strategy to the ESG, Community, Sustainability, and Diversity committee frequently.
  - The ESG, Community, Sustainability, and Diversity Committee is to assist the Board with oversight of ESG initiatives, policies, standards, and programs which include sustainability, tailings management, water stewardship, site restoration, community and Indigenous relations, human rights, business conduct, and ethics, as well as the company's approach to matters related to diversity, equality, and inclusion. The committee is held quarterly and is comprised of at least three members, with a majority being independent directors. Furthermore, the committee ensures Nouveau Monde is compliant with all applicable regulatory and legal requirements and will assist the company's management in implementing and promoting ESG best practices throughout the organisation
  
- ▶ At **operational level**, Vice President, Communications and ESG Strategy is responsible to find measurements and opportunities relating to any ESG issues and align ESG strategies and initiatives through frequent liaison with corresponding department heads including environmental specialists, human resources lead etc., and report any findings to the CEO and the Board. Vice President, Communications and ESG Strategy is also responsible for the involvement of other stakeholders including local communities, government entities and ensures that CSR risks are integrated.
  
- ▶ **Reporting to shareholders** is also made through the Sustainability Reporting in the Annual Report, and ESG Report (starting in 2020), which are publicly available on the company's website, which enhances its transparency. Nouveau Monde's Board of Directors has reviewed and approved the reporting in accordance with the GRI Sustainability Reporting Core Standards, but the reports are not externally assured. The company has presented to shareholders and investors its CSR strategy via the Annual Report, the ESG Report, the Corporate Presentation and public communication platforms, namely the company's website, press releases, social media, newsletters.
  
- ▶ CSR issues are integrated in the company's **internal controls** system, as mentioned on page 8 of this document.
  
- ▶ CSR performance objectives do not appear to be considered in the determination of **variable remuneration** of senior executives.

## ESG MATERIALITY AND PERFORMANCE MATRIX



## ENVIRONMENT

Strengths	Areas for improvement
<p>Nouveau Monde conducted environmental and social impact assessments on the Matawinie mining projects, and the company obtained the environmental decree by the Québec Government, assuring its accountability towards its various stakeholders.</p> <p>Measures relating to management of biodiversity loss, water, energy consumption, waste, local pollution and accidental pollution appears to be advanced, although the full implementation will only occur as the company is fully operational.</p> <p>The company's supply of anode materials, if fully operational, would constitute an opportunity in the worldwide energy transition perspective.</p>	<p>Nouveau Monde has not obtained an externally certified environmental management system, which somewhat lowers its reliability of its internal control and audits.</p> <p>Trends of several key indicators including GHG emissions, atmospheric emissions, waste discharged, water consumption etc appear difficult to predict as the company is not yet operating. The likelihood of reporting of all these indicators remains unclear if fully operational.</p>

## SOCIAL

Strengths	Areas for improvement
<p>Comprehensive means appear to be in place to address social and economic development and respect for human rights may foster the company's license to operate with no allegations identified.</p> <p>Nouveau Monde's advanced health and safety management system may protect the company's legal security.</p> <p>Nouveau Monde's human resource strategy appears to be largely focused on trainings and listening to employees, which may increase its ability to attract and retain talents.</p>	<p>Nouveau Monde is currently non-unionised, which may lower labour's collective bargaining power and the company's general relation to labour force</p> <p>Nouveau Monde has not committed to quantitative targets regarding non-discrimination, while only two women sits at the Board of Directors.</p> <p>Limited measures appear to be in place to promote career management</p>

### GOVERNANCE

Strengths	Areas for improvement
<p>Nouveau Monde's risk management and internal control system cover the most material CSR topics identified for the company (H&amp;S, climate change, business ethics and community relations), which may contribute to preserve the company's license to operate in a context of growing requirements from national and local authorities regarding sustainability.</p> <p>Board of Directors' governing rules are aligned with the most stringent governance standards.</p> <p>Support from shareholder Pallinghurst and the government has been observed, which warrants strong access to financing and financial incentives.</p>	<p>The visibility of the company's commitment and measures to ensuring transparency and integrity of lobbying practices is insufficient.</p> <p>Nouveau Monde has not conducted external audit or verification on company-wide ESG performance and indicators.</p> <p>In relation to executive remuneration, linkage to long-term incentives or CSR performance has not been evident.</p>

### DETAILED EXPOSURE TO CONTROVERSIES

ESG Issues	Number of companies facing associated cases within the sector	Company exposure	Company reactivity
Social standards in the supply chain	0	No	N/A
Prevention of corruption	9	No	N/A
Responsible Lobbying	3	No	N/A
Respect for human rights standards and prevention of violations	20	No	N/A
Fundamental labour rights	3	No	N/A
Non-discrimination and diversity	4	No	N/A
Environmental strategy	1	No	N/A
Accidental Pollution	12	No	N/A
Biodiversity	15	No	N/A
Water	25	No	N/A
Energy	4	No	N/A
Waste	11	No	N/A
Local pollution	12	No	N/A
Management of environmental impacts from transportation	0	No	N/A
Social and economic development	27	No	N/A
Board of Directors	4	No	N/A
Audit & internal controls	7	No	N/A
Shareholders	10	No	N/A
Executive remuneration	3	No	N/A
Social Dialogue	11	No	N/A
Career management	1	No	N/A
Health and safety	18	No	N/A

### CONTROVERSY MANAGEMENT

No controversy has been identified for Nouveau Monde over the past four years. This strengthens V. E's assurance on the company's ability to manage its relations with stakeholders, on all CSR issues concerned by its activity.

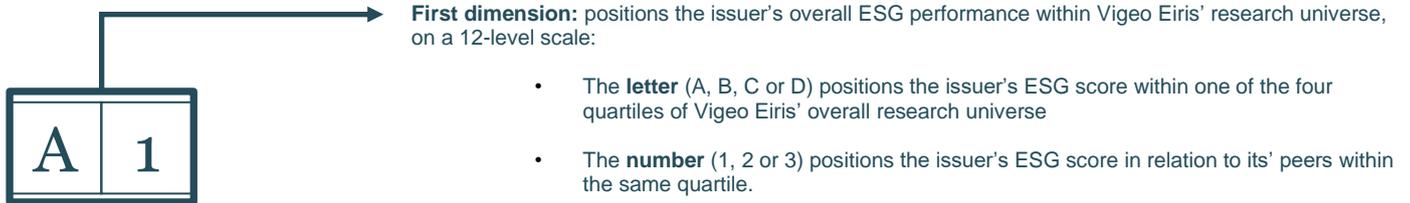
## Methodology

### Corporate Rating Scale

Vigeo Eiris' consolidated rating scale ranges from A1+ to D3-.

The consolidated rating translates the overall and relative ESG performance of an issuer according to 2 elements:

- Quartile performance and position within this quartile;
- Position in relation to its' peers.



### Definition of Strategic Assets

Each sustainability criterion of our rating framework affects issuers' non-material strategic assets with a different intensity. Vigeo Eiris has categorised these non-material assets into 4 classes: reputation, human capital cohesion, operational efficiency and legal security. The intensity of each sustainability driver on each asset class translates into a weight from 0 to 3.

Vigeo Eiris postulates that a correlation exists between an issuer's level of commitment towards each of the sustainability criteria analysed and its ability to protect and develop these 4 classes of strategic assets.

From the ESG scores obtained by an issuer on different sustainability criteria, we infer a level of risk mitigation of these strategic assets. This level is given a score which is calculated using the following formula:

- "R": Level of risk mitigation
- "Y": Asset under review (reputation, human capital cohesion, legal security, operational efficiency)
- "S": Sustainability criteria score for which the weight of the asset X is weighted at 2 or 3
- "W": Weight allocated to the asset under review within each sustainability driver

$$Ry = \frac{\sum (Sy \times Wy)}{\sum Wy}$$

### Risk Typology – The 4 main categories

#### Reputation

1. Brand recognition, level and variation of brand image and organisation, its leaders and consulting shareholders
2. Outbreak, persistence, reduction or elimination of rumours, allegations and controversies
3. Licence to operate, degree of social acceptability (approval of the implementation and/ or extension of the company, receipt and maintenance of operational permits and licences from public authorities or ordering parties)
4. Talent attraction
5. Variation of levels of shareholder support and satisfaction

<p><b>Human Capital Cohesion</b></p>	<ol style="list-style-type: none"> <li>1. Stability of labour relations and social conflict mitigation</li> <li>2. Retention of skills and know how; skills development</li> <li>3. Attraction and mobilisation of core skills</li> <li>4. Company culture and values</li> </ol>
<p><b>Operational Efficiency</b></p>	<ol style="list-style-type: none"> <li>1. Production cost management (work accidents, competencies, reducing energy consumption etc)</li> <li>2. Competitiveness of products and services (training, waste reduction, employee training and participation)</li> <li>3. Organisational and process effectiveness (audits and control mechanisms, environmental strategies etc)</li> <li>4. Innovation and preventing production and organisational process techniques from becoming obsolete; prevention of technological obsolescence</li> <li>5. Security and quality of supplies and revenues</li> </ol>
<p><b>Legal Security</b></p>	<ol style="list-style-type: none"> <li>1. Recourse and complaints, litigation, legal proceedings, trials and fines</li> </ol>

### Controversies

We continuously monitor controversies involving the social responsibility of the issuers we assess. We promptly disseminate our detailed opinion on the severity and possible consequences of the controversies in question. This service is designed to inform investors and asset managers about unexpected changes in issuers' risk profiles and enable them to make informed decisions.

We assess issuers' capacity to mitigate risks arising from allegations, media campaigns, lawsuits, or social movements related to environmental, social, ethical, supply chain, human rights and governance issues, which involve their products, services or behaviours. We provide an opinion on issuers' controversy risk mitigation based on the analysis of three systematic factors: the **severity** of the controversy regarding the social responsibility norms and standards applicable to the issuer and the rights and expectations of its stakeholders; the **frequency** of similar allegations involving the issuer; the issuer's **responsiveness** and its ability to take appropriate, corrective and preventive measures. Depending on their topic, controversies are categorised into 106 different themes.

This service provides access to our Controversy Journal, which is permanently available and categorises entries by social responsibility theme and factor, company, sector, and country. It also offers a "Warning List", identifying companies involved in the most critical controversies which, due to the frequency of allegations to which they are subject and/ or their weak level of responsiveness, require issuers to be more vigilant. The reference universe for Vigeo Eiris' controversy analysis is based on our exclusive Equitics© research. The Controversy Database is updated daily and involves correspondence with issuers.

### Energy Transition Strategy score

By taking into account the size, sector of activity and nature of its products and services, we assess a company's willingness and capacity to adopt a clear, documented and measurable transformation strategy regarding its behaviour, products and services; with the objective of reducing its carbon footprint and creating sustainable value based on low-carbon activities that are in line with international climate objectives such as the 2 degrees policy.

Each issuer receives an Energy Transition Strategy score resulting from the analysis of criteria defining its responsibilities regarding the fight against climate change. These criteria stem from an authoritative framework of international norms and standards and consider the best practices that make up our Equitics© framework: green products, energy, atmospheric emissions, transportation, use and disposal of products, and societal impacts of products & services. The reference universe is based on Vigeo Eiris' Equitics© research and is updated at the same time as Equitics©.

### Carbon Footprint

A company's carbon footprint is the total volume of Greenhouse Gas (GHG) emissions in tonnes of CO2 equivalent (Scope 1 + Scope 2) emitted by the issuer.

#### Emissions

- Scope 1 covers direct GHG emissions originating from sources that are owned or controlled by the issuer.
- Scope 2 covers indirect GHG emissions caused by the organisation's consumption of electricity, heat, cooling or steam purchased or brought into its reporting perimeter.
- Scope 3 covers other indirect emissions (not included in Scope 2) from the entire value chain, both upstream and downstream.

#### Data

The main source of GHG emissions data is the Carbon Disclosure Project (CDP) and Vigeo Eiris' own company research. When data is not available via these two processes, Vigeo Eiris estimates the Carbon Footprint of the company based on the size and the nature of the issuer's activities, using three main modeling processes: regression analysis, sector-specific factors and average sector emission ratios. The research on non-sovereign issuers is updated twice a year.

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