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Reuters Sustainability Scenario

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The most frequently asked question we get from companies is "where do we start with ESG"? BTSC should take the following three key steps as it starts to prioritize its ESG strategy.

Begin by establishing a management and oversight framework that supports successful management of ESG risks and opportunities. Tasking a senior officer of BTSC with responsibility for managing ESG matters is a good start and an important part of a successful ESG strategy. However, it is only one component of effective ESG governance.

The BTSC board should be involved on an ongoing basis, exercising oversight over ESG matters consistent with its fiduciary duties, at the full board or the committee level. Institutional investors also expect boards to be actively engaged on and knowledgeable about relevant ESG factors.

Senior-most management also should be actively involved in the ESG strategy, setting the tone from the top and ensuring appropriate allocation of resources. Additionally, all relevant functions within BTSC should be part of the program. For BTSC, at a minimum this includes procurement/supply chain, legal/compliance, facilities management/facility level personnel, human resources, investor relations and the sales and service functions. An effective approach we typically recommend is a steering committee that meets regularly. We also often recommend a committee charter to bring focus to the committee's role and responsibilities.

Next, step back and holistically assess ESG risks and opportunities. There are some clear areas of focus for BTSC's program. Given BTSC's legal issues resulting from improper storage and disposal of used batteries, environmental compliance is one such area. Since BTSC has a multi-faceted and international supply chain, supply chain also should be a focus. Typical areas of focus in the supply chain are labor practices and environmental sustainability.

But, it's easy to get bogged down on the issues that demand immediate attention and lose sight of the bigger picture, as well as a principal purpose of "ESG," which is to serve as a framework or additional lens for more effectively identifying and managing risk and opportunity – from the near- to long-term – that can impact financial performance.

While starting to address issues that require immediate attention (such as hazardous waste legal issues), BTSC also should more comprehensively assess the ESG factors that are import to its business. Many companies do a materiality or priority assessment that takes into account the significance of particular ESG factors to both the company and its stakeholders, which includes its shareholders, customers, employees and suppliers and the communities in which it operates. Although a materiality or priority assessment may sound like a significant undertaking, it does not need to be and can be completed relatively quickly.

The materiality or priority assessment will inform BTSC's ESG strategy. For BTSC, a likely area of focus will be environmental sustainability, beyond just mere legal compliance. Within environmental sustainability, areas of focus for many companies similar to BTSC, and their customers and investors, include reducing energy usage, greenhouse gas emissions, use of hazardous materials and waste.

Another important area of focus for many similar companies and their stakeholders is human capital, in particular diversity, equity and inclusion, but also health and safety, employee attraction, retention and satisfaction and labor-management relations. A materiality or priority assessment will bring clarity to the relative importance of these and other ESG factors.

Develop a work plan. The materiality or priority assessment will inform BTSC's ESG priorities and goals. It also will be a framework for cataloguing work BTSC already is doing in the priority areas.

Based on the materiality or priority assessment and BTSC's existing initiatives, it should develop an initial work plan that includes short, medium and longer-term action items in furtherance of its ESG goals. Where items sit in the work plan should be a function of both their importance and ease or difficulty of execution. For example, adopting a supply chain or environmental sustainability policy is relatively easy and often a nearer term action item (current year). Reporting on Scope 3 greenhouse gas emissions often is more difficult and a longer-term action item (three to five years). The goal of achieving net zero emissions is typically even more difficult and involves many longer-term action items over a multi-decade period.

Since BTSC is getting questions from investors and customers about how sustainable it is, an important component of the work plan will be disclosure. Since different stakeholder constituencies access information differently, BTSC should think holistically about ESG disclosure across all media, including its website, SEC reporting, customer- and employee-focused communications and ultimately an ESG or sustainability report. As part of this, it will need to consider which frameworks and standards to report against. Companies that are in the early stages of ESG reporting typically roll out their disclosures over time, since it takes time to build out data collection capabilities and collect, validate and interpret data. BTSC's work plan should take all of these considerations into account.

As part of developing its disclosure strategy, BTSC should consider benchmarking peer and competitor ESG disclosures, keeping in mind that ESG disclosure is not static. Investor demands for consistent, comparable information are increasing. The SEC also is likely to propose new climate-related disclosure rules later this year that are expected to require specific quantitative disclosures. Increasing disclosure requirements in other jurisdictions also are influencing expectations with respect to such disclosures in the United States.

Disclosure is an early focus of many public company programs since investors and other stakeholders start by clamoring for more information on ESG matters. Ultimately, though, what will matter for both BTSC and its stakeholders is how BTSC addresses ESG risks and opportunities.

BTSC's action plan should therefore also address enhancements to policies, procedures, systems and business practices and processes that enable it to mitigate ESG risks and capitalize on ESG opportunities. BTSC's action plan will undoubtedly continue to evolve as new ESG risks and opportunities emerge and stakeholder expectations continue to evolve. However, a thoughtful action plan will well-position BTSC to effectively and efficiently meet these challenges.