

ESG Scenario Response

Determine what ESG means for BTSC

ESG can encompass so many things. Before BTSC embarks on any plan it should decide what ESG means for BTSC, its industry, its investors and its customers. We have developed a “Whole Business ESG Legal Healthcheck” app to help boards through this process and identify the Who (the Company is) What (they do in terms of products and services and how ESG rich they are) and How (green they are/they execute their work) methodology. This is a board-level decision, and the CEO, not a Vice President, should be the voice behind the program. In defining what ESG means for the company, the board should consider BTSC’s brand and mission, product offering, existing ESG governance and policies, ownership, compliance history and disclosure requirements.

The company’s goals must be authentic and reflect its business impacts. While satisfying compliance requirements should be a key part of the program, companies also need to consider consumer perception--the “crowdReg” factor. The two are not necessarily related. A company might have a world-class ESG program and be a mess in terms of compliance. On the other hand, legally compliant may not be good enough. The company’s goals should go beyond mere compliance and include things that will have a real impact on BTSC’s ESG health, but they should also keep an eye on their impacts and compliance.

Take Urgent Steps to Handle Hazardous Waste Issue

Investors and consumers are increasingly cynical of companies’ motives in adopting ESG plans to deflect attention from adverse impacts, and public attention to existing compliance issues can cause a plan to backfire. BTSC will want to take immediate and substantive action to address waste disposal issues. This will likely include retaining, through counsel, an environmental consulting firm to conduct an audit to allow BTSC to not only figure out the nature and extent of its issues, but also whether the company qualifies for penalty mitigation under EPA’s audit policy and/or state policies and laws.

Develop and Implement the Plan

Once the board has set goals, a team that brings together senior management (the VP being considered as Chief Sustainability Officer could be good in this role), legal, regulatory and government affairs. The group should develop tactical goals and implementation processes to flow the board’s goals through the entire organization and legal infrastructure. The objective here performance, not just compliance. The team will need to think beyond compliance provisions and policies and consider incentives and how to push objectives through the organization. Rather than simply adopting policies, it should think about how to push objective through monetary incentives and consequences for noncompliance.

This should include provisions in sales T&Cs and contracts throughout the supply chain) and might include compensation incentives and recruitment and HR policies, to name a few. In dealing with the above, the team will want to consider working with a consultant or advisors to map the requirements on ESG of the companies key stakeholders and ensure the commercial incentives and ESG incentives were balanced and aligned. Once the plan is developed, it needs to be communicated from the top, and that means the CEO. Rolling out a plan that is not authentic, does not have support from top management or is not consistent with the company's other actions is a risky proposition.



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