Environment, Social, Governance (ESG): From the Ground Up

Executive Summary

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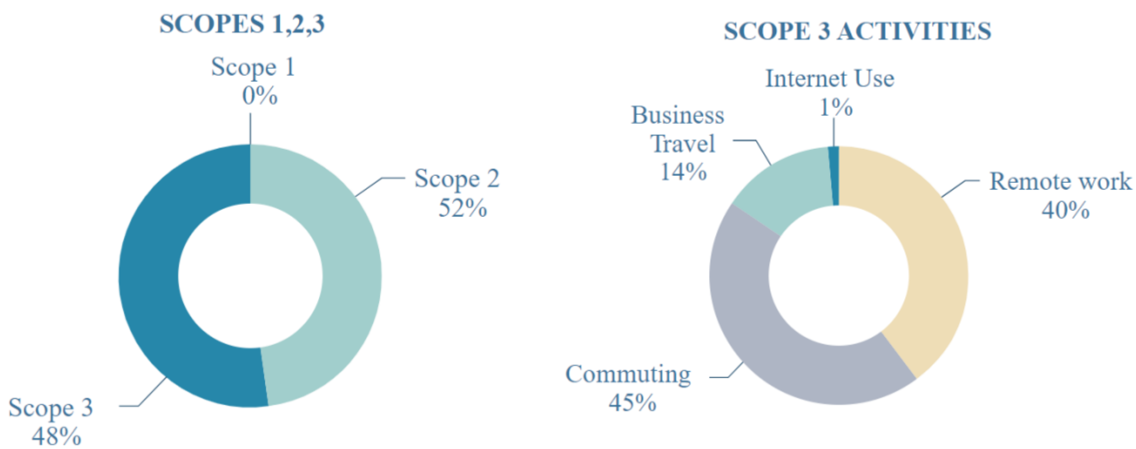
In response to mounting concerns over environmental degradation, ongoing human rights challenges, and the need for greater corporate transparency, the call for businesses to account for their impact on the planet, communities, and to disclose their business practices has given rise to the concept of Environmental, Social, and Governance (ESG). By approaching business operations through the lens of ESG, companies and their stakeholders can assess the sustainability and ethical impact of their performance by considering factors related to the environment (such as greenhouse gas emissions and natural resource management), social aspects (including human rights, labor practices, and community engagement), and governance (such as corporate ethics, board structure, and transparency). Thus, ESG provides a comprehensive framework for evaluating a company's performance and impacts beyond financial metrics, by also evaluating its contributions to the planet, people, and its overall business integrity.

The ESG landscape has gained significant attention in the business and financial sectors but is primarily adopted by larger organizations with the means to establish and implement ESG programs. Smaller businesses often face resource limitations, making it challenging to fulfil the necessary requirements of conducting research, materiality assessments, data collection and analysis, and reporting efforts necessary for executing effective ESG programs. Additionally, small firms may lack the same level of visibility and accountability as larger companies, which may pose difficulties in attracting investors who prioritize ESG performance. As businesses face increased pressure to adopt sustainable practices and to provide transparency in their operations, the absence of standardized and universal guidance for development of an ESG program remains an obstacle that many small businesses are challenged to overcome. However, the research presented in this report provides a roadmap to developing a comprehensive ESG program from the ground up for small businesses with interest in demonstrating their commitment to sustainable and responsible business practices.

This project was completed for The Intelligence Group, which is a small, specialized consulting firm that focuses on navigating complex environmental issues related to contaminated sites. The company was founded in 1999 in Bedminster, New Jersey as a private, multi-disciplined business investigations and intelligence firm that provides expert consulting, environmental forensics and remedial services, liability investigations and allocation, data visualization, and contaminated sediment management. As part of its dedication to sustainable business practices, The Intelligence Group has implemented the ESG program established through this research to evaluate and measure the company's environmental and social impacts and publish an annual online ESG report. This program resulted in the baseline ESG report for which all subsequent years will be compared and reflects the company's commitment to transparency and responsible operations, ensuring a positive contribution to both people and the planet.

Extensive research was conducted to first understand important ESG considerations including the global regulatory landscape, the many standards and frameworks published by ESG authorities including the TCFD, GRI, CDP, and others, concepts such as materiality, Scope 1, 2, and 3 emissions, and the diversity of metrics for disclosure under the Environmental, Social, and Governance pillars across several industries.

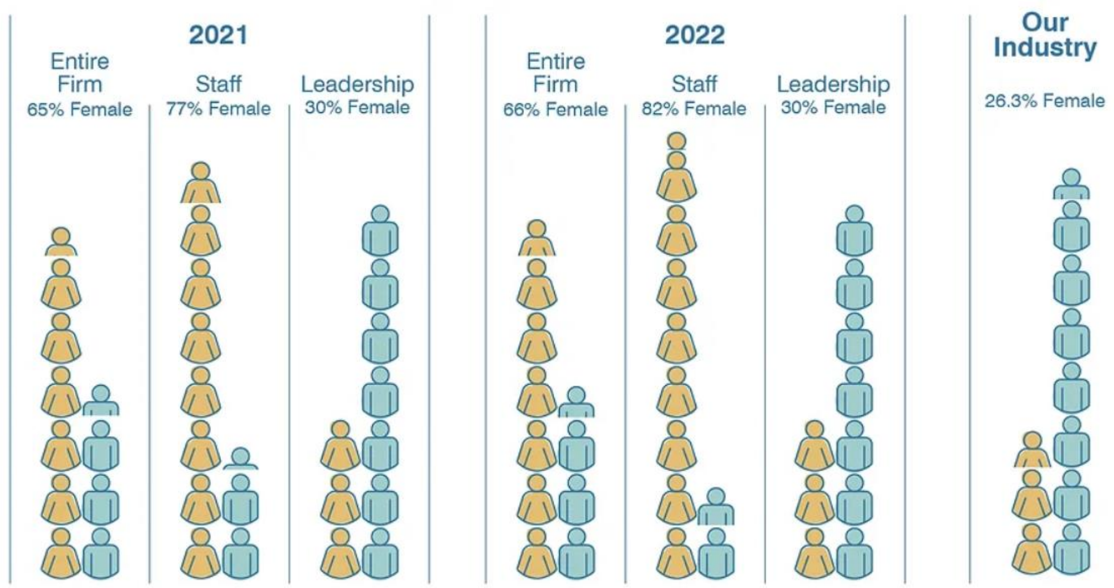


After gaining an understanding of ESG overall, an informal materiality assessment was conducted to identify the most significant ESG risks and opportunities relevant to business operations at The Intelligence Group. The most important environmental factor identified for disclosure was the company’s carbon footprint from activities such as powering leased facilities, from employees working from home, from employee commuting and business travel activities, and from using the internet. Diversity, equity, and inclusion metrics were evaluated and disclosed under the Social pillar of ESG, as well as information related to the company's health and safety program, and community engagement through volunteering. The organizational structure of the ESG program and overall company culture were determined to be the most significant Governance topics for disclosure.

Data for evaluation was collected through several sources, including voluntary questionnaires that were completed by employees related to their work from home and commuting habits, as well as the power source for home offices. Cable and utility companies provided volumes of electricity and data required to calculate emissions from powering leased offices and use of the internet, and the administration department of The Intelligence Group extracted necessary information related to business travel and personal employee information.

Data was analyzed according to methods published by the United States Environmental Protection Agency (EPA), Anthesis Group, supported by the International Energy Association (IEA), the World Resources Institute (WRI), and the Journal of Industrial Ecology. All data was maintained in an Excel-based workbook, and calculations were performed in either the workbook or in a modified version of the EPA's simplified calculator for greenhouse gas emissions, available online at their website.

The results of the greenhouse gas inventory showed that carbon footprint of The Intelligence Group was approximately 66 metric tons of carbon dioxide equivalent (CO_2e) from business activities in the year 2021. Evaluation of the social metrics considered material to the business showed that 65% of the workforce was female, and that 30% of leadership roles were held by women.



The resulting annual report also disclosed health and safety program metrics including 13 staff members that were 40-hour HAZWOPER certified, 11 staff were CPR certified, nine staff were enrolled in medical monitoring, and there were zero health and safety incidents for the year. The governance portion of the report disclosed the organizational structure of the ESG program, which includes the CEO of the company, an ESG practice area lead, and an ESG coordinator, and details related to company culture and data privacy practices.

Despite potential challenges for small businesses, it’s critical to recognize the benefits of implementing an ESG program that facilitates identification of potential environmental risks and opportunities that could influence the company’s overall viability in an environment that increasingly emphasizes accountability. Additionally, it plays a critical role in attracting a positive and engaged workforce, which, in turn, contributes to improved financial performance.

Sample references

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