



ESG EVOLUTION:

Capitalizing on Compliance and Environmental Management Systems to Build Robust Sustainability and ESG Programs

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Panel



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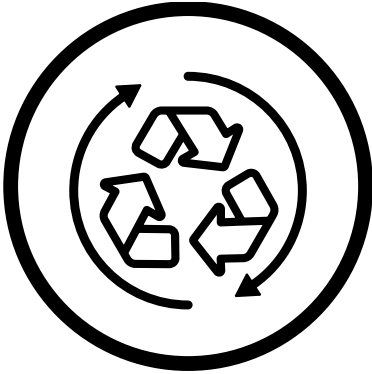
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Sustainability and ESG: What's the Relationship?



Sustainability

Meeting our current needs without compromising the ability of future generations to meet their needs



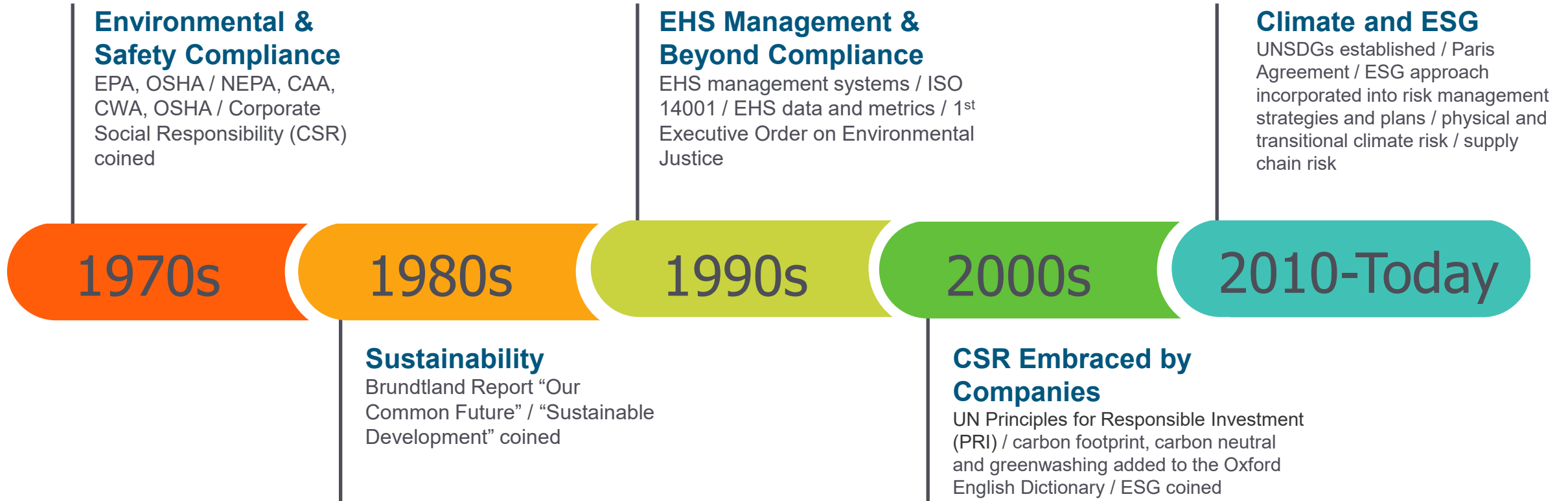
Environment, Social, Governance (ESG)

The programs, practices and factors used to evaluate sustainability practices, identify risks, and provide performance data

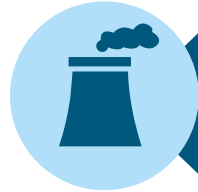


ESG metrics enable organizations to measure their impacts on sustainability

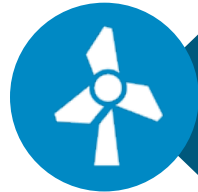
How Did We Get Here?



The “E” in ESG – Environmental



Climate change and greenhouse gas (GHG) emissions (carbon and methane) of operations and of the supply chain



Energy efficiency using sustainable practices (renewables, battery storage and electric vehicles (EVs))



Life Cycle analysis – addressing upstream and downstream impacts – product stewardship



Waste reduction, recycle and reuse

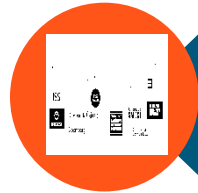


Reduce water usage, materials usage and conserve resources – support biodiversity

The 'S' in ESG – Social Factors



Human rights (e.g. in the supply chain)



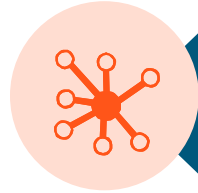
Social sustainability goals (SDGs)
(no poverty, zero hunger, good education and gender equality)



Working conditions (including modern slavery, child forced labor, psychological safety and discrimination policies)



Employee relations and Diversity, Equity & Inclusion (DEI)



Local, minority and indigenous communities

The “G” in ESG – Governance



Workplace policies
(anti-bribery and corruption and anti-money laundering policies)



Board diversity, size, structure, independence, quality & experience



Shareholders' rights



Executive and director pay



Political lobbying and donations

UN Sustainable Development Goals (SDGs)



Adopted in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity.

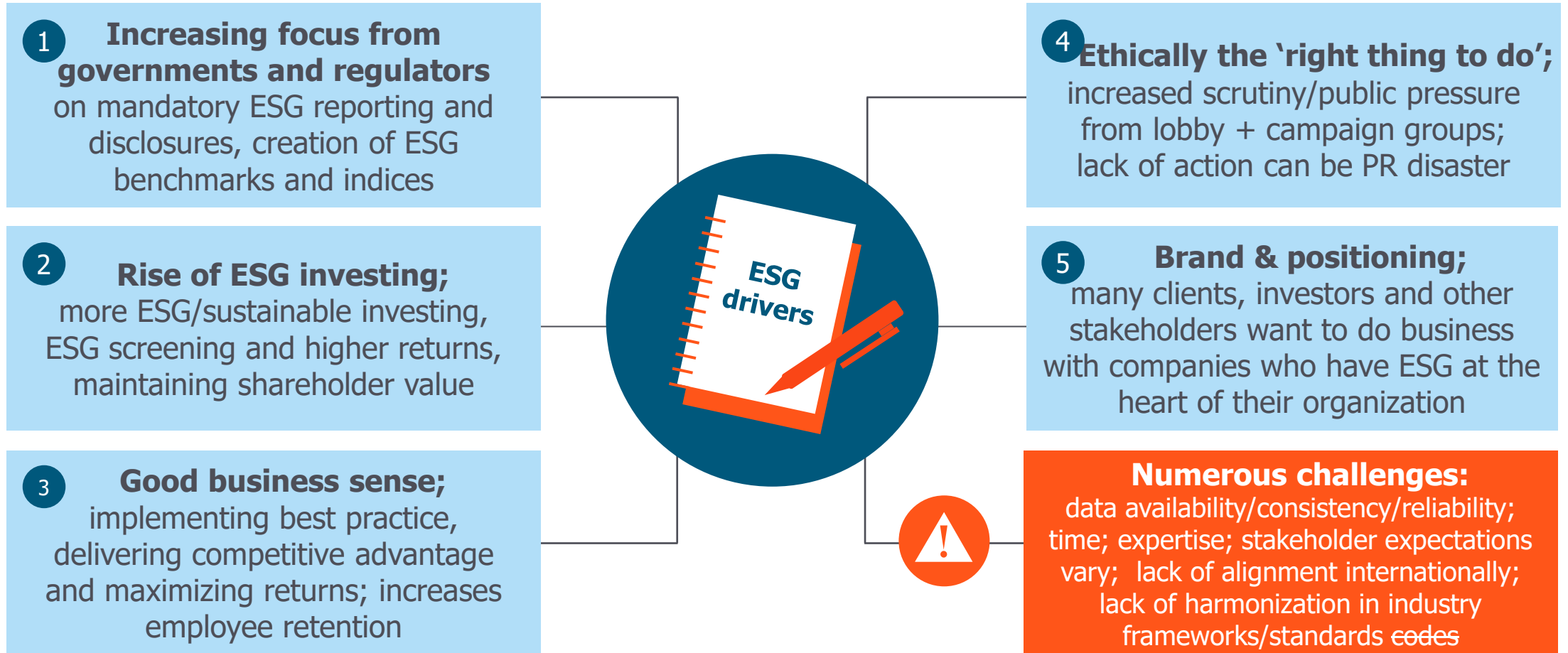
ESG Ecosystem Map



Who's Who in ESG Reporting:

- Framework Developers
- Standard Setters
- Assurers
- Data Providers: Market
- Data Providers: ESG-Exclusive
- Data Providers: Specialized
- Voting and Engagement Services
- Broader Coalitions and Initiatives
- Investor Coalitions and Initiatives

Why ESG Matters



Stakeholders and Their Expectations



Meeting the ESG Stakeholder Challenge

Questions to consider



Who is your audience?



Which metrics to use?



What targets to set?



Demonstrating progress toward targets



How do you address ESG "cost" + ROI?

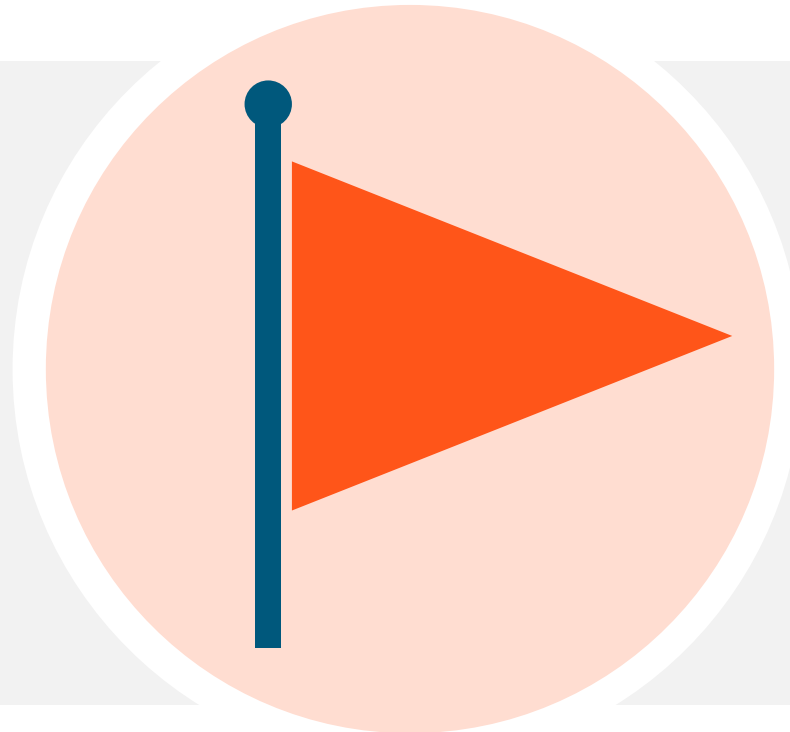


Who owns setting and achieving goals /reporting?

When Green Claims Can Raise a Red Flag



- Unsubstantiated or under-substantiated ESG claims OR
- Claims that arguably over-state/misrepresent a company's ESG credentials can present litigation concerns



- Third party certification may not be a defense.,
- No lofty goals without a credible path to getting there even if decades away.
- Representations that are not backed by diligence that can be cited to support the claims can potentially be actionable.

Common Causes of Action

- ▶ State consumer protection, unfair competition/deceptive trade practices and false advertising statutes
- ▶ Contract, warranty and unjust enrichment claims
- ▶ Fraud/misrepresentation claims
- ▶ Shareholder derivative suits
- ▶ Actions by competitors or consumer protection groups through third-party regulatory organizations (e.g., BBB's National Advertising Division)

Existing Programs Can Support ESG Programs

Compliance

- Environmental permits, regs, recordkeeping, reporting
- Air emissions management
- Water quality management
- Employee and contractor safety
- Health and safety regs, recordkeeping, reporting
- Audit programs
- Human rights policies
- Government contract requirements

Risk Management

- Physical and transition climate risk identification and management
- Materiality
- Stakeholder requirements: investors, lenders, insurers, customers, clients, communities, employees, regulators, policy makers
- Cyber security
- Supply chain, purchasing processes
- SEC rulemakings
- Hiring practices, employee benefits, diversity

International Standards

- ISO 9001 Quality Management System (QMS)
- ISO 14001 Environmental Management Systems (EMS)
- ISO 14005 EMS for small and medium-sized enterprises
- ISO 45001 Occupational Health and Safety Management System (OHSMS)
- ISO 50001 Energy Management standard

Building an ESG Program



Actionable Steps Companies Can Take

- ▶ ESG is not a silo: involve entire organization
- ▶ Engage in adding value for stakeholders
- ▶ Know where your competitors are aiming & know how you're perceived
- ▶ Create short-term initiatives that incrementally drive long-term performance
- ▶ Understand and capitalize on the value of existing data and programs
- ▶ Substantiate claims with measurable, reliable data that pertains specifically to the claim you are making (or rather, the claim relevant stakeholders *think* you are making)
- ▶ No "set it and forget it"

ESG Glossary

- **CCS:** Carbon Capture and Storage
- **DEI:** Diversity, Equity & Inclusion
- **ESG:** Environmental, Social, Governance
- **GHG Protocol Standard:** Corporate carbon accounting and emissions reporting for Greenhouse Gas Emissions
- **GRI:** Global Reporting Initiative
- **ISSB:** International Sustainability Standards Board
- **Net Zero:** Greenhouse gas emissions are at 0% (usually stated as a goal attained by a certain year).
- **SASB:** Sustainability Accounting Standards Board
- **UNSDGs:** United Nations Sustainable Development Goals
- **TCFD:** Task Force on Climate-Related Financial Disclosures
- **UN Global Compact:** United Nations Global Compact

GHGs: Greenhouse Gas Emissions

Scope 1: Direct emissions from sources owned or controlled by a company

- Buildings, vehicles, and equipment (e.g., boilers)
- Accidental or fugitive emissions from chemical leaks and spills
- Used emissions

Scope 2: Indirect emissions, usually from utilities

- Electricity, steam, heat, and cooling processes in buildings and production.
- Purchased emissions

Scope 3: All other emissions associated with a company's activities

- Business travel
- Employee commuting
- Waste generated in operations (e.g., waste disposal)
- Transportation and distribution tied to suppliers and customers
- Capital goods, investments, and franchises
- Leased assets
- Catch-all or other emissions

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