



Enabling our clients to make sustainable decisions



Introduction to Environment within ESG

The "Environment" aspect of ESG (Environmental, Social, and Governance) refers to a company's stewardship of the planet. This includes how it manages its environmental impact through conservation practices, pollution mitigation, and sustainable resource management. Environmental criteria are essential for evaluating how a company interacts with the environment, manages its resources, and adheres to regulations aimed at reducing its ecological footprint.

Key Aspects of Environment in ESG

Environmental factors commonly evaluated in ESG assessments include:

Climate change: Initiatives to reduce greenhouse gas emissions, enhance energy efficiency, and support renewable energy use.

Resource depletion: Management of natural resources to prevent depletion, including water use and forestry practices.

Waste management: Effective disposal and reduction of waste, as well as recycling efforts.
Pollution: Measures to reduce emissions and contaminants, including air and water pollution controls.
Biodiversity: Efforts to protect and restore biodiversity within the company's sphere of influence.

Environment and ESG Regulations

Various regulatory frameworks and standards guide and enforce corporate environmental responsibility:

Science Based Targets initiative (SBTi): The SBTi encourages companies to set science-based emissions reduction targets to meet the goals of the Paris Agreement, aiming to limit global warming to well below 2°C above pre-industrial levels.

Greenhouse Gas Protocol (GHG Protocol): This provides standards and tools that help businesses measure, manage, and report their greenhouse gas emissions, forming the basis for nearly every GHG standard and program in the world.

Global Reporting Initiative (GRI): GRI's standards offer guidelines for reporting on a range of environmental issues such as emissions, energy use, and the impacts on biodiversity, enabling companies to measure and communicate their environmental performance effectively.

Task Force on Climate-related Financial Disclosures (TCFD): TCFD provides recommendations for more effective climate-related disclosures that can promote more informed investment, credit, and insurance underwriting decisions, particularly focusing on risks and opportunities related to climate change.

Sustainability Accounting Standards Board (SASB): SASB identifies and reports on financially material environmental issues across different industries, such as energy management, water and wastewater management, and ecological impacts.

Corporate Sustainability Reporting Directive (CSRD): The CSRD mandates more robust and detailed reporting requirements for EU companies, including comprehensive disclosure of environmental impacts and actions.

Case Studies in Environmental ESG

Case Study 1: Global Beverage Company Water Stewardship A leading global beverage company faced scrutiny over high water usage in drought-prone areas. In response, it implemented advanced water-efficiency practices and partnered with local communities to enhance watershed management, guided by GRI and SASB standards. The company committed to replenishing 100% of the water used in its beverages and production, demonstrating significant progress in its SBTi-aligned water reduction targets.

Case Study 2: Energy Sector's Transition to Renewables A major oil and gas company embarked on a strategic shift towards renewable energy sources, driven by TCFD recommendations to

align its business operations with climate change mitigation strategies. By investing in solar and wind energy projects, the company aims to reduce its carbon footprint and contribute to global GHG reduction efforts. This shift not only helps in complying with CSRD but also positions the company favourably among environmentally conscious investors.

Using Data to Enhance Environmental Practices

Environmental performance data, such as carbon footprint, water usage, and waste generated, are critical for tracking and improving environmental impact. Accurate data collection and reporting enable companies to set benchmarks, monitor progress against environmental goals, and report transparently to stakeholders in compliance with environmental regulations and standards.

Conclusion

Environmental responsibility is a cornerstone of sustainable business practices. Companies that proactively manage their environmental impact can mitigate risks, capitalise on new opportunities, and maintain their license to operate by aligning with global sustainability goals. Effective environmental governance, supported by rigorous adherence to international standards and regulatory frameworks, ensures that businesses contribute positively to the planet while driving innovation and securing competitive advantage in a green economy. The case studies illustrate how tangible and strategic initiatives in environmental management can lead to robust, sustainable business models.