

ESG Reporting Readiness: Challenges and Opportunities

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Sustainability Progress in the US: 2010 to 2020

Greenhouse
Gas (GHG)
Emissions
decreased by
21%

2020 electricity
use was
20%
renewable
energy

90%
of S&P 500 Index
companies
publish
Sustainability
Reports

What is ESG?



A set of standards used to measure and evaluate a company's financial and non-financial environmental and social risks.

Why focus on ESG?



Managing ESG Risks can lead to:

Human systems and natural systems that together become more resilient and consistent with societal goals.

ESG: lens for familiar management aspects

Environmental

Natural Resources
(Water/Waste/Air/Ecological)

Climate Resilience,
Adaptation

Greenhouse Gas
Emissions, Energy

Social

Human Rights,
Community Relations

Customer Privacy,
Data Security

Health & Safety,
Product Quality,
Customer Welfare

Governance

Legal Compliance

Risk Management,
Business Resilience

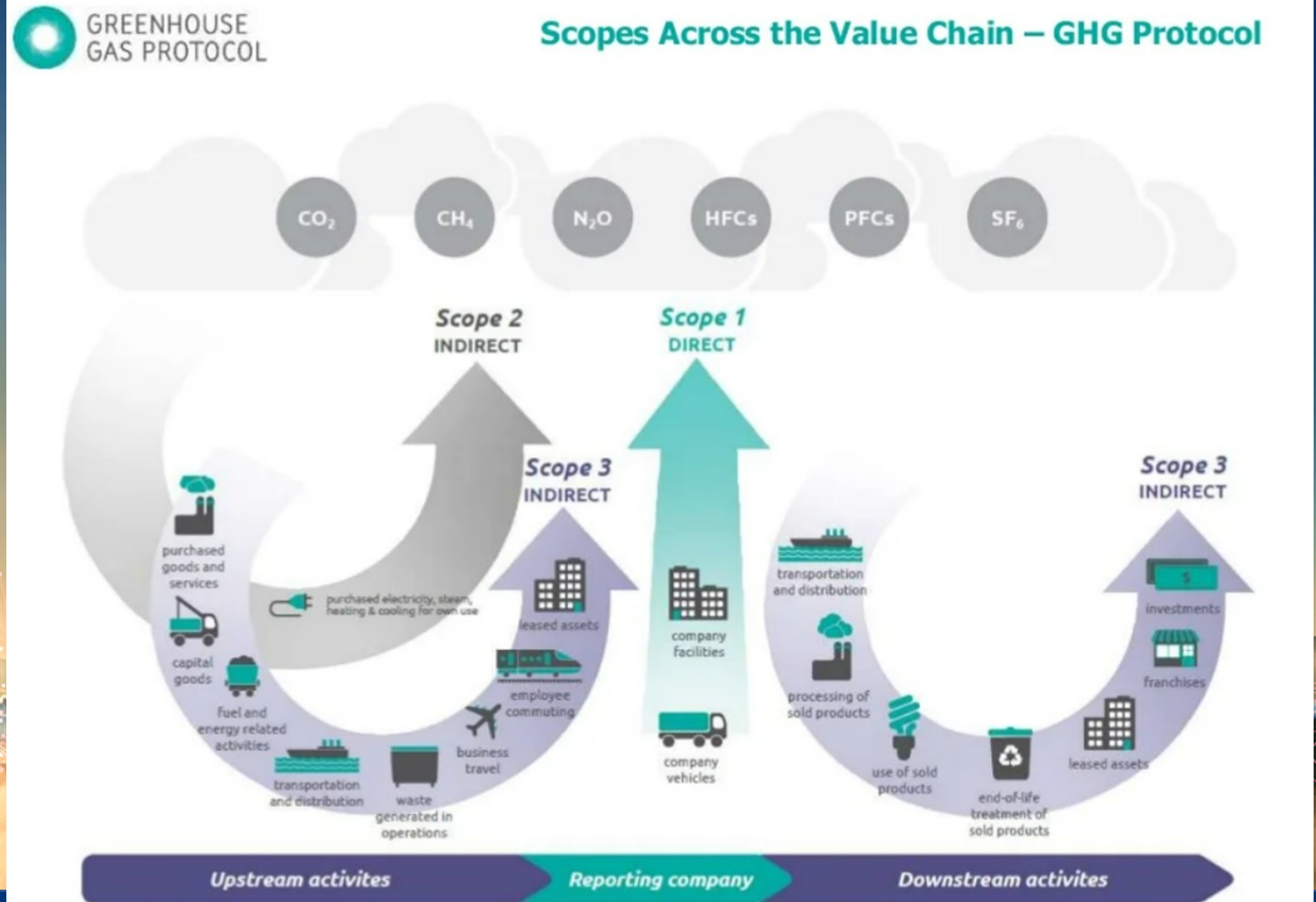
Business Ethics, Board
Diversity

Anti-Corruption
Policies

Environmental *FIRST* within ESG

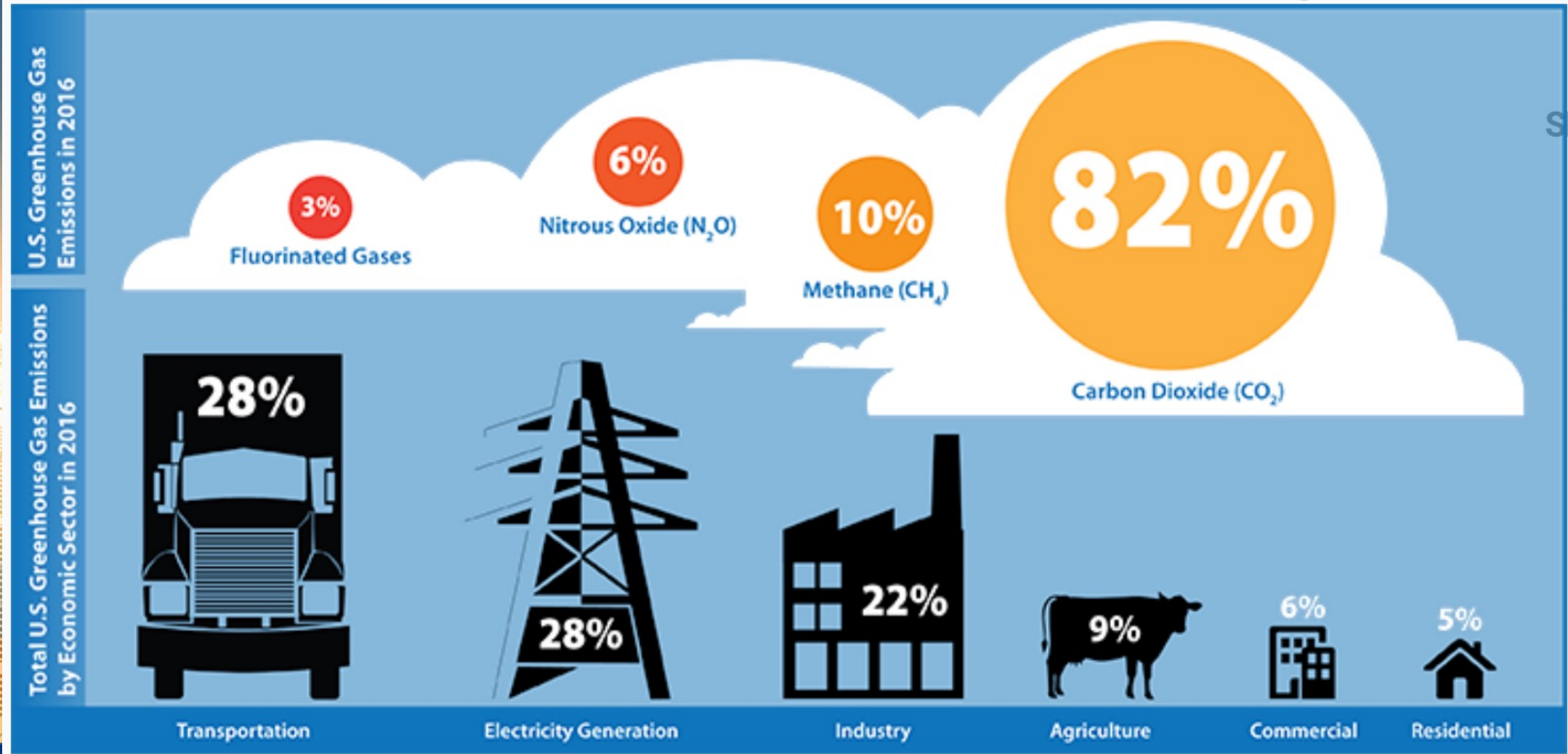
Carbon Footprint

- Baseline GHG emissions Inventory
- Direct emissions (Scope 1 GHG Protocol)
- Indirect emissions (Scope 2 and 3 per GHG protocol)
- Net Zero Goal, reduce impact



Environmental *FIRST* within ESG

Sources of GHG Emissions in the United States by Sector



Environmental *FIRST* within ESG

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Other Resource Conservation

- Water use and conservation
- Mineral extraction
- Waste reduction, Recycling
- Circular economy, Beneficial use of byproducts
- Environmentally responsible sourcing

Environmental Stewardship

- Environmental risk assessment of operations/expansion
- Prevent and mitigate spills & releases
- Compliance with environmental regulations
- Green building

S and G Ratings & Rankings Do Matter:

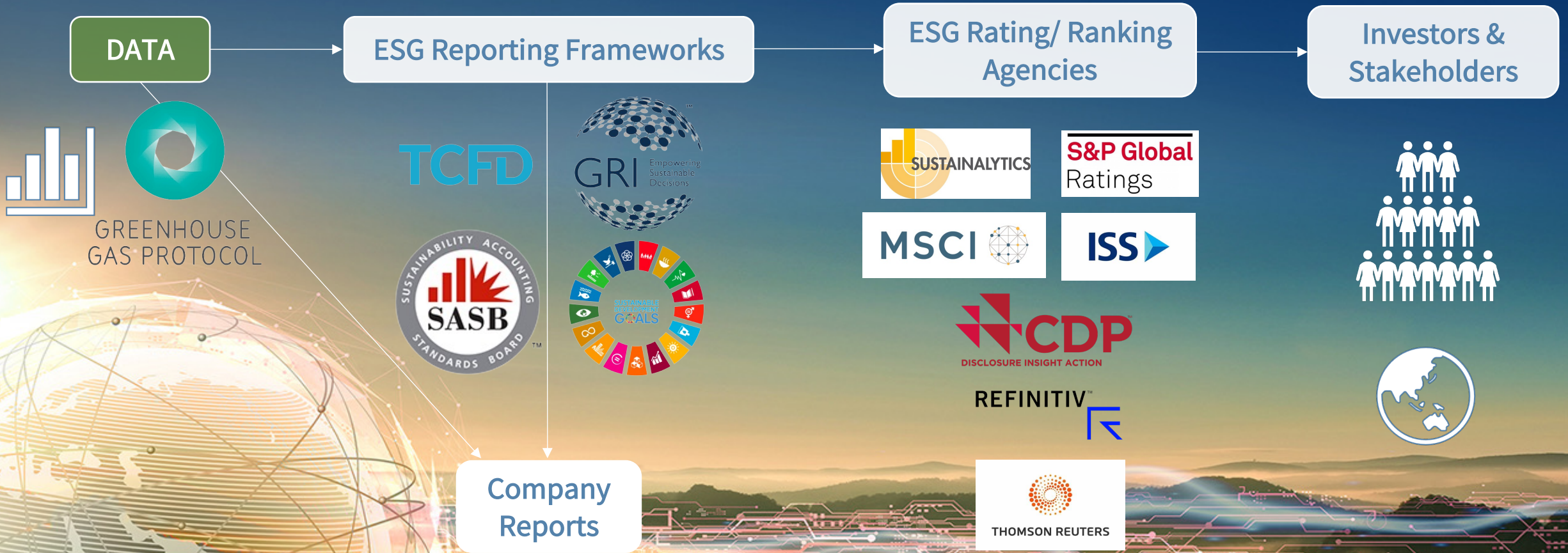
Social infractions can damage reputation & brand.

Proactive ESG helps maintain “social license” to operate.

Governance gaps can draw pressure from current investors.

Lagging G ratings can indicate systemic issues to future investors.

The ESG Reporting Ecosystem: time to streamline



Challenges & Opportunities in ESG Reporting

International Sustainability Standards Board will launch new & integrated standards for ESG reporting.

- Envisioned to be a global sustainability standard
- Can have SASB, GRI, CDP & TCFD connectivity
- May include dual materiality lens, yet will be first structured toward financial materiality and investors, then focused on materiality for other stakeholders

Streamlining disclosure



Challenges & Opportunities in ESG Reporting

Data collection systems

- Complex, integrated tools are needed for medium to large companies
- Functional tools provide opportunity to use data in real time decision-making
- Data and systems need to be quality-controlled and verifiable

Progress toward stated ESG goals

- Cascading ESG related goals from boardroom throughout ranks of a company is difficult
- Creating ESG program leadership and systems will have cultural transformation gains in addition to creating ease in reporting

Benefits of Proactive ESG Management



FINANCING + INVESTMENT

Third-party ESG risk ratings are often used as a screening mechanism



MITIGATE RISK

Well positioned to understand your risk and develop a long-term strategic approach



COMPLIANCE

Additional structure to drive regulatory compliance, to anticipate future regulations



ATTRACT + RETAIN TALENT

An ESG program can attract quality talent + increase motivation by instilling a sense of purpose



STREAMLINE OPERATIONS

A materiality assessment helps to uncover priority issues + areas for improvement



IMPROVE COMPARABILITY

Identify key differentiators to help company stand out among industry peers