

2024 SOCMA ESG Workshop

April 8-9, 2024

Global Regulatory Overview

[Environmental, Social & Governance \(ESG\)](#) criteria have gained significant traction among investors, corporations, and policymakers worldwide. Several key regulatory developments have occurred, shaping the landscape of Environmental, Social & Governance (ESG) compliance. Following are some key updates:

- a. Corporate Sustainability Reporting Directives (CSRD) Reporting
 - As of 5 January 2023, companies subject to Corporate Sustainability Reporting Directives (CSRD) will have to report according to ESRS.
 - All large companies, including listed Small-Medium Enterprise (SMEs), will now be required to report on sustainability
- b. Securities & Exchange Commission (SEC) Climate Rule Proposal.
 - Rule being litigated, voluntarily withdrawn pending court decision
- c. Materiality Assessment
 - Companies are required to conduct a materiality assessment to determine which sustainability issues relevant to business and disclose information accordingly
- d. Digital Reporting
 - Corporate Sustainability Reporting Directives (CSRD) encourages or mandates the use of structured formats for sustainability reporting.
 - Inline XBRL is one of the digital reporting formats recommended by Corporate Sustainability Reporting Directives (CSRD) for financial and non-financial reporting
- e. Third Party Assurance
 - Companies are encouraged to obtain third-party assurance on their sustainability reports to enhance the credibility and reliability of the disclosed information.
- f. Enforcement Mechanism
 - Corporate Sustainability Reporting Directives (CSRD) empowers national authorities within the European Union (EU) member states to impose penalties on companies that fail to comply reporting obligations.
 - National authorities are responsible for overseeing compliance with Corporate Sustainability Reporting Directives (CSRD) within their jurisdiction.

EcoVadis Focus Areas – Panel Discussion

Specialty and batch chemical companies are investing in sustainability and utilizing EcoVadis to benchmark their sustainability efforts. Identifying focus areas involves understanding the key elements of sustainability that EcoVadis assesses and analyzing the results of your company's evaluation.

Here are some tips and tricks and key takeaways from the panel discussion:

- 1. *How to prioritize which area to focus your company effort and get the most score credit?***
 - [Familiarize yourself with EcoVadis' assessment methodology](#). Understand the criteria and indicators they use to evaluate sustainability performance. This understanding will help you interpret your score effectively.
 - Pay close attention to the feedback provided by EcoVadis along with your score. [Request for your raw score through EcoVadis Help Center](#). Know your company specific weights for the four pillars and how your score was rounded. This will help you understand the areas where you scored well and where improvements are needed to develop targeted action.
- 2. *How to keep up with the ever-changing landscape of EcoVadis?***
 - Signing up for EcoVadis newsletters. Use other certification bodies (i.e. new WME, Carbon Disclosure Project (CDP), CSRD, International Sustainability and Carbon Certification (ISCC), etc) to make educated guesses on what new questions might come.
- 3. *Which pillars of EcoVadis assessment is the most challenging? (Environment, Labor & Human Rights, Ethics, Sustainability Procurement)***
 - Sustainable procurement is something that cannot easily control and tends to be the most challenging part of the assessment but may not weighted heavily for chemical industry compared to other pillars.
 - 360 Watch can be challenging especially for companies with multiple facilities. Any minor and rare findings at sites can pose a significant impact to the overall company score considering findings can stay for 5-10years.
- 4. *How to assess and bridge gaps from your sites current activities to achieve alignment with EcoVadis program expectations?***
 - Review your assessment and score details. [Pay special attention to answers that are rejected](#). Start with high priority items in the heavily weighted categories. Try to use one improvement to accomplish multiple goals. (i.e supplier code of conduct)
 - Make sure you don't end up with too many documents as EcoVadis has doc limit and utilize tools like Corporate Social Responsibility (CSR) to house information.
 - Since EcoVadis is a Europe-focused questionnaire, your facility can appeal some US-centered answers that scored lower and get more credit for them.
 - Start your assessment early and extend it for maximum permissible time to give your company a chance to see what gaps can be filled before final submission.

5. *How to address expectations that are not aligned with your business? Expectations that are too general to the chemical industry and are not representative of specialty batch chemical manufacturing?*
 - Most companies who has been successful in EcoVadis application are not using Industry specific risk profile but rather focus on score details and corrective action plan.
 - For business short term goals, use generic tools to try and satisfy questions like EPA's Scope 3 Greenhouse Gas (GHG) Estimator.
 - For company with multiple facilities and divisions, application can be wrapped into one assessment and have a single score that can apply to the entire company.
6. *Scoring is initially based on recognition of requirements and the setting of policies/SOPs. How to approach setting action plans, targets and KPIs especially in the Environmental and Employee H&S areas?*
 - Most KPIs required by EcoVadis are already being tracked by facilities, it's a matter of compiling data and setting small achievable targets.
 - KPIs does not really impact scores, its mostly a check box to fulfill.
7. Other tips and tricks
 - For those that are hesitating to make the steps in applying and are intimidated with the extensive process, just go through the application process with whatever existing information you have. This will give you a baseline on what strategy to take.
 - You do not have to make score publicly available on the first try.
 - Take your assessment and identify gaps and pain points and start making immediate improvements.
 - You can recertify more frequently than once per year.
 - Reach out to EcoVadis Help Center they are very helpful and willing to provide more details that you ask.

ToolBox Talks: Overcoming Challenges in Sustainability

1. [Cambrex's Scope 1 + Scope 2 Emission Reduction Strategy](#)
 - Emission Reduction through sourcing renewable energy: Wind, Hydro, Renewable Energy Credits and Nuclear
 - Reducing Scope 2 through sourcing renewable electric energy required little to no cost.
 - Future Scope 1 reduction require capital cost thru installation of electric boilers, purchase of Green Natural Gas (GNG) and upgrading steam production system.

2. [Monument Chemical's Journey to Sustainable Procurement](#)

- Monuments first EcoVadis submission opened up gaps in their sustainability procurement as they were rated below industry standard
- Worked with consultant ClimeCo and started closing gaps:
 - Start documenting initiatives.
 - Publicize all efforts made by company.
 - Conduct supplier risk analysis.
 - Audit and conduct supplier training

3. [Chem Org's Reclamation Strategy](#)

- Most chemical facility have one or more chemical streams which can make good candidates for recovery. Examples are: Heat transfer fluids, off-sepc product glycols amines, lubricating oils, catalyst, etc.

4. Takeaways

- Major driver for sustainability initiatives were from customer requirement.
- Badge level or EV score does not weight heavily for customer as long as they have the EcoVadis certification

Maximizing Supply Chain Ethics

Maximizing supply chain ethics in the specialty chemical industry involves implementing strategies that prioritize environmental sustainability, worker safety, human rights, and ethical business practices.

1. Develop a clear and comprehensive [supplier code of conduct](#) that outlines expectations regarding ethical conduct.
2. Conduct assessments of potential and existing suppliers to evaluate their ethical and sustainability performance. Also conduct regular audits of supplier to verify compliance.
3. Foster collaboration with suppliers, industry peers, NGOs and other stakeholders. Also collaborate internally with different department at your company to align supply chain objectives.
4. [2024 Supply Chain Issues Slido Poll Result](#)
5. Several resources available from SOCMA
 - Customizable Supplier Code of Conduct
 - [Sustainability Policies and Reports From other Companies](#)

Navigating Scope 2 and Green Energy Transition

1. Scope 2 emission factors are used to calculate greenhouse gas emissions resulting from the consumption of purchased electricity, heat, or steam.
2. Location-based vs Market-based Reporting
 - Location-based reporting uses grid average emission factors, while market-based reporting allows facility to use emission factors based on their specific purchasing decisions, such as buying renewable energy (RECs)
3. Most common challenges in regulatory reporting and compliance:
 - Constantly shifting targets
 - New European Union (EU) regulations and expanding expectations.
 - Similar competing requirements creates feeling of repetition with reporting and submittals.
4. With all the challenges faced by facilities and the various options to improve operations, it can be daunting to try and figure out where to start on your journey. The key is to have a plan. Especially if your staff is limited in size, resources, and funding – one way is to break it into steps with a phased approach over several years using a master automation plan so you can start small and scale.
5. [Workshop Activity: Scope 2 Emissions Reduction Strategy](#)
6. [Guide to Calculating Scope 2 Emissions](#)

Other Resources

1. Other ESG Platform/Alternatives to EcoVadis that were mentioned during the workshop:
 - [Sphera](#) – ESG performance and risk management software and consulting
 - [SupplyShift](#)
 - [AuditBoard](#)
 - [Velocity EHS](#) – All in one ESG and ESH platform
 - [EnableOn](#) – EHS and ESG management solution
 - [SafetyMojo](#) – AI driven safety management software
2. SOCMA Resources
 - [EcoVadis 101](#)
 - [Greenhouse Gas Emissions Inventory](#)
 - [Global Reporting Initiative \(GRI\) Index](#)

- [Customizable Individual Policies](#)
 - Anti-Corruption Policy
 - Conflict Minerals Policy
 - ESG Policy
 - External Privacy Policy
 - Hazardous Waste Policy
 - Health & Safety Policy
 - Human Rights Policy
 - Internal Privacy Policy
 - Non-Discrimination Policy
 - Supplier Code of Conduct
 - Waster, Recycling and Circularity
 - Water Stewardship
 - Whistleblower Policy

- [Some Member Company ESG Policies and Statements](#)
- [Best Practice in Crisis Communication](#)
- [Emergency Preparedness and Response](#)
- [Understanding the Associated Risk in Material Transfer and How to Mitigate Them](#)

3. [2024 ESG WORKSHOP SLIDE DECK](#)