

# *Reuters Sustainability Scenario*

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**Below are three key things we recommend for BTSC's environmental, social and governance, or ESG, issues.**

## **1. Confirm Sustainability Leadership/Responsibilities.**

Management should establish a Sustainability Committee representing key areas of the company (*e.g.*, environmental, health and safety; legal; operations; human resources/diversity and inclusion; government relations; and investor relations). Companies should also consider gender and ethnic diversity when creating such committees, as issues of gender equality and racial justice permeate many of the matters that the committee will need to address. Sustainability programs require multidisciplinary communication horizontally across a company and vertically between management and employees to formulate and implement the appropriate strategy.

Having an official Sustainability Officer who also sits on the Sustainability Committee can help coordinate and drive the overall multidisciplinary approach and strategy, but it is important that the Sustainability Officer has the support of management and key constituencies in the company to be effective. The Sustainability Officer should have requisite experience and capacity to take on an extensive and multidisciplinary program, so this should be considered when determining whether the VP being considered is a proper fit for this role.

At the board level, we recommend one board committee be tasked with oversight of the overall sustainability strategy and, once identified, each material environmental, social and governance factor be assigned to relevant board committees.

## **2. Formulate an ESG Strategy by Assessing Reporting Frameworks and Material Topics.**

The Sustainability Committee would then oversee the process of formulating a clearly articulable ESG strategy tailored to fit the company's business objectives and overall ESG "story." BTSC's ESG "story" will demonstrate how it will maintain long-term resiliency and value in a constantly changing world. The committee should assess potentially applicable sustainability frameworks for telling this "story" including applicable SASB and GRI standards for BTSC's industry as well as the TCFD framework.

As a manufacturer of industrial equipment, BTSC must be mindful not only of its "story," but also of its customers' and potential customers' "stories." This is shaped not only by the segment of the market that they serve (*e.g.*, Are the customers organic farms? Do they manufacture parts for solar arrays?); but where their customers are located (*e.g.*, Are the customers in Europe? Blue states? Red states? All of the above?). Regardless of the answer to these questions, we suggest that BTSC embrace a "Highest Common Denominator" approach to its program – one designed to give comfort to the "toughest grader" in the "most regulated" jurisdiction in which it wishes to sell its products. As a baseline, we suggest tying its ESG program closely to the UN Sustainable Development Goals because these have gained wide-ranging acceptance as a foundation for the current voluntary and planned future regulatory-based programs.

As part of developing its strategy, the Sustainability Committee will need to complete a materiality assessment to identify topics that its ESG program should focus on in the near- and long-term. The materiality assessment would conduct peer benchmarking and examine other relevant stakeholders including vendors, suppliers, communities, employees and government entities. BTSC should look both upstream and downstream of its operations to determine the scope and considerations for its overall ESG program, including its upstream supply chain and transportation of its products as well as its downstream customer chain.

### **3. Embrace and Sustainably Address Past Hazardous Waste Issues**

BTSC must put the past behind it and resolve its outstanding compliance issues in a credible, thoughtful, and permanent way. At a minimum, BTSC should enter into a global settlement with meaningful injunctive relief applicable to all of its facilities and designed to prevent the recurrence of these violations. But BTSC should also explore ways to turn this “lesson learned” into a “redemption story” as part of its ESG program. Manufacturers have long led efforts at waste minimization. They have done this by applying new manufacturing techniques, advancing improvements in material sciences, and perfecting recycling programs – to name a few ways. Setting meaningful waste minimization goals and executing on those goals as part of the company’s ESG plan/metrics can be a powerful way to turn a compliance challenge into an ESG opportunity.